

**CITY OF EL CAMPO, TEXAS**  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
*For the fiscal year ended September 30, 2013*

Courtney Sladek  
*Director of Finance*

Mindi R. Snyder  
*City Manager*

Issued By:  
Finance Department

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## **INTRODUCTORY SECTION**



February 21, 2014

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, 2013, 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 converted in sections to an interstate highway, I-69, that would link Canada to Mexico. The City of El Campo is aggressively working to make the conversion in our area a reality.

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 school district and what we can do to partner to assist in reaching the youth of our community. That process has continued with additional joint meetings to continue that process and look at ways that we can share resources. The City must continue to work with its partners, notably the City Development Corporation, Wharton County, the El Campo Independent School District, the El Campo Chamber, and non-profit organizations to move the community forward and make the mission statement a reality for the City. 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 focus has been to explore doing more with what funds are available without considering a tax increase. Extreme conservatism has allowed the City to build reserves to be utilized for one-time purchases and that practice is continued. The economy has continued to be in a slow growth mode and that is reflected. Additionally, we are avoiding short-term thinking. The City has included in the budget, the 5 year capital plan, and now includes effects on the operating budget.

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.

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

## MAJOR INITIATIVES

The following were goals of the FY12-13 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.

### *Housing Diversification*

The City approved the plat for El Campo Village, a low to moderate income housing development in June. The City has seen 7 housing starts in the last fiscal year, with values ranging from \$85,000 to \$500,000. The median value of a new house was \$239,205.

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 FY13 adopted budget included merit based increases for all positions or any additional personnel at 2.0%, as the City continued its performance review system that is consistent for employees, rewards achievements and recognizes longevity, education and other factors.

In FY13, the City required contribution by the employees in the health insurance program of 10%. In FY14, employees will pay up to 10%, with up to a 5% credit for meeting nicotine free guidelines. If the employee meets the requirement, the City will pay 95% of the premium, if not the City will pay 90% of the premium. In April 2013, almost all employees participated in biometric screenings. These results, with as needed health coaches, were provided to the employees for free.

### *West Loop Park*

A park on the west side of town is becoming a reality. El Campo Little League is developing acreage identified on the west side of town for fields.

The City has been involved through the planning process for the Master Plan of the West Loop Park and by providing the infrastructure for the park by participating with the dirt work, water and sewer lines and roadways and parking areas that will serve both the Youth Sports Complex for Little League and the high school and also the West Loop Park. Additionally, the City Council has allocated funding to Phase I of the Park and that will be completed this summer as the ball fields are ready for play.

### *Additional Infrastructure Projects*

The City focused on aging infrastructure in the FY13 Adopted Budget and included funding for the following replacement program(s)/equipment:

- seal coating program,
- main replacements,
- vehicles (3 units for Patrol, and two trucks for Water/Sewer) replacements,
- portable radios replacement,
- street sweeper replacement,
- mower replacement,
- replacement of stairs to slide at the Aquatic Center,
- matching funds of \$70,000 for \$350,000 CDBG funded sewer main replacement

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

- drive-through kiosk for utility payments,
- generators for the Monseratte water plant and wastewater treatment plant,
- energy conservation for water and sewer and city facilities, and
- a single stream recycling compactor located at the County Annex.

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

While focusing on the goals listed above, the City utilized existing resources and in some instances, shifted resources to meet the needs and continued to be resourceful and look for opportunities to partner with other agencies such as FEMA and the TWDB to improve drainage within the city through a Tres Palacios Creek widening project.

### **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, 2012. 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,

  
\_\_\_\_\_  
Courtney Sladek, Director of Finance

  
\_\_\_\_\_  
Mindi Snyder, City Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of El Campo  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO

CITIZENS OF EL CAMPO

CITY COUNCIL

Irvin Foytik  
Mun. Court Judge

Mindi Snyder  
City Manager

Ronny Collins  
City Attorney

Courtney Sladek  
Admin. Services

Wayne Popp  
Constr./Dev.

Clay Harris  
Public Works

Jerry Lewis  
Water/Sewer

Terry Stanphill  
Public Safety

Chris Barbee  
Community Svcs.

Jimmy Nielsen  
Fire Services

Administration

Code Enforcement

Streets

Water Production  
& Distribution

Chase Nielsen  
EMS

Police Protection

Aquatic Center

Fire Suppression

Finance

Fire Marshal

Vehicle Maint.

Wastewater  
Collection

Animal Control

Civic Center

Municipal Court

Inspections

Drainage

Wastewater  
Treatment

Communications

Recreation

Personnel

Planning & Zoning

Investigation

Parks

Info. Technology

Emerg. Mgmt

**City Officials**

Richard Young  
Randy Collins  
Steve Ward  
Gloria Harris  
Edgar Erwin  
Tommy Hitzfeld  
Anisa Vasquez

**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

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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.

#### *Other Information*

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



HARRISON, WALDROP & UHEREK, L.L.P.  
Certified Public Accountants

February 20, 2014

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, 2013.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2013, by \$28,052,491. Of this amount, \$7,146,241 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- The total cost of all City activities was \$14,077,027 for the fiscal year. The net expense was \$6,477,537. During the year, the City's general revenues exceeded net expenses of the governmental activities by \$238,392. This represents a 1.43% increase in net position from the previous fiscal year as a result of operations.
- At September 30, 2013, the City's governmental funds reported combined ending fund balances of \$4,557,956, a net decrease of \$436,014 in comparison with prior year. The net decrease in fund balance was primarily made up of a decrease of \$380,690 in the General Fund.
- At September 30, 2013, unassigned fund balance for the General Fund was \$3,957,930 or 46.01% 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 4 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 60

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, and interest on long-term debt. The business-type activities of the City include 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 2013 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 nine 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 internal service funds to account for its health plan and information technology services. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in a more detailed format. The proprietary fund financial statements provide information for the water/wastewater utility service, 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 benefits information. Required supplementary information can be found on pages 61-64 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 65-93 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City's net position, the amount that assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, was \$28,052,491 at the close of the fiscal year 2013.

By far, the largest portion of the City's net assets (73.31%) 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 Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012*	2013	2012*	2013	2012*
<b>ASSETS</b>						
Current assets	\$ 5,605,957	\$ 5,996,988	\$ 3,769,458	\$ 3,522,485	\$ 9,375,415	\$ 9,519,473
Capital assets (net)	14,946,961	14,154,570	18,951,250	16,462,058	33,898,211	30,616,628
Other noncurrent assets	18,517	35,664	-	-	18,517	35,664
<b>Total assets</b>	<b>20,571,435</b>	<b>20,187,222</b>	<b>22,720,708</b>	<b>19,984,543</b>	<b>43,292,143</b>	<b>40,171,765</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amount on refunding	76,263	-	-	-	76,263	-
<b>Total assets</b>	<b>76,263</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,263</b>	<b>-</b>
<b>LIABILITIES</b>						
Current liabilities	1,054,328	892,535	1,294,784	1,354,794	2,349,112	2,247,329
Noncurrent liabilities	2,676,487	2,616,196	10,275,657	7,533,925	12,952,144	10,150,121
<b>Total liabilities</b>	<b>3,730,815</b>	<b>3,508,731</b>	<b>11,570,441</b>	<b>8,888,719</b>	<b>15,301,256</b>	<b>12,397,450</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred amount on refunding	-	-	14,659	16,435	14,659	16,435
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>14,659</b>	<b>16,435</b>	<b>14,659</b>	<b>16,435</b>
<b>NET POSITION</b>						
Net investment in capital assets	12,448,707	11,780,074	8,115,580	8,668,743	20,564,287	20,448,817
Restricted	341,963	250,288	-	-	341,963	250,288
Unrestricted	4,126,213	4,648,129	3,020,028	2,410,643	7,146,241	7,058,772
<b>Total net position</b>	<b>\$ 16,916,883</b>	<b>\$ 16,678,491</b>	<b>\$ 11,135,608</b>	<b>\$ 11,079,386</b>	<b>\$ 28,052,491</b>	<b>\$ 27,757,877</b>

\*Net positions of the 2012 governmental and business-type activities have been restated. See Note 20 of this report.

An additional portion of the City's net position (1.22%) represents resources that are subject to external restrictions on how they may be used (i.e., debt service). The remaining balance of unrestricted net position (\$7,146,241) 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 position for the primary government as a whole.

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

**Governmental activities.** Governmental activities increased the City's net position by \$238,392. Key elements of this increase are as follows:

- Transfers from business-type activities increased \$254,858 (67.93%).
- General government expenses decreased \$188,755 (11.81%) primarily due to a decrease in personnel costs.
- Public works expenses decreased \$119,937 (5.40%) primarily due to maintenance costs that were incurred in fiscal year 2012 in excess of fiscal year 2013.

**Business-type activities.** Business-type activities increased the City's net position by \$56,222. The key element of this increase relates to the increase in charges for services in excess of prior year in the amount of \$325,927.

City of El Campo, Texas						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2013	2012*	2013	2012*	2013	2012*
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 969,114	\$ 1,018,275	\$ 5,504,070	\$ 5,178,143	\$ 6,473,184	\$ 6,196,418
Operating grants and contributions	145,583	181,085	851,622	817,196	997,205	998,281
Capital grants and contributions	24,969	-	104,132	245,868	129,101	245,868
General revenues:						
Property taxes	2,832,186	2,834,559	-	-	2,832,186	2,834,559
Sales taxes	2,908,788	2,840,198	-	-	2,908,788	2,840,198
Franchise taxes	602,873	622,421	-	-	602,873	622,421
Other taxes	159,487	145,210	-	-	159,487	145,210
Unrestricted investment earnings	10,307	33,478	7,941	7,489	18,248	40,967
Miscellaneous	250,569	243,932	-	-	250,569	243,932
<b>Total revenues</b>	<b>7,903,876</b>	<b>7,919,158</b>	<b>6,467,765</b>	<b>6,248,696</b>	<b>14,371,641</b>	<b>14,167,854</b>
<b>EXPENSES</b>						
General government	1,409,439	1,598,194	-	-	1,409,439	1,598,194
Public safety	3,555,073	3,486,798	-	-	3,555,073	3,486,798
Public works	2,340,330	2,220,393	-	-	2,340,330	2,220,393
Parks and recreation	880,902	860,990	-	-	880,902	860,990
Interest on long-term debt	109,774	133,211	-	-	109,774	133,211
Utilities	-	-	4,586,250	4,529,419	4,586,250	4,529,419
Emergency medical svcs.	-	-	1,195,259	1,083,813	1,195,259	1,083,813
<b>Total expenses</b>	<b>8,295,518</b>	<b>8,299,586</b>	<b>5,781,509</b>	<b>5,613,232</b>	<b>14,077,027</b>	<b>13,912,818</b>
Change in net position before transfers	(391,642)	(380,428)	686,256	635,464	294,614	255,036
Transfers	630,034	375,176	(630,034)	(375,176)	-	-
Change in net position	238,392	(5,252)	56,222	260,288	294,614	255,036
Net position - beginning, as restated	16,678,491	16,683,743	11,079,386	10,819,098	27,757,877	27,502,841
Net position - ending	<b>\$ 16,916,883</b>	<b>\$ 16,678,491</b>	<b>\$ 11,135,608</b>	<b>\$ 11,079,386</b>	<b>\$ 28,052,491</b>	<b>\$ 27,757,877</b>

\*Net positions of the 2012 governmental and business-type activities have been restated. See Note 20 of this report.

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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 \$4,557,956, a decrease of \$436,014 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 \$3,957,930. Unassigned fund balance represents 46.01% of total General Fund expenditures. The fund balance of the City's General Fund decreased by \$380,690 during fiscal year 2013. This was primarily due to the increase in capital expenditures during fiscal year 2013.

### **Proprietary Funds**

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

Unrestricted net position of the Utility Fund and the Emergency Medical Services Fund at the end of the current fiscal year amounted to \$2,533,121 and \$486,907, respectively. The net growth for the funds was \$56,222.

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 \$831,699 more than the final budgeted amounts or appropriations. The major differences in expenditures were:

- \$256,282 for the City Administration department (\$266,326) due to personnel cost savings;
- \$121,058 for the Police department (\$72,368) due to personnel cost savings;
- \$48,468 for the Fire department due to various cost savings;
- \$50,719 for the Aquatic Center department (\$45,685) due to personnel cost savings;
- (\$1,421,097) in capital outlay due to increase in capital outlay expenditures in fiscal year 2013.

The fiscal year 2013 budget was amended from the original budget adopted by Council. The following were included in the amendment:

- \$62,015 increase in sales tax collection;
- \$211,497 increase in capital lease proceeds for the purchase of a street sweeper;
- \$17,000 increase in miscellaneous revenue;
- \$12,500 increase in miscellaneous services for costs associated with GIS with the County;
- \$5,050 decrease in CIP transfer;
- \$4,520 appropriation for property taxes for taxes on Fire House Grill;
- \$2,125 increase in building and grounds maintenance in Administration for the installation of the kiosk;
- \$6,000 increase in Fire Marshal vehicle and machinery maintenance for repairs to unit;
- \$14,000 appropriation increase in Public Works contract labor for GIS;
- \$1,370 change in vehicle and machinery maintenance in Streets for equipment replacement;
- \$211,497 appropriation to major equipment purchase in Streets for street sweeper;
- \$5,050 in Aquatics to pay for replacement heater for the spa, picnic table seats and other equipment;
- \$4,500 increase in building and grounds maintenance at the Aquatic Center.

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## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities amounts to \$33,898,210 (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 10.72% (a 5.60% increase for governmental activities and a 15.12% 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 \$440,700. Additions for fiscal year 2013 included the purchase of vehicles and various other equipment.
- The additions to construction in progress for governmental activities primarily include services paid on the West Loop Park, the Seimen's project, and the Memorial Drive extension project.
- As of September 30, 2013, the projects in progress primarily include the West Loop Park project and the Seimen's project for the business-type activities.
- The net additions to machinery and equipment for business-type activities were \$721,718. These costs included the purchase of generators through a capital lease in the Utility Fund and a 2012 ambulance in the Emergency Medical Services Fund.
- The additions to sewer system include the costs related to the CDBG sewer system improvement project that was completed in fiscal year 2013.

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### **City of El Campo, Texas**

#### **Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
	2013	2012	2013	2012	2013	2012
Land	\$ 498,445	\$ 498,445	\$ 30,498	\$ 30,498	\$ 528,943	\$ 528,943
Machinery and equipment	1,707,059	1,649,219	1,148,456	569,895	2,855,515	2,219,114
Bldgs. and improvements	4,722,803	4,829,345	606,936	659,879	5,329,739	5,489,224
Water works system	-	-	8,101,311	8,440,694	8,101,311	8,440,694
Sewer system	-	-	6,722,616	6,331,065	6,722,616	6,331,065
Infrastructure	6,558,833	7,054,382	-	-	6,558,833	7,054,382
Construction in progress	1,459,821	123,179	2,341,433	430,024	3,801,254	553,203
<b>Total</b>	<b>\$ 14,946,961</b>	<b>\$ 14,154,570</b>	<b>\$ 18,951,250</b>	<b>\$ 16,462,055</b>	<b>\$ 33,898,211</b>	<b>\$ 30,616,625</b>

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

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

### **Long-Term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$11,730,000. Of this amount, \$2,920,000 represents 2013 Certificates of Obligations, \$1,345,000 represents General Obligation Refunding Bonds, Series 2013, and \$2,684,750 represents General Obligation Refunding Bonds, Series 2012. The remainder of the City's bonded debt represents \$5,465,815 Combination Tax and Revenue Certificates of Obligation, Series 2007, 2008 and 2010. The City's bonded debt had a net increase of \$2,515,000 or 27.29% during the fiscal year ended September 30, 2013. The increase included the issuance of the 2013 Certificates of Obligations and the 2013 General Obligation Refunding Bonds. The decrease included current year payments of principal and the refunding of the 2007 Certificates of Obligation with the issuance of the 2013 General Obligation Refunding Bonds.

The City maintains a bond rating of "AA-" from Standard & Poor's.

As a Home Rule City, the City is not limited by law in the amount of debt it may issue; however, all new local bond issues must be approved by the State Attorney General.

During fiscal year 2013, the City made payments on the outstanding capital leases in the amount of \$147,964. The City also entered into two new capital leases during the fiscal year for a street sweeper and generators. The original amount of the street sweeper lease was \$210,662. The original amount of the generators lease was \$399,753. The balance on all capital leases at September 30, 2013 was \$1,694,729.

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

### **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 \$3,486,557 (including funds dispersed to the City Development Corporation of El Campo, Inc.) This amount is an increase of \$82,480 (2%) from the previous year; indicating strengthening of the local economy.
- The City amended water rates for 2014. The City maintained sewer and garbage rates for 2014.
- Also included in the FY14 Budget is a Capital Improvement Program that has allowed the City 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 2013-2014 fiscal year.

The certified assessed taxable property valuations for the 2013 tax roll total \$510,790,059 and \$394,483 for the senior tax freeze, with a tax rate of \$0.48064 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. \$0.44753 was allocated for maintenance and operations, and \$0.03311 was allocated for interest and sinking (debt service). The projected total property tax due is \$2,735,563 for the 2013 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 POSITION**  
September 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 3,552,633	\$ 2,181,058	\$ 5,733,691	\$ 636,949
Investments	710,734	548,410	1,259,144	1,932,458
Receivables (net)	601,081	918,098	1,519,179	1,030
Internal balances	(45,874)	45,874	-	-
Due from other governments	583,841	-	583,841	-
Due from component unit	24,000	-	24,000	-
Due from primary government	-	-	-	97,268
Notes receivable	17,148	-	17,148	254
Prepaid items	124,828	44,527	169,355	-
Inventory	37,566	-	37,566	-
Restricted assets				
Cash and cash equivalents	-	31,491	31,491	-
<b>Total current assets</b>	<b>5,605,957</b>	<b>3,769,458</b>	<b>9,375,415</b>	<b>2,667,959</b>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,958,266	2,371,931	4,330,197	144,246
Buildings, infrastructure, and equipment (net)	12,988,695	16,579,319	29,568,014	1,872,809
Notes receivable (net)	18,517	-	18,517	-
<b>Total noncurrent assets</b>	<b>14,965,478</b>	<b>18,951,250</b>	<b>33,916,728</b>	<b>2,017,055</b>
<b>Total assets</b>	<b>20,571,435</b>	<b>22,720,708</b>	<b>43,292,143</b>	<b>4,685,014</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	76,263	-	76,263	-
<b>Total deferred outflows of resources</b>	<b>76,263</b>	<b>-</b>	<b>76,263</b>	<b>-</b>

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 306,374	\$ 271,026	\$ 577,400	\$ 6,726
Accrued expenses/expenditures	146,593	54,356	200,949	3,798
Deposits	13,166	187,281	200,447	-
Accrued interest payable	8,881	59,531	68,412	-
Due to component unit	97,268	-	97,268	-
Due to primary government	-	-	-	24,000
Due to other governments	49,652	-	49,652	-
Claims payable	-	-	-	-
Accrued compensated absences	186,728	79,244	265,972	-
Current portion of long-term obligations	245,666	643,346	889,012	117,148
<b>Total current liabilities</b>	<u>1,054,328</u>	<u>1,294,784</u>	<u>2,349,112</u>	<u>151,672</u>
Noncurrent liabilities				
Accrued compensated absences	113,051	51,842	164,893	-
Noncurrent portion of long-term obligations	2,563,436	10,223,815	12,787,251	85,828
<b>Total noncurrent liabilities</b>	<u>2,676,487</u>	<u>10,275,657</u>	<u>12,952,144</u>	<u>85,828</u>
<b>Total liabilities</b>	<u>3,730,815</u>	<u>11,570,441</u>	<u>15,301,256</u>	<u>237,500</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amount on refunding	-	14,659	14,659	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>14,659</u>	<u>14,659</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	12,448,707	8,115,580	20,564,287	1,814,079
Restricted for:				
Debt service	165,079	-	165,079	-
Police and emergency services	146,884	-	146,884	-
Other purposes	-	-	-	10,786
Unrestricted	4,156,213	3,020,028	7,176,241	2,622,649
<b>Total net position</b>	<u>\$ 16,916,883</u>	<u>\$ 11,135,608</u>	<u>\$ 28,052,491</u>	<u>\$ 4,447,514</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, 2013

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 1,409,439	\$ 162,534	\$ -	\$ -
Public safety	3,555,073	505,909	145,583	-
Public works	2,340,330	31,466	-	24,969
Parks and recreation	880,902	269,205	-	-
Interest on long-term debt	109,774	-	-	-
Total governmental activities	<u>8,295,518</u>	<u>969,114</u>	<u>145,583</u>	<u>24,969</u>
Business-type activities				
Utilities	4,586,250	4,939,016	10,814	104,132
Emergency medical services	1,195,259	565,054	840,808	-
Total business-type activities	<u>5,781,509</u>	<u>5,504,070</u>	<u>851,622</u>	<u>104,132</u>
Total primary government	<u>\$ 14,077,027</u>	<u>\$ 6,473,184</u>	<u>\$ 997,205</u>	<u>\$ 129,101</u>
<b>Component Units</b>	<u>\$ 667,819</u>	<u>\$ 162,912</u>	<u>\$ 208,578</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 position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Position

Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (1,246,905)	\$ -	\$ (1,246,905)	\$ -
(2,903,581)	-	(2,903,581)	-
(2,283,895)	-	(2,283,895)	-
(611,697)	-	(611,697)	-
(109,774)	-	(109,774)	-
<u>(7,155,852)</u>	<u>-</u>	<u>(7,155,852)</u>	<u>-</u>
-	467,712	467,712	-
-	210,603	210,603	-
-	678,315	678,315	-
<u>(7,155,852)</u>	<u>678,315</u>	<u>(6,477,537)</u>	<u>-</u>
-	-	-	(296,329)
2,581,570	-	2,581,570	-
250,616	-	250,616	-
2,908,788	-	2,908,788	581,671
602,873	-	602,873	-
159,487	-	159,487	-
10,307	7,941	18,248	19,509
-	-	-	105,263
250,569	-	250,569	23,332
630,034	(630,034)	-	-
<u>7,394,244</u>	<u>(622,093)</u>	<u>6,772,151</u>	<u>729,775</u>
238,392	56,222	294,614	433,446
<u>16,678,491</u>	<u>11,079,386</u>	<u>27,757,877</u>	<u>4,014,068</u>
<u>\$ 16,916,883</u>	<u>\$ 11,135,608</u>	<u>\$ 28,052,491</u>	<u>\$ 4,447,514</u>

**CITY OF EL CAMPO, TEXAS****BALANCE SHEET****GOVERNMENTAL FUNDS**

September 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,910,505	\$ 642,128	\$ 3,552,633
Investments	710,734	-	710,734
Receivables (net)	478,306	122,775	601,081
Due from other funds	338,796	-	338,796
Due from other governments	583,841	-	583,841
Due from component unit	24,000	-	24,000
Note receivable from component unit	-	17,148	17,148
Prepaid items	119,970	-	119,970
Inventory	37,566	-	37,566
Noncurrent assets			
Note receivable from component unit (net)	-	18,517	18,517
<b>Total assets</b>	<u>\$ 5,203,718</u>	<u>\$ 800,568</u>	<u>\$ 6,004,286</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 297,007	\$ 9,367	\$ 306,374
Accrued expenditures	146,593	-	146,593
Deposits	13,166	-	13,166
Due to component unit	97,268	-	97,268
Due to other governments	49,652	-	49,652
Due to other funds	95,558	262,364	357,922
<b>Total liabilities</b>	<u>699,244</u>	<u>271,731</u>	<u>970,975</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	389,008	86,347	475,355
<b>Total deferred inflows of resources</b>	<u>389,008</u>	<u>86,347</u>	<u>475,355</u>
<b>FUND BALANCES</b>			
Nonspendable	157,536	18,517	176,053
Restricted	-	631,478	631,478
Committed	-	19,991	19,991
Unassigned	3,957,930	(227,496)	3,730,434
<b>Total fund balances</b>	<u>4,115,466</u>	<u>442,490</u>	<u>4,557,956</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 5,203,718</u>	<u>\$ 800,568</u>	<u>\$ 6,004,286</u>

The accompanying notes are an integral part of this statement.

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

September 30, 2013

---

<b>Total governmental fund balances</b>		<b>\$ 4,557,956</b>
<i>Amounts reported for governmental activities in the statement of net position 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 position.		(18,352)
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures; therefore are reported as "unavailable" in the funds.		281,194
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 unavailable revenues in the governmental funds and thus are not included in fund balance.		194,161
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	\$ 36,831,537	
Accumulated depreciation of governmental capital assets	<u>(21,888,114)</u>	14,943,423
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	(2,381,000)	
Premium on bonds payable	(87,820)	
Loss on refunding	76,263	
Capital leases payable	(340,282)	
Accrued interest payable	(8,881)	
Compensated absences	<u>(299,779)</u>	<u>(3,041,499)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 16,916,883</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, 2013

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 6,142,602	\$ 403,793	\$ 6,546,395
Licenses and permits	125,333	-	125,333
Intergovernmental	121,368	-	121,368
Charges for services	275,802	15,400	291,202
Fines and forfeitures	505,884	25	505,909
Investment income	8,752	1,258	10,010
Industrial agreement	13,103	-	13,103
Miscellaneous	163,123	92,922	256,045
<b>Total revenues</b>	<u>7,355,967</u>	<u>513,398</u>	<u>7,869,365</u>
<b>EXPENDITURES</b>			
Current			
General government	1,309,840	47,584	1,357,424
Public safety	3,295,524	43,052	3,338,576
Public works	1,544,114	182,022	1,726,136
Parks and recreation	805,236	-	805,236
Capital outlay	1,647,627	-	1,647,627
Debt service			
Principal retirement	-	175,597	175,597
Interest and fiscal charges	-	45,350	45,350
Issuance costs	-	72,713	72,713
<b>Total expenditures</b>	<u>8,602,341</u>	<u>566,318</u>	<u>9,168,659</u>
Excess (deficiency) of revenues over expenditures	(1,246,374)	(52,920)	(1,299,294)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	32,932	-	32,932
Capital lease	210,662	-	210,662
Refunding bonds issued	-	1,345,000	1,345,000
Premium on refunding bonds issued	-	49,635	49,635
Payment to escrow	-	(1,352,446)	(1,352,446)
Transfers in	662,090	79,129	741,219
Transfers out	(40,000)	(123,722)	(163,722)
<b>Total other financing sources (uses)</b>	<u>865,684</u>	<u>(2,404)</u>	<u>863,280</u>
Net change in fund balances	(380,690)	(55,324)	(436,014)
Fund balances at beginning of year	<u>4,496,156</u>	<u>497,814</u>	<u>4,993,970</u>
<b>Fund balances at end of year</b>	<u>\$ 4,115,466</u>	<u>\$ 442,490</u>	<u>\$ 4,557,956</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, 2013*

**Total net change in fund balances - governmental funds** \$ (436,014)

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

The internal service funds 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. (85,533)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position. (6,107)

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	\$ 1,810,428	
Depreciation expense	<u>(1,010,869)</u>	799,559

Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Bonds at par value	(1,345,000)	
(Premium) discount	(49,635)	
Capital lease	<u>(210,662)</u>	(1,605,297)

Payment to the escrow agent to refund bonds from refunding proceeds reduces long-term liabilities. 1,352,446

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	175,597	
Capital lease principal retirement	<u>28,297</u>	203,894

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	(4)	
Other revenues	<u>7,394</u>	7,390

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	(236)	
Decrease in accrued interest	5,670	
Decrease in bond premium	8,802	
Decrease in loss on refunding	<u>(6,183)</u>	<u>8,053</u>

**Change in net position of governmental activities** \$ 238,391

The accompanying notes are an integral part of this statement.

**CITY OF EL CAMPO, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2013

	Business-type Activities		
	Utility	Emergency Medical Services	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,984,070	\$ 196,988	\$ 2,181,058
Investments	548,410	-	548,410
Receivables (net)	536,573	381,525	918,098
Due from other funds	95,558	-	95,558
Prepaid items	28,693	15,834	44,527
Restricted assets - cash and cash equivalents	31,491	-	31,491
<b>Total current assets</b>	<b>3,224,795</b>	<b>594,347</b>	<b>3,819,142</b>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	2,371,931	-	2,371,931
Buildings, improvements, and equipment (net)	16,204,350	374,969	16,579,319
<b>Total noncurrent assets</b>	<b>18,576,281</b>	<b>374,969</b>	<b>18,951,250</b>
<b>Total assets</b>	<b>21,801,076</b>	<b>969,316</b>	<b>22,770,392</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	263,288	7,738	271,026
Accrued expenses	24,166	30,190	54,356
Deposits	187,281	-	187,281
Accrued interest payable	59,531	-	59,531
Due to other funds	49,684	-	49,684
Compensated absences	36,439	42,805	79,244
Current portion of capital leases	200,609	-	200,609
Current portion of general obligation bonds	107,737	-	107,737
Current portion of certificates of obligation	335,000	-	335,000
<b>Total current liabilities</b>	<b>1,263,735</b>	<b>80,733</b>	<b>1,344,468</b>
Noncurrent liabilities			
Compensated absences	25,135	26,707	51,842
Capital leases, net of current portion	1,153,838	-	1,153,838
Premiums on long-term debt	163,714	-	163,714
General obligation bonds, net of current portion	1,606,263	-	1,606,263
Certificates of obligation, net of current portion	7,300,000	-	7,300,000
<b>Total noncurrent liabilities</b>	<b>10,248,950</b>	<b>26,707</b>	<b>10,275,657</b>
<b>Total liabilities</b>	<b>11,512,685</b>	<b>107,440</b>	<b>11,620,125</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amount on refunding	14,659	-	14,659
<b>Total deferred inflows of resources</b>	<b>14,659</b>	<b>-</b>	<b>14,659</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,740,611	374,969	8,115,580
Unrestricted	2,533,121	486,907	3,020,028
<b>Total net position</b>	<b>\$ 10,273,732</b>	<b>\$ 861,876</b>	<b>\$ 11,135,608</b>

The accompanying notes are an integral part of this statement.

---

Governmental  
Activities  
Internal Service  
Funds

\$	-
	-
	-
	-
	4,858
	-
	<u>4,858</u>
	-
	3,538
	<u>3,538</u>
	<u>8,396</u>
	-
	-
	-
	-
	26,748
	-
	-
	-
	-
	<u>26,748</u>
	-
	-
	-
	-
	-
	<u>26,748</u>
	-
	-
	3,538
	<u>(21,890)</u>
\$	<u>(18,352)</u>

**CITY OF EL CAMPO, TEXAS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**

**PROPRIETARY FUNDS**

For the year ended September 30, 2013

	Business-type Activities			Governmental
	Utility	Emergency Medical Services	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,918,633	\$ 552,443	\$ 5,471,076	\$ 875,303
Miscellaneous	20,383	12,611	32,994	-
<b>Total operating revenues</b>	<u>4,939,016</u>	<u>565,054</u>	<u>5,504,070</u>	<u>875,303</u>
<b>OPERATING EXPENSES</b>				
Personnel	783,923	892,209	1,676,132	-
Materials and supplies	83,401	84,113	167,514	16,474
Repairs and maintenance	192,396	21,001	213,397	29,403
Other services and charges	2,531,999	106,977	2,638,976	83,389
Claims expense	-	-	-	830,806
Depreciation	789,808	90,959	880,767	1,061
<b>Total operating expenses</b>	<u>4,381,527</u>	<u>1,195,259</u>	<u>5,576,786</u>	<u>961,133</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	557,489	(630,205)	(72,716)	(85,830)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	7,826	115	7,941	297
Noncapital grants and contributions	10,814	840,808	851,622	-
Interest and fiscal charges	(424,867)	-	(424,867)	-
Net nonoperating revenues (expenses)	<u>(406,227)</u>	<u>840,923</u>	<u>434,696</u>	<u>297</u>
Income before contributions and transfers	151,262	210,718	361,980	(85,533)
Contributions and transfers				
Capital contributions	271,739	-	271,739	-
Transfers out	(542,229)	(35,268)	(577,497)	-
Total contributions and transfers	<u>(270,490)</u>	<u>(35,268)</u>	<u>(305,758)</u>	<u>-</u>
Change in net position	(119,228)	175,450	56,222	(85,533)
Total net position at beginning of year, as restated	<u>10,392,960</u>	<u>686,426</u>	<u>11,079,386</u>	<u>67,181</u>
<b>Total net position at end of year</b>	<u>\$ 10,273,732</u>	<u>\$ 861,876</u>	<u>\$ 11,135,608</u>	<u>\$ (18,352)</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, 2013

	Business-type Activities		
	Utility	Emergency Medical Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 4,946,571	\$ 534,185	\$ 5,480,756
Cash received from other funds	-	-	-
Cash paid to suppliers for goods and services	(2,777,089)	(217,216)	(2,994,305)
Cash paid to employees for services	(776,814)	(881,358)	(1,658,172)
<b>Net cash provided (used) by operating activities</b>	<u>1,392,668</u>	<u>(564,389)</u>	<u>828,279</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Noncapital contributions	17,354	840,808	858,162
Transfers (out) to other funds	(542,229)	(35,268)	(577,497)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(524,875)</u>	<u>805,540</u>	<u>280,665</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(2,665,435)	(148,263)	(2,813,698)
Proceeds from issuance of long-term debt	3,000,865	-	3,000,865
Principal paid on debt	(424,070)	-	(424,070)
Interest paid	(435,356)	-	(435,356)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(523,996)</u>	<u>(148,263)</u>	<u>(672,259)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(450,000)	-	(450,000)
Proceeds from maturity of investments	2,255	-	2,255
Investment income	7,252	115	7,367
<b>Net cash provided (used) by investing activities</b>	<u>(440,493)</u>	<u>115</u>	<u>(440,378)</u>
Net increase (decrease) in cash and cash equivalents	(96,696)	93,003	(3,693)
Cash and cash equivalents at beginning of year	<u>2,112,257</u>	<u>103,985</u>	<u>2,216,242</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,015,561</u>	<u>\$ 196,988</u>	<u>\$ 2,212,549</u>



**CITY OF EL CAMPO, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2013

	<u>Business-type Activities</u>		
	<u>Utility</u>	<u>Emergency Medical Services</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 557,489	\$ (630,205)	\$ (72,716)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	789,808	90,959	880,767
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(4,799)	(30,869)	(35,668)
(Increase) decrease in prepaid items	(11,624)	(7,466)	(19,090)
Increase (decrease) in accounts payable	45,248	2,341	47,589
Increase (decrease) in accrued expenses	2,555	6,509	9,064
Increase (decrease) in deposits	12,354	-	12,354
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in due to other governments	(2,917)	-	(2,917)
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in compensated absences	4,554	4,342	8,896
Total adjustments	<u>835,179</u>	<u>65,816</u>	<u>900,995</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 1,392,668</u></b>	<b><u>\$ (564,389)</u></b>	<b><u>\$ 828,279</u></b>
<b>Reconciliation of cash and cash equivalents</b>			
Unrestricted			
Cash and cash equivalents	\$ 1,984,070	\$ 196,988	\$ 2,181,058
Restricted			
Cash and cash equivalents	<u>31,491</u>	<u>-</u>	<u>31,491</u>
<b>Total</b>	<b><u>\$ 2,015,561</u></b>	<b><u>\$ 196,988</u></b>	<b><u>\$ 2,212,549</u></b>

**Noncash capital and related financing activities**

The Utility Fund had assets acquired from contributions in the amount of \$271,739.

**Noncash investing activities**

The Utility Fund had a decrease in fair value of investments of \$2,255 in fiscal year 2013.

The accompanying notes are an integral part of this statement.

---

	Governmental Activities
	<u>Internal Service Funds</u>
\$	(85,830)
	1,061
	26,139
	(4,858)
	(9,525)
	-
	-
	17,336
	-
	(41,098)
	-
	<u>(10,945)</u>
<u>\$</u>	<u>(96,775)</u>
\$	-
	-
<u>\$</u>	<u>-</u>

**CITY OF EL CAMPO, TEXAS**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
September 30, 2013

	City Development Corporation of El Campo, Inc.	El Campo Volunteer Fire Department	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 337,824	\$ 299,125	\$ 636,949
Investments	1,932,458	-	1,932,458
Receivables (net)	402	628	1,030
Due from primary government	97,268	-	97,268
Notes receivable	254	-	254
<b>Total current assets</b>	<u>2,368,206</u>	<u>299,753</u>	<u>2,667,959</u>
Noncurrent assets			
Capital assets			
Land and improvements	135,246	9,000	144,246
Other capital assets (net)	650,882	1,221,927	1,872,809
<b>Net capital assets</b>	<u>786,128</u>	<u>1,230,927</u>	<u>2,017,055</u>
<b>Total noncurrent assets</b>	<u>786,128</u>	<u>1,230,927</u>	<u>2,017,055</u>
<b>Total assets</b>	<u>3,154,334</u>	<u>1,530,680</u>	<u>4,685,014</u>
<b>LIABILITIES</b>			
Accounts payable	-	6,726	6,726
Accrued expenses	3,798	-	3,798
Due to primary government	24,000	-	24,000
Long-term liabilities			
Due within one year	17,148	100,000	117,148
Due in more than one year	18,517	67,311	85,828
<b>Total liabilities</b>	<u>63,463</u>	<u>174,037</u>	<u>237,500</u>
<b>NET POSITION</b>			
Net investment in capital assets	750,463	1,063,616	1,814,079
Restricted for:			
Other purposes	-	10,786	10,786
Unrestricted	2,340,408	282,241	2,622,649
<b>Total net position</b>	<u>\$ 3,090,871</u>	<u>\$ 1,356,643</u>	<u>\$ 4,447,514</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, 2013*

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.	\$ 433,705	\$ 37,901	\$ -	\$ -
El Campo Volunteer Fire Department	<u>234,114</u>	<u>125,011</u>	<u>208,578</u>	<u>-</u>
Total component units	<u>\$ 667,819</u>	<u>\$ 162,912</u>	<u>\$ 208,578</u>	<u>\$ -</u>

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

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Component Units		
City Development Corporation of El Campo, Inc.	El Campo Volunteer Fire Department	Total
\$ (395,804)	\$ -	\$ (395,804)
-	99,475	99,475
<u>(395,804)</u>	<u>99,475</u>	<u>(296,329)</u>
581,671	-	581,671
18,406	1,103	19,509
105,263	-	105,263
-	23,332	23,332
<u>705,340</u>	<u>24,435</u>	<u>729,775</u>
309,536	123,910	433,446
<u>2,781,335</u>	<u>1,232,733</u>	<u>4,014,068</u>
<u>\$ 3,090,871</u>	<u>\$ 1,356,643</u>	<u>\$ 4,447,514</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, 2013.

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, 2012, 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 position and the statement of changes in net position) 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 account 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.

The proprietary funds are accounted for on a flow of *economic resources measurement focus* and utilize the *accrual basis of accounting*. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

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

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

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.

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.

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

D. Budgets and Budgetary Accounting - (Continued)

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

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, 2013.

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, 2013. 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.

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

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.

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 position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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.

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

K. Compensated Absences - (Continued)

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.

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 position. 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.

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. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that are considered deferred inflows of resources. The item that arises under a modified accrual basis of accounting is *unavailable revenue* and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from a variety of sources and are further defined in Note 6. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is reported on the Utility Fund's statement of net position and the government-wide statement of net position and is the deferred amount on refunding. This amount results from the difference in the carrying value of refunded debt and its reacquisition price and is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

N. Fund Balance Policies

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

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

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.

O. Net Position Flow Assumptions

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

P. 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.

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

A. Budgetary Compliance

There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2012-2013.

<u>Fund Name - Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Finance	\$ 274,710	\$ 274,857	\$ (147)
Municipal court	163,770	166,920	(3,150)
Capital outlay	226,530	1,647,627	(1,421,097)
Transfers out	-	40,000	(40,000)
Debt Service Fund			
Issuance costs	-	72,713	(72,713)
Payment to escrow	-	1,352,446	(1,352,446)

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

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (Continued)**

B. Deficit Fund Equity

As of September 30, 2013 the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Position</u>
Nonmajor Governmental Funds	
Special Revenue Funds	
Transportation Reinvestment Zone	\$ 227,496
Internal Service Funds	
Information Technology	18,352

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

**NOTE 3: DEPOSITS AND INVESTMENTS**

As of September 30, 2013, 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	\$ 1,692,710	40.00
L.O.G.I.C. Pool	501,753	57.00
U.S. Government Securities	<u>1,259,144</u>	87.31
Total	<u>\$ 3,453,607</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 64% of the portfolio) are rated AAAM by Standard & Poor's. The remaining 36% 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, 2013, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Notes 21 and 22 for discussions relative to the investments of the City's component units.

**NOTE 4: RECEIVABLES**

Receivables at September 30, 2013, 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	\$ 3,132	\$ 535,824	\$ 1,526,101	\$ 597,758	\$ 2,662,815
Ad valorem taxes	298,374	-	-	35,990	334,364
Franchise taxes	85,696	-	-	-	85,696
Fines	1,380,277	-	-	-	1,380,277
Interest	<u>469</u>	<u>749</u>	<u>-</u>	<u>-</u>	<u>1,218</u>
Total gross receivables	1,767,948	536,573	1,526,101	633,748	4,464,370
Less: Allowances	<u>1,289,642</u>	<u>-</u>	<u>1,144,576</u>	<u>510,973</u>	<u>2,945,191</u>
Total net receivables	<u>\$ 478,306</u>	<u>\$ 536,573</u>	<u>\$ 381,525</u>	<u>\$ 122,775</u>	<u>\$ 1,519,179</u>

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

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 \$0.50728 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.462350 and \$0.044930, respectively. The resulting adjusted total tax levy was \$2,836,612 on the total adjusted taxable valuation of \$566,975,680 for the 2012 tax year.

**NOTE 5: CAPITAL ASSETS**

The City's capital asset activity for the year ended September 30, 2013, 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	\$ 498,445	\$ -	\$ -	\$ 498,445
Construction in progress	123,179	1,336,642	-	1,459,821
Total capital assets not being depreciated	<u>621,624</u>	<u>1,336,642</u>	<u>-</u>	<u>1,958,266</u>
Capital assets, being depreciated				
Machinery and equipment	4,488,101	448,817	81,117	4,855,801
Buildings	8,200,385	-	20,000	8,180,385
Infrastructure	21,817,423	24,969	-	21,842,392
Total capital assets being depreciated	<u>34,505,909</u>	<u>473,786</u>	<u>101,117</u>	<u>34,878,578</u>
Less accumulated depreciation for				
Machinery and equipment	2,838,882	384,870	75,010	3,148,742
Buildings	3,371,040	106,542	20,000	3,457,582
Infrastructure	14,763,041	520,518	-	15,283,559
Total accumulated depreciation	<u>20,972,963</u>	<u>1,011,930</u>	<u>95,010</u>	<u>21,889,883</u>
Total capital assets being depreciated, net	<u>13,532,946</u>	<u>(538,144)</u>	<u>6,107</u>	<u>12,988,695</u>
Governmental activities capital assets, net	<u>\$ 14,154,570</u>	<u>\$ 798,498</u>	<u>\$ 6,107</u>	<u>\$ 14,946,961</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 30,498	\$ -	\$ -	\$ 30,498
Construction in progress	430,024	2,222,808	311,399	2,341,433
Total capital assets not being depreciated	<u>460,522</u>	<u>2,222,808</u>	<u>311,399</u>	<u>2,371,931</u>
Capital assets, being depreciated				
Machinery and equipment	2,650,594	746,893	25,176	3,372,311
Buildings and improvements	2,123,074	-	-	2,123,074
Water works system	13,311,635	73,985	-	13,385,620
Sewer system	<u>10,474,112</u>	<u>637,672</u>	-	<u>11,111,784</u>
Total capital assets being depreciated	<u>28,559,415</u>	<u>1,458,550</u>	<u>25,176</u>	<u>29,992,789</u>
Less accumulated depreciation for				
Machinery and equipment	2,080,696	168,335	25,176	2,223,855
Buildings and improvements	1,463,195	52,943	-	1,516,138
Water works system	4,870,941	413,368	-	5,284,309
Sewer system	<u>4,143,047</u>	<u>246,121</u>	-	<u>4,389,168</u>
Total accumulated depreciation	<u>12,557,879</u>	<u>880,767</u>	<u>25,176</u>	<u>13,413,470</u>
Total capital assets being depreciated, net	<u>16,001,536</u>	<u>577,783</u>	-	<u>16,579,319</u>
Business-type activities capital assets, net	<u>\$ 16,462,058</u>	<u>\$ 2,800,591</u>	<u>\$ 311,399</u>	<u>\$ 18,951,250</u>

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

<b>Governmental activities</b>		
General government		\$ 25,300
Public safety		265,164
Public works		651,694
Parks and recreation		<u>69,772</u>
Total depreciation expense - governmental activities		<u>\$ 1,011,930</u>
<b>Business-type activities</b>		
Utilities		\$ 789,808
Emergency medical services		<u>90,959</u>
Total depreciation expense - business-type activities		<u>\$ 880,767</u>

**NOTE 6: UNAVAILABLE REVENUE**

The City defers revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the governmental funds report unavailable revenue from the following sources:

	General	Nonmajor Governmental	Total
Property Taxes	\$ 250,980	\$ 30,214	\$ 281,194
Fines	138,028	-	138,028
Assessments	-	56,133	56,133
	<u>\$ 389,008</u>	<u>\$ 86,347</u>	<u>\$ 475,355</u>

**NOTE 7: 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:

	Plan Year 2012	Plan Year 2013
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.

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
2013	\$ 500,610	100%	\$ -
2012	504,085	100%	-
2011	518,229	100%	-

**NOTE 7: EMPLOYEES' RETIREMENT PLAN - (Continued)**

Contributions - (Continued)

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	Actuarial Valuation Information		
	12/31/10	12/31/11	12/31/12
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	27.1 years; closed period	26.0 years; closed period	25.1 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%

Funded Status and Funding Progress

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
12/31/12	\$ 18,571,925	\$ 20,696,802	89.7%	\$ 2,124,877	\$ 4,682,866	45.4%

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.

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**NOTE 8: 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 2013, 2012, and 2011 were \$3,746, \$3,509, and \$3,098, respectively, which equaled the required contributions each year.

**NOTE 9: 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, 2012, there were 188 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, 2012, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,750
Terminated participants entitled to benefits but not yet receiving them	2,252
Active participants (vested and nonvested)	<u>4,446</u>
	<u>9,448</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.

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**NOTE 9: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)**Plan Description - (Continued)

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his/her 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.

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, 2012, total contributions (dues and prior services) of \$3,517,455 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, 2012 and 2013. 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, 2010, 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, 2012, 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, 2013, (\$528,538 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 \$530,000 each year to help pay for the TESRS's administrative expenses.

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

Three-Year Trend Information - State-wide			
Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2012	\$ 4,423,898 <sup>1,2</sup>	\$ 3,517,455	80%
2011	3,125,329 <sup>2</sup>	3,125,329	100%
2010	2,875,103 <sup>3</sup>	2,875,103	100%

<sup>1</sup> Includes a requested state contribution of \$906,443.

<sup>2</sup> Based on the revised August 31, 2010 actuarial valuation.

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

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**NOTE 9: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)**

State contributions to the City's plan for the fiscal year 2013 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	
2013	\$ 34,538	100%	\$ -	-
2012	36,593	100%	-	-
2011	39,584	100%	-	-

**NOTE 10: EMPLOYEE HEALTH INSURANCE FUND**

During fiscal years 2009 through 2012, the City sponsored a self-insurance plan to provide health care benefits to employees and their dependents. Transactions related to the plan were accounted for in the Employee Health Insurance Fund, an internal service fund of the City. The fund assumed all risk up to \$50,000 of claims per participant annually; after this a reinsurance policy paid any remaining claims for the remainder of the year up to \$1,009,434 of claims per participant. Premiums were charged to the individual funds based on a predetermined cost per employee and dependent. These amounts were recorded as operating revenue in the internal service fund and as operating expenditures/expenses in the respective funds. Any claims that were incurred, but not reported, as of the balance sheet date were shown as current liabilities in the internal service fund and charged as an operating expense for that period. This amount was determined by the City's health plan administrator. Beginning on October 1, 2012, the City entered into an interlocal agreement with the Texas Municipal League Intergovernmental Employees Benefit Pool for health benefits coverage for its employees. Therefore, as of September 30, 2013 the fund had estimated liabilities for outstanding claims of \$0. The fund incurred a net loss for the year of \$72,291 compared to a net loss of \$3,847 in the prior year.

Changes in the balance of claims payable during fiscal year 2013 and 2012 are as follows:

	9/30/13	9/30/12
Unpaid claims, beginning of fiscal year	\$ 41,098	\$ 62,855
Incurred claims (including IBNR)	830,806	1,202,805
Claim payments	(871,904)	(1,224,562)
Unpaid claims, end of fiscal year	\$ -	\$ 41,098

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.

**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.

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

Long-term liability activity for the year ended September 30, 2013, 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	\$ 1,410,000	\$ -	\$ 1,340,000	\$ 70,000	\$ 70,000
General obligation bonds	1,071,597	1,345,000	105,597	2,311,000	127,264
Plus deferred amounts:					
Issuance premiums	<u>46,988</u>	<u>49,635</u>	<u>8,803</u>	<u>87,820</u>	<u>-</u>
Net bonds and certificates payable	<u>2,528,585</u>	<u>1,394,635</u>	<u>1,454,400</u>	<u>2,468,820</u>	<u>197,264</u>
Capital leases payable	<u>157,917</u>	<u>210,662</u>	<u>28,297</u>	<u>340,282</u>	<u>48,402</u>
Compensated absences	<u>299,544</u>	<u>166,706</u>	<u>166,471</u>	<u>299,779</u>	<u>186,728</u>
Total governmental activity long-term liabilities	<u>\$ 2,986,046</u>	<u>\$ 1,772,003</u>	<u>\$ 1,649,168</u>	<u>\$ 3,108,881</u>	<u>\$ 432,394</u>
<b>Business-type activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 4,915,000	\$ 2,920,000	\$ 200,000	\$ 7,635,000	\$ 335,000
General obligation bonds	1,818,403	-	104,403	1,714,000	107,737
Plus deferred amounts:					
Issuance premiums	<u>99,692</u>	<u>80,865</u>	<u>16,842</u>	<u>163,715</u>	<u>-</u>
Net bonds and certificates payable	<u>6,833,095</u>	<u>3,000,865</u>	<u>321,245</u>	<u>9,512,715</u>	<u>442,737</u>
Capital leases payable	<u>1,074,361</u>	<u>399,753</u>	<u>119,667</u>	<u>1,354,447</u>	<u>200,609</u>
Compensated absences	<u>122,190</u>	<u>74,246</u>	<u>65,350</u>	<u>131,086</u>	<u>79,244</u>
Total business-type activity long-term liabilities	<u>\$ 8,029,646</u>	<u>\$ 3,474,864</u>	<u>\$ 506,262</u>	<u>\$ 10,998,248</u>	<u>\$ 722,590</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 21 and 22 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
Refunding Series 2013	2/13 - 2/27	2.00 - 2.25%	1,345,000

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>	
2014	\$ 127,264	\$ 51,678	\$ 107,737	\$ 43,653	\$ 330,332
2015	200,478	48,401	109,522	41,481	399,882
2016	163,326	44,763	146,674	38,919	393,682
2017	169,992	41,429	150,007	35,952	397,380
2018	171,659	40,875	153,341	32,535	398,410
2019-2023	1,028,281	111,266	1,046,719	63,145	2,249,411
2024-2027	450,000	20,475	-	-	470,475
	<u>\$ 2,311,000</u>	<u>\$ 358,887</u>	<u>\$ 1,714,000</u>	<u>\$ 255,685</u>	<u>\$ 4,639,572</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
Series 2013	2/13 - 2/32	2.00 - 2.75%	2,920,000
			<u>\$ 9,710,000</u>

**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:

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2014	\$ 70,000	\$ 1,313	\$ 335,000	\$ 271,945	\$ 678,258
2015	-	-	355,000	257,956	612,956
2016	-	-	325,000	244,306	569,306
2017	-	-	340,000	231,420	571,420
2018	-	-	345,000	218,833	563,833
2019-2023	-	-	1,915,000	905,504	2,820,504
2024-2028	-	-	2,670,000	502,828	3,172,828
2029-2032	-	-	1,350,000	60,571	1,410,571
	<u>\$ 70,000</u>	<u>\$ 1,313</u>	<u>\$ 7,635,000</u>	<u>\$ 2,693,363</u>	<u>\$ 10,399,676</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%. \$ 143,193

Lease purchase agreement on a street sweeper. The original amount of the lease, entered into in 2013, was \$210,662. The lease is payable in monthly installments of \$3,168 and bears interest at a rate of 2.65%. 197,089

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

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%. 954,694

\$ 1,694,729

The present value of the capital leases after deduction of imputed interest is \$1,694,729.

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2014	\$ 48,402	\$ 9,250	\$ 200,609	\$ 48,280	\$ 306,541
2015	49,794	7,858	208,033	40,857	306,542
2016	51,227	6,426	215,743	33,146	306,542
2017	52,701	4,951	223,753	25,137	306,542
2018	54,218	3,434	232,073	16,817	306,542
2019-2020	83,940	3,695	274,236	11,778	373,649
	<u>\$ 340,282</u>	<u>\$ 35,614</u>	<u>\$ 1,354,447</u>	<u>\$ 176,015</u>	<u>\$ 1,906,358</u>

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**NOTE 13: REFUNDING BONDS**

In January 2013, the City issued \$1,345,000 General Obligation Refunding Bonds with interest varying between 2.00% and 2.25% to advance refund \$1,270,000 of the City's Combination Tax and Revenue Certificates of Obligation, Series 2007 with interest rates ranging from 4.00% to 5.50% 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 position. The net proceeds available for refunding bonds in the amount of \$1,352,446 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 certificates resulted in an economic gain of \$133,712 and an increase in cash flow of \$153,400.

**NOTE 14: PRIOR YEAR DEFEASANCE OF DEBT**

In the prior years, the City defeased certain general obligation bonds and certificates of obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the bonds are not included on the City's financial statements. At September 30, 2013, \$4,285,000 of bonds outstanding are considered defeased.

**NOTE 15: 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, 2013, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Utility	\$ 49,684
	Nonmajor Governmental	
	Hotel/Motel Tax	27,061
	Transportation Reinvestment	
	Zone	227,496
	Police Seizure	5,393
	2004 Bonds	2,414
Utility	Internal Service	
	Information Technology	26,748
	General	<u>95,558</u>
		<u>\$ 434,354</u>

**NOTE 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - (Continued)**

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>	
General	\$ -	\$ 40,000	\$ 40,000
Nonmajor Governmental	123,722	-	123,722
Utility	503,100	39,129	542,229
Emergency Medical Services	35,268	-	35,268
	<u>\$ 662,090</u>	<u>\$ 79,129</u>	<u>\$ 741,219</u>

**NOTE 16: RELATED PARTY TRANSACTIONS**

At September 30, 2013, 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. Also at September 30, 2013, the City Development Corporation of El Campo, Inc. owed the primary government for their share of a contract payment. 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	\$ 97,268
General	City Development Corporation of El Campo, Inc.	24,000
		<u>\$ 121,268</u>

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, 2013, the amount outstanding of \$35,665 is shown as a note receivable from the component unit on the Statement of Net Position. 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, 2013, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 17,148	\$ 1,493	\$ 18,641
2015	18,517	572	19,089
	<u>\$ 35,665</u>	<u>\$ 2,065</u>	<u>\$ 37,730</u>

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**NOTE 17: 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, 2013, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**Construction and Acquisition Commitments**

As of September 30, 2013, 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	\$ 435,929
Memorial Drive extension	304,730
Transportation reinvestment zone project	450,000
West Loop Park	1,679,726
Fairways	562,220
Total	<u>\$ 3,432,605</u>

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

**NOTE 18: FUND BALANCES**

The following is a detail of the governmental fund balances as of September 30, 2013:

	<u>Governmental Fund Balances</u>				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid items	\$ 119,970	\$ -	\$ -	\$ -	\$ 119,970
Inventory	37,566	-	-	-	37,566
Unassigned	-	-	-	3,957,930	3,957,930
Nonmajor Governmental					
Noncurrent notes receivable	18,517	-	-	-	18,517
Retirement of long-term debt	-	143,746	-	-	143,746
Public safety	-	176,884	-	-	176,884
Various capital projects	-	310,848	-	-	310,848
Street paving	-	-	19,991	-	19,991
Unassigned	-	-	-	(227,496)	(227,496)
	<u>\$ 176,053</u>	<u>\$ 631,478</u>	<u>\$ 19,991</u>	<u>\$ 3,730,434</u>	<u>\$ 4,557,956</u>

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**NOTE 19: SUBSEQUENT EVENTS**

In October 2013, the City issued Tax and Revenue Certificates of Obligation, Series 2013A in the amount of \$2,525,000. The bonds are due in annual installments ranging from \$125,000 to \$445,000 through 2032 with interest varying from 2.00% to 4.00%. The proceeds from the bonds will be used for the construction and equipment of water, sewer, and drainage; the construction of improvements to and the equipment of parks and park improvements; the construction of streets and sidewalks; and to pay the costs of issuance of the bonds.

**NOTE 20: ACCOUNTING CHANGES AND ACCOUNTING STANDARDS**

In fiscal year 2013, the City implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". GASB Statement No. 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of GASB Statement No. 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of GASB Statement No. 65 resulted in the adjustment to the beginning net position of the governmental and business-type activities in the government-wide and Utility Fund financial statements. The deferred charges for issuance costs were reclassified as expense of prior periods which resulted in a decrease of \$92,217 and \$243,975 for the governmental and business-type activities, respectively, to the September 30, 2012 unrestricted net position.

**NOTE 21: 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 21: 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, 2013.

D. Deposits and Investments

As of September 30, 2013, CDC had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Months)</u>
Certificates of Deposit	\$ 1,932,458	48.19

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, 2013, CDC had deposits in financial institutions and the deposits were FDIC insured at each institution up to \$250,000. At September 30, 2013, \$93,916 of the CDC's bank balance of \$343,916 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.

**NOTE 21: 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, 2013, was \$97,268. 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.

The total annual payments for the note receivable outstanding balance at September 30, 2013, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 254	\$ 2	\$ 256
	<u>\$ 254</u>	<u>\$ 2</u>	<u>\$ 256</u>

G. Capital Assets

CDC's capital asset activity for the year ended September 30, 2013, 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	\$ -	\$ 29,132	\$ 135,246
Total capital assets not being depreciated	<u>164,378</u>	<u>-</u>	<u>29,132</u>	<u>135,246</u>
Capital assets being depreciated				
Buildings	1,233,251	-	423,256	809,995
Office equipment	16,840	-	-	16,840
Total capital assets being depreciated	<u>1,250,091</u>	<u>-</u>	<u>423,256</u>	<u>826,835</u>
Less accumulated depreciation for				
Buildings	327,527	24,697	193,111	159,113
Office equipment	16,840	-	-	16,840
Total accumulated depreciation	<u>344,367</u>	<u>24,697</u>	<u>193,111</u>	<u>175,953</u>
Total capital assets being depreciated, net	<u>905,724</u>	<u>(24,697)</u>	<u>230,145</u>	<u>650,882</u>
Governmental activities capital assets, net	<u>\$ 1,070,102</u>	<u>\$ (24,697)</u>	<u>\$ 259,277</u>	<u>\$ 786,128</u>

**NOTE 21: CITY DEVELOPMENT CORPORATION OF EL CAMPO, INC. - (Continued)**

H. Long-Term Debt

During the year ended September 30, 2013, the following changes occurred in CDC's long-term debt:

	<u>Notes Payable</u> City of El Campo, Texas
Balance, beginning of year	\$ 52,098
New issues	-
Principal retirements	<u>(16,433)</u>
Balance, end of year	<u>\$ 35,665</u>
Due within one year	<u>\$ 17,148</u>

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>
2014	\$ 17,148	\$ 1,493	\$ 18,641
2015	<u>18,517</u>	<u>572</u>	<u>19,089</u>
	<u>\$ 35,665</u>	<u>\$ 2,065</u>	<u>\$ 37,730</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, 2013:

<u>Year Ending</u> <u>September 30</u>	
2014	\$ 36,000
2015	<u>3,000</u>
	39,000
Thereafter	<u>-</u>
	<u>\$ 39,000</u>

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**NOTE 21: 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 2013. 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, 2013, CDC had \$28,067 set aside for contingencies. This amount is included in the General Fund's unassigned fund balance at September 30, 2013.

K. Accounting Changes and Accounting Standards

In fiscal year 2013, CDC implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". GASB Statement No. 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of GASB Statement No. 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of GASB Statement No. 65 resulted in no adjustments to the beginning net position of the governmental activities in the government-wide financial statements.

**NOTE 22: 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.

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 22: 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, 2012.

The ECVFD's cash at December 31, 2012, is as follows:

Cash and demand deposits	<u>\$ 299,125</u>
Total deposits	<u>\$ 299,125</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>1,849,528</u>	<u>21,328</u>	<u>-</u>	<u>1,870,856</u>
Total capital assets being depreciated	<u>1,849,528</u>	<u>21,328</u>	<u>-</u>	<u>1,870,856</u>
Less accumulated depreciation for				
Training facility	<u>554,648</u>	<u>94,281</u>	<u>-</u>	<u>648,929</u>
Total accumulated depreciation	<u>554,648</u>	<u>94,281</u>	<u>-</u>	<u>648,929</u>
Total capital assets being depreciated, net	<u>1,294,880</u>	<u>(72,953)</u>	<u>-</u>	<u>1,221,927</u>
Governmental activities capital assets, net	<u>\$ 1,303,880</u>	<u>\$ (72,953)</u>	<u>\$ -</u>	<u>\$ 1,230,927</u>

**NOTE 22: 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, 2012, the following changes occurred in the ECVFD's 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>\$ 267,311</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 167,311</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>
2013	\$ 100,000	\$ 5,237	\$ 105,237
2014	4,676	2,188	6,864
2015	4,828	2,036	6,864
2016	4,985	1,879	6,864
2017	5,147	1,717	6,864
2018-2022	28,354	5,962	34,316
2023-2025	19,321	1,269	20,590
	<u>\$ 167,311</u>	<u>\$ 20,288</u>	<u>\$ 187,599</u>

**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, 2013

With comparative totals for the year ended September 30, 2012

	2013			Variance Positive (Negative)	2012
	Original Budget	Final Budget	Actual		Actual
<b>REVENUES</b>					
Taxes	\$ 5,756,270	\$ 5,818,285	\$ 6,142,602	\$ 324,317	\$ 6,081,409
Licenses and permits	84,480	84,480	125,333	40,853	100,726
Intergovernmental	125,650	125,650	121,368	(4,282)	108,291
Charges for services	205,180	205,180	275,802	70,622	259,540
Fines and forfeitures	554,620	554,620	505,884	(48,736)	581,093
Investment income	50,000	50,000	8,752	(41,248)	28,001
Industrial agreement	14,710	14,710	13,103	(1,607)	14,710
Miscellaneous	70,710	70,710	163,123	92,413	99,226
<b>Total revenues</b>	<u>6,861,620</u>	<u>6,923,635</u>	<u>7,355,967</u>	<u>432,332</u>	<u>7,272,996</u>
<b>EXPENDITURES</b>					
Current					
General government	1,526,680	1,562,825	1,309,840	252,985	1,459,534
Public safety	3,501,450	3,507,450	3,295,524	211,926	3,193,064
Public works	1,361,270	1,588,137	1,544,114	44,023	1,764,025
Parks and recreation	876,150	885,700	805,236	80,464	980,005
Capital outlay	231,580	226,530	1,647,627	(1,421,097)	-
<b>Total expenditures</b>	<u>7,497,130</u>	<u>7,770,642</u>	<u>8,602,341</u>	<u>(831,699)</u>	<u>7,396,628</u>
Excess (deficiency) of revenues over expenditures	(635,510)	(847,007)	(1,246,374)	(399,367)	(123,632)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	10,000	10,000	32,932	22,932	80,551
Capital lease	-	211,497	210,662	(835)	167,470
Transfers in	625,510	625,510	662,090	36,580	612,670
Transfers out	-	-	(40,000)	(40,000)	(102,405)
<b>Total other financing sources (uses)</b>	<u>635,510</u>	<u>847,007</u>	<u>865,684</u>	<u>18,677</u>	<u>758,286</u>
Net change in fund balance	-	-	(380,690)	(380,690)	634,654
Fund balance at beginning of year	<u>4,496,156</u>	<u>4,496,156</u>	<u>4,496,156</u>	-	<u>3,861,502</u>
<b>Fund balance at end of year</b>	<u>\$ 4,496,156</u>	<u>\$ 4,496,156</u>	<u>\$ 4,115,466</u>	<u>\$ (380,690)</u>	<u>\$ 4,496,156</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 BENEFITS INFORMATION**  
 September 30, 2013

**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)
12/31/12	\$ 18,571,925	\$ 20,696,802	\$ 2,124,877	89.73%	\$ 4,682,866	45.38%
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	
	8/31/10	8/31/12
Actuarial cost method	entry age	entry age
Amortization method	level dollar, open	level dollar, open
Amortization period	30 years	Infinity
Asset valuation method	market value smoothed by a 5-year deferred recognition method with a 80% - 120% 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 *	7.75%, 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 BENEFITS INFORMATION**  
 September 30, 2013

**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	81,264,230	17,150,427	78.9%	8,644	1,984
8/31/2012 <sup>2</sup>	67,987,487	101,856,042	33,868,555	66.7%	9,448	3,585

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

<sup>2</sup> Changes in actuarial assumptions were reflected in this valuation.

<sup>3</sup> Changes in actuarial assumption and method were reflected in this valuation.

Three-Year Trend Information - State-wide			
Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2012	\$ 4,423,898 <sup>1,2</sup>	\$ 3,517,455	80%
2011	3,125,329 <sup>2</sup>	3,125,329	100%
2010	2,875,103 <sup>3</sup>	2,875,103	100%

<sup>1</sup> Includes a requested state contribution of \$906,443.

<sup>2</sup> Based on the revised August 31, 2010 actuarial valuation.

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

State contributions to the City's plan for the fiscal year 2013 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
2013	\$ 34,538	100%	\$ -
2012	36,593	100%	-
2011	39,584	100%	-

**CITY OF EL CAMPO, TEXAS**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*September 30, 2013*

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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, 2013, 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			
Finance	\$ 274,710	\$ 274,857	\$ (147)
Municipal court	163,770	166,920	(3,150)
Capital outlay	226,530	1,647,627	(1,421,097)
Transfers out	-	40,000	(40,000)

**Combining and Individual Fund Statements and Schedules**

**CITY OF EL CAMPO, TEXAS**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
September 30, 2013

	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	\$ 182,277	\$ 126,598	\$ 333,253	\$ 642,128
Receivables (net)	36,428	30,214	56,133	122,775
Note receivable from component unit	-	17,148	-	17,148
Noncurrent assets				
Note receivable from component unit (net)	-	18,517	-	18,517
<b>Total assets</b>	<u>\$ 218,705</u>	<u>\$ 192,477</u>	<u>\$ 389,386</u>	<u>\$ 800,568</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 9,367	\$ -	\$ -	\$ 9,367
Due to other funds	259,950	-	2,414	262,364
<b>Total liabilities</b>	<u>269,317</u>	<u>-</u>	<u>2,414</u>	<u>271,731</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	-	30,214	56,133	86,347
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>30,214</u>	<u>56,133</u>	<u>86,347</u>
<b>FUND BALANCES</b>				
Nonspendable				
Noncurrent notes receivable	-	18,517	-	18,517
Restricted				
Retirement of long-term debt	-	143,746	-	143,746
Various capital projects	-	-	310,848	310,848
Public safety	176,884	-	-	176,884
Committed				
Street paving	-	-	19,991	19,991
Unassigned	(227,496)	-	-	(227,496)
<b>Total fund balances</b>	<u>(50,612)</u>	<u>162,263</u>	<u>330,839</u>	<u>442,490</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 218,705</u>	<u>\$ 192,477</u>	<u>\$ 389,386</u>	<u>\$ 800,568</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, 2013*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 147,966	\$ 255,827	\$ -	\$ 403,793
Charges for services	-	-	15,400	15,400
Fines and forfeitures	25	-	-	25
Investment income	471	261	526	1,258
Miscellaneous	92,922	-	-	92,922
<b>Total revenues</b>	<u>241,384</u>	<u>256,088</u>	<u>15,926</u>	<u>513,398</u>
<b>EXPENDITURES</b>				
Current				
General government	47,584	-	-	47,584
Public safety	43,052	-	-	43,052
Public works	138,178	-	43,844	182,022
Debt service				
Principal retirement	-	175,597	-	175,597
Interest and fiscal charges	-	45,350	-	45,350
Issuance costs	-	72,713	-	72,713
<b>Total expenditures</b>	<u>228,814</u>	<u>293,660</u>	<u>43,844</u>	<u>566,318</u>
Excess (deficiency) of revenues over expenditures	12,570	(37,572)	(27,918)	(52,920)
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	1,345,000	-	1,345,000
Bond premium	-	49,635	-	49,635
Payment to escrow	-	(1,352,446)	-	(1,352,446)
Transfers in	-	39,129	40,000	79,129
Transfers out	(123,722)	-	-	(123,722)
<b>Total other financing sources (uses)</b>	<u>(123,722)</u>	<u>81,318</u>	<u>40,000</u>	<u>(2,404)</u>
Net change in fund balances	(111,152)	43,746	12,082	(55,324)
Fund balances at beginning of year	<u>60,540</u>	<u>118,517</u>	<u>318,757</u>	<u>497,814</u>
<b>Fund balances at end of year</b>	<u>\$ (50,612)</u>	<u>\$ 162,263</u>	<u>\$ 330,839</u>	<u>\$ 442,490</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, 2013

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	Municipal Court Technology	Municipal Court Building Security	Hotel/Motel Tax
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	-	-	36,428
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,428</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 9,367
Due to other funds	-	-	27,061
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>36,428</u>
<b>FUND BALANCES</b>			
Restricted			
Public safety	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,428</u>

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Transportation Reinvestment Zone	Police Seizure	EMS Grant	Total
\$ -	\$ 113,979	\$ 68,298	\$ 182,277
-	-	-	36,428
<u>\$ -</u>	<u>\$ 113,979</u>	<u>\$ 68,298</u>	<u>\$ 218,705</u>
\$ -	\$ -	\$ -	\$ 9,367
227,496	5,393	-	259,950
<u>227,496</u>	<u>5,393</u>	<u>-</u>	<u>269,317</u>
-	108,586	68,298	176,884
<u>(227,496)</u>	<u>-</u>	<u>-</u>	<u>(227,496)</u>
<u>(227,496)</u>	<u>108,586</u>	<u>68,298</u>	<u>(50,612)</u>
<u>\$ -</u>	<u>\$ 113,979</u>	<u>\$ 68,298</u>	<u>\$ 218,705</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, 2013

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	Municipal Court Technology	Municipal Court Building Security	Hotel/Motel Tax
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 147,966
Fines and forfeitures	-	-	-
Investment income	-	10	-
Miscellaneous	9,406	6,862	-
<b>Total revenues</b>	<u>9,406</u>	<u>6,872</u>	<u>147,966</u>
<b>EXPENDITURES</b>			
Current			
General government	9,406	-	38,178
Public safety	-	-	-
Public works	-	-	-
<b>Total expenditures</b>	<u>9,406</u>	<u>-</u>	<u>38,178</u>
Excess (deficiency) of revenues over expenditures	-	6,872	109,788
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer out	-	(13,934)	(109,788)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(13,934)</u>	<u>(109,788)</u>
Net change in fund balances	-	(7,062)	-
Fund balances at beginning of year	-	7,062	-
<b>Fund balances at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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Transportation Reinvestment Zone	Police Seizure	EMS Grant	Total
\$ -	\$ -	\$ -	\$ 147,966
-	25	-	25
-	274	187	471
-	<u>52,439</u>	<u>24,215</u>	<u>92,922</u>
-	<u>52,738</u>	<u>24,402</u>	<u>241,384</u>
-	-	-	47,584
-	31,925	11,127	43,052
<u>138,178</u>	<u>-</u>	<u>-</u>	<u>138,178</u>
<u>138,178</u>	<u>31,925</u>	<u>11,127</u>	<u>228,814</u>
(138,178)	20,813	13,275	12,570
<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,722)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,722)</u>
(138,178)	20,813	13,275	(111,152)
<u>(89,318)</u>	<u>87,773</u>	<u>55,023</u>	<u>60,540</u>
<u>\$ (227,496)</u>	<u>\$ 108,586</u>	<u>\$ 68,298</u>	<u>\$ (50,612)</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, 2013

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	<u>2004 Bonds</u>	<u>Street Paving</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 313,262	\$ 19,991	\$ 333,253
Receivables (net)			
Other	<u>-</u>	<u>56,133</u>	<u>56,133</u>
<b>Total assets</b>	<u>\$ 313,262</u>	<u>\$ 76,124</u>	<u>\$ 389,386</u>
<b>LIABILITIES</b>			
Due to other funds	<u>\$ 2,414</u>	<u>-</u>	<u>\$ 2,414</u>
<b>Total liabilities</b>	<u>2,414</u>	<u>-</u>	<u>2,414</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>-</u>	<u>56,133</u>	<u>56,133</u>
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>56,133</u>	<u>56,133</u>
<b>FUND BALANCE</b>			
Restricted			
Various capital projects	310,848	-	310,848
Committed			
Street paving	<u>-</u>	<u>19,991</u>	<u>19,991</u>
<b>Total fund balances</b>	<u>310,848</u>	<u>19,991</u>	<u>330,839</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 313,262</u>	<u>\$ 76,124</u>	<u>\$ 389,386</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, 2013*

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	<u>2004 Bonds</u>	<u>Street Paving</u>	<u>Total</u>
<b>REVENUES</b>			
Charges for services			
Street assessments	\$ -	\$ 15,400	\$ 15,400
Investment income	<u>508</u>	<u>18</u>	<u>526</u>
<b>Total revenues</b>	<u>508</u>	<u>15,418</u>	<u>15,926</u>
<b>EXPENDITURES</b>			
Current			
Public works	<u>1,666</u>	<u>42,178</u>	<u>43,844</u>
<b>Total expenditures</b>	<u>1,666</u>	<u>42,178</u>	<u>43,844</u>
Excess (deficiency) of revenues over expenditures	(1,158)	(26,760)	(27,918)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>-</u>	<u>40,000</u>	<u>40,000</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Net change in fund balances	(1,158)	13,240	12,082
Fund balances at beginning of year	<u>312,006</u>	<u>6,751</u>	<u>318,757</u>
<b>Fund balances at end of year</b>	<u>\$ 310,848</u>	<u>\$ 19,991</u>	<u>\$ 330,839</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, 2013  
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,910,505	\$ 3,254,499
Investments	710,734	804,872
Receivables (net)		
Taxes	336,677	332,890
Interest	469	1,788
Fines	138,028	135,824
Other	3,132	6,191
Due from other funds	338,796	92,690
Due from other governments	583,841	568,776
Due from component unit	24,000	-
Prepaid items	119,970	63,852
Inventory	37,566	65,449
<b>Total assets</b>	<u>\$ 5,203,718</u>	<u>\$ 5,326,831</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 297,007	\$ 64,214
Accrued expenditures	146,593	137,240
Deposits	13,166	14,886
Due to component unit	97,268	94,641
Due to other funds	95,558	95,558
Due to other governments	49,652	39,243
<b>Total liabilities</b>	<u>699,244</u>	<u>445,782</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	389,008	384,893
<b>Total deferred inflows of resources</b>	<u>389,008</u>	<u>384,893</u>
<b>FUND BALANCE</b>		
Nonspendable		
Prepaid items	119,970	63,852
Inventory	37,566	65,449
Unassigned	3,957,930	4,366,855
<b>Total fund balance</b>	<u>4,115,466</u>	<u>4,496,156</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 5,203,718</u>	<u>\$ 5,326,831</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, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 2,573,590	\$ 2,619,420	\$ 45,830	\$ 2,606,842
Sales	2,603,915	2,908,788	304,873	2,840,198
Franchise	629,780	602,873	(26,907)	622,421
Alcoholic beverage	11,000	11,521	521	11,948
Licenses and permits	84,480	125,333	40,853	100,726
Intergovernmental	125,650	121,368	(4,282)	108,291
Charges for services	205,180	275,802	70,622	259,540
Fines and forfeitures	554,620	505,884	(48,736)	581,093
Investment income	50,000	8,752	(41,248)	28,001
Industrial agreement	14,710	13,103	(1,607)	14,710
Miscellaneous	70,710	163,123	92,413	99,226
<b>Total revenues</b>	<b>6,923,635</b>	<b>7,355,967</b>	<b>432,332</b>	<b>7,272,996</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General government</b>				
City administration				
Personnel	823,710	557,384	266,326	817,774
Materials and supplies	6,910	5,086	1,824	5,417
Repairs and maintenance	14,965	14,731	234	13,065
Other services and charges	278,760	290,862	(12,102)	167,679
Capital outlay	-	-	-	35,989
Total city administration	1,124,345	868,063	256,282	1,039,924
Finance				
Personnel	214,910	214,181	729	203,522
Materials and supplies	2,000	1,530	470	2,188
Repairs and maintenance	1,500	2,760	(1,260)	-
Other services and charges	56,300	56,386	(86)	53,836
Total finance	274,710	274,857	(147)	259,546
Municipal court				
Personnel	156,680	156,959	(279)	153,019
Materials and supplies	1,500	1,497	3	1,491
Repairs and maintenance	940	994	(54)	1,400
Other services and charges	4,650	7,470	(2,820)	4,154
Total municipal court	163,770	166,920	(3,150)	160,064
Total general government	1,562,825	1,309,840	252,985	1,459,534

(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, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
<b>EXPENDITURES - (CONTINUED)</b>				
<b>Current - (continued)</b>				
<b>Public safety</b>				
Police				
Personnel	\$ 2,153,730	\$ 2,081,362	\$ 72,368	\$ 2,010,030
Materials and supplies	193,580	169,157	24,423	168,964
Repairs and maintenance	54,150	66,179	(12,029)	52,225
Other services and charges	119,820	105,027	14,793	92,574
Capital outlay	92,260	85,297	6,963	91,592
Debt service	14,540	-	14,540	-
Total police	<u>2,628,080</u>	<u>2,507,022</u>	<u>121,058</u>	<u>2,415,385</u>
Fire				
Materials and supplies	60,730	37,706	23,024	49,104
Repairs and maintenance	41,500	37,230	4,270	29,014
Other services and charges	120,530	106,626	13,904	90,829
Capital outlay	-	-	-	9,800
Debt service	7,270	-	7,270	-
Total fire	<u>230,030</u>	<u>181,562</u>	<u>48,468</u>	<u>178,747</u>
Fire marshal				
Personnel	11,140	10,971	169	11,037
Materials and supplies	1,300	40	1,260	130
Repairs and maintenance	6,600	7,839	(1,239)	2,499
Other services and charges	1,710	1,423	287	1,300
Total fire marshal	<u>20,750</u>	<u>20,273</u>	<u>477</u>	<u>14,966</u>
Inspection				
Personnel	205,190	206,180	(990)	199,618
Materials and supplies	3,700	3,452	248	3,833
Repairs and maintenance	700	349	351	667
Other services and charges	28,300	19,179	9,121	14,208
Total inspection	<u>237,890</u>	<u>229,160</u>	<u>8,730</u>	<u>218,326</u>
Communications				
Personnel	<u>370,800</u>	<u>339,625</u>	<u>31,175</u>	<u>349,696</u>
Total communications	<u>370,800</u>	<u>339,625</u>	<u>31,175</u>	<u>349,696</u>
Emergency management				
Personnel	11,600	11,198	402	11,222
Materials and supplies	3,100	2,852	248	16
Other services and charges	<u>5,200</u>	<u>3,832</u>	<u>1,368</u>	<u>4,706</u>
Total emergency medical services	<u>19,900</u>	<u>17,882</u>	<u>2,018</u>	<u>15,944</u>
Total public safety	<u>3,507,450</u>	<u>3,295,524</u>	<u>211,926</u>	<u>3,193,064</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, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
<b>EXPENDITURES - (CONTINUED)</b>				
<b>Current - (continued)</b>				
<b>Public works</b>				
Streets				
Personnel	\$ 509,590	\$ 496,084	\$ 13,506	\$ 470,345
Materials and supplies	142,500	129,534	12,966	113,041
Repairs and maintenance	150,000	295,130	(145,130)	401,823
Other services and charges	149,830	144,727	5,103	141,917
Capital outlay	211,497	24,969	186,528	245,575
Debt service	-	35,477	(35,477)	48,468
Total streets	<u>1,163,417</u>	<u>1,125,921</u>	<u>37,496</u>	<u>1,421,169</u>
Administration/engineering				
Personnel	212,930	215,458	(2,528)	137,534
Materials and supplies	7,000	7,652	(652)	7,034
Repairs and maintenance	12,370	12,354	16	12,878
Other services and charges	83,580	75,664	7,916	43,003
Total administration/engineering	<u>315,880</u>	<u>311,128</u>	<u>4,752</u>	<u>200,449</u>
Vehicle and facility maintenance				
Personnel	100,390	98,454	1,936	134,109
Materials and supplies	6,590	7,385	(795)	7,263
Repairs and maintenance	1,200	703	497	603
Other services and charges	660	523	137	432
Total vehicle and facility maintenance	<u>108,840</u>	<u>107,065</u>	<u>1,775</u>	<u>142,407</u>
Total public works	<u>1,588,137</u>	<u>1,544,114</u>	<u>44,023</u>	<u>1,764,025</u>
<b>Parks and recreation</b>				
Parks and recreation				
Personnel	261,500	261,956	(456)	247,856
Materials and supplies	21,020	24,449	(3,429)	14,981
Repairs and maintenance	29,750	27,970	1,780	28,095
Other services and charges	175,080	145,765	29,315	164,463
Capital outlay	-	-	-	120,998
Total parks and recreation	<u>487,350</u>	<u>460,140</u>	<u>27,210</u>	<u>576,393</u>
Civic center				
Materials and supplies	800	645	155	773
Repairs and maintenance	62,040	63,754	(1,714)	58,245
Other services and charges	38,760	34,666	4,094	33,780
Total civic center	<u>101,600</u>	<u>99,065</u>	<u>2,535</u>	<u>92,798</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, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (CONTINUED)</b>				
<b>Current - (continued)</b>				
<b>Parks and recreation - (continued)</b>				
Aquatic center				
Personnel	\$ 184,080	\$ 138,395	\$ 45,685	\$ 135,810
Materials and supplies	21,360	23,304	(1,944)	16,543
Repairs and maintenance	19,500	19,329	171	21,030
Other services and charges	71,810	65,003	6,807	62,134
Capital outlay	-	-	-	75,297
Total aquatic center	<u>296,750</u>	<u>246,031</u>	<u>50,719</u>	<u>310,814</u>
Total parks and recreation	<u>885,700</u>	<u>805,236</u>	<u>80,464</u>	<u>980,005</u>
Capital outlay	<u>226,530</u>	<u>1,647,627</u>	<u>(1,421,097)</u>	<u>-</u>
<b>Total expenditures</b>	<u>7,770,642</u>	<u>8,602,341</u>	<u>(831,699)</u>	<u>7,396,628</u>
Excess (deficiency) of revenues over expenditures	(847,007)	(1,246,374)	(399,367)	(123,632)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	10,000	32,932	22,932	80,551
Capital lease	211,497	210,662	(835)	167,470
Transfers in	625,510	662,090	36,580	612,670
Transfers out	-	(40,000)	(40,000)	(102,405)
<b>Total other financing sources (uses)</b>	<u>847,007</u>	<u>865,684</u>	<u>18,677</u>	<u>758,286</u>
Net change in fund balance	<u>\$ -</u>	<u>(380,690)</u>	<u>\$ (380,690)</u>	<u>634,654</u>
Fund balance at beginning of year		<u>4,496,156</u>		<u>3,861,502</u>
<b>Fund balance at end of year</b>		<u>\$ 4,115,466</u>		<u>\$ 4,496,156</u>

(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, 2013

With comparative totals for September 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 126,598	\$ 66,419
Receivables, net		
Taxes	30,214	32,129
Note receivable from component unit	17,148	16,434
Noncurrent assets		
Note receivable from component unit, net	<u>18,517</u>	<u>35,664</u>
<b>Total assets</b>	<u>\$ 192,477</u>	<u>\$ 150,646</u>
<b>LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	<u>30,214</u>	<u>32,129</u>
<b>Total deferred inflows of resources</b>	<u>30,214</u>	<u>32,129</u>
<b>FUND BALANCE</b>		
Nonspendable		
Noncurrent notes receivable	18,517	35,664
Restricted		
Retirement of long-term debt	<u>143,746</u>	<u>82,853</u>
<b>Total fund balance</b>	<u>162,263</u>	<u>118,517</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 192,477</u>	<u>\$ 150,646</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, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current taxes	\$ 230,422	\$ 245,913	\$ 15,491	\$ 289,436
Delinquent taxes	7,500	6,111	(1,389)	7,932
Penalty and interest	4,000	3,803	(197)	5,872
Investment income	450	261	(189)	3,757
<b>Total revenues</b>	<u>242,372</u>	<u>256,088</u>	<u>13,716</u>	<u>306,997</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	175,597	175,597	-	185,659
Interest and fiscal charges	105,904	45,350	60,554	109,404
Issuance costs	-	72,713	(72,713)	33,980
<b>Total expenditures</b>	<u>281,501</u>	<u>293,660</u>	<u>(12,159)</u>	<u>329,043</u>
Excess (deficiency) of revenues over expenditures	(39,129)	(37,572)	1,557	(22,046)
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	1,345,000	1,345,000	1,071,597
Premium on refunding bonds issued	-	49,635	49,635	50,798
Payment to escrow	-	(1,352,446)	(1,352,446)	(1,154,921)
Transfer in	39,129	39,129	-	-
Transfer out	-	-	-	(138,425)
<b>Total other financing sources (uses)</b>	<u>39,129</u>	<u>81,318</u>	<u>42,189</u>	<u>(170,951)</u>
Net change in fund balance	-	43,746	43,746	(192,997)
Fund balance at beginning of year	<u>118,517</u>	<u>118,517</u>	-	<u>311,514</u>
<b>Fund balance at end of year</b>	<u>\$ 118,517</u>	<u>\$ 162,263</u>	<u>\$ 43,746</u>	<u>\$ 118,517</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, 2013*  
*With comparative totals for September 30, 2012*

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,984,070	\$ 1,998,116
Investments	548,410	100,665
Receivables (net)		
Accounts	535,824	531,025
Interest	749	175
Due from other funds	95,558	95,558
Due from other governments	-	252,408
Prepaid items	28,693	17,069
Restricted assets		
Cash and cash equivalents	31,491	114,141
Total current assets	<u>3,224,795</u>	<u>3,109,157</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	2,506,115	1,907,484
Buildings and improvements	1,713,074	1,713,074
Water works system	13,385,620	13,311,635
Sewer system	11,111,784	10,474,112
Total capital assets	<u>28,716,593</u>	<u>27,406,305</u>
Less accumulated depreciation	<u>12,512,243</u>	<u>11,722,434</u>
Subtotal	16,204,350	15,683,871
Land	30,498	30,498
Construction in progress	<u>2,341,433</u>	<u>430,024</u>
Net capital assets	<u>18,576,281</u>	<u>16,144,393</u>
Total noncurrent assets	<u>18,576,281</u>	<u>16,144,393</u>
<b>Total assets</b>	<u>21,801,076</u>	<u>19,253,550</u>

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

September 30, 2013

With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 263,288	\$ 579,138
Accrued expenses	24,166	21,611
Deposits	187,281	174,927
Accrued interest payable	59,531	51,402
Due to other funds	49,684	49,684
Due to other governments	-	2,917
Compensated absences	36,439	34,654
Current portion of capital leases	200,609	119,667
Current portion of general obligation bonds	107,737	104,403
Current portion of certificates of obligation	335,000	200,000
Total current liabilities	<u>1,263,735</u>	<u>1,338,403</u>
Noncurrent liabilities		
Compensated absences	25,135	22,366
Capital leases, net of current portion	1,153,838	954,694
Premiums on long-term debt	163,714	99,692
General obligation bonds, net of current portion	1,606,263	1,714,000
Certificates of obligation, net of current portion	7,300,000	4,715,000
Total noncurrent liabilities	<u>10,248,950</u>	<u>7,505,752</u>
<b>Total liabilities</b>	<u>11,512,685</u>	<u>8,844,155</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amount on refunding	14,659	16,435
<b>Total deferred inflows of resources</b>	<u>14,659</u>	<u>16,435</u>
<b>NET POSITION</b>		
Net investment in capital assets	7,740,611	8,351,078
Unrestricted, as restated	2,533,121	2,041,882
<b>Total net position</b>	<u>\$ 10,273,732</u>	<u>\$ 10,392,960</u>

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance Positive (Negative)	2012
	Original/Final Budget	Actual		Actual
<b>OPERATING REVENUES</b>				
Water	\$ 1,578,160	\$ 1,430,432	\$ (147,728)	\$ 1,431,317
Sewer	1,604,530	1,619,036	14,506	1,610,130
Sanitation	1,530,000	1,593,301	63,301	1,531,504
Billing fees	122,000	126,695	4,695	124,193
Penalties	75,000	88,218	13,218	81,860
Connection and installation fees	37,500	60,951	23,451	51,469
Other	18,100	20,383	2,283	20,111
<b>Total operating revenues</b>	<u>4,965,290</u>	<u>4,939,016</u>	<u>(26,274)</u>	<u>4,850,584</u>
<b>OPERATING EXPENSES</b>				
Utility operations				
Personnel	864,090	783,923	80,167	840,633
Materials and supplies	73,560	83,401	(9,841)	78,980
Repairs and maintenance	241,340	192,396	48,944	237,218
Other services and charges	2,324,980	2,531,999	(207,019)	2,200,792
Capital outlay	57,000	126,526	(69,526)	35,770
<b>Total operating expenses</b>	<u>3,560,970</u>	<u>3,718,245</u>	<u>(157,275)</u>	<u>3,393,393</u>
<b>Operating income (loss) before nonoperating revenues (expenses) and transfers</b>	1,404,320	1,220,771	(183,549)	1,457,191
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	12,000	7,826	(4,174)	7,333
Noncapital grants and contributions	-	10,814	10,814	20,686
Principal retirement	(424,070)	(424,070)	-	(544,055)
Interest and fiscal charges	(336,950)	(424,867)	(87,917)	(440,704)
<b>Total nonoperating revenues (expenses)</b>	<u>(749,020)</u>	<u>(830,297)</u>	<u>(81,277)</u>	<u>(956,740)</u>
Income (loss) before transfers	655,300	390,474	(264,826)	500,451
Transfers				
Transfers in	-	-	-	138,425
Transfers out	(713,100)	(542,229)	170,871	(493,150)
Change in net position - (Non-GAAP Basis)	<u>\$ (57,800)</u>	<u>(151,755)</u>	<u>\$ (93,955)</u>	145,726
<b>ADJUSTMENTS</b>				
Principal portion of debt payments		424,070		544,055
Depreciation		(789,808)		(744,273)
Capital grants and contributions		271,739		245,868
Capital outlay		126,526		35,770
Change in net position - (GAAP Basis)		(119,228)		227,146
Net position at beginning of year, as restated		<u>10,392,960</u>		<u>10,165,814</u>
<b>Net position at end of year</b>		<u>\$ 10,273,732</u>		<u>\$ 10,392,960</u>

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

September 30, 2013

With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 196,988	\$ 103,985
Receivables (net)		
Accounts	381,525	350,656
Prepaid items	15,834	8,368
Total current assets	<u>594,347</u>	<u>463,009</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	866,196	743,110
Buildings and improvements	410,000	410,000
Total capital assets	1,276,196	1,153,110
Less accumulated depreciation	901,227	835,445
Net capital assets	<u>374,969</u>	<u>317,665</u>
Total noncurrent assets	<u>374,969</u>	<u>317,665</u>
<b>Total assets</b>	<u>969,316</u>	<u>780,674</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	7,738	5,397
Accrued expenses	30,190	23,681
Compensated absences	42,805	36,997
Total current liabilities	<u>80,733</u>	<u>66,075</u>
Noncurrent liabilities		
Compensated absences	26,707	28,173
Total noncurrent liabilities	<u>26,707</u>	<u>28,173</u>
<b>Total liabilities</b>	<u>107,440</u>	<u>94,248</u>
<b>NET POSITION</b>		
Net investment in capital assets	374,969	317,665
Unrestricted	486,907	368,761
<b>Total net position</b>	<u>\$ 861,876</u>	<u>\$ 686,426</u>

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012
	Original/Final Budget	Actual	Variance Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Ambulance services	\$ 414,720	\$ 552,443	\$ 137,723	\$ 319,446
Other	10,000	12,611	2,611	8,113
<b>Total operating revenues</b>	<u>424,720</u>	<u>565,054</u>	<u>140,334</u>	<u>327,559</u>
<b>OPERATING EXPENSES</b>				
Ambulance operations				
Personnel	892,290	892,209	81	854,970
Materials and supplies	89,550	84,113	5,437	60,811
Repairs and maintenance	26,370	21,001	5,369	15,877
Other services and charges	105,310	106,977	(1,667)	68,663
Capital outlay	189,775	148,263	41,512	101,587
<b>Total operating expenses</b>	<u>1,303,295</u>	<u>1,252,563</u>	<u>50,732</u>	<u>1,101,908</u>
<b>Operating income (loss) before nonoperating revenues (expenses) and transfers</b>	(878,575)	(687,509)	191,066	(774,349)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	-	115	115	156
Noncapital grants and contributions	900,808	840,808	(60,000)	796,510
<b>Total nonoperating revenues (expenses)</b>	<u>900,808</u>	<u>840,923</u>	<u>(59,885)</u>	<u>796,666</u>
Income (loss) before transfers	22,233	153,414	131,181	22,317
Transfers				
Transfers out	(7,270)	(35,268)	(27,998)	(7,270)
Change in net position - (Non-GAAP Basis)	<u>\$ 14,963</u>	118,146	<u>\$ 103,183</u>	15,047
<b>ADJUSTMENTS</b>				
Depreciation		(90,959)		(83,492)
Capital outlay		<u>148,263</u>		<u>101,587</u>
Change in net position - (GAAP Basis)		175,450		33,142
Net position at beginning of year		<u>686,426</u>		<u>653,284</u>
<b>Net position at end of year</b>		<u>\$ 861,876</u>		<u>\$ 686,426</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 POSITION**  
**September 30, 2013**

---

	<u>Health Insurance</u>	<u>Information Technology</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Prepaid items	\$ -	\$ 4,858	\$ 4,858
Total current assets	<u>-</u>	<u>4,858</u>	<u>4,858</u>
Noncurrent assets			
Capital assets			
Buildings, improvements, and equipment (net)	-	3,538	3,538
Total noncurrent assets	<u>-</u>	<u>3,538</u>	<u>3,538</u>
<b>Total assets</b>	<u>-</u>	<u>8,396</u>	<u>8,396</u>
<b>LIABILITIES</b>			
Current liabilities			
Due to other funds	-	26,748	26,748
Total current liabilities	<u>-</u>	<u>26,748</u>	<u>26,748</u>
<b>Total liabilities</b>	<u>-</u>	<u>26,748</u>	<u>26,748</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	3,538	3,538
Unrestricted	-	(21,890)	(21,890)
<b>Total net position</b>	<u>\$ -</u>	<u>\$ (18,352)</u>	<u>\$ (18,352)</u>

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

For the year ended September 30, 2013

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	<u>Health Insurance</u>	<u>Information Technology</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 761,101	\$ 114,202	\$ 875,303
<b>Total operating revenues</b>	<u>761,101</u>	<u>114,202</u>	<u>875,303</u>
<b>OPERATING EXPENSES</b>			
Materials and supplies	-	16,474	16,474
Repairs and maintenance	-	29,403	29,403
Other services and charges	2,586	80,803	83,389
Claims expense	830,806	-	830,806
Depreciation	-	1,061	1,061
<b>Total operating expenses</b>	<u>833,392</u>	<u>127,741</u>	<u>961,133</u>
Operating income (loss) before nonoperating revenues (expenses)	(72,291)	(13,539)	(85,830)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	<u>297</u>	-	<u>297</u>
Net nonoperating revenues (expenses)	<u>297</u>	-	<u>297</u>
Change in net position	(71,994)	(13,539)	(85,533)
Total net position at beginning of year	<u>71,994</u>	<u>(4,813)</u>	<u>67,181</u>
<b>Total net position at end of year</b>	<u>\$ -</u>	<u>\$ (18,352)</u>	<u>\$ (18,352)</u>

**CITY OF EL CAMPO, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2013

	Health Insurance	Information Technology	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from other funds	\$ 787,240	\$ 131,537	\$ 918,777
Cash paid to suppliers for goods and services	(884,015)	(131,537)	(1,015,552)
<b>Net cash provided (used) by operating activities</b>	<u>(96,775)</u>	<u>-</u>	<u>(96,775)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	297	-	297
<b>Net cash provided (used) by investing activities</b>	<u>297</u>	<u>-</u>	<u>297</u>
Net increase (decrease) in cash and cash equivalents	(96,478)	-	(96,478)
Cash and cash equivalents at beginning of year	96,478	-	96,478
<b>Cash and cash equivalents at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (72,291)	\$ (13,539)	\$ (85,830)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	-	1,061	1,061
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	26,139	-	26,139
(Increase) decrease in prepaid items	-	(4,858)	(4,858)
Increase (decrease) in accounts payable	(9,525)	-	(9,525)
Increase (decrease) in due to other funds	-	17,336	17,336
Increase (decrease) in claims payable	(41,098)	-	(41,098)
Total adjustments	<u>(24,484)</u>	<u>13,539</u>	<u>(10,945)</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (96,775)</u>	<u>\$ -</u>	<u>\$ (96,775)</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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<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	95
<b>Revenue Capacity</b>	
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.....	106
<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.....	115
<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 .....	121
<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 .....	123

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

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	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 11,092,683	\$ 12,588,438	\$ 11,890,772	\$ 11,783,741
Restricted	214,232	344,823	292,694	284,411
Unrestricted	<u>6,476,749</u>	<u>6,421,514</u>	<u>7,249,296</u>	<u>7,491,671</u>
Total governmental activities net position	<u>\$ 17,783,664</u>	<u>\$ 19,354,775</u>	<u>\$ 19,432,762</u>	<u>\$ 19,559,823</u>
Business-type activities				
Net investment in capital assets	\$ 4,881,538	\$ 6,454,462	\$ 6,824,445	\$ 7,094,356
Unrestricted	<u>1,739,828</u>	<u>2,015,929</u>	<u>2,383,222</u>	<u>2,353,223</u>
Total business-type activities net position	<u>\$ 6,621,366</u>	<u>\$ 8,470,391</u>	<u>\$ 9,207,667</u>	<u>\$ 9,447,579</u>
Primary government				
Net investment in capital assets	\$ 15,974,221	\$ 19,042,900	\$ 18,715,217	\$ 18,878,097
Restricted	214,232	344,823	292,694	284,411
Unrestricted	<u>8,216,577</u>	<u>8,437,443</u>	<u>9,632,518</u>	<u>9,844,894</u>
Total primary government activities net position	<u>\$ 24,405,030</u>	<u>\$ 27,825,166</u>	<u>\$ 28,640,429</u>	<u>\$ 29,007,402</u>

(1) Accrual basis of accounting

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 11,802,324	\$ 13,175,250	\$ 12,651,611	\$ 12,096,688	\$ 11,780,074	\$ 12,448,707
239,496	293,532	596,548	394,422	250,288	341,963
<u>6,823,104</u>	<u>4,355,197</u>	<u>3,556,474</u>	<u>4,253,875</u>	<u>4,648,129</u>	<u>4,126,213</u>
<u>\$ 18,864,924</u>	<u>\$ 17,823,979</u>	<u>\$ 16,804,633</u>	<u>\$ 16,744,985</u>	<u>\$ 16,678,491</u>	<u>\$ 16,916,883</u>
\$ 7,239,131	\$ 6,040,671	\$ 8,185,040	\$ 8,171,231	\$ 8,668,743	\$ 8,115,580
<u>2,910,875</u>	<u>4,287,504</u>	<u>2,381,014</u>	<u>2,801,092</u>	<u>2,410,643</u>	<u>3,020,028</u>
<u>\$ 10,150,006</u>	<u>\$ 10,328,175</u>	<u>\$ 10,566,054</u>	<u>\$ 10,972,323</u>	<u>\$ 11,079,386</u>	<u>\$ 11,135,608</u>
\$ 19,041,455	\$ 19,215,921	\$ 20,836,651	\$ 20,267,919	\$ 20,448,817	\$ 20,564,287
239,496	293,532	596,548	394,422	250,288	341,963
<u>9,733,979</u>	<u>8,642,701</u>	<u>5,937,488</u>	<u>7,054,967</u>	<u>7,058,772</u>	<u>7,146,241</u>
<u>\$ 29,014,930</u>	<u>\$ 28,152,154</u>	<u>\$ 27,370,687</u>	<u>\$ 27,717,308</u>	<u>\$ 27,757,877</u>	<u>\$ 28,052,491</u>

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Governmental activities</b>				
Expenses				
General government	\$ 1,107,839	\$ 1,231,557	\$ 1,364,142	\$ 1,847,968
Public safety	2,690,890	3,157,010	3,140,921	3,299,795
Public works	1,555,335	2,795,238	2,210,670	1,991,662
Parks and recreation	447,264	676,385	711,395	662,876
Interest on long-term debt	80,346	110,901	106,953	99,957
Total expenses	<u>5,881,674</u>	<u>7,971,091</u>	<u>7,534,081</u>	<u>7,902,258</u>
Program revenues				
Charges for services				
General government	163,016	151,589	128,353	166,974
Public safety	964,933	927,081	981,327	1,071,589
Public works	10,733	9,879	26,079	39,240
Parks and recreation	78,528	172,965	142,997	171,566
Operating grants and contributions	224,713	163,174	192,895	640,257
Capital grants and contributions	1,168,924	2,169,237	121,009	25,000
Total program revenues	<u>2,610,847</u>	<u>3,593,925</u>	<u>1,592,660</u>	<u>2,114,626</u>
Total governmental activities net program (expense) revenue	(3,270,827)	(4,377,166)	(5,941,421)	(5,787,632)
General revenues and other changes in net position				
Taxes				
Property taxes	1,671,271	2,058,280	2,210,482	2,185,347
Sales taxes	1,861,214	2,000,244	2,150,320	2,154,527
Franchise taxes	599,967	639,487	633,442	604,425
Other taxes	134,095	131,053	125,111	120,776
Investment earnings	118,598	206,046	319,572	407,748
Gain (loss) on disposition of capital assets	9,193	-	72,787	-
Miscellaneous	74,835	67,953	33,812	140,150
Transfers	319,500	367,735	434,033	301,720
Total general revenues and other changes in net position	<u>4,788,673</u>	<u>5,470,798</u>	<u>5,979,559</u>	<u>5,914,693</u>
<b>Total governmental activities change in net position</b>	<u>\$ 1,517,846</u>	<u>\$ 1,093,632</u>	<u>\$ 38,138</u>	<u>\$ 127,061</u>

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 1,735,303	\$ 1,730,446	\$ 1,700,404	\$ 1,748,982	\$ 1,598,194	\$ 1,409,439
4,036,711	4,197,726	3,331,347	3,181,009	3,486,798	3,555,073
1,853,152	2,258,781	1,933,738	2,205,043	2,220,393	2,340,330
705,118	754,293	745,235	682,760	860,990	880,902
146,150	152,972	144,355	136,246	133,211	109,774
<u>8,476,434</u>	<u>9,094,218</u>	<u>7,855,079</u>	<u>7,954,040</u>	<u>8,299,586</u>	<u>8,295,518</u>
148,938	130,103	134,468	131,517	134,253	162,534
1,267,229	843,653	670,620	580,613	599,335	505,909
32,206	20,308	29,651	55,955	33,332	31,466
186,210	172,042	187,309	231,917	251,355	269,205
115,606	200,212	148,542	162,233	181,085	145,583
160,359	179,786	-	71,424	-	24,969
<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>	<u>1,139,666</u>
(6,565,886)	(7,548,114)	(6,684,489)	(6,720,381)	(7,100,226)	(7,155,852)
2,350,642	2,627,352	2,641,886	2,811,094	2,834,559	2,832,186
2,422,347	2,291,988	2,161,373	2,405,245	2,840,198	2,908,788
604,010	612,731	603,132	650,585	622,421	602,873
136,673	127,396	102,424	104,512	145,210	159,487
285,267	154,964	57,935	38,222	33,478	10,307
-	-	-	-	-	-
167,151	178,636	295,309	173,116	243,932	250,569
345,100	514,102	(196,916)	477,959	375,176	630,034
<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>7,394,244</u>
\$ <u>(254,696)</u>	\$ <u>(1,040,945)</u>	\$ <u>(1,019,346)</u>	\$ <u>(59,648)</u>	\$ <u>(5,252)</u>	\$ <u>238,392</u>

(continued)

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Business-type activities</b>				
Expenses				
Utilities	\$ 2,807,134	\$ 3,004,005	\$ 3,434,174	\$ 3,528,587
Emergency medical services	-	-	-	-
Total expenses	<u>2,807,134</u>	<u>3,004,005</u>	<u>3,434,174</u>	<u>3,528,587</u>
Program revenues				
Charges for services				
Utilities	3,332,422	3,642,874	4,101,097	3,918,547
Emergency medical services	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	88,084	1,252,082	409,122	104,804
Total program revenues	<u>3,420,506</u>	<u>4,894,956</u>	<u>4,510,219</u>	<u>4,023,351</u>
Total business-type activities net program (expense) revenue	613,372	1,890,951	1,076,045	494,764
General revenues and other changes in net position				
Unrestricted investment earnings	36,871	55,909	102,960	46,868
Miscellaneous	71,096	73,633	-	-
Transfers	(319,500)	(367,735)	(434,033)	(301,720)
Total general revenues and other changes in net position	<u>(211,533)</u>	<u>(238,193)</u>	<u>(331,073)</u>	<u>(254,852)</u>
<b>Total business-type activities change in net position</b>	<u>\$ 401,839</u>	<u>\$ 1,652,758</u>	<u>\$ 744,972</u>	<u>\$ 239,912</u>
<b>Total primary government change in net position</b>	<u>\$ 1,919,685</u>	<u>\$ 2,746,390</u>	<u>\$ 783,110</u>	<u>\$ 366,973</u>

(1) Accrual basis of accounting

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 3,862,890	\$ 4,065,879	\$ 4,219,111	\$ 4,269,546	\$ 4,529,419	\$ 4,586,250
-	-	1,050,632	1,037,263	1,083,813	1,195,259
<u>3,862,890</u>	<u>4,065,879</u>	<u>5,269,743</u>	<u>5,306,809</u>	<u>5,613,232</u>	<u>5,781,509</u>
4,312,032	4,350,603	4,337,210	4,996,082	4,850,584	4,939,016
-	-	294,344	389,720	327,559	565,054
-	-	655,472	796,510	817,196	851,622
101,676	336,738	-	-	245,868	104,132
<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>	<u>6,459,824</u>
550,818	621,462	17,283	875,503	627,975	678,315
99,331	70,809	23,680	8,725	7,489	7,941
-	-	-	-	-	-
<u>(345,100)</u>	<u>(514,102)</u>	<u>196,916</u>	<u>(477,959)</u>	<u>(375,176)</u>	<u>(630,034)</u>
<u>(245,769)</u>	<u>(443,293)</u>	<u>220,596</u>	<u>(469,234)</u>	<u>(367,687)</u>	<u>(622,093)</u>
<u>\$ 305,049</u>	<u>\$ 178,169</u>	<u>\$ 237,879</u>	<u>\$ 406,269</u>	<u>\$ 260,288</u>	<u>\$ 56,222</u>
<u>\$ 50,353</u>	<u>\$ (862,776)</u>	<u>\$ (781,467)</u>	<u>\$ 346,621</u>	<u>\$ 255,036</u>	<u>\$ 294,614</u>

(concluded)

**CITY OF EL CAMPO, TEXAS**

*FUND BALANCES, GOVERNMENTAL FUNDS (1)*

*Last ten fiscal years*

	Fiscal Year			
	2004	2005	2006	2007
<b>General Fund</b>				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Prepaid items	54,558	74,787	76,349	60,250
Inventory	7,001	10,971	9,920	18,179
Unreserved	<u>4,520,294</u>	<u>5,522,797</u>	<u>5,473,008</u>	<u>5,624,841</u>
<b>Total general fund</b>	<u>\$ 4,581,853</u>	<u>\$ 5,608,555</u>	<u>\$ 5,559,277</u>	<u>\$ 5,703,270</u>
<b>All Other Governmental Funds</b>				
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	100,225
Unreserved, reported in				
Special revenue funds	196,357	39,803	39,878	71,576
Debt service fund	52,610	213,250	262,310	251,958
Capital project funds	<u>1,015,982</u>	<u>1,019,807</u>	<u>789,462</u>	<u>746,838</u>
<b>Total all other governmental funds</b>	<u>\$ 1,402,073</u>	<u>\$ 1,400,695</u>	<u>\$ 1,209,482</u>	<u>\$ 1,170,597</u>

(1) Modified accrual basis of accounting

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

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ 65,249	\$ 63,852	\$ 119,970
-	-	-	21,928	65,449	37,566
-	-	-	3,774,325	-	-
9,626	10,554	10,177	-	-	-
10,787	16,820	27,831	-	-	-
<u>6,033,298</u>	<u>3,810,126</u>	<u>3,309,065</u>	<u>-</u>	<u>4,366,855</u>	<u>3,957,930</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>	<u>\$ 4,115,466</u>
\$ -	\$ -	\$ -	\$ 52,098	\$ 35,664	\$ 18,517
-	-	-	259,416	82,853	143,746
-	-	-	21,203	7,062	-
-	-	-	457	-	-
-	-	-	99,564	142,796	176,884
-	-	-	430,584	312,006	310,848
-	-	-	9,670	6,751	19,991
-	-	-	-	(89,318)	(227,496)
94,254	81,393	67,103	-	-	-
26,573	48,449	81,471	-	-	-
216,811	266,302	254,258	-	-	-
<u>716,994</u>	<u>459,558</u>	<u>628,268</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,054,632</u>	<u>\$ 855,702</u>	<u>\$ 1,031,100</u>	<u>\$ 872,992</u>	<u>\$ 497,814</u>	<u>\$ 442,490</u>

**CITY OF EL CAMPO, TEXAS**

*CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)*

*Last ten fiscal years*

	Fiscal Year			
	2004	2005	2006	2007
<b>Revenues</b>				
Taxes	\$ 4,314,389	\$ 4,869,425	\$ 5,110,463	\$ 5,129,477
Licenses and permits	110,551	100,367	87,717	125,546
Intergovernmental	758,546	387,033	192,895	580,162
Charges for services	429,261	521,660	530,601	505,985
Fines and forfeitures	500,761	533,007	494,368	632,966
Investment income	118,598	206,046	319,572	407,748
Industrial agreement	-	-	-	-
Miscellaneous	641,038	2,011,249	229,359	180,636
<b>Total revenues</b>	<u>6,873,144</u>	<u>8,628,787</u>	<u>6,964,975</u>	<u>7,562,520</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,068,234	1,173,582	1,332,860	1,906,962
Public safety	2,579,573	2,674,482	3,020,822	3,352,675
Public works	1,194,039	1,311,721	1,297,906	1,948,665
Parks and recreation	441,790	576,742	653,067	617,806
Capital outlay	1,293,613	2,189,325	1,127,237	131,070
<b>Debt service</b>				
Principal retirement	158,378	158,816	184,704	193,453
Interest and fiscal charges	74,096	115,528	108,196	101,097
Bond issue costs	22,050	-	-	-
<b>Total expenditures</b>	<u>6,831,773</u>	<u>8,200,196</u>	<u>7,724,792</u>	<u>8,251,728</u>
<b>Excess (deficiency) of revenues over expenditures</b>	41,371	428,591	(759,817)	(689,208)
<b>Other financing sources (uses)</b>				
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	16,546
Capital leases	-	-	-	476,050
Transfers in	390,591	519,703	539,076	434,260
Transfers out	(71,091)	(151,968)	(105,043)	(132,540)
<b>Total other financing sources (uses)</b>	<u>1,367,653</u>	<u>379,386</u>	<u>519,326</u>	<u>794,316</u>
<b>Changes in fund balances</b>	<u>\$ 1,409,024</u>	<u>\$ 807,977</u>	<u>\$ (240,491)</u>	<u>\$ 105,108</u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u>3.87%</u>	<u>3.46%</u>	<u>4.32%</u>	<u>4.07%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 5,553,867	\$ 5,726,072	\$ 5,530,398	\$ 6,069,161	\$ 6,517,911	\$ 6,546,395
110,520	82,013	98,729	86,460	100,726	125,333
497,283	503,073	218,104	207,131	108,291	121,368
557,310	494,131	217,408	284,405	264,130	291,202
627,661	581,037	655,274	571,100	599,285	505,909
285,267	154,370	57,772	37,794	33,247	10,010
-	16,641	14,954	14,823	14,710	13,103
159,023	199,637	199,942	171,699	230,191	256,045
<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>	<u>7,869,365</u>
1,641,061	1,672,339	1,611,531	1,648,537	1,504,136	1,357,424
3,818,081	4,048,711	3,260,752	3,173,120	3,241,872	3,338,576
1,443,436	1,461,833	1,540,477	1,729,891	1,860,922	1,726,136
652,629	689,063	692,676	669,346	980,005	805,236
1,002,344	2,935,358	401,725	65,980	159,875	1,647,627
169,842	239,702	163,536	172,872	185,659	175,597
133,531	151,847	141,654	133,641	109,404	45,350
57,765	-	-	-	33,980	72,713
<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>	<u>9,168,659</u>
(1,127,758)	(3,441,879)	(819,770)	(150,814)	(207,362)	(1,299,294)
1,650,000	-	-	-	1,071,597	1,345,000
-	-	-	-	50,798	49,635
-	-	-	-	(1,154,921)	(1,352,446)
45,959	49,664	12,729	15,845	80,551	32,932
65,426	-	-	-	167,470	210,662
412,212	2,114,539	959,725	544,392	616,050	741,219
(67,112)	(1,600,437)	(467,713)	(53,102)	(364,250)	(163,722)
<u>2,106,485</u>	<u>563,766</u>	<u>504,741</u>	<u>507,135</u>	<u>467,295</u>	<u>863,280</u>
\$ <u>978,727</u>	\$ <u>(2,878,113)</u>	\$ <u>(315,029)</u>	\$ <u>356,321</u>	\$ <u>259,933</u>	\$ <u>(436,014)</u>
<u>3.89%</u>	<u>3.89%</u>	<u>4.17%</u>	<u>4.18%</u>	<u>4.00%</u>	<u>2.98%</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>
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
2013	2,833,765	41,482	602,873	2,908,788	159,487	6,546,395

(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
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
2013	2012	348,994,091	151,116,990	18,417,381	99,641,390	4,586,692

(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>
\$ 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%
100,905,970	521,850,574	0.5073	521,851,574	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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<u>Fiscal Year</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>		
	<u>Debt Service</u>	<u>General Fund</u>	<u>Total</u>	<u>School District</u>	<u>Junior College</u>	<u>Wharton County/ FMLR</u>
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
2013	0.0449	0.4624	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	\$ -	\$ 0.1145	\$ 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
0.0300	0.0073	0.0643	0.1833	2.1215

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

2013		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Key Energy Services, Inc.	\$ 11,761,467	2.25%
Wal-Mart Stores	11,544,203	2.21%
United Agriculture Coop, Inc.	5,837,932	1.12%
Winfield Solutions LLC	5,537,820	1.06%
American Electric Power	5,249,970	1.01%
Kansas City Southern Railway	4,680,270	0.90%
H.E.B.	4,050,763	0.78%
Helena Chemical Company	3,349,910	0.64%
Don Davis Motor Co Inc.	3,193,596	0.61%
Sutherland Lumber Southwest, Inc.	3,099,660	0.59%
	<u>\$ 58,305,591</u>	<u>11.17%</u>

2005		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Wal-Mart Stores	\$ 9,566,593	3.03%
Owl Creek Production Co., Inc.	5,327,180	1.69%
AEP Texas Central Co.	4,566,800	1.45%
Key Energy - Gulf Coast	4,274,140	1.35%
Farmers Coop of El Campo	2,777,550	0.88%
Southwestern Bell Telephone Co.	2,727,670	0.86%
Cardell Cabintry	2,717,580	0.86%
Olympic Plaza Assoc.	1,828,220	0.58%
Don Davis Motor Co Inc.	1,692,303	0.54%
Wincup	1,589,260	0.50%
	<u>\$ 37,067,296</u>	<u>11.74%</u>

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

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>
2004	\$ 1,682,045	\$ 1,619,510	96.28%	\$ 28,686	\$ 1,648,196	97.99%
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%	46,050	2,148,169	97.33%
2007	2,243,450	2,139,050	95.35%	40,304	2,179,354	97.14%
2008	2,354,108	2,275,265	96.65%	78,806	2,354,071	100.00%
2009	2,664,871	2,565,253	96.26%	57,094	2,622,347	98.40%
2010	2,676,392	2,547,219	95.17%	92,846	2,640,065	98.64%
2011	2,799,518	2,745,509	98.07%	50,876	2,796,385	99.89%
2012	2,826,754	2,777,421	98.25%	34,049	2,811,470	99.46%
2013	2,841,656	2,776,467	97.71%	-	2,776,467	97.71%

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>
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
2013	647,102,000	586,673,800	60,428,200	9.34%	352,993,000

SOURCE: City of El Campo

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Total Direct Rate		
<u>Base Rate</u>	<u>Water Usage Rate</u>	<u>Sewer Usage Rate</u>
\$ 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
22.30	2.01	4.13

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

2013			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
El Campo Housing Authority	Housing	159,877	2.38%
Isaacson Municipal Utility District	Municipal District	145,350	2.17%
Jones-Co Properties	Housing	53,726	0.80%
PHPM Mission Care Centers	Housing	45,240	0.67%
El Campo Memorial Hospital	Hospital	43,911	0.65%
Roane & Roane Properties	Housing	43,586	0.65%
Country Aire Mobile Home Park	Housing	36,713	0.55%
El Campo Independent School District	School	31,739	0.47%
Oakcrest Apartments	Hospital	30,710	0.46%
El Campo Inn	Hotel	24,865	0.37%

2004			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
El Campo Housing Authority	Housing	129,581	2.93%
WinCup	Manufacturing	90,250	2.04%
Isaacson Municipal Utility District	Municipal District	68,410	1.55%
Oakcrest Apartments	Housing	44,397	1.00%
New ICM	Manufacturing	39,500	0.89%
Country Aire Mobile Home Park	Housing	38,362	0.87%
Greenbriar Apartments	Housing	34,406	0.78%
El Campo Memorial Hospital	Hospital	34,250	0.77%
Roane & Roane Properties	Housing	31,321	0.71%
El Campo Independent School District	School	23,379	0.53%

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
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
2013	70,000	2,311,000	340,282	7,635,000	1,714,000	1,354,447

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>
\$ 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
13,424,729	N/A	1,157

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

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<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding (1)</u>			<u>Debt Service Monies Available (2)</u>
	<u>Certificates of Obligation</u>	<u>General Obligation Bonds</u>	<u>Total</u>	
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
2013	70,000	4,025,000	4,095,000	162,263

(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>
\$ 5,110,548	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
3,932,737	100.00%	339

**CITY OF EL CAMPO, TEXAS***DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**(UNAUDITED)**September 30, 2013*

	<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)	9/30/2013	\$ 2,721,282	100.00%	\$ 2,721,282
Overlapping Debt:				
Wharton County	12/31/2012	-	26.00%	-
El Campo Independent School District	8/31/2013	<u>21,205,000</u>	42.31%	<u>8,971,836</u>
Total Overlapping Debt		<u>21,205,000</u>		<u>8,971,836</u>
Total		<u>\$ 23,926,282</u>		<u>\$ 11,693,118</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**  
**PLEGGED-REVENUE COVERAGE**  
*Last ten fiscal years*

Water and Sewer Revenue Bonds					
<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Average Annual Debt Service Requirements</u>	<u>Times Debt Coverage</u>
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
2013	4,957,656	3,591,719	1,365,937	467,450	2.92

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*

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<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>
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%
2013	11,602	N/A	37,750	3,631	5.3%

NOTES: Personal income figures for 2004 through 2013 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 Seven Years Ago*

2013		
Employer	Employees	Percentage of Total Area Employment
El Campo Independent School District	497	12.19%
Greenleaf Nursery	376	9.22%
El Campo Memorial Hospital	212	5.20%
Wal-Mart	192	4.71%
H.E.B.	180	4.42%
Prasek's Hillje Smokehouse	160	3.92%
City of El Campo	110	2.70%
Mark's Machine	99	2.43%
New ICM	91	2.23%
Key Energy	70	1.72%
	<u>1,987</u>	<u>48.74%</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				
	2004	2005	2006	2007	2008
General government					
Administration	6.00	6.00	6.00	5.00	5.00
Finance	-	-	-	-	-
Municipal court	4.00	4.00	4.00	4.00	4.00
Inspections	4.00	3.50	4.00	4.00	5.00
Public safety					
Police	28.00	29.00	29.00	29.00	33.00
Communications	8.00	8.00	8.00	8.00	8.00
Fire marshal	0.30	0.50	-	-	-
EMS	9.00	10.00	10.00	10.00	10.00
Public works					
Administration	3.00	4.00	3.00	3.00	3.00
Vehicle maintenance	2.00	2.00	2.00	2.00	2.00
Streets and drainage	15.00	14.00	14.00	14.00	14.00
Community and recreational services	0.50	-	-	1.00	1.00
Parks maintenance	5.00	5.00	5.00	5.00	5.00
Civic center	0.50	-	-	-	-
Aquatic center	-	-	-	2.00	2.00
Water and sewer					
Administration	3.00	2.00	1.50	1.50	1.00
Water production and distribution	5.00	5.00	6.00	6.00	6.00
Wastewater collection	5.00	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>100.00</u>	<u>99.50</u>	<u>101.50</u>	<u>106.00</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
2.00	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	4.00
5.00	5.00	4.00	4.00	4.00
33.00	33.00	33.00	34.00	34.50
8.00	7.00	8.00	8.00	8.00
-	-	-	-	-
10.00	10.00	10.00	10.00	11.00
3.00	3.00	3.00	3.00	4.00
2.00	2.00	2.00	3.00	2.00
14.00	14.00	14.00	13.00	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	3.00	3.00
6.00	6.00	6.00	5.00	5.00
5.00	5.00	5.00	5.00	5.00
2.00	2.00	2.00	2.00	2.00
<u>107.00</u>	<u>106.00</u>	<u>106.00</u>	<u>108.00</u>	<u>109.50</u>

**CITY OF EL CAMPO, TEXAS****OPERATING INDICATORS BY FUNCTION/PROGRAM***Last ten fiscal years*

Function/Program	Fiscal Year			
	2004	2005	2006	2007
General government				
Building permits issued	892	714	586	606
Building inspections conducted	800	830	652	789
Fire inspections conducted	11	19	17	23
Public safety				
Police				
Physical arrests	1,491	1,662	1,802	2,018
Traffic violations	8,473	7,560	12,675	9,459
Fire				
Total incidents	143	172	175	190
Streets and highways				
Street resurfacing (miles)	N/A	5.10	6.59	6.60
Water and wastewater				
Water				
Active water connections	4,386	4,277	4,314	4,301
Average daily consumption (in 000's)	1,540	1,470	1,468	1,355
Peak daily consumption (in 000's)	3,080	3,590	3,575	2,400
Wastewater				
Active sewer connections	3,813	3,890	3,932	3,900
Average daily flow	1,420	1,190	1,234	1,278

NOTE: N/A denotes information not available.

SOURCE: Various City departments

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Fiscal Year					
2008	2009	2010	2011	2012	2013
641	545	508	503	498	545
708	588	489	453	523	468
10	26	9	22	15	8
2,035	4,471	4,036	1,756	1,613	1,332
10,588	9,674	4,272	10,517	8,065	6,483
331	252	193	343	261	256
3.20	4.00	6.50	10.89	12.28	7.34
4,351	4,013	3,655	4,093	4,263	4,636
1,707	1,876	1,496	2,053	1,759	1,740
3,303	3,839	2,642	2,837	3,376	3,599
3,931	3,919	3,573	3,869	4,099	4,320
1,232	958	1,208	885	885	996

**CITY OF EL CAMPO, TEXAS**

*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2004	2005	2006	2007
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	100	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	81	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

Fiscal Year						
2008	2009	2010	2011	2012	2013	
1	1	1	1	1	1	1
5	5	5	5	5	5	5
1	1	1	1	1	1	1
100	100	100	78	79	80	
6	6	6	5	4	-	
56	56	56	56	56	64	
1	1	1	1	1	1	
8	8	8	8	8	8	
1	1	1	1	1	1	
81	81	81	87	87	87	
75	75	75	88	88	88	
15	15	15	15	15	15	

**SINGLE AUDIT SECTION**



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**INDEPENDENT AUDITORS' 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, 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harrison, Waldrop & Uherek, LLP*

HARRISON, WALDROP & UHEREK, L.L.P.  
Certified Public Accountants

February 20, 2014



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of El Campo, Texas (the "City") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



HARRISON, WALDROP & UHEREK, L.L.P.  
Certified Public Accountants

February 20, 2014

**CITY OF EL CAMPO, TEXAS****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended September 30, 2013

<u>Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<b>FEDERAL EXPENDITURES</b>			
<b>U.S. Department of Housing and Urban Development</b>			
<i>Passed through Texas Department of Agriculture</i>			
Community Development Block Grant Program	14.228	711332	\$ 729,314
Community Development Block Grant Program	14.228	711170	<u>104,132</u>
Total U.S. Department of Housing and Urban Development			<u>833,446</u>
<b>U.S. Department of Transportation</b>			
<i>Passed through Texas Department of Transportation</i>			
FY2013 Impaired Driving Mobilization Incentive Grant	20.601	583EGF6189	3,000
STEP - Impaired Driving Mobilization	20.601	2013-EICampPD-IDM-00016	<u>7,991</u>
Total U.S. Department of Transportation			<u>10,991</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$ 844,437</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF EL CAMPO, TEXAS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*For the year ended September 30, 2013*

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**CITY OF EL CAMPO, TEXAS**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*For the year ended September 30, 2013*

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

yes  no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Major Programs or Cluster</i>
14.228	Community Development Block Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

**Section II - Financial Statement Findings**

None noted

**Section III - Federal Award Findings and Questioned Costs**

None noted

**CITY OF EL CAMPO, TEXAS**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*For the year ended September 30, 2013*

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None were reported.