

CITY OF BASTROP, TEXAS

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2016**

CITY OF BASTROP, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 2016

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i – vi
Organization Chart.....	vii
List of Principal Officials.....	viii
GFOA Certificate of Achievement	ix
 FINANCIAL SECTION	
Independent Auditors’ Report.....	1 – 3
Management’s Discussion and Analysis	4 – 11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities.....	13 – 14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18

CITY OF BASTROP, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Page Number</u>
Statement of Net Position – Proprietary Funds.....	19 – 20
Statement of Revenue, Expenses, and Changes in Net Position Proprietary Funds.....	21
Statement of Cash Flows – Proprietary Funds.....	22 – 23
Statement of Net Position – Fiduciary Funds	24
Notes to Financial Statements.....	25 – 54
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	55
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Hotel/Motel Tax Fund.....	56
Notes to Budgetary Information	57
Schedule of Funding Progress – Retiree Health Care Plan.....	58
Schedule of Changes in Net Pension Liability and Related Ratios	59
Schedule of Contributions.....	60
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	61 – 63
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Fund	64 – 66
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	67

CITY OF BASTROP, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Table</u>	<u>Page Number</u>
Combining Statement of Net Position		68
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds		69
Combining Statement of Cash Flows – Nonmajor Enterprise Funds		70
 STATISTICAL SECTION		
Net Position by Component	1	71 – 72
Changes in Net Position.....	2	73 – 74
General Revenues and Total Change in Net Position.....	3	75 – 76
Fund Balance of Governmental Funds	4	77
Changes in Fund Balance of Governmental Funds.....	5	78 – 79
Tax Revenues by Source, Governmental Funds	6	80 – 81
Assessed Value and Estimated Actual Value of Taxable Property	7	82
Direct and Overlapping Property Tax Rates	8	83
Principal Property Tax Payers	9	84
Property Tax Levies and Collections.....	10	85
Direct and Overlapping Sales Tax Revenue	11	86
Ratios of Outstanding Debt by Type	12	87
Ratios of General Bonded Debt Outstanding.....	13	88
Direct and Overlapping Governmental Activities Debt.....	14	89

CITY OF BASTROP, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Table</u>	<u>Page Number</u>
Legal Debt Margin Information.....	15	90 – 91
Pledged-Revenue Coverage.....	16	92
Demographic and Economic Statistics	17	93 – 94
Principal Employers	18	95
Fulltime Equivalent City Government Employees	19	96
Operating Indicators by Function/Program	20	97
Capital Asset Statistics by Function/Program.....	21	98

COMPLIANCE SECTION

Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performing in Accordance With <i>Government Auditing Standards</i>		99 – 100
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CITY OF BASTROP, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED
SEPTEMBER 30, 2016

CITY COUNCIL

Kenneth W. Kesselus – Mayor
Willie DeLaRosa – Mayor Pro-Tem
Gary Schiff
Kay Garcia McAnally
Deborah Jones
Willie Lewis “Bill” Peterson

INTERIM CITY MANAGER

Marvin Townsend

CHIEF FINANCIAL OFFICER

Tracy Waldron

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INTRODUCTORY SECTION

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City of Bastrop
1311 Chestnut Street
PO Box 427
Bastrop, Texas 78602



February 15, 2017

Honorable Mayor and City Council,
And the Citizens of the City of Bastrop, Texas

The City of Bastrop Finance Department respectfully submits the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016. Provided herein is a complete set of financial statements in conformity with generally accepted accounting principles GAAP and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The purpose of this report is to provide council, management, staff, the public and other interested parties with detailed information regarding the City's financial condition. State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2016.

This report consists of management's representations concerning the finances of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reports 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 an understanding of the City's financial activities have been included.

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

The City financial records have been audited by Pattillo, Brown & Hill, L.L.P. Certified Public Accountants as required by the City Charter and Financial Management Policies adopted by City Council. This Comprehensive Annual Financial Report has been prepared based upon those audited records. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2016 are free of

material misstatement. This independent audit involved examining, on a test-basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, significant estimates made by management and evaluating the overall financial statement presentation.

Pattillo, Brown & Hill, L.L.P. Certified Public Accountants have stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bastrop, Texas, for the fiscal year ended September 30, 2016. The independent auditor's report is located at the front of the financial section. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF BASTROP

The City of Bastrop is nestled on the Colorado River and located at the junction of TX Highways 71, 21 and 95, just 30 minutes from Austin, 90 minutes from San Antonio and less than 2 hours from Houston. It currently occupies 11 square miles and serves a population of approximately 8,600. The City of Bastrop serves as the county seat of Bastrop County. The City has developed into a commercial center which daily serves up to an estimated 25,000 business persons, shoppers, and visitors.

Bastrop, Texas is known as the most historic small town in Texas. A frontier settlement founded by Stephen F. Austin in 1832 and incorporated in 1837. The City is the second-oldest incorporated town in Texas and was considered an alternate capital of the Republic. The City is situated along El Camino Real National Historic Trail and boasts more than 130 renovated historic homes and sites, designated on the *National Register of Historic Places* by the Texas Historical Commission.

The City operates under a council-manager form of government. The City Council is comprised of a Mayor and five council members. All members are elected at-large on a staggered and non-partisan basis. They are responsible to enact local legislation, provide policy and annually adopt the operating budget. They appoint the City Manager, City Attorney, Judge of the Municipal Court and members of various boards and commissions. The City Manager under the oversight of the City Council is responsible for the proper administration of the operations of the City.

The City provides a full range of municipal services including general government, public safety, public works, parks and recreation, planning and development, code enforcement, animal services, and water, sewer and electric utilities. Sanitation services are provided by the City but are privately contracted.

The Bastrop Economic Development Corporation (BEDC) is included in the financial statements as a discrete component unit. Its purpose is to aid, promote and further economic development within the City. The BEDC is funded with sales tax revenues and is discussed more fully in the notes to the financial statements.

The annual budget of the City serves as the foundation for its financial plan and control. The budget is proposed by the City Manager and adopted by the City Council in accordance with policies and procedures established by the City Charter, ordinances, and state law. The budget process begins each year with the development of priority issues established by City Council at their City Council Retreat. Departments submit their annual departmental budget requests to the City Manager for review. A proposed budget is prepared for presentation to the City Council. The City Council reviews the budget in subsequent work sessions and a formal budget is prepared and made available to the public for review. Prior to official adoption of the budget by council, any required public hearings on the proposed budget are held to allow for public input and any required notices are published in the City's newspaper.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The City of Bastrop is identified as the county seat for Bastrop County. With this designation comes commercial growth not typically seen for a population of approximately 8,600 residents. Major industries located within the government's boundaries or in close proximity include small industries, retail stores, several financial institutions, restaurants and insurance companies. The school district has significant economic presence, employing in total more than 1,100 teachers, professionals, and support staff.

During the past ten years, the unemployment rate rose from an initial low of 4.9 percent in 2005 to a decade high of 8.6 percent in 2011, reducing to 3.4 percent for fiscal year 2015-2016. Although unemployment rates have reduced nationwide over the last two years, the City of Bastrop continues to experience unemployment rates consistently lower than national averages.

Due to its healthy local economy, the City of Bastrop has a credit rating of AA from Standard and Poor's as of May 2016. Over the past ten years, the City has experienced significant economic growth and investment. Commercial development was active in 2014 as evidenced by the addition of Academy Sports store, Chick-fil-a, Southside BBQ restaurant, renovation and expansion of the HEB grocery store, and an additional retail strip center. This growth continued in 2015 with a new strip center added in Burleson Crossing including three additional retail stores (Hobby Lobby, Five Below, Ulta). The new strip center by Walmart (Fred Loya Insurance, The UPS store, Papa John's). In 2016, another strip center in Burleson Crossing was completed (Garcia's Restaurant, Wing Stop, etc.) and another strip center by Walmart (Mama Fu's, Sally's Beauty Supply, etc.). In 2016, the City approved final plats for Pecan Park to start residential construction, adding much needed homes. The City issued 77 building permits with a permit value of \$16,142,863 in FY16.

Our sound financial position is apparent even with the growth pressures because of our conservative budgeting practices, as evidenced by healthy fund balance numbers. The City experienced growth in assessed valuation of property taxes and collection of sales tax from fiscal year 2011 through 2016 as identified in the chart below. Existing assessed valuations have continued to represent a slight increase. This increase could be attributable to the build out of Hunter’s Crossing subdivision and an increase in assessed values of current properties including new commercial growth over the past several years. The Sales Tax Revenue for Fiscal 2015 far exceeded its budgeted 8% increase. In Fiscal Year 2016, the City remained conservative from a budget standpoint only budgeting \$3,996,190 and continued to safely exceed budgeted projections. The City consistently shows an increase in sales tax revenue even when other areas of the state do not.

Fiscal Year	Ad Valorem Taxes	%	General Fund	%
	Certified Assessed Valuation	Change	Sales Tax Receipts	Change
2011	\$ 607,077,994	7.00%	\$ 2,722,333	4.26%
2012	\$ 627,256,816	3.32%	\$ 3,194,452	17.34%
2013	\$ 635,808,461	1.36%	\$ 3,322,116	3.99%
2014	\$ 670,721,248	5.49%	\$ 3,544,649	6.70%
2015	\$ 737,922,965	10.02%	\$ 4,016,828	13.3%
2016	\$ 782,928,050	6.09%	\$ 4,313,718	7.39%

Long-term Financial Planning

The City Council approved a budget that held fund balance at 29% for Fiscal Year 2015 to protect the City’s creditworthiness as well as its financial position from unforeseeable emergencies. Fiscal Year 2015 ended up with a 62% fund balance reserve. The Fiscal 2016 budget included one-time projects that were intended to draw down this high reserve closer to the 25% required by the Financial Management Policy.

The overriding goal of the Financial Management Policy and Comprehensive Fund Balance Policy are to enable the City to achieve a long-term stable and positive financial condition while conducting its operations consistent with the Council-Manager form of government established in the City Charter. The scope of the policies spans accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash management, expenditure control, and debt management.

Recognizing that debt is usually a more expensive financing method, alternative financing sources will be explored before debt is issued. When debt is issued, it will be used to acquire major assets with expected lives that equal or exceed the average life of the debt issue. The exceptions to this requirement are the traditional costs of marketing and issuing the debt, capitalized labor for design and construction of capital projects, and small component parts which are attached to major equipment purchases. Debt payments are structured to provide that capital assets funded by debt have a longer life than the debt associated with those assets. Regarding general obligation debt, the City has followed a policy of structuring new debt issue

payment schedules to maintain declining debt payment structures to keep tax increases at a minimum.

Relevant Financial Policies

The City of Bastrop, Texas has adopted a comprehensive set of financial policies. Annually or as needed, the City Council approves their financial policies and extensive review and revisions are provided to City Council and the City Manager from the Finance Department. Each year the City Council approves the Investment Policy, which is intended to protect City Assets by identifying investment objectives, addressing the issues of investment risks versus rewards, and providing the framework for the establishment of controls, limitations and responsibilities of City employees in the performance of their fiduciary responsibilities. In Fiscal Year 2014, the City approved a revised Purchasing Policy with the intent to maintain a cost effective purchasing system conforming to good management practices. The establishment and maintenance of a good purchasing system is possible only through cooperative effort. This Policy reaffirms the City of Bastrop's commitment to strengthen purchasing and property controls to reasonably assure that assets are received and retained in the custody of the City of Bastrop.

Major Initiatives

There was one issuances of debt in FY2016. The General Obligation Refunding, Series 2016 in the amount of \$2,525,000 was issued on 6/14/2016. The proceeds from the sale of the Bonds will be used for the purpose of refunding certain maturities of the City's outstanding obligations to restructure its outstanding debt, recognizing a savings in interest expense and paying the costs of issuing the Bonds.

Awards and Acknowledgements

The Governmental Finance Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2015. This was the fifth consecutive year that the City achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A certificate of achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Treasurers' Organization of Texas awarded the City with a Certification of Investment Policy for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the Government Treasurers' Organization of Texas. This certificate is for a two-year period ending September 30, 2018.

The State Comptroller of Public Accounts awarded the City the Traditional Finances Star for transparency on the City's website. This certificate is valid for a period of one year. This is the fourth year in a role that the City has received a transparency award from the Comptroller's office.

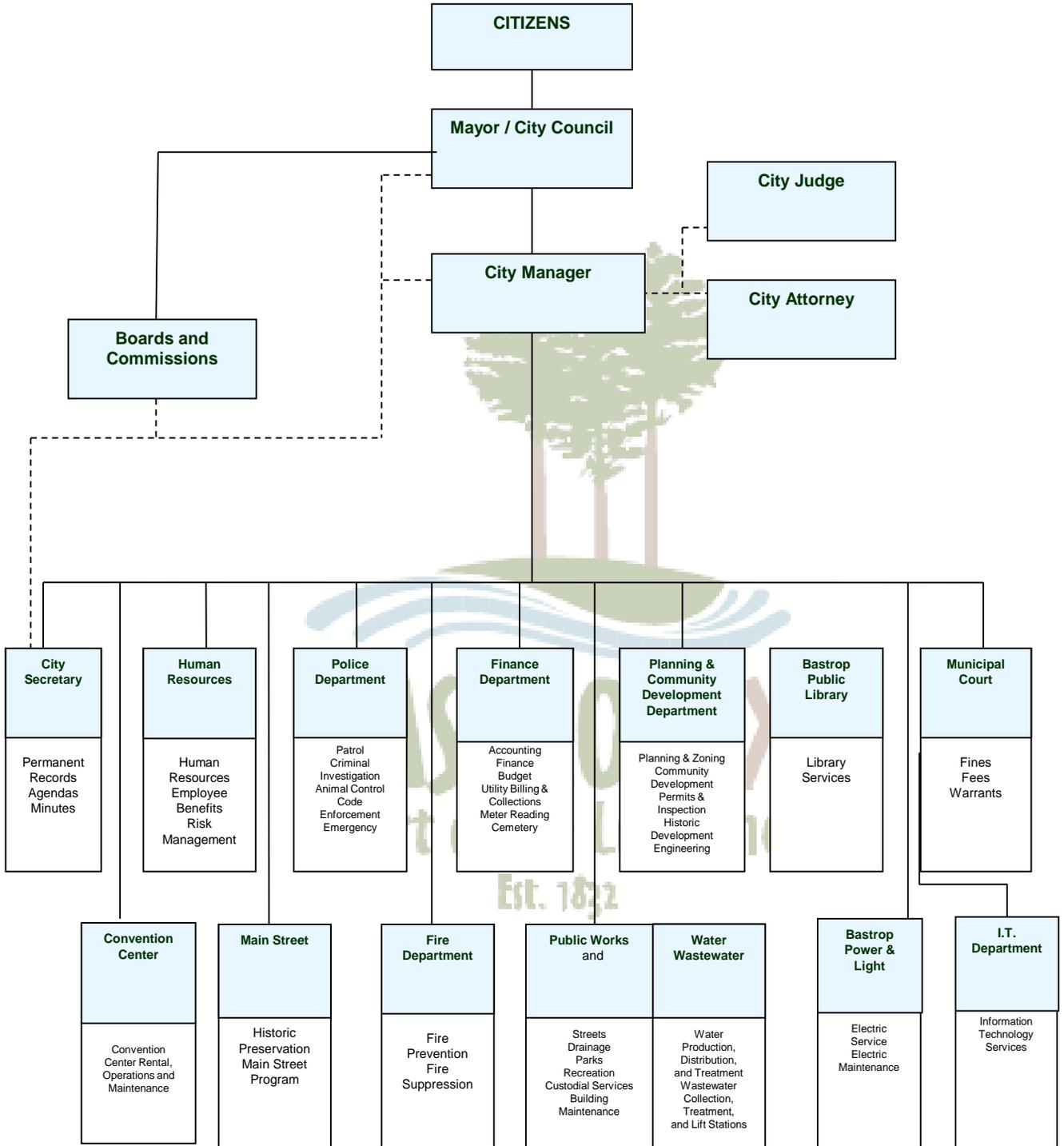
The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the City Manager, Mayor and the Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Bastrop, Texas's finances.

Respectfully submitted,

Tracy Waldron

Tracy Waldron
Chief Financial Officer

City of Bastrop Organizational Chart



CITY OF BASTROP, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2016

Prepared by the
Finance Department

Tracy Waldron, Chief Financial Officer
Afton Figueroa, Assistant Finance Director

City Council	Expiration of Term
Kenneth W. Kesselus, Mayor	May 2017
Gary Schiff, Council Member	May 2018
Willie DeLaRosa, Mayor Pro-Tem	May 2018
Willie Lewis "Bill" Peterson, Council Member	May 2019
Kay Garcia McAnally, Council Member	May 2017
Deborah Jones, Council Member	May 2019

Interim City Manager
Marvin Townsend



Government Finance Officers Association

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

Presented to

**City of Bastrop
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

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FINANCIAL SECTION

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and City Council of the
City of Bastrop, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bastrop, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of funding progress, schedule of changes in net pension liability and related ratios, and schedule of contributions on pages 4 through 11 and 55 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bastrop, Texas' basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2017, on our consideration of the City of Bastrop, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bastrop, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
February 15, 2017

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of the City of Bastrop, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Bastrop for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Bastrop exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$49,923,350 (net position). Of this amount, \$27,471,658 (55.0%) is net investment in capital assets. The amount of net position restricted for a specific purpose is \$8,997,738 (18.0%). The remaining \$13,453,954 (26.9%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies. The City's total net position increased by \$1,325,221 from fiscal year 2015.
- As of the close of the current fiscal year, the City of Bastrop's governmental funds reported combined ending fund balances of \$11,440,701, a decrease of \$3,422,638 in comparison with the prior year. Within this total, \$5,973,307 (52.2%) is restricted by specific legal requirements, \$3,661,166 (32.0%) is unassigned fund balance, and \$1,315,719 (11.5%) has been committed and assigned to specific types of expenditures.
- The unassigned portion of the General Fund fund balance at the end of the year was \$3,661,166. This includes the 25% of the General Fund expenditures which is required to be held in General Fund balance per the City Council approved Financial Management Policies. The remainder represents funds that may be utilized for unforeseen needs or emergencies which City Council allocates for a specific purpose.

Overview of the Financial Statements

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Bastrop’s finances in a manner similar to private-sector business. The statement of net position presents information on all of the City’s assets, liabilities and deferred inflows/outflows of resources with the difference 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 net position combines and consolidates governmental and business-type funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. In order to assess the overall health or financial condition of the City, other non-financial factors should also be taken into consideration. These include changes in the City’s property tax base and the condition of the City’s infrastructure (i.e., roads, drainage improvements, storm and sewer lines, etc.).

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 (e.g., uncollected taxes and earned but unused vacation leave).

In the statement of net position and the statement of activities, the City is divided into three (3) categories.

- 1) Governmental activities account for those activities supported by taxes and intergovernmental revenues. Basic services are provided including police, fire, municipal court, public works, library, parks, recreation, human resources, Information Technology, and finance.
- 2) Business-type activities are supported by user fees and charges. The City’s Water and Wastewater system and electrical system are reported here.
- 3) The government-wide statements include not only the City but also a discrete component unit, the Bastrop Economic Development Corporation (BEDC). Although legally separate, BEDC is financially accountable to the City.

The government-wide financial statements can be found on pages 12 – 14 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Bastrop uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds utilized by state and local governments can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Bastrop maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund, and the Hotel/motel Tax Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided in this report to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 – 18 of this report.

Proprietary Funds. Proprietary funds can be further classified into two different types of funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Bastrop uses enterprise funds to account for its water/wastewater utility, electric utility, and non-major enterprise fund operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Bastrop's various functions. The City of Bastrop intends to use its internal service fund to account for vehicle and equipment replacement. This fund has just been established and the minimal activity for the year has been included with the *governmental activities* in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 19 – 23.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Bastrop's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 24 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 – 54 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Bastrop’s General and Hotel/Motel Tax Funds, Schedule of Revenues, Expenditures and Changes in Fund Balance with a comparative display of budget to actual. This required supplementary information can be found on page 55 – 57 of this report. Required supplementary information of pension and other post employee benefit funding progress are also included on pages 58 – 60.

Government-Wide Financial Analysis

At the end of fiscal year 2016, the City’s net position (assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources) totaled \$49,923,350. This analysis focuses on the net position (Table 1) and changes in net position (Table 2). The largest portion of the City’s net position, \$27,471,658 (55.0%) reflects its investment in capital assets (land, buildings, infrastructure, machinery and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City reports its capital assets net of related debt, 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. The second largest portion of the City’s net position, \$13,453,954 (26.9%) reflects the unrestricted net position which may be used to meet the government’s ongoing obligations to citizens and creditors. An additional portion of the City’s net position, \$8,997,738 (18.0%) represents resources that are subject to external restrictions on how they may be used.

As of September 30, 2016, the City has positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CITY OF BASTROP’S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 18,630,429	\$ 21,939,970	\$ 15,309,283	\$ 16,606,404	\$ 33,939,712	\$ 38,546,374
Capital assets	<u>33,285,465</u>	<u>33,633,572</u>	<u>30,793,162</u>	<u>28,847,024</u>	<u>64,078,627</u>	<u>62,480,596</u>
Total assets	<u>51,915,894</u>	<u>55,573,542</u>	<u>46,102,445</u>	<u>45,453,428</u>	<u>98,018,339</u>	<u>101,026,970</u>
Total deferred outflows of resources	<u>1,574,518</u>	<u>660,577</u>	<u>257,197</u>	<u>158,582</u>	<u>1,831,715</u>	<u>819,159</u>
Current liabilities	762,883	1,923,168	963,142	1,242,008	1,726,025	3,165,176
Long-term liabilities	<u>27,416,142</u>	<u>28,456,573</u>	<u>20,716,239</u>	<u>21,626,251</u>	<u>48,132,381</u>	<u>50,082,824</u>
Total liabilities	<u>28,179,025</u>	<u>30,379,741</u>	<u>21,679,381</u>	<u>22,868,259</u>	<u>49,858,406</u>	<u>53,248,000</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>68,298</u>	<u>-</u>	<u>68,298</u>	<u>-</u>
Net position:						
Net investment in capital assets	11,918,463	11,651,156	15,553,195	13,333,175	27,471,658	24,984,331
Restricted	8,066,547	8,756,852	931,191	838,596	8,997,738	9,595,448
Unrestricted	<u>5,326,377</u>	<u>5,446,370</u>	<u>8,127,577</u>	<u>8,571,980</u>	<u>13,453,954</u>	<u>14,018,350</u>
Total net position	<u>\$ 25,311,387</u>	<u>\$ 25,854,378</u>	<u>\$ 24,611,963</u>	<u>\$ 22,743,751</u>	<u>\$ 49,923,350</u>	<u>\$ 48,598,129</u>

Governmental Activities: Governmental activities net position decreased by \$542,991, key elements are provided in the next page in Table 2. Program and general revenues for fiscal year 2016 are recorded at \$15,880,258 in comparison to \$16,680,709 in fiscal year 2015, recognizing a 4.8% decrease. Total expenses for Governmental activities for fiscal year 2016 were \$16,065,033 in comparison to \$14,516,402 in fiscal year 2015 recognizing a 10.7% increase.

Business-Type Activities: Revenues of the City's business-type activities were \$11,691,040 for the fiscal year ended September 30, 2016. Revenues decreased approximately \$487,686 (4.00%) as compared to the prior fiscal year. Expenses for the City's business-type activities decreased \$610,440 (5.66%).

CITY OF BASTROP'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,547,816	\$ 2,142,596	\$ 11,438,051	\$ 11,965,539	\$ 12,985,867	\$ 14,108,135
Operating grants and contributions	278,349	428,497	6,401	-	284,750	428,497
Capital contributions	629,416	1,878,711	-	47,889	629,416	1,926,600
General revenues:						
Property taxes	5,671,902	4,806,931	-	-	5,671,902	4,806,931
Other taxes	7,598,917	7,358,418	-	-	7,598,917	7,358,418
Interest income	74,232	19,380	65,264	14,490	139,496	33,870
Other income	79,626	46,176	181,324	150,808	260,950	196,984
Total revenues	<u>15,880,258</u>	<u>16,680,709</u>	<u>11,691,040</u>	<u>12,178,726</u>	<u>27,571,298</u>	<u>28,859,435</u>
Expenses:						
General government	4,461,447	3,000,666	-	-	4,461,447	3,000,666
Public safety	4,342,768	3,589,294	-	-	4,342,768	3,589,294
Developmental services	923,089	711,905	-	-	923,089	711,905
Community services	2,914,278	3,207,923	-	-	2,914,278	3,207,923
Economic development	2,497,292	2,976,087	-	-	2,497,292	2,976,087
Interest on long-term debt	926,159	1,030,527	-	-	926,159	1,030,527
Water/wastewater services	-	-	3,960,331	3,882,671	3,960,331	3,882,671
Bastrop Power & Light	-	-	6,184,527	6,861,785	6,184,527	6,861,785
Other non-major	-	-	36,186	47,028	36,186	47,028
Total expenses	<u>16,065,033</u>	<u>14,516,402</u>	<u>10,181,044</u>	<u>10,791,484</u>	<u>26,246,077</u>	<u>25,307,886</u>
Increases in net position						
before transfers and special item	(184,775)	2,164,307	1,509,996	1,387,242	1,325,221	3,551,549
Transfers	(358,216)	500,248	358,216	(500,248)	-	-
Special item	-	3,330,054	-	627,566	-	3,957,620
Change in net position	(542,991)	5,994,609	1,868,212	1,514,560	1,325,221	7,509,169
Net position, beginning	25,854,378	21,332,312	22,743,751	21,532,537	48,598,129	42,864,849
Prior period adjustment	-	(1,472,543)	-	(303,346)	-	(1,775,889)
Net position, ending	<u>\$ 25,311,387</u>	<u>\$ 25,854,378</u>	<u>\$ 24,611,963</u>	<u>\$ 22,743,751</u>	<u>\$ 49,923,350</u>	<u>\$ 48,598,129</u>

Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance. The analysis includes both governmental funds and proprietary funds.

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.

The General Fund is the chief operating fund of the City of Bastrop. At the end of the current fiscal year, the fund balance was \$3,833,587. With the exception of a small amount of fund balance shown as non-spendable, the fund balance essentially includes only unassigned funds of \$3,661,166 and assigned funds of \$89,868. The Debt Service Fund had a decrease of \$573,456 in fund balance, therefore at the end of the fiscal year the fund balance was \$230,749. These funds are specifically restricted for the payment of debt service. The Hotel/Motel Tax fund balance for the current year was \$2,265,766. This fund recognized an increase from last year of \$249,932 due to the expiring of the contract with Bastrop Marketing Corporation.

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

The net position of the water/wastewater fund at the end of the year amounted to \$16,768,221. The net position of the electric utility, Bastrop Power and Light fund at the end of the year amounted to \$6,912,551. Non-major enterprise funds amounted to \$931,191. Total proprietary funds net position for the year ended is \$24,611,963.

General Fund Budgetary Highlights

For the FY 2016 budget, the City adopted a tax rate of \$0.5640 per \$100 assessed valuation. The FY 2016 General Fund budgeted revenue of \$9,697,047 represented a 32.9% increase over the previous year's budgeted amount. The FY 2016 budget was amended through the year to decrease the adopted budget to \$9,171,634. Taxes and penalties comprise the majority of the budgeted General Fund revenues, \$7,734,932 (84.3%). Intergovernmental revenue contributed \$285,002 (3.1%) and transfers from other funds represent \$557,750 (6.1%) of the total budgeted revenues for FY 2016. All three of these categories identify 93.5% of total budgeted revenues.

The adopted General Fund expenditure budget of \$11,958,627. Each year the City performs a mid-year review of the budget. If the City Manager determines that funds are available, certain amendments are proposed to the City Council for their review and approval. Expenditures were amended throughout the year with the majority occurring during mid-year reviews. These amendments increased General Fund appropriations by \$110,052 (0.9%) to \$12,068,679. The City approved many departmental budget capital requests in FY 2016 to include IT upgrades \$58,000, the Police Patrol vehicles \$181,500, Fire Command Truck \$75,000, Street Improvements \$600,000, Park Improvement and Equipment \$134,000, and Planning Projects to include Comprehensive plan \$140,000.

Capital Assets and Debt Administration

Capital Assets. The City of Bastrop's investment in total capital assets for its governmental and business-type activities as of September 30, 2016 amounts to \$64,078,627, (net of accumulated depreciation). Investment in capital assets related to governmental activities \$33,285,465 includes land, buildings and improvements, infrastructure, machinery and equipment, and construction in progress. The total increase in the City's investment in capital assets for the current year was 2.6%.

CITY OF BASTROP'S CAPITAL ASSETS (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,370,614	\$ 4,359,014	\$ 1,541,613	\$ 1,541,614	\$ 5,912,227	\$ 5,900,628
Water rights	-	-	2,933,620	2,933,620	2,933,620	2,933,620
Construction in progress	119,006	121,448	2,267,618	1,610,172	2,386,624	1,731,620
Buildings and improvements	13,348,912	13,110,687	477,386	477,386	13,826,298	13,588,073
Infrastructure and systems	21,056,195	20,615,528	31,716,498	29,739,688	52,772,693	50,355,216
Machinery and equipment	5,756,863	5,790,949	2,781,685	2,590,293	8,538,548	8,381,242
Less: accumulated depreciation	(11,366,125)	(10,364,054)	(10,925,258)	(10,045,749)	(22,291,383)	(20,409,803)
Total capital assets	\$ <u>33,285,465</u>	\$ <u>33,633,572</u>	\$ <u>30,793,162</u>	\$ <u>28,847,024</u>	\$ <u>64,078,627</u>	\$ <u>62,480,596</u>

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

Long-Term Debt. During FY 2016, the City issued a General Obligation Refunding Bond, Series 2016 in the amount of \$2,525,000.

CITY OF BASTROP'S OUTSTANDING DEBT AT YEAR-END

General Obligation Bonds, Certificates of Obligation, Revenue Bonds, and Other Long-term Payables

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 23,798,232	\$ 25,248,671	\$ 19,384,953	\$ 20,482,824	\$ 43,183,185	\$ 45,731,495
Notes payable	388,915	819,821	480,000	540,000	868,915	1,359,821
Comensated absences	209,350	210,117	49,134	32,635	258,484	242,752
Net pension liability	2,527,955	1,724,026	578,498	355,338	3,106,453	2,079,364
Net OPEB obligation	<u>491,690</u>	<u>453,938</u>	<u>223,654</u>	<u>215,454</u>	<u>715,344</u>	<u>669,392</u>
Total	\$ <u>27,416,142</u>	\$ <u>28,456,573</u>	\$ <u>20,716,239</u>	\$ <u>21,626,251</u>	\$ <u>48,132,381</u>	\$ <u>50,082,824</u>

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

Economic Factors and Next Year's Budgets and Rates

The City experiences steady commercial growth as it is identified within Bastrop County as the county seat and its desirable location between Houston and Austin. The City's population is about 8,600 within the city limits; however, it is estimated the City's retail market services in excess of 100,000 visitors. Due to its healthy local economy, the City has maintained a credit rating of AA from S&P Global Ratings at our last bond issue in May of 2016. The annual operating budget for fiscal year 2017 reflects a variety of community issues, planning initiatives, economic development opportunities, and street and drainage projects. The Council held budget and planning sessions to provide an opportunity for the City Council to pass long their input and guidance in developing the FY 2017 budget. The City adopted a fiscally responsible balance budget on September 27, 2016.

Total General Fund revenue for fiscal year 2017 is \$89,947,361. The fiscal year 2017 General Fund's major revenue source for the City is Sales Tax at a budgeted \$4,456,860. Ad Valorem Tax Revenue (property taxes) is a closed second with an annual budget of \$3,131,361. The Sales Tax and Ad Valorem Taxes comprise 76.3% of the revenues received by the General Fund for operations. The General Fund (M&O) tax rate of \$0.364/\$100 and the Debt Service Fund (I&S) tax rate of \$0.200/\$100 combine to establish the City's overall property tax rate of \$0.564 per \$100. The City has maintained this constant tax rate for the third year in a row. The debt service payments for FY 2017 are \$1,765,118 or 35.46 percent of the overall tax rate necessary to generate funds to service the bonded indebtedness of the City of Bastrop. Property taxes of \$3,131,361 support the General Fund operations of the City, which represents 64.54 percent of the revenue collection in addition to \$1,144,896 one-time expenditures for various departments being funded out of excess fund balance from FY 2016. The FY 2017 budget will provide for the 25% required to fund balance at year-end as required by the Financial Management policy adopted by City Council.

Water and Wastewater Fund operations for FY 2017 has budgeted revenue of \$4,526,200, which expenses are budgeted at \$5,652,292. This budget is consuming \$1,126,092 of identified excess fund balance leaving the Funds fund balance well over the 35% required by the Financial Management policy adopted by City Council.

Electric Fund revenues consist of the sale of electricity to the City's customers within its service area, fees assessed for extension services, and pole attachment fee. Total budgeted expenses for the Electric Fund for the purchase of electricity and operations of the department if \$7,546,181.

The Comprehensive Plan that was stated in FY 2016 will conclude during FY 2017 with a report that will be presented to Council for acceptance. The plan will give the City Council long range goals that will ensure progress towards improving the community and maintaining the quality of life Bastrop residents have come to expect. The City is committed to the delivery of excellent service today and we are prepared to effectively deliver the same service tomorrow.

Requests for Information

This financial report is designed to provide a general overview of the City of Bastrop'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 Department, P.O. Box 427, Bastrop, Texas 78602.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF BASTROP, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bastrop EDC
ASSETS				
Cash and investments	\$ 12,007,474	\$ 13,590,096	\$ 25,597,570	\$ 3,890,057
Taxes receivable, net	921,365	-	921,365	352,244
Accounts receivable	600,814	902,045	1,502,859	-
Due from component unit	11,193	-	11,193	-
Due from other governments	870,560	6,401	876,961	-
Inventories	27,814	330,741	358,555	-
Prepaid items	54,879	-	54,879	4,079
Notes receivable	4,136,330	480,000	4,616,330	103,946
Capital assets, net:				
Non-depreciable	4,489,620	6,742,851	11,232,471	839,936
Depreciable	28,795,845	24,050,311	52,846,156	1,479,370
Total assets	<u>51,915,894</u>	<u>46,102,445</u>	<u>98,018,339</u>	<u>6,669,632</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	1,123,909	257,197	1,381,106	49,350
Deferred loss on refunding	450,609	-	450,609	-
Total deferred outflows of resources	<u>1,574,518</u>	<u>257,197</u>	<u>1,831,715</u>	<u>49,350</u>
LIABILITIES				
Accounts payable	412,440	629,110	1,041,550	14,247
Accrued liabilities	268,880	119,979	388,859	30,880
Due to primary government	-	-	-	11,193
Retainage payable	37,453	-	37,453	-
Customer deposits	41,909	201,867	243,776	-
Unearned revenue	-	-	-	55,200
Other liabilities	2,201	12,186	14,387	-
Noncurrent liabilities:				
Due within one year	1,591,574	1,037,372	2,628,946	272,360
Due in more than one year	25,824,568	19,678,867	45,503,435	4,397,001
Total liabilities	<u>28,179,025</u>	<u>21,679,381</u>	<u>49,858,406</u>	<u>4,780,881</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding	-	68,298	68,298	-
Total deferred inflows of resources	<u>-</u>	<u>68,298</u>	<u>68,298</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	11,918,463	15,553,195	27,471,658	2,104,306
Restricted for:				
Cemetery:				
Nonexpendable	383,649	-	383,649	-
Expendable	186,500	-	186,500	-
Public improvement district	134,055	-	134,055	-
Traffic safety	639,377	-	639,377	-
Culture and recreation	124,559	-	124,559	-
Economic development	2,265,766	-	2,265,766	88,344
PEG channels	24,026	-	24,026	-
Debt service	4,308,615	-	4,308,615	-
Capital improvements	-	931,191	931,191	-
Unrestricted	5,326,377	8,127,577	13,453,954	(254,549)
Total net position	<u>\$ 25,311,387</u>	<u>\$ 24,611,963</u>	<u>\$ 49,923,350</u>	<u>\$ 1,938,101</u>

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

CITY OF BASTROP, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,461,447	\$ 1,061,694	\$ 239,396	\$ -
Public safety	4,342,768	266,292	-	-
Developmental services	923,089	-	-	-
Community services	2,914,278	66,705	38,953	52,080
Economic development services	2,497,292	153,125	-	577,336
Interest	926,159	-	-	-
Total governmental activities	<u>16,065,033</u>	<u>1,547,816</u>	<u>278,349</u>	<u>629,416</u>
Business-type activities:				
Water/wastewater	3,960,331	4,654,955	6,401	-
Bastrop power and light	6,184,527	6,446,305	-	-
Other	36,186	336,791	-	-
Total business-type activities	<u>10,181,044</u>	<u>11,438,051</u>	<u>6,401</u>	<u>-</u>
Total primary government	<u>26,246,077</u>	<u>12,985,867</u>	<u>284,750</u>	<u>629,416</u>
Component Unit:				
Bastrop Economic Development Corp.	<u>1,417,191</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
Total component unit	<u>\$ 1,417,191</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Hotel/motel taxes				
Franchise taxes				
Investment earnings				
Miscellaneous				
Gain on sale of assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Bastrop EDC
\$(3,160,357)	\$ -	\$(3,160,357)	\$ -
(4,076,476)	-	(4,076,476)	-
(923,089)	-	(923,089)	-
(2,756,540)	-	(2,756,540)	-
(1,766,831)	-	(1,766,831)	-
(926,159)	-	(926,159)	-
<u>(13,609,452)</u>	<u>-</u>	<u>(13,609,452)</u>	<u>-</u>
-	701,025	701,025	-
-	261,778	261,778	-
<u>-</u>	<u>300,605</u>	<u>300,605</u>	<u>-</u>
<u>-</u>	<u>1,263,408</u>	<u>1,263,408</u>	<u>-</u>
<u>(13,609,452)</u>	<u>1,263,408</u>	<u>(12,346,044)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,411,191)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,411,191)</u>
5,671,902	-	5,671,902	-
4,325,273	-	4,325,273	2,159,801
2,777,935	-	2,777,935	-
495,709	-	495,709	-
74,232	65,264	139,496	14,998
79,626	181,324	260,950	15,504
-	-	-	128,990
<u>(358,216)</u>	<u>358,216</u>	<u>-</u>	<u>-</u>
<u>13,066,461</u>	<u>604,804</u>	<u>13,671,265</u>	<u>2,319,293</u>
<u>(542,991)</u>	<u>1,868,212</u>	<u>1,325,221</u>	<u>908,102</u>
<u>25,854,378</u>	<u>22,743,751</u>	<u>48,598,129</u>	<u>1,029,999</u>
<u>\$ 25,311,387</u>	<u>\$ 24,611,963</u>	<u>\$ 49,923,350</u>	<u>\$ 1,938,101</u>

CITY OF BASTROP, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Hotel/Motel Tax Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 3,193,642	\$ 237,089	\$ 2,009,076	\$ 5,272,660	\$ 10,712,467
Taxes receivable, net	815,659	104,445	-	1,261	921,365
Accounts receivable, net	338,381	-	256,690	5,743	600,814
Due from other funds	62,398	-	-	-	62,398
Due from component unit	11,193	-	-	-	11,193
Due from other governments	773,616	-	-	96,944	870,560
Inventories	27,814	-	-	-	27,814
Prepaid items	54,739	-	-	140	54,879
Notes receivable	326,413	3,809,917	-	-	4,136,330
Total assets	<u>5,603,855</u>	<u>4,151,451</u>	<u>2,265,766</u>	<u>5,376,748</u>	<u>17,397,820</u>
LIABILITIES					
Accounts payable	284,993	6,340	-	121,107	412,440
Accrued liabilities	98,380	-	-	7,591	105,971
Retainage payable	-	-	-	37,453	37,453
Due to other funds	-	-	-	62,398	62,398
Other current liabilities	2,201	-	-	-	2,201
Customer deposits	5,570	-	-	36,339	41,909
Total liabilities	<u>391,144</u>	<u>6,340</u>	<u>-</u>	<u>264,888</u>	<u>662,372</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	860,258	104,445	-	1,261	965,964
Unavailable revenue - court fines	192,453	-	-	-	192,453
Unavailable revenue - notes receivable	326,413	3,809,917	-	-	4,136,330
Total deferred inflows of resources	<u>1,379,124</u>	<u>3,914,362</u>	<u>-</u>	<u>1,261</u>	<u>5,294,747</u>
FUND BALANCES					
Nonspendable:					
Inventories	27,814	-	-	-	27,814
Endowment	-	-	-	383,649	383,649
Prepaid items	54,739	-	-	140	54,879
Restricted for:					
Cemetery	-	-	-	186,500	186,500
Capital projects	-	-	-	2,369,536	2,369,536
Public improvement district	-	-	-	132,794	132,794
Traffic safety	-	-	-	639,377	639,377
Culture and recreation	-	-	-	124,559	124,559
Economic development	-	-	2,265,766	-	2,265,766
PEG channels	-	-	-	24,026	24,026
Debt service	-	230,749	-	-	230,749
Committed for:					
Economic development	-	-	-	1,225,851	1,225,851
Arena	-	-	-	24,167	24,167
Assigned for:					
IT projects	57,966	-	-	-	57,966
Public works projects	31,902	-	-	-	31,902
Unassigned	3,661,166	-	-	-	3,661,166
Total fund balances	<u>3,833,587</u>	<u>230,749</u>	<u>2,265,766</u>	<u>5,110,599</u>	<u>11,440,701</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,603,855</u>	<u>\$ 4,151,451</u>	<u>\$ 2,265,766</u>	<u>\$ 5,376,748</u>	<u>\$ 17,397,820</u>

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

CITY OF BASTROP, TEXAS

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

SEPTEMBER 30, 2016

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

Total fund balances - governmental funds	\$ 11,440,701
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	33,285,465
Long-term liabilities (net pension liability, compensated absences, and bonds) are not due and payable in the current period and therefore are not reported in the funds. Also, the premium on issuance of bonds and deferred resource outflows related to the net pension liability are not reported in the funds. A summary of these items are as follows:	
Long-term liabilities:	
Bonds payable	(23,096,527)
Bond issuance premium	(701,705)
Deferred loss on refunding	450,609
Notes payable	(388,915)
Net pension liability	(2,527,955)
Deferred resources related to pensions	1,123,909
Compensated absences	(209,350)
Other post employment benefit obligations	(491,690)
Accrued interest payable	(162,909)
The internal service fund will be used by management to charge the cost of vehicle and equipment replacement to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	1,295,007
Uncollected property taxes and court fines are not available to pay for current period expenditures and are reported as deferred inflows in the funds.	1,158,417
Long-term receivables related to economic development are not available to pay for current period expenditures and therefore are not reported in the funds.	<u>4,136,330</u>
Net position of governmental activities	<u>\$ 25,311,387</u>

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

	General Fund	Debt Service Fund	Hotel/Motel Tax Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 2,998,602	\$ 1,702,042	\$ -	\$ 297,972	\$ 4,998,616
Sales taxes	4,371,880	-	-	-	4,371,880
Hotel/motel taxes	-	-	2,777,935	-	2,777,935
Franchise taxes	471,810	-	-	23,899	495,709
Licenses and permits	184,826	-	-	2,903	187,729
Intergovernmental	193,074	-	-	463,311	656,385
Charges for services	528,492	-	-	216,927	745,419
Fines and forfeitures	328,371	-	-	235,600	563,971
Contributions and donations	2,347	291,843	-	113,248	407,438
Investments earnings	23,302	5,822	8,241	32,735	70,100
Miscellaneous	122,645	-	-	239	122,884
Total revenues	<u>9,225,349</u>	<u>1,999,707</u>	<u>2,786,176</u>	<u>1,386,834</u>	<u>15,398,066</u>
EXPENDITURES					
Current:					
General government	4,195,350	-	-	-	4,195,350
Public safety	3,322,489	-	-	236,313	3,558,802
Development services	896,180	-	-	-	896,180
Community services	1,501,921	-	-	594,629	2,096,550
Economic development	-	-	1,049,463	1,216,986	2,266,449
Debt service:					
Principal	-	1,815,125	-	-	1,815,125
Interest and other	-	973,859	-	-	973,859
Payment to bond refunding escrow agent	-	325,000	-	-	325,000
Capital outlay	<u>785,271</u>	<u>-</u>	<u>-</u>	<u>395,576</u>	<u>1,180,847</u>
Total expenditures	<u>10,701,211</u>	<u>3,113,984</u>	<u>1,049,463</u>	<u>2,443,504</u>	<u>17,308,162</u>
Excess (deficiency) of revenue over expenditures	<u>(1,475,862)</u>	<u>(1,114,277)</u>	<u>1,736,713</u>	<u>(1,056,670)</u>	<u>(1,910,096)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	577,364	489,138	-	1,488,230	2,554,732
Transfers out	(750,000)	-	(1,486,781)	(1,946,167)	(4,182,948)
Sale of capital assets	12,234	-	-	-	12,234
Insurance recoveries	51,757	-	-	-	51,757
Issuance of refunding bonds	-	1,440,000	-	-	1,440,000
Payment to bond refunding escrow agent	-	(1,505,285)	-	-	(1,505,285)
Premium from bond issuance	<u>-</u>	<u>116,968</u>	<u>-</u>	<u>-</u>	<u>116,968</u>
Total other financing sources (uses)	<u>(108,645)</u>	<u>540,821</u>	<u>(1,486,781)</u>	<u>(457,937)</u>	<u>(1,512,542)</u>
Net change in fund balance	(1,584,507)	(573,456)	249,932	(1,514,607)	(3,422,638)
Fund balance - beginning	<u>5,418,094</u>	<u>804,205</u>	<u>2,015,834</u>	<u>6,625,206</u>	<u>14,863,339</u>
Fund balance - ending	<u>\$ 3,833,587</u>	<u>\$ 230,749</u>	<u>\$ 2,265,766</u>	<u>\$ 5,110,599</u>	<u>\$ 11,440,701</u>

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

CITY OF BASTROP, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

Net change in fund balances - total governmental funds: \$(3,422,638)

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay	1,190,864
Depreciation expense	(1,528,719)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (10,252)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:	
Refunding bonds	(1,440,000)
Premium on bonds	(116,968)
Payment to escrow agent	1,830,285
Repayment of principal of long-term debt	1,815,125
Amortization of deferred loss on bond refunding	(49,879)
Amortization of premium on bond issuance	106,472

Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension liability were amortized. (153,678)

Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences liability	767
Net OPEB obligation	(37,752)

The internal service fund will be used by management to charge the cost of vehicle and equipment replacement to individual funds. The net revenue of the internal service funds is reported within the governmental activities. 1,295,007

Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. (8,893)

Revenues from property taxes, court fines and notes receivable are not available to pay for current period expenditures, and therefore, are not reported in the funds. (12,732)

Change in net position - statement of activities \$(542,991)

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

CITY OF BASTROP, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2016

	Business-Type Activities				Governmental
	Water/ Wastewater Fund	Bastrop	Total	Total Enterprise Funds	Internal Service Fund
		Power & Light Fund	Non-major Enterprise Funds		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 8,104,582	\$ 4,554,323	\$ 931,191	\$ 13,590,096	\$ 1,295,007
Accounts receivable, net	406,327	495,718	-	902,045	-
Due from other governments	6,401	-	-	6,401	-
Inventories	151,254	179,487	-	330,741	-
Total current assets	<u>8,668,564</u>	<u>5,229,528</u>	<u>931,191</u>	<u>14,829,283</u>	<u>1,295,007</u>
Noncurrent assets:					
Note receivable	480,000	-	-	480,000	-
Capital assets, net:					
Non-depreciable	6,719,944	22,907	-	6,742,851	-
Depreciable	19,450,717	4,599,594	-	24,050,311	-
Total noncurrent assets	<u>26,650,661</u>	<u>4,622,501</u>	<u>-</u>	<u>31,273,162</u>	<u>-</u>
Total assets	<u>35,319,225</u>	<u>9,852,029</u>	<u>931,191</u>	<u>46,102,445</u>	<u>1,295,007</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to					
TMRS pension	145,479	111,718	-	257,197	-
Total deferred outflows of resources	<u>145,479</u>	<u>111,718</u>	<u>-</u>	<u>257,197</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	91,537	537,573	-	629,110	-
Accrued liabilities	95,267	24,712	-	119,979	-
Customer deposits	56,657	145,210	-	201,867	-
Other current liabilities	160	12,026	-	12,186	-
Compensated absences	5,262	4,565	-	9,827	-
Bonds and notes payable	932,020	95,525	-	1,027,545	-
Total current liabilities	<u>1,180,903</u>	<u>819,611</u>	<u>-</u>	<u>2,000,514</u>	<u>-</u>
Noncurrent liabilities:					
Bonds and notes payable	16,959,472	1,877,936	-	18,837,408	-
Net pension liability	327,216	251,282	-	578,498	-
Net OPEB obligation	139,546	84,108	-	223,654	-
Compensated absences	21,048	18,259	-	39,307	-
Total noncurrent liabilities	<u>17,447,282</u>	<u>2,231,585</u>	<u>-</u>	<u>19,678,867</u>	<u>-</u>
Total liabilities	<u>18,628,185</u>	<u>3,051,196</u>	<u>-</u>	<u>21,679,381</u>	<u>-</u>

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

CITY OF BASTROP, TEXAS

**STATEMENT OF NET POSITION
(CONTINUED)
PROPRIETARY FUNDS**

SEPTEMBER 30, 2016

	Business-Type Activities			Governmental
	Water/ Wastewater Fund	Bastrop Power & Light Fund	Total Non-major Enterprise Funds	Internal Service Fund
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on bond refunding	\$ 68,298	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>68,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	12,710,083	2,843,112	-	-
Restricted for:				
Capital improvements	-	-	931,191	-
Unrestricted	<u>4,058,138</u>	<u>4,069,439</u>	<u>-</u>	<u>1,295,007</u>
Total net position	<u>\$ 16,768,221</u>	<u>\$ 6,912,551</u>	<u>\$ 931,191</u>	<u>\$ 1,295,007</u>

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CITY OF BASTROP, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities				Governmental Activities
	Water/ Wastewater Fund	Bastrop Power & Light Fund	Total Non-major Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Operating revenues:					
Charges for services	\$ 4,654,955	\$ 6,446,305	\$ 336,791	\$ 11,438,051	\$ -
Miscellaneous	8,990	172,334	-	181,324	20,875
Total operating revenues	<u>4,663,945</u>	<u>6,618,639</u>	<u>336,791</u>	<u>11,619,375</u>	<u>20,875</u>
Operating expenses:					
Personnel services	903,589	656,197	-	1,559,786	-
Supplies and maintenance	1,584,507	637,500	-	2,222,007	-
Services and other	153,750	4,641,718	36,186	4,831,654	-
Deprecation	<u>705,369</u>	<u>183,650</u>	<u>-</u>	<u>889,019</u>	<u>-</u>
Total operating expenses	<u>3,347,215</u>	<u>6,119,065</u>	<u>36,186</u>	<u>9,502,466</u>	<u>-</u>
Operating income (loss)	1,316,730	499,574	300,605	2,116,909	20,875
Nonoperating revenues (expenses):					
Intergovernmental	6,401	-	-	6,401	-
Investment earnings	39,601	20,693	4,970	65,264	4,132
Gain (loss) on disposal of capital assets	-	-	-	-	-
Interest expense	<u>(613,116)</u>	<u>(65,462)</u>	<u>-</u>	<u>(678,578)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(567,114)</u>	<u>(44,769)</u>	<u>4,970</u>	<u>(606,913)</u>	<u>4,132</u>
Income before transfers	749,616	454,805	305,575	1,509,996	25,007
Transfers in	2,167,203	83,496	-	2,250,699	1,270,000
Transfers out	<u>(282,530)</u>	<u>(807,750)</u>	<u>(802,203)</u>	<u>(1,892,483)</u>	<u>-</u>
Change in net position	2,634,289	(269,449)	(496,628)	1,868,212	1,295,007
Net position- beginning	<u>14,133,932</u>	<u>7,182,000</u>	<u>1,427,819</u>	<u>22,743,751</u>	<u>-</u>
Net position- ending	<u>\$ 16,768,221</u>	<u>\$ 6,912,551</u>	<u>\$ 931,191</u>	<u>\$ 24,611,963</u>	<u>\$ 1,295,007</u>

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

CITY OF BASTROP, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

SEPTEMBER 30, 2016

	Business-Type Activities				Governmental
	Water/ Wastewater Fund	Bastrop	Total	Total Enterprise Funds	Activities
		Power & Light Fund	Non-major Enterprise Funds		Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 4,806,960	\$ 7,068,884	\$ 336,791	\$ 12,212,635	\$ -
Other receipts	-	-	-	-	20,875
Payments to suppliers and service providers	(1,932,658)	(5,315,700)	(38,166)	(7,286,524)	-
Payments to employees for salaries and benefits	(882,991)	(639,435)	-	(1,522,426)	-
Net cash provided by operating activities	<u>1,991,311</u>	<u>1,113,749</u>	<u>298,625</u>	<u>3,403,685</u>	<u>20,875</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	2,167,203	83,496	-	2,250,699	1,270,000
Transfers out to other funds	(282,530)	(807,750)	(802,203)	(1,892,483)	-
Net cash provided (used) by noncapital noncapital financing activities	<u>1,884,673</u>	<u>(724,254)</u>	<u>(802,203)</u>	<u>358,216</u>	<u>1,270,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(2,492,997)	(294,138)	-	(2,787,135)	-
Proceeds from disposal of capital assets	11,978	-	-	11,978	-
Payments on long-term debt	(927,104)	(91,420)	-	(1,018,524)	-
Interest paid on capital debt	(622,091)	(66,580)	-	(688,671)	-
Net cash used by capital and related financing activities	<u>(4,030,214)</u>	<u>(452,138)</u>	<u>-</u>	<u>(4,482,352)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	<u>39,601</u>	<u>20,693</u>	<u>4,970</u>	<u>65,264</u>	<u>4,132</u>
Net cash provided (used) by investing activities	<u>39,601</u>	<u>20,693</u>	<u>4,970</u>	<u>65,264</u>	<u>4,132</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(114,629)	(41,950)	(498,608)	(655,187)	1,295,007
CASH AND CASH EQUIVALENTS, BEGINNING	<u>8,219,211</u>	<u>4,596,273</u>	<u>1,429,799</u>	<u>14,245,283</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>8,104,582</u>	<u>4,554,323</u>	<u>931,191</u>	<u>13,590,096</u>	<u>1,295,007</u>

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

CITY OF BASTROP, TEXAS

**STATEMENT OF CASH FLOWS
(CONTINUED)
PROPRIETARY FUNDS**

SEPTEMBER 30, 2016

	Business-Type Activities				Governmental
	Bastrop		Total	Total	Internal
	Water/ Wastewater Fund	Power & Light Fund	Non-major Enterprise Funds	Enterprise Funds	Service Fund
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 1,316,730	\$ 499,574	\$ 300,605	\$ 2,116,909	\$ 20,875
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	705,369	183,650	-	889,019	-
(Increase) decrease in accounts receivable	143,580	464,560	-	608,140	-
(Increase) decrease in inventories	(27,660)	7,855	-	(19,805)	-
(Increase) decrease in deferred outflows-pensions	(91,734)	(67,837)	-	(159,571)	-
Increase (decrease) in accounts payable	(166,741)	(44,166)	(1,980)	(212,887)	-
Increase (decrease) in accrued liabilities	(34,431)	(16,668)	-	(51,099)	-
Increase (decrease) in customer deposits	(565)	(14,315)	-	(14,880)	-
Increase (decrease) in net pension liability	131,597	91,563	-	223,160	-
Increase (decrease) in compensated absences	10,590	5,909	-	16,499	-
Net cash provided (used) by operating activities	<u>\$ 1,991,311</u>	<u>\$ 1,113,749</u>	<u>\$ 298,625</u>	<u>\$ 3,403,685</u>	<u>\$ 20,875</u>

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Payment to escrow agent for defeasance of bonds	\$ 1,134,176	\$ -	\$ -	\$ -	\$ -
Refunding bonds issued	1,205,000	-	-	-	-

CITY OF BASTROP, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 428,179
Total assets	<u>\$ 428,179</u>
LIABILITIES	
Due to others	\$ 428,179
Total liabilities	<u>\$ 428,179</u>

CITY OF BASTROP, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported in separately from certain legally separate *component units* for which the primary government is financially accountable.

A. Reporting Entity

The City of Bastrop, Texas (the City) was incorporated under the provisions of the State of Texas. The City operates as a Council-Manager government. With few exceptions, all powers of the city are vested in an elective Council, which enacts legislation, adopts budgets, determines policies, and appoints the City Attorney and the Municipal Court Judge. The Council also appoints the City Manager, who executes the laws and administers the government of the City. The City provides the following services to its citizens: public safety, street maintenance, sanitation services, recreation programs, municipal court, community development, public improvements, water, sewer and electrical services, and general administrative services.

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

Blended component unit. The Hunters Crossing Local Government Corporation (hereafter “the corporation”) was established to administer the service plan of the Hunters Crossing Public Improvement District (hereafter “the PID”). The PID was established on September 11, 2001 by resolution of the Bastrop City Council. That resolution was later amended on November 11, 2003. The purpose for creation of the PID was to provide for the construction of certain public improvements and a mechanism for the payment of the costs of such construction and the costs of such improvements through the levy of assessments against owners of respective parcels in the PID. The assessment and bond issuance authorizations are approved by the City’s Council and the City is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from any other remedies. The entity is reported as a blended component unit of the City. Separate financial statements for Hunter’s Crossing Local Government Corporation can be obtained from the City of Bastrop Finance Department.

Discretely presented component unit. The Bastrop Economic Development Corporation (hereafter “Bastrop EDC”) was established in 1995, after the citizens of Bastrop voted to pass a one-half cent sales tax dedicated to economic development. Bastrop’s EDC’s primary purpose is to assist in bringing meaningful and rewarding employment opportunities to citizens in the area through funding assistance provided to businesses to relocate or expand in Bastrop. A separate governing board oversees Bastrop EDC, which is appointed by the Bastrop City Council, and consists of individuals from the community and related governmental entities in the area. City of Bastrop employees also manage the operations of Bastrop EDC. Bastrop EDC has been reported as a discretely presented component unit because the governing board is not identical to the governing body of the City, Bastrop EDC does not solely serve the City of Bastrop, and the City of Bastrop has the ability to impose its will on Bastrop EDC. Separate financial statements for Bastrop EDC can be obtained from the City of Bastrop Finance Department.

B. Basis of Presentation - Government-wide Financial Statements

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

As discussed earlier, the City has a discretely presented component unit. Bastrop EDC is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements; however interfund services that are provided and used are not eliminated. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

C. Basis of Presentation – Fund Financial Statements

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

The City reports the following major governmental funds:

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

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, and related costs.

The **Hotel/Motel Fund** is used to account for the receipt and expenditure of funds received by the City from the assessment of hotel and motel occupancy tax.

The City reports the following major enterprise funds:

The **Water/Wastewater Fund** is utilized to account for the financial activities related to the provision of water and wastewater services to residents of the government.

The **Bastrop Power & Light Fund** is utilized to account for the financial activities related to the provision of electricity services to residents of the government.

Additionally, the City reports the following fund types:

The **Internal Service Fund** has been established by the City to account for activities related to vehicle and equipment replacement services provided to other departments within the City on a cost-reimbursement basis.

The **Agency Fund** accounts for the receipt, temporary investment, and remittance of funds held in a fiduciary capacity for others.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is include as internal balances in the business-type activities column.

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

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

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

Cash, Cash Equivalents, 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. Investments for the City are reported at fair value, except for the position in investment pools. The City's investment in pools are 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Fairview Cemetery Permanent Fund

The City is permanent trustee for the perpetual care trust fund to generate income to support the maintenance, repair and care of all places in the cemetery. The income generated by the invested principle is available to be spent for this purpose.

Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and utility operations minor equipment and repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and utility systems), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Land, water rights, and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 30
Machinery and equipment	5 - 20
Vehicles	5 - 10
Improvements	10 - 20
Infrastructure	50
Water distribution	50

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. 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 has the following items that qualify for reporting in this category.

- Deferred losses on bond refundings – A deferred loss 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.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions related to the pension plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or 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 the following items that qualify for reporting in this category.

- Deferred gains on bond refundings – A deferred gain 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.
- The governmental funds report unavailable revenues from three sources: property taxes, municipal court fines and notes receivable. These amounts are reported as deferred inflows of resources and are recognized as an inflow of resources in the period that the amounts become available.

Net Position Assumption

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

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements as flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned fund balance.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

F. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on January 1, 2015, upon which the levy for the current fiscal year was based, was \$782,928,050. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the current fiscal year, to finance general fund and debt service fund operations were \$.3596 and \$.2044, respectively, for a total tax rate of \$.564 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the current fiscal year was \$4,542,657.

Compensated Absences

Vacation. The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Sick Leave. Accumulated sick leave lapses when employees leave the employment of the government and, upon separation from service, no obligation exists.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water/Wastewater and Bastrop Power and Light funds are charges to customers for sales and services. The Water/Wastewater Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank placed approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect government funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas (1) safety of principal and liquidity, (2) portfolio diversification, 3) allowable investments, (4) acceptable risk levels, (5) expected rates or return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, 94) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the city to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

As of September 30, 2016, the City had the following investments measured at fair value or net asset value per share:

	9/30/2016	Fair Value Measurement Using			Weighted Average Maturity (Days)	Rating
		Level 1	Level 2	Level 3		
Primary government						
<u>Investments measured at net asset value per share:</u>						
Investment Pools:						
TexPool	\$ 4,671,953	\$ -	\$ -	\$ -	45	AAAm
Texas CLASS	7,581,077	-	-	-	56	AAAm
	<u>12,253,030</u>	<u>-</u>	<u>-</u>	<u>-</u>		
<u>Investments by fair value level:</u>						
Brokered certificates of deposit	10,061,167	-	10,061,167	-		
Total primary government	<u>34,567,227</u>	<u>-</u>	<u>10,061,167</u>	<u>-</u>		
Component unit						
<u>Investments measured at net asset value per share:</u>						
Investment Pools:						
TexPool	1,804,778	-	-	-	45	AAAm
Texas CLASS	1,505,659	-	-	-	56	AAAm
	<u>3,310,437</u>	<u>-</u>	<u>-</u>	<u>-</u>		
<u>Investments by fair value level:</u>						
Brokered certificates of deposit	502,150	-	502,150	-		
Total component unit	<u>3,812,587</u>	<u>-</u>	<u>502,150</u>	<u>-</u>		
Total reporting entity	<u>\$ 38,379,814</u>	<u>\$ -</u>	<u>\$ 10,563,317</u>	<u>\$ -</u>		

In compliance with the Public Funds Investments Act, the City has adopted a deposit and investment policy. That policy addresses the following risks.

Custodial Credit Risk: Deposits: This is the risk that, in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2016 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

Custodial Credit Risk: Investments: 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. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Credit Risk: Safety of principal is the primary objective of the City's investment policy. To address this objective the City tries to mitigate credit risk (or default risk) by limiting its investments to only those investments that have been issued one of the top ratings by a nationally recognized credit rating agency. As of September 30, 2016, the City's investments in TexPool were rated AAAm by Standard & Poor's and the U. S. Government Securities were rated AAA by Moody.

Concentration of Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The minimize credit risk, investment policies of the city’s investment pools allow the portfolio’s investment manager to only invest in obligations of the U.S. Government, its agencies; purchase agreements; and no-loan AAAm money market mutual funds registered with the SEC.

B. Receivables

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

	General Fund	Debt Service Fund	Hotel/Motel TaxFund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Receivables:					
Property taxes	\$ 121,794	\$ 109,942	\$ -	\$ 1,327	\$ 233,063
Sales tax	699,955	-	-	-	699,955
Franchise taxes	77,743	-	-	-	77,743
Hotel/Motel taxes	-	-	256,690	-	256,690
Other taxes	18,268	-	-	-	18,268
Accounts receivable	49,917	-	-	5,743	55,660
Court fines and fees	<u>1,553,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,553,108</u>
Gross receivables	2,520,785	109,942	256,690	7,070	2,894,487
Less: allowance for uncollectibles	<u>(1,366,745)</u>	<u>(5,497)</u>	<u>-</u>	<u>(66)</u>	<u>(1,372,308)</u>
Net receivables	<u>\$ 1,154,040</u>	<u>\$ 104,445</u>	<u>\$ 256,690</u>	<u>\$ 7,004</u>	<u>\$ 1,522,179</u>

Revenues of the Water/Wastewater and Bastrop Power and Light Funds, enterprise funds, are reported net of uncollectible amounts. The uncollectible amounts related to the Water/Wastewater and Bastrop Power and Light Funds are \$5,065 and \$19,921, respectively.

C. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,359,014	\$ 11,600	\$ -	\$ 4,370,614
Construction in progress	<u>121,448</u>	<u>119,006</u>	<u>(121,448)</u>	<u>119,006</u>
Total assets not being depreciated	<u>4,480,462</u>	<u>130,606</u>	<u>(121,448)</u>	<u>4,489,620</u>
Capital assets, being depreciated:				
Buildings and improvements	13,110,687	238,225	-	13,348,912
Machinery, equipment, vehicles	5,790,949	538,909	(572,995)	5,756,863
Infrastructure	<u>20,615,528</u>	<u>440,667</u>	<u>-</u>	<u>21,056,195</u>
Total capital assets being depreciated	<u>39,517,164</u>	<u>1,217,801</u>	<u>(572,995)</u>	<u>40,161,970</u>
Less accumulated depreciation:				
Buildings and improvements	(3,180,617)	(309,649)	-	(3,490,266)
Machinery, equipment, vehicles	(3,630,022)	(588,130)	526,648	(3,691,504)
Infrastructure	<u>(3,553,415)</u>	<u>(630,940)</u>	<u>-</u>	<u>(4,184,355)</u>
Total accumulated depreciation	<u>(10,364,054)</u>	<u>(1,528,719)</u>	<u>526,648</u>	<u>(11,366,125)</u>
Total capital assets being depreciated, net	<u>29,153,110</u>	<u>(310,918)</u>	<u>(46,347)</u>	<u>28,795,845</u>
Governmental activities capital assets, net	<u>\$ 33,633,572</u>	<u>\$(180,312)</u>	<u>\$(167,795)</u>	<u>\$ 33,285,465</u>

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

Governmental activities:	
General government	\$ 285,286
Public safety	245,908
Development services	2,324
Community services	772,036
Economic development	<u>223,165</u>
Total depreciation expense - governmental activities	<u>\$ 1,528,719</u>

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,541,613	\$ -	\$ -	\$ 1,541,613
Water rights	2,933,620	-	-	2,933,620
Construction in progress	<u>1,610,173</u>	<u>1,693,469</u>	<u>(1,036,024)</u>	<u>2,267,618</u>
Total assets not being depreciated	<u>6,085,406</u>	<u>1,693,469</u>	<u>(1,036,024)</u>	<u>6,742,851</u>
Capital assets, being depreciated:				
Buildings and improvements	477,386	-	-	477,386
Machinery, equipment and vehicles	2,590,294	212,344	(20,953)	2,781,685
Infrastructure	<u>29,739,688</u>	<u>1,976,810</u>	<u>-</u>	<u>31,716,498</u>
Total capital assets being depreciated	<u>32,807,368</u>	<u>2,189,154</u>	<u>(20,953)</u>	<u>34,975,569</u>
Less accumulated depreciation:				
Buildings and improvements	(146,353)	(20,200)	-	(166,553)
Machinery, equipment and vehicles	(1,431,289)	(198,534)	9,511	(1,620,312)
Infrastructure	<u>(8,468,108)</u>	<u>(670,285)</u>	<u>-</u>	<u>(9,138,393)</u>
Total accumulated depreciation	<u>(10,045,750)</u>	<u>(889,019)</u>	<u>9,511</u>	<u>(10,925,258)</u>
Total capital assets being depreciated, net	<u>22,761,618</u>	<u>1,300,135</u>	<u>(11,442)</u>	<u>24,050,311</u>
Business-type activities capital assets, net	<u>\$ 28,847,024</u>	<u>\$ 2,993,604</u>	<u>\$(1,047,466)</u>	<u>\$ 30,793,162</u>

D. Defined Benefit Pension Policies

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

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

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

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

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

Beginning in 1993, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1993, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

Employee deposit rate	6%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	25 years to any age, 5 years at age 60 and above
Updated Service Credit	100% repeating
Annuity increase to retirees	70% of CPI repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	54
Active employees	113
	<u>209</u>

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.71% and 10.87% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$668,216, and were equal to the required contributions.

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2014. These assumptions were first used in the December 31, 2014 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

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

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 13,995,734	\$ 11,846,076	\$ 2,149,658
Changes for the year:			
Service cost	765,716	-	765,716
Interest	992,085	-	992,085
Difference between expected and actual experience	93,002	-	93,002
Changes of assumptions	134,544	-	134,544
Contributions - employer	-	584,017	(584,017)
Contributions - employee	-	327,229	(327,229)
Net investment income	-	17,476	(17,476)
Benefit payments, including refunds of employee contributions	(411,888)	(411,888)	-
Administrative expense	-	(10,647)	10,647
Other changes	-	(526)	526
Net changes	<u>1,573,459</u>	<u>505,661</u>	<u>1,067,798</u>
Balance at 12/31/2015	<u>\$ 15,569,193</u>	<u>\$ 12,351,737</u>	<u>\$ 3,217,456</u>

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 5,775,628	\$ 3,217,456	\$ 1,157,444

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources Related to Pensions. For the year ended September 30, 2016, the City recognized pension expense of \$861,537.

At September 30, 2016, the City reported deferred outflows of related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 81,570
Changes in actuarial assumptions	102,278
Difference between projected and actual investment earnings	732,368
Contributions subsequent to the measurement date	<u>514,240</u>
Total	<u>\$ 1,430,456</u>

\$514,240 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2017	\$ 249,017
2018	249,017
2019	246,560
2020	<u>171,622</u>
Total	<u>\$ 916,216</u>

E. Other Postemployment Benefits (OPEB) Obligations

Supplemental Death Benefits

Plan Description

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

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

Contributions

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

The City's contributions to the TMRS SDBF for the fiscal year ended 2014, 2015 and 2016 are \$8,088, \$8,118, and \$9,717 respectively, which equaled the required contributions each year.

Retiree Health Plan

Plan Description

Effective June 1, 2016, retirees who are at least 58 years old at retirement and have at least 25 years of service with the City are eligible for City paid health coverage until they reach 65 or become eligible for Medicare. The City pays the premium for the retired member. Dependents of the retired employee are not eligible for any City contribution, but may be eligible to continue coverage under the City's group health insurance plan in accordance with COBRA. The policy change was applied retroactively to the retirees who had coverage as of June 1, 2016.

Funding Policy

The City currently funds the plan on a pay-as-you-go system whereby annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents an amount that is projected to recognize the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City had an OPEB actuarial valuation performed as of December 31, 2015. The City's annual OPEB cost for the current fiscal year, is as follows:

Annual required contribution	\$	60,870
Interest on OPEB obligation		31,852
Adjustment to ARC	(<u>29,511)</u>
Annual OPEB cost		63,211
Net employer contributions	(<u>15,581)</u>
Decrease in net OPEB obligation		47,630
Net OPEB obligation, beginning of year		<u>707,831</u>
Net OPEB obligation, end of year	\$	<u><u>755,461</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year, and two previous fiscal years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2014	\$ 1,291,727	\$ 207,146	16.0%	\$ 4,779,258
9/30/2015	(3,891,227)	180,200	(4.6%)	707,831
9/30/2016	63,211	15,581	24.6%	755,461

Funded Status and Funding Progress

The funded status of the City's retiree health care plan, as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2014 (1)	\$ -	\$ 835,055	\$ 835,055	0%	\$ 5,217,564	16.0%

(1) The City amended its retiree medical policy so that benefits are no longer provided after Medicare eligibility and retirees are required to be at least 58 years old at retirement and have at least 25 years of service with the City to be eligible for City paid coverage. The actuarial cost method was changed from the projected unit credit method to the individual entry age normal cost method.

Actuarial Methods and Assumptions

The actuarial cost method determines OPEB expense by assigning portions of the present value of projected benefits to various years with the general goal of accruing the cost of benefits over the working lifetime of the employees. The individual entry-age actuarial cost method was used in the valuation. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The entry age normal method then provides for a systematic funding for these anticipated payments. The yearly annual required contribution is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Inflation rate	3.00% per year
Investment rate of return	4.50%, net of investment expenses
Actuarial cost method	Individual entry-age normal cost method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Payroll growth	3.00% per year
Healthcare cost trend rate	Initial rate of 7.25% declining to an ultimate rate of 5.50% after 9 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City’s retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability benefits.

F. Commitments - Construction

The City has active construction projects as of year-end. The City’s commitments with contractors at year end are as follows:

<u>Projects</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Alley D Infrastructure/Parking Improvement - engineering	\$ 36,120	\$ 15,480
Shelter building - architect	-	135,000
Water system filtration project - engineering	184,871	15,237
Elevated storage tank - engineering	131,500	248,500
Gillsbranch Lift station Rehab/Force Main to WWTP	711,611	145,936
	<u>\$ 1,064,102</u>	<u>\$ 560,153</u>

G. Commitments - Economic Development Agreements

The City entered into an economic development agreement dated January 2012, with a developer to provide certain economic development incentives to the developer in recognition of the economic benefits to the City. The agreement requires the City to rebate to the developer ½ cent of the sales tax collected by the Bastrop Economic Development Corporation, and the developer has to achieve and maintain certain benchmarks. The maximum amount to be rebated by the City from sales tax revenues generated by the development is \$700,000 over ten years. The total rebates paid to date as of September 30, 2016, was \$315,656.

In addition, the City entered into an economic development agreement dated August 2007, with a developer to provide certain economic development incentives to the developer in recognition of the economic benefits to the City. The agreement requires the City to rebate to the developer 1 ½ cents of the City and Bastrop Economic Development Corporation's sales taxes generated by the development that are above the agreed upon equalizer amount. Also, the City has agreed to pay 50% of the increase in ad valorem tax revenues from the 2007 base year to the developer each year. The maximum amount to be rebated by the City from sales tax and ad valorem tax revenues generated by the development is \$7,370,694 over fifteen years. The total rebates paid to date as of September 30, 2016, was \$3,830,944.

The City entered into an economic development agreement dated April 2012, with a developer to provide certain economic development incentives to the developer in recognition of the economic benefits to the City and to reimburse the developer for water lines. The agreement requires the City to rebate to the developer 75% of the City's sales taxes generated by the development, and the developer has to achieve and maintain certain benchmarks. Also, the City has agreed to pay 75% of the revenue generated to the City in ad valorem taxes on the appraised value of the new improvements. The maximum amount to be rebated by the City from sales tax and ad valorem tax revenues generated by the development is \$250,000 over seven years. The total rebates paid to date as of September 30, 2016, was \$274,757.

H. Encumbrances

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. At September 30, 2016, the General Fund had \$89,868 of encumbrances at year-end that were reappropriated in the subsequent year's budget.

I. Risk Management

The City is exposed to various risks of loss related to theft or damage of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP), a public entity risk pool for the benefit of governmental units located within the state. The Pool is considered a self-sustaining risk pool that provides coverage for its members. The City's contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experience to date of the government. The Pool's liability is limited to the coverage that the City elects as stated in the Pool's Declarations of Coverage for that fund year. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's financial statements. Settled claims have not exceeded insurance coverage limits for the past three years.

J. Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds, certificates of obligation, and tax and revenue bonds to provide funds for the acquisition and construction of major capital facilities and improvement projects. Long-term debt of this nature has been issued for both governmental and business-type activities. These debt instruments are direct obligations and pledge the full faith and credit of the City. General obligation bonds and certificates of obligation generally are issued with repayment scheduled to occur as equal amounts of principal maturing each year with maturities that range from 3 to 30 years.

The City issues maintenance tax notes or obtains regular notes payable financing arrangements from banks to provide funds for the acquisition of equipment or minor capital projects. Tax notes and regular notes payable are direct obligations and pledge the full faith and credit of the government. These debt instructions are generally repaid in equal installments of principal and interest over a period of 3 to 10 years.

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

	Beginning Balance	Additions	Reductions/ Reclassifications	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations	\$ 10,635,938	\$ 1,440,000	\$(1,841,487)	\$ 10,234,451	\$ 896,398
Certificates of obligation	14,023,551	-	(1,161,475)	12,862,076	605,938
Issuance premium	<u>589,182</u>	<u>116,968</u>	<u>(4,445)</u>	<u>701,705</u>	<u>-</u>
Total bonds payable	<u>25,248,671</u>	<u>1,556,968</u>	<u>(3,007,407)</u>	<u>23,798,232</u>	<u>1,502,336</u>
Notes payable	819,821	-	(430,906)	388,915	47,368
Compensated absences	210,117	241,212	(241,979)	209,350	41,870
Net pension liability	1,724,026	1,262,598	(458,669)	2,527,955	-
Net OPEB obligation	<u>453,938</u>	<u>37,752</u>	<u>-</u>	<u>491,690</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 28,456,573</u>	<u>\$ 3,098,530</u>	<u>\$(4,138,961)</u>	<u>\$ 27,416,142</u>	<u>\$ 1,591,574</u>

For compensated absences, the General Fund normally liquidates 95 percent of the liability, the Convention Center fund normally liquidates 4%, and the remaining 1% is liquidated by other governmental funds. Liquidation of the net pension liability and net other postemployment benefit obligation is expected to occur at percentages approximating those for liquidation of the compensated absences liability.

	Beginning Balance	Additions	Reductions/ Reclassifications	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 2,179,060	\$ 1,085,000	\$(733,514)	\$ 2,530,546	\$ 158,603
Certificates of obligation	17,776,448	-	(1,443,524)	16,332,924	808,942
Issuance premium	527,316	88,131	(93,964)	521,483	-
Total bonds payable	<u>20,482,824</u>	<u>1,173,131</u>	<u>(2,271,002)</u>	<u>19,384,953</u>	<u>967,545</u>
Notes payable	540,000	-	(60,000)	480,000	60,000
Compensated absences	32,635	73,039	(56,540)	49,134	9,827
Net pension liability	355,338	328,123	(104,963)	578,498	-
Net OPEB obligation	<u>215,454</u>	<u>8,200</u>	<u>-</u>	<u>223,654</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 21,626,251</u>	<u>\$ 1,582,493</u>	<u>\$(2,492,505)</u>	<u>\$ 20,716,239</u>	<u>\$ 1,037,372</u>

Details of long-term debt obligations outstanding at September 30, 2016 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/2016
Bonds Payable:					
General Obligation Bonds, Series 2005	2005	\$ 2,445,000	3.67%	2025	\$ 1,365,000
General Obligation Bonds, Series 2006	2006	345,000	4.24%	2026	220,000
Certificates of Obligation, Series 2006 (31.4%)	2006	227,650	4.19%	2026	97,340
General Obligation Bonds, Series 2007	2007	1,220,000	4.08%	2027	815,000
Certificates of Obligation, Series 2007 (11.42%)	2007	264,944	4.04%	2027	177,581
Certificates of Obligation, Series 2008	2008	1,195,000	3.87%	2028	70,000
General Obligation Bonds, Series 2008	2008	2,110,000	4.60%	2028	105,000
Comb. Tax & Rev. Cert. of Oblig., Series 2008A (85.19%)	2008	2,362,273	4.20-5.0%	2028	460,000
Certificates of Obligation, Series 2010 (83.1%)	2010	6,149,400	3.50-4.25%	2029	4,990,155
General Obligation Limited Tax Ref. Bonds, Series 2010 (9.37%)	2010	239,872	2.0-4.0%	2024	149,451
General Obligation Refunding Bonds, Series 2011	2011	4,260,000	2.0-4.0%	2022	2,105,000
General Obligation Refunding and Imp. Bonds, Series 2012	2012	2,015,000	2.0-3.0%	2024	1,760,000
Comb. Tax & Rev. Cert. of Oblig., Series 2013 (67.2%)	2013	7,392,000	3.0-4.25%	2033	7,067,000
General Obligation Refunding Bonds, Series 2014	2014	1,695,558	2.0-4.0%	2031	2,275,000
General Obligation Refunding Bonds, Series 2016	2016	2,525,000	2.0-4.0%	2028	1,440,000
Total Bonds Payable					<u>\$ 23,096,527</u>
Notes Payable:					
Note Payable - Texas Department of Economic Development	1999	\$ 500,000	0.0%	2019	\$ 64,584
Note Payable - Texas Capital Fund - Art Foundry	2011	447,351	0.0%	2031	324,331
Total notes payable					<u>\$ 388,915</u>

Advance Refunding

On May 26, 2016, the City issued \$2,525,000 in general obligation refunding bonds with interest rates ranging from 2.0% to 4.00%. These bonds refunded a portion of the General Obligation, Series 2008, and the Combination Tax and Revenue Certificates of Obligation, Series 2008A bonds, which had interest rates ranging from 4.20% to 4.75%. The net proceeds of \$2,639,461 along with \$325,000 in existing debt service funds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the Certificates of Obligation, Series 2008, and the Combination Tax and Revenue Certificates of Obligation, Series 2008A, are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$169,461. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded the General Obligation, Series 2008, and the Combination Tax and Revenue Certificates of Obligation, Series 2008A, to reduce its total debt service payments over 13 years by \$364,840 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$270,816.

The debt service requirements for the government's bonds, loans, and notes are as follows:

Governmental Activities:

Year Ended September 30,	Governmental Activities				Totals	
	Bonds Payable		Notes Payable		Principal	Interest
	Principal	Interest	Principal	Interest		
2017	\$ 1,502,336	\$ 846,436	\$ 47,368	\$ -	\$ 1,549,704	\$ 846,436
2018	1,550,274	797,795	47,367	-	1,597,641	797,795
2019	1,618,503	750,448	36,950	-	1,655,453	750,448
2020	1,655,698	697,824	22,368	-	1,678,066	697,824
2021	1,754,752	639,999	22,368	-	1,777,120	639,999
2022-2026	7,720,300	2,293,640	111,838	-	7,832,138	2,293,640
2026-2031	5,960,664	954,797	100,656	-	6,061,320	954,797
2032-2033	1,334,000	84,876	-	-	1,334,000	84,876
Totals	\$ 23,096,527	\$ 7,065,815	\$ 388,915	\$ -	\$ 23,485,442	\$ 7,065,815

Business-type Activities

Year Ended September 30,	Business-Type Activities				Totals	
	Bonds Payable		Notes Payable		Principal	Interest
	Principal	Interest	Principal	Interest		
2017	\$ 967,545	\$ 618,451	\$ 60,000	\$ -	\$ 1,027,545	\$ 618,451
2018	1,009,726	590,793	60,000	-	1,069,726	590,793
2019	1,021,496	564,405	60,000	-	1,081,496	564,405
2020	1,064,302	534,201	60,000	-	1,124,302	534,201
2021	1,100,248	502,545	60,000	-	1,160,248	502,545
2022-2026	6,054,817	1,954,181	180,000	-	6,234,817	1,954,181
2026-2031	5,344,336	986,918	-	-	5,344,336	986,918
2031-2034	2,301,000	148,971	-	-	2,301,000	148,971
Totals	\$ 18,863,470	\$ 5,900,465	\$ 480,000	\$ -	\$ 19,343,470	\$ 5,900,465

K. Interfund Balances

The composition of interfund balances as of September 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Grants Fund (nonmajor governmental)	\$ 62,398

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balance of working capital loans made to nonmajor governmental funds which the General Fund expects to collect in the subsequent year.

L. Interfund Transfers

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

	Transfers in:						Totals
	Governmental Funds			Proprietary Funds			
	General Fund	Debt Service	Nonmajor Gov. Funds	Water/Wastewater	Bastrop Power & Light	Internal Service	
Transfers out:							
General Fund	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ 745,000	\$ 750,000
Hotel/Motel Tax	-	-	1,486,781	-	-	-	1,486,781
Nonmajor -							
Governmental	12,084	489,138	1,449	1,360,000	83,496	-	1,946,167
Water/Wastewater	7,530	-	-	-	-	275,000	282,530
Bastrop Power & Light	557,750	-	-	-	-	250,000	807,750
Nonmajor Enterprise	-	-	-	802,203	-	-	802,203
Totals	<u>\$ 577,364</u>	<u>\$ 489,138</u>	<u>\$ 1,488,230</u>	<u>\$ 2,167,203</u>	<u>\$ 83,496</u>	<u>\$ 1,270,000</u>	<u>\$ 6,075,431</u>

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, 2) move General Fund resources to provide subsidies to other funds as needs arise, and 3) move resources from proprietary funds to governmental funds to subsidize governmental activities as budgeted.

M. Discretely Presented Component Unit

Bastrop Economic Development Corporation (Bastrop EDC)

Capital assets activity for Bastrop EDC for the year ended September 30, 2016 was as follows:

Component Unit - Bastrop Economic Development Corporation

	Balance 10/1/2015	Increases	Decreases	Balance 9/30/2016
Capital assets, not being depreciated:				
Land	\$ 848,201	\$ -	\$(15,209)	\$ 832,992
Construction in progress	5,240	1,704	-	6,944
Total capital assets, not being depreciated	853,441	1,704	(15,209)	839,936
Capital assets, being depreciated:				
Buildings and improvements	971,666	-	(76,286)	895,380
Infrastructure	2,253,147	-	-	2,253,147
Machinery, equipment, and vehicles	8,301	-	-	8,301
Total capital assets, being depreciated	3,233,114	-	(76,286)	3,156,828
Less accumulated depreciation for:				
Buildings and improvements	(316,745)	(17,103)	24,966	(308,882)
Infrastructure	(1,262,880)	(103,758)	-	(1,366,638)
Machinery, equipment, and vehicles	(278)	(1,660)	-	(1,938)
Total accumulated depreciation	(1,579,903)	(122,521)	24,966	(1,677,458)
Total capital assets being depreciated, net	1,653,211	(122,521)	(51,320)	1,479,370
Component unit capital assets, net	\$ 2,506,652	\$(120,817)	\$(66,529)	\$ 2,319,306

Details of long-term debt obligations outstanding for Bastrop EDC at September 30, 2016 are as follows:

Component Unit- Bastrop Economic Development

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/2016
Bonds Payable:					
Sales Tax and Revenue Refunding Bonds, Series 2006	2006	\$ 2,005,000	4.61%	2020	\$ 215,000
Total Bonds Payable					\$ 215,000
Notes Payable:					
City of Bastrop	1999	\$ 500,000	0.00%	2019	\$ 62,500
City of Bastrop	2014	600,000	0.00%	2024	480,000
Total Notes Payable					\$ 542,500
Other:					
Due to City of Bastrop-12.5% of Cert. of Oblig., Series 2008A	2008	\$ 503,125	4.20-5.0%	2028	\$ 370,000
Due to City of Bastrop-13.88% of Cert. of Oblig., Series 2010	2010	1,027,120	3.5-4.25%	2029	833,494
Due to City of Bastrop-24.2% Cert. of Oblig., Series 2013	2013	2,662,000	3.0-4.25%	2033	2,546,000
Total Other					\$ 3,749,494

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

Description	Balance			Balance 9/30/2016	Due in One Year
	10/1/2015	Additions	Deletions		
General obligation bonds	\$ 450,000	\$ -	\$ (235,000)	\$ 215,000	\$ 50,000
Notes payable	629,985	-	(87,485)	542,500	85,000
Due to City of Bastrop - bonds	3,901,301	-	(151,808)	3,749,493	135,110
Compensated absences	8,064	10,873	(7,688)	11,249	2,250
Net pension liability	70,293	60,849	(20,140)	111,002	-
Net OPEB obligation	38,439	1,678	-	40,117	-
Total Component Unit	<u>\$ 5,098,082</u>	<u>\$ 73,400</u>	<u>\$ (502,121)</u>	<u>\$ 4,669,361</u>	<u>\$ 272,360</u>

The debt service requirements for Bastrop EDC bonds and notes payable are as follows:

Year Ended September 30,	Bastrop EDC					
	Bonds Payable		Notes Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 185,110	\$ 157,451	\$ 85,000	\$ -	\$ 270,110	\$ 151,528
2018	197,498	150,467	85,000	-	282,498	150,467
2019	205,274	143,124	72,500	-	277,774	143,124
2020	208,968	134,749	60,000	-	268,968	134,749
2021	167,990	126,204	60,000	-	227,990	126,204
2022-2026	1,193,753	514,035	180,000	-	1,373,753	514,035
2026-2031	1,324,900	253,138	-	-	1,324,900	253,138
2032-2033	481,000	30,604	-	-	481,000	30,604
Totals	<u>\$ 3,964,493</u>	<u>\$ 1,509,772</u>	<u>\$ 542,500</u>	<u>\$ -</u>	<u>\$ 4,506,993</u>	<u>\$ 1,503,849</u>

N. Contingencies

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

The City was not involved in litigation as of year-end that in the opinion of City's legal counsel would have a material adverse effect on the financial condition of the government.

O. Future Financial Reporting Requirements

The GASB has issued the following statement which will become effective in future years.

Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” – This statement changes the focus of accounting of postemployment benefits other than pensions from whether the entity is responsible for funding the benefits over time to a point-in-time liability that is reflected on the employer’s financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2018.

Statement No. 77, “*Tax Abatement Disclosures*” – This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will become effective for the City in fiscal year 2017.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF BASTROP, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 2,973,695	\$ 3,006,695	\$ 2,998,602	\$(8,093)
Sales taxes	4,044,190	4,318,237	4,371,880	53,643
Franchise taxes	410,000	410,000	471,810	61,810
Licenses and permits	173,500	173,500	184,826	11,326
Intergovernmental	1,323,162	285,002	193,074	(91,928)
Charges for service	524,500	524,500	528,492	3,992
Fines	218,500	293,500	328,371	34,871
Investment earnings	4,000	24,000	23,302	(698)
Contributions and donations	500	1,200	2,347	1,147
Miscellaneous	25,000	135,000	122,645	(12,355)
Total revenues	<u>9,697,047</u>	<u>9,171,634</u>	<u>9,225,349</u>	<u>53,715</u>
EXPENDITURES				
Current:				
General government:				
Legislative	46,535	11,065	8,315	2,750
Organizational	1,409,098	1,821,381	1,787,904	33,477
City Manager	335,521	196,217	193,840	2,377
City Secretary	146,808	87,073	86,503	570
Finance	1,245,845	676,955	667,346	9,609
Human resources	155,001	119,883	113,036	6,847
Information technology	351,114	241,489	240,371	1,118
Public works	985,345	1,248,645	958,067	290,578
Building maintenance	192,755	139,701	139,968	(267)
Public safety:				
Police	2,807,331	2,724,983	2,632,398	92,585
Fire	362,076	409,449	402,808	6,641
Municipal court	301,440	301,440	287,283	14,157
Development services:				
Planning	783,475	883,966	896,180	(12,214)
Community services:				
Recreation	42,500	42,500	39,500	3,000
Parks	783,980	801,180	775,609	25,571
Library	685,128	685,128	686,812	(1,684)
Capital outlay	<u>1,324,675</u>	<u>1,677,624</u>	<u>785,271</u>	<u>892,353</u>
Total expenditures	<u>11,958,627</u>	<u>12,068,679</u>	<u>10,701,211</u>	<u>1,367,468</u>
Excess (deficiency) of revenues over expenditures	<u>(2,261,580)</u>	<u>(2,897,045)</u>	<u>(1,475,862)</u>	<u>1,421,183</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	557,750	557,750	577,364	(19,614)
Transfers out	-	(745,000)	(750,000)	5,000
Sale of capital assets	-	-	12,234	(12,234)
Insurance recoveries	-	54,465	51,757	2,708
Total other financing sources (uses)	<u>557,750</u>	<u>(132,785)</u>	<u>(108,645)</u>	<u>(24,140)</u>
Net change in fund balances	<u>(1,703,830)</u>	<u>(3,029,830)</u>	<u>(1,584,507)</u>	<u>1,397,043</u>
Fund balance- beginning	<u>5,418,094</u>	<u>5,418,094</u>	<u>5,418,094</u>	<u>-</u>
Fund balance- ending	<u>\$ 3,714,264</u>	<u>\$ 2,388,264</u>	<u>\$ 3,833,587</u>	<u>\$ 1,397,043</u>

CITY OF BASTROP, TEXAS

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

HOTEL/MOTEL TAX FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Hotel/motel taxes	\$ 2,800,000	\$ 2,800,000	\$ 2,777,935	\$(22,065)
Investment earnings	<u>1,500</u>	<u>1,500</u>	<u>8,241</u>	<u>6,741</u>
Total revenues	<u>2,801,500</u>	<u>2,801,500</u>	<u>2,786,176</u>	<u>(15,324)</u>
EXPENDITURES				
Current:				
Economic development:				
Donations	330,000	453,000	364,475	88,525
Bastrop marketing corporation	799,893	744,893	664,355	80,538
Special events	<u>45,000</u>	<u>45,000</u>	<u>20,633</u>	<u>24,367</u>
Total expenditures	<u>1,174,893</u>	<u>1,242,893</u>	<u>1,049,463</u>	<u>193,430</u>
Excess (deficiency) of revenues over expenditures	<u>1,626,607</u>	<u>1,558,607</u>	<u>1,736,713</u>	<u>178,106</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,362,813)</u>	<u>(1,486,781)</u>	<u>(1,486,781)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,362,813)</u>	<u>(1,486,781)</u>	<u>(1,486,781)</u>	<u>-</u>
Net change in fund balance	263,794	71,826	249,932	178,106
Fund balance - beginning	<u>2,015,834</u>	<u>2,015,834</u>	<u>2,015,834</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,279,628</u>	<u>\$ 2,087,660</u>	<u>\$ 2,265,766</u>	<u>\$ 178,106</u>

CITY OF BASTROP, TEXAS
NOTES TO BUDGETARY INFORMATION
SEPTEMBER 30, 2016

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Hotel/motel Tax Fund, and Debt Service Fund. Capital projects funds are appropriated on a project-length basis. Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and department. The government's department heads make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

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

CITY OF BASTROP, TEXAS

**SCHEDULE OF FUNDING PROGRESS
RETIREE HEALTH CARE PLAN**

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funding Ratio (3) (1)/(2)	Unfunded AAL (UAAL) (4)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6)
12/31/2009	\$ -	\$ 6,261,851	0.0%	\$ 6,261,851	\$ 4,284,550	146.1%
12/31/2011	-	9,781,417	0.0%	9,781,417	4,737,617	206.5%
12/31/2014 (1)	-	835,055	0.0%	835,055	5,217,564	16.0%

(1) The City amended its retiree medical policy so that benefits are no longer provided after Medicare eligibility and retirees are required to be at least 58 years old at retirement and have at least 25 years of service with the City to be eligible for City paid coverage. The actuarial cost method was changed from the projected unit credit method to the individual entry age normal cost method.

CITY OF BASTROP, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Plan Year	2014	2015
A. Total pension liability		
Service Cost	\$ 647,254	\$ 765,716
Interest (on the Total Pension Liability)	906,043	992,085
Difference between expected and actual experience	19,757	93,002
Changes of assumptions	-	134,544
Benefit payments, including refunds of employee contributions	(394,341)	(411,888)
Net change in total pension liability	1,178,713	1,573,459
Total pension liability - beginning	12,817,021	13,995,734
Total pension liability - ending (a)	\$ 13,995,734	\$ 15,569,193
B. Plan fiduciary net position		
Contributions - employer	\$ 497,753	\$ 584,017
Contributions - employee	313,054	327,229
Net investment income	618,954	17,476
Benefit payments, including refunds of employee contributions	(394,341)	(411,888)
Administrative expense	(6,461)	(10,647)
Other	(531)	(526)
Net change in plan fiduciary net position	1,028,428	505,661
Plan fiduciary net position - beginning	10,817,648	11,846,076
Plan fiduciary net position - ending (b)	\$ 11,846,076	\$ 12,351,737
C. Net pension liability - ending (a) - (b)	\$ 2,149,658	\$ 3,217,456
D. Plan fiduciary net position as a percentage of total pension liability	84.64%	79.33%
E. Covered employee payroll	\$ 5,217,564	\$ 5,453,817
F. Net position liability as a percentage of covered employee payroll	41.20%	58.99%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2016, only 2 years are included and additional years will be added in the future as the information becomes available.

CITY OF BASTROP, TEXAS

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Fiscal Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarial determined contribution	\$ 494,007	\$ 551,472	\$ 668,216
Contributions in relation to the actuarially determined contribution	<u>494,007</u>	<u>551,472</u>	<u>668,216</u>
Contribution deficiency (excess)	-	-	-
Covered employee payroll	5,140,859	5,317,314	6,170,226
Contributions as a percentage of covered employee payroll	9.61%	10.37%	10.83%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2016, only 3 years are included and additional years will be added in the future as the information becomes available.

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information There were no benefit changes during the year.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted or committed to expenditure for particular purposes.

Designated – This fund is used to account for the receipt and expenditure of funds restricted for a particular purpose by an outside entity.

Bastrop Convention Center – This fund is used to account for the operating activities and maintenance of the Bastrop Convention Center.

Main Street Project – This fund is used to account for the receipt and disbursement of funds received for the benefit of the Main Street improvement project.

Bastrop Art in Public Places – This fund is used to account for the receipt and disbursement of funds received for the benefit of the city art initiative.

Library Board – This fund is used to account for the application of any gifts and donations received for the benefit of the library.

Fairview Cemetery – This fund was established for the receipt and reimbursement of funds received for the benefit of City cemeteries.

Hunters Crossing PID – This fund is used to account for the general operating activities of the Hunters Crossing Public Improvement District, a blended component unit of the city.

Arena – This fund is used to account for committed resources for the City's Arena, and disbursements of funds.

CAPITAL PROJECTS FUNDS

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

Park/Trail Dedication Fund – This fund is used to account for the receipt and disbursement of funds received for special improvement projects related to city parks and trails.

Certificates of Obligation, Series 2010 – This fund is used to account for the receipt of bond funds received in relation to this specific bond issue and application of the funds in accordance with stated requirements.

Combination Revenue/Tax Bond, Series 2013 – This fund is used to account for the receipt of bond funds received in relation to this specific bond issue and application of the funds in accordance with stated requirements.

Grants Fund – This fund is used to account for grants received related to capital projects and the application of the funds in accordance with stated requirements.

PERMANENT FUND

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the government's programs.

Fairview Cemetery Permanent Fund - This fund is used to account for an endowment whose earnings are restricted to expenditures for the benefit of city cemeteries.

NONMAJOR PROPRIETARY FUNDS

Community Impact Fees - This fund is used to account for receipt of new development fees to help fund and pay for the construction or needed expansion of off-site capital improvements.

Accelerated Recovery Fees - This fund is used to account for receipt of new development fees in the Hunters Crossing subdivision to help pay for construction costs or needed expansion of capital improvements.

CITY OF BASTROP, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	Special Revenue Funds			
	Designated Fund	Bastrop Convention Center	Main Street Project	Bastrop Art in Public Places
ASSETS				
Cash and cash equivalents	\$ 703,309	\$ 1,274,681	\$ 4,801	\$ 109,729
Taxes receivable, net	-	-	-	-
Due from other governments	-	-	-	-
Accounts receivable	5,743	-	-	-
Prepaid items	-	-	140	-
Total assets	<u>709,052</u>	<u>1,274,681</u>	<u>4,941</u>	<u>109,729</u>
LIABILITIES				
Accounts payable	45,649	7,968	2,077	3
Accrued liabilities	-	4,523	1,920	-
Retainage payable	-	-	-	-
Due to other funds	-	-	-	-
Customer deposits	-	36,339	-	-
Total liabilities	<u>45,649</u>	<u>48,830</u>	<u>3,997</u>	<u>3</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Endowment	-	-	-	-
Prepaid items	-	-	140	-
Restricted for:				
Cemetery	-	-	-	-
Capital projects	-	-	-	-
Public improvement district	-	-	-	-
Traffic safety	639,377	-	-	-
Culture and recreation	-	-	804	109,726
PEG channels	24,026	-	-	-
Committed for:				
Economic development	-	1,225,851	-	-
Arena	-	-	-	-
Total fund balances	<u>663,403</u>	<u>1,225,851</u>	<u>944</u>	<u>109,726</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 709,052</u>	<u>\$ 1,274,681</u>	<u>\$ 4,941</u>	<u>\$ 109,729</u>

Special Revenue Funds				Permanent Fund	Capital Project Funds
Library Board	Fairview Cemetery	Hunters Crossing PID	Arena	Fairview Cemetery	Park/Trail Dedication
\$ 14,029	\$ 213,637	\$ 137,000	\$ 24,836	\$ 383,649	\$ 122,687
-	-	1,261	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,029</u>	<u>213,637</u>	<u>138,261</u>	<u>24,836</u>	<u>383,649</u>	<u>122,687</u>
-	26,489	4,206	169	-	-
-	648	-	500	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>27,137</u>	<u>4,206</u>	<u>669</u>	<u>-</u>	<u>-</u>
-	-	1,261	-	-	-
-	-	1,261	-	-	-
-	-	-	-	383,649	-
-	-	-	-	-	-
-	186,500	-	-	-	-
-	-	-	-	-	122,687
-	-	132,794	-	-	-
-	-	-	-	-	-
14,029	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,029</u>	<u>186,500</u>	<u>132,794</u>	<u>24,167</u>	<u>383,649</u>	<u>122,687</u>
\$ <u>14,029</u>	\$ <u>213,637</u>	\$ <u>138,261</u>	\$ <u>24,836</u>	\$ <u>383,649</u>	\$ <u>122,687</u>

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CITY OF BASTROP, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	Capital Project Funds			Total Non-Major Governmental Funds
	CO Series 2010	Combination Revenue/ Tax Bond Series 2013	Grants Fund	
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,284,302	\$ -	\$ 5,272,660
Taxes receivable, net	-	-	-	1,261
Due from other governments	-	-	96,944	96,944
Accounts receivable	-	-	-	5,743
Prepaid items	-	-	-	140
Total assets	<u>-</u>	<u>2,284,302</u>	<u>96,944</u>	<u>5,376,748</u>
LIABILITIES				
Accounts payable	-	-	34,546	121,107
Accrued liabilities	-	-	-	7,591
Retainage payable	-	37,453	-	37,453
Due to other funds	-	-	62,398	62,398
Customer deposits	-	-	-	36,339
Total liabilities	<u>-</u>	<u>37,453</u>	<u>96,944</u>	<u>264,888</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	1,261
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,261</u>
FUND BALANCES				
Nonspendable:				
Endowment	-	-	-	383,649
Prepaid items	-	-	-	140
Restricted for:				
Cemetery	-	-	-	186,500
Capital projects	-	2,246,849	-	2,369,536
Public improvement district	-	-	-	132,794
Traffic safety	-	-	-	639,377
Culture and recreation	-	-	-	124,559
PEG channels	-	-	-	24,026
Committed for:				
Economic development	-	-	-	1,225,851
Arena	-	-	-	24,167
Total fund balances	<u>-</u>	<u>2,246,849</u>	<u>-</u>	<u>5,110,599</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 2,284,302</u>	<u>\$ 96,944</u>	<u>\$ 5,376,748</u>

CITY OF BASTROP, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds			
	Designated Fund	Bastrop Convention Center	Main Street Project	Bastrop Art in Public Places
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Franchise taxes	23,899	-	-	-
Licenses and permits	-	2,203	-	-
Intergovernmental	1,952	-	-	-
Charges for services	-	150,922	-	-
Fines and forfeitures	235,600	-	-	-
Investment earnings	3,307	6,230	1	408
Contributions and donations	53,633	-	52,080	-
Miscellaneous	-	-	239	-
Total revenues	<u>318,391</u>	<u>159,355</u>	<u>52,320</u>	<u>408</u>
EXPENDITURES				
Current:				
Public safety	236,313	-	-	-
Community services	36,403	-	-	-
Economic development	-	661,430	158,850	33,478
Capital outlay	<u>32,069</u>	<u>-</u>	<u>-</u>	<u>47,000</u>
Total expenditures	<u>304,785</u>	<u>661,430</u>	<u>158,850</u>	<u>80,478</u>
Excess (deficiency) of revenues over expenditures	<u>13,606</u>	<u>(502,075)</u>	<u>(106,530)</u>	<u>(80,070)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,121,300	105,968	166,513
Transfers out	<u>(13,533)</u>	<u>(489,138)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(13,533)</u>	<u>632,162</u>	<u>105,968</u>	<u>166,513</u>
Net change in fund balances	73	130,087	(562)	86,443
Fund balances - beginning	<u>663,330</u>	<u>1,095,764</u>	<u>1,506</u>	<u>23,283</u>
Fund balances - ending	<u>\$ 663,403</u>	<u>\$ 1,225,851</u>	<u>\$ 944</u>	<u>\$ 109,726</u>

Special Revenue Funds				Permanent Fund	Capital Project Funds
Library Board	Fairview Cemetery	Hunters Crossing PID	Arena	Fairview Cemetery	Park/Trail Dedication
\$ -	\$ -	\$ 297,972	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	700	-	-
-	-	-	-	-	-
-	65,505	-	500	-	-
-	-	-	-	-	-
64	5,842	989	255	-	561
5,285	-	-	-	-	2,250
-	-	-	-	-	-
<u>5,349</u>	<u>71,347</u>	<u>298,961</u>	<u>1,455</u>	<u>-</u>	<u>2,811</u>
-	-	-	-	-	-
2,930	125,435	-	14,336	-	-
-	-	354,059	-	-	-
-	-	-	55,952	-	-
<u>2,930</u>	<u>125,435</u>	<u>354,059</u>	<u>70,288</u>	<u>-</u>	<u>-</u>
<u>2,419</u>	<u>(54,088)</u>	<u>(55,098)</u>	<u>(68,833)</u>	<u>-</u>	<u>2,811</u>
1,449	-	-	93,000	-	-
-	-	-	-	-	-
<u>1,449</u>	<u>-</u>	<u>-</u>	<u>93,000</u>	<u>-</u>	<u>-</u>
3,868	(54,088)	(55,098)	24,167	-	2,811
10,161	240,588	187,892	-	383,649	119,876
<u>\$ 14,029</u>	<u>\$ 186,500</u>	<u>\$ 132,794</u>	<u>\$ 24,167</u>	<u>\$ 383,649</u>	<u>\$ 122,687</u>

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CITY OF BASTROP, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Capital Project Funds			Total Non-Major Governmental Funds
	CO Series 2010	Combination Revenue/ Tax Bond Series 2013	Grants	
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 297,972
Franchise taxes	-	-	-	23,899
Licenses and permits	-	-	-	2,903
Intergovernmental	-	-	461,359	463,311
Charges for services	-	-	-	216,927
Fines and forfeitures	-	-	-	235,600
Investment earnings	196	14,882	-	32,735
Contributions and donations	-	-	-	113,248
Miscellaneous	-	-	-	239
Total revenues	196	14,882	461,359	1,386,834
EXPENDITURES				
Current:				
Public safety	-	-	-	236,313
Community services	-	-	415,525	594,629
Economic development	-	9,169	-	1,216,986
Capital outlay	-	214,721	45,834	395,576
Total expenditures	-	223,890	461,359	2,443,504
Excess (deficiency) of revenues over expenditures	196	(209,008)	-	(1,056,670)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,488,230
Transfers out	(83,496)	(1,360,000)	-	(1,946,167)
Total other financing sources (uses)	(83,496)	(1,360,000)	-	(457,937)
Net change in fund balances	(83,300)	(1,569,008)	-	(1,514,607)
Fund balances - beginning	83,300	3,815,857	-	6,625,206
Fund balances - ending	\$ -	\$ 2,246,849	\$ -	\$ 5,110,599

CITY OF BASTROP, TEXAS

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

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,689,004	\$ 1,689,004	\$ 1,702,042	\$ 13,038
Contributions and donations	-	291,339	291,843	504
Investment earnings	1,000	1,000	5,822	4,822
Total revenues	<u>1,690,004</u>	<u>1,981,343</u>	<u>1,999,707</u>	<u>18,364</u>
EXPENDITURES				
Debt service:				
Principal	1,392,957	1,817,834	1,815,125	(2,709)
Interest and other	795,808	956,660	973,859	17,199
Payment to bond refunding escrow agent	-	325,000	325,000	-
Total expenditures	<u>2,188,765</u>	<u>3,099,494</u>	<u>3,113,984</u>	<u>14,490</u>
Excess (deficiency) of revenues over expenditures	<u>(498,761)</u>	<u>(1,118,151)</u>	<u>(1,114,277)</u>	<u>3,874</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	495,495	495,495	489,138	(6,357)
Issuance of bonds	-	1,440,000	1,440,000	-
Payment to bond refunding escrow agent	-	(1,505,285)	(1,505,285)	-
Premium from bond issuance	-	116,968	116,968	-
Total other financing sources (uses)	<u>495,495</u>	<u>547,178</u>	<u>540,821</u>	<u>(6,357)</u>
Net change in fund balance	(3,266)	(570,973)	(573,456)	(2,483)
Fund balance- beginning	804,205	804,205	804,205	-
Fund balance- ending	<u>\$ 800,939</u>	<u>\$ 233,232</u>	<u>\$ 230,749</u>	<u>\$ (2,483)</u>

CITY OF BASTROP, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2016

	Nonmajor Enterprise Funds		Total Non-Major Enterprise Funds
	Community Impact Fee Fund	Accelerated Recovery Fee Fund	
ASSETS			
Cash and cash equivalents	\$ 508,450	\$ 422,741	\$ 931,191
Accounts receivable, net	-	-	-
Total assets	508,450	422,741	931,191
LIABILITIES			
Total liabilities	-	-	-
NET POSITION			
Restricted for capital improvements	508,450	422,741	931,191
Total net position	\$ 508,450	\$ 422,741	\$ 931,191

CITY OF BASTROP, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR END SEPTEMBER 30, 2016

	Nonmajor Enterprise Funds		Total Non-Major Enterprise Funds
	Community Impact Fee Fund	Accelerated Recovery Fee Fund	
Operating revenues:			
Charges for services	\$ 336,791	\$ -	\$ 336,791
Total operating revenues	<u>336,791</u>	<u>-</u>	<u>336,791</u>
Operating expenses:			
Supplies and maintenance	-	-	-
Services and other	36,186	-	36,186
Total operating expenses	<u>36,186</u>	<u>-</u>	<u>36,186</u>
Operating income (loss)	300,605	-	300,605
Nonoperating revenues (expenses)			
Investment earnings	2,237	2,733	4,970
Total nonoperating revenues (expenses)	<u>2,237</u>	<u>2,733</u>	<u>4,970</u>
Income before transfers	302,842	2,733	305,575
Transfers out	<u>(632,988)</u>	<u>(169,215)</u>	<u>(802,203)</u>
Change in net position	<u>(330,146)</u>	<u>(166,482)</u>	<u>(496,628)</u>
Net position- beginning	<u>838,596</u>	<u>589,223</u>	<u>1,427,819</u>
Net position- ending	<u>\$ 508,450</u>	<u>\$ 422,741</u>	<u>\$ 931,191</u>

CITY OF BASTROP, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Nonmajor Enterprise Funds		Total
	Community Impact Fee Fund	Accelerated Recovery Fee Fund	Non-Major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 336,791	\$ -	\$ 336,791
Payments to suppliers and service providers	(38,166)	-	(38,166)
Net cash provided by operating activities	298,625	-	298,625
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out to other funds	(632,988)	(169,215)	(802,203)
Net cash used by noncapital noncapital financing activities	(632,988)	(169,215)	(802,203)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	2,237	2,733	4,970
Net cash provided by investing activities	2,237	2,733	4,970
Net increase (decrease) in cash and cash equivalents	(332,126)	(166,482)	(498,608)
Cash and cash equivalents - beginning	840,576	589,223	1,429,799
Cash and cash equivalents - ending	508,450	422,741	931,191
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	300,605	-	300,605
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Increase (decrease) in accounts payable	(1,980)	-	(1,980)
Net cash provided by (used for) operating activities	\$ 298,625	\$ -	\$ 298,625

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STATISTICAL SECTION

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STATISTICAL SECTION

(Unaudited)

This part of City of Bastrop, Texas' 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 government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.	71 – 79
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its electric utility, sales tax and property tax revenues.	80 – 86
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	87 – 92
Economic and Demographic Indicators These schedules contain economic and demographic information to help the reader understand the environment within which the City's financial activities take place.	93 – 95
Operating Information 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.	96 – 98

CITY OF BASTROP, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:				
Net investment in capital assets	\$ 439,746	\$ 1,437,927	\$ 2,155,157	\$(4,960,857)
Restricted	4,087,610	2,363,723	986,735	9,380,765
Unrestricted	<u>3,320,445</u>	<u>4,276,758</u>	<u>4,033,594</u>	<u>(236,597)</u>
Total governmental activities net position	<u>\$ 7,847,801</u>	<u>\$ 8,078,408</u>	<u>\$ 7,175,486</u>	<u>\$ 4,183,311</u>
Business-type activities:				
Net investment in capital assets	\$ 9,586,381	\$ 4,850,207	\$ 16,335,785	\$ 19,320,722
Restricted	3,476,113	3,476,113	-	-
Unrestricted	<u>5,277,302</u>	<u>12,960,782</u>	<u>5,767,731</u>	<u>6,658,219</u>
Total business-type activities net position	<u>\$ 18,339,796</u>	<u>\$ 21,287,102</u>	<u>\$ 22,103,516</u>	<u>\$ 25,978,941</u>
Primary government:				
Net investment in capital assets	\$ 10,026,127	\$ 6,288,134	\$ 18,490,942	\$ 14,359,865
Restricted	7,563,723	5,839,836	986,735	9,380,765
Unrestricted	<u>8,597,747</u>	<u>17,237,540</u>	<u>9,801,325</u>	<u>6,421,622</u>
Total primary government net position	<u>\$ 26,187,597</u>	<u>\$ 29,365,510</u>	<u>\$ 29,279,002</u>	<u>\$ 30,162,252</u>

TABLE 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 5,875,370	\$ 10,566,114	\$ 11,429,156	\$ 9,963,117	\$ 11,651,156	\$ 11,918,463
6,046,673	7,373,576	4,910,969	9,159,680	8,756,852	8,066,547
(2,389,362)	(854,428)	2,499,071	2,209,515	5,446,370	5,326,377
<u>\$ 9,532,681</u>	<u>\$ 17,085,262</u>	<u>\$ 18,839,196</u>	<u>\$ 21,332,312</u>	<u>\$ 25,854,378</u>	<u>\$ 25,311,387</u>
\$ 16,135,372	\$ 13,211,924	\$ 11,738,002	\$ 12,316,742	\$ 13,333,175	\$ 15,553,195
-	-	2,660,151	669,651	838,596	931,191
<u>5,594,939</u>	<u>7,391,011</u>	<u>5,210,587</u>	<u>8,546,144</u>	<u>8,571,980</u>	<u>8,127,577</u>
<u>\$ 21,730,311</u>	<u>\$ 20,602,935</u>	<u>\$ 19,608,740</u>	<u>\$ 21,532,537</u>	<u>\$ 22,743,751</u>	<u>\$ 24,611,963</u>
\$ 22,010,742	\$ 23,778,038	\$ 23,167,158	\$ 22,279,859	\$ 24,984,331	\$ 27,471,658
6,046,673	7,373,576	7,571,120	9,829,331	9,595,448	8,997,738
<u>3,205,577</u>	<u>6,536,583</u>	<u>7,709,658</u>	<u>10,755,659</u>	<u>14,018,350</u>	<u>13,453,954</u>
<u>\$ 31,262,992</u>	<u>\$ 37,688,197</u>	<u>\$ 38,447,936</u>	<u>\$ 42,864,849</u>	<u>\$ 48,598,129</u>	<u>\$ 49,923,350</u>

CITY OF BASTROP, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
EXPENSES				
Governmental activities:				
General government	\$ 3,970,038	\$ 4,607,153	\$ 5,150,600	\$ 6,394,947
Public safety	1,603,169	1,816,490	2,356,890	2,464,313
Developmental services	-	-	-	-
Community development	1,329,794	1,411,904	1,567,019	1,773,439
Health	71,027	71,026	79,169	76,812
Economic development & assistance	-	-	-	-
Cemetery	-	-	15,816	-
Interest on long-term debt	620,935	738,485	810,338	986,607
Depreciation	523,803	480,223	-	-
Total governmental activities expenses	<u>8,118,766</u>	<u>9,125,281</u>	<u>9,979,831</u>	<u>11,696,118</u>
Business-type activities:				
Water and wastewater utilities	2,226,170	2,443,594	2,654,152	2,790,906
Electric utility	4,567,889	5,437,279	6,049,776	5,727,753
Other nonmajor	25,166	83,312	3,619	67,305
Total business-type activities expenses	<u>6,819,225</u>	<u>7,964,185</u>	<u>8,707,547</u>	<u>8,585,964</u>
Total primary government program expenses	<u>\$ 14,937,991</u>	<u>\$ 17,089,466</u>	<u>\$ 18,687,378</u>	<u>\$ 20,282,082</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 21,075	\$ 40,943	\$ 1,087,944	\$ 1,255,484
Public safety	319,321	422,094	295,240	256,551
Community services	-	-	-	-
Health	-	-	27,932	-
Economic development & assistance	-	-	-	-
Operating grants and contributions	1,170,248	854,313	91,918	249,725
Capital grants and contributions	-	-	577,643	-
Total governmental activities program revenues	<u>1,510,644</u>	<u>1,317,350</u>	<u>2,080,677</u>	<u>1,761,760</u>
Business-type activities:				
Charges for services:				
Water and wastewater utilities	2,209,693	2,764,742	3,111,828	3,071,126
Electric utility	5,473,645	6,231,334	7,071,534	6,771,854
Other nonmajor	-	-	295,177	195,354
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>7,683,338</u>	<u>8,996,076</u>	<u>10,478,539</u>	<u>10,038,334</u>
Total primary government program revenues	<u>\$ 9,193,982</u>	<u>\$ 10,313,426</u>	<u>\$ 12,559,216</u>	<u>\$ 11,800,094</u>
NET (EXPENSE) REVENUES				
Governmental activities	\$(6,608,122)	\$(7,807,931)	\$(7,899,154)	\$(9,934,358)
Business-type activities	864,113	1,031,891	1,770,992	1,452,370
Total primary government net expense	<u>\$(5,744,009)</u>	<u>\$(6,776,040)</u>	<u>\$(6,128,162)</u>	<u>\$(8,481,988)</u>

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 6,295,882	\$ 8,045,054	\$ 3,714,276	\$ 2,823,226	\$ 3,000,666	\$ 4,461,447
2,648,635	2,792,144	3,784,611	3,744,040	3,589,294	4,342,768
-	-	-	-	711,905	923,089
1,997,802	1,983,502	3,071,077	3,214,589	3,207,923	2,914,278
75,991	78,982	-	-	-	-
-	-	2,865,227	4,067,024	2,976,087	2,497,292
-	-	-	-	-	-
1,403,348	1,065,553	680,369	1,008,265	1,030,527	926,159
-	-	-	-	-	-
<u>12,421,658</u>	<u>13,965,235</u>	<u>14,115,560</u>	<u>14,857,144</u>	<u>14,516,402</u>	<u>16,065,033</u>
3,061,719	3,174,942	3,748,334	3,694,129	3,882,671	3,960,331
5,871,322	6,198,430	6,188,383	6,673,346	6,861,785	6,184,527
19,207	129,198	620,614	683,574	47,028	36,186
<u>8,952,248</u>	<u>9,502,570</u>	<u>10,557,331</u>	<u>11,051,049</u>	<u>10,791,484</u>	<u>10,181,044</u>
<u>\$ 21,373,906</u>	<u>\$ 23,467,805</u>	<u>\$ 24,672,891</u>	<u>\$ 25,908,193</u>	<u>\$ 25,307,886</u>	<u>\$ 26,246,077</u>
\$ 1,318,457	\$ 1,351,258	\$ 1,437,935	\$ 413,374	\$ 1,035,377	\$ 1,061,694
275,307	230,014	1,067,556	925,131	932,848	266,292
65,615	69,011	293,186	86,472	36,480	66,705
-	-	-	-	-	-
-	-	133,686	130,920	137,891	153,125
393,095	200,007	130,520	390,712	428,497	278,349
<u>173,903</u>	<u>3,404,918</u>	<u>408,312</u>	<u>2,988,454</u>	<u>1,878,711</u>	<u>629,416</u>
<u>2,226,377</u>	<u>5,255,208</u>	<u>3,471,195</u>	<u>4,935,063</u>	<u>4,449,804</u>	<u>2,455,581</u>
3,445,382	3,610,941	3,851,172	3,960,434	4,288,849	4,654,955
6,966,650	7,395,021	6,854,109	7,304,225	7,415,588	6,446,305
96,354	893,389	789,918	893,112	261,102	336,791
-	-	-	600,000	47,889	-
<u>10,508,386</u>	<u>11,899,351</u>	<u>11,495,199</u>	<u>12,757,771</u>	<u>12,013,428</u>	<u>11,438,051</u>
<u>\$ 12,734,763</u>	<u>\$ 17,154,559</u>	<u>\$ 14,966,394</u>	<u>\$ 17,692,834</u>	<u>\$ 16,463,232</u>	<u>\$ 13,893,632</u>
\$ (10,195,281)	\$ (8,710,027)	\$ (10,644,365)	\$ (9,922,081)	\$ (10,066,598)	\$ (13,609,452)
<u>1,556,138</u>	<u>2,396,781</u>	<u>937,868</u>	<u>1,706,722</u>	<u>1,221,944</u>	<u>1,257,007</u>
<u>\$ (8,639,143)</u>	<u>\$ (6,313,246)</u>	<u>\$ (9,706,497)</u>	<u>\$ (8,215,359)</u>	<u>\$ (8,844,654)</u>	<u>\$ (12,352,445)</u>

CITY OF BASTROP, TEXAS

GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
NET EXPENSES				
Governmental activities:	\$(6,608,122)	\$(7,807,931)	\$(7,899,154)	\$(9,934,358)
Business-type activities:	<u>382,799</u>	<u>293,518</u>	<u>1,626,056</u>	<u>1,452,370</u>
Total primary government net expense	<u>\$(6,225,323)</u>	<u>\$(7,514,413)</u>	<u>\$(6,273,098)</u>	<u>\$(8,481,988)</u>
GENERAL REVENUES AND OTHER				
Governmental activities:				
Taxes				
Property taxes	\$ 2,846,719	\$ 2,842,170	\$ 3,182,745	\$ 3,362,419
Sales taxes	2,170,754	2,371,361	2,508,969	2,606,584
Franchise taxes	294,684	350,299	365,838	375,077
Other taxes	1,837,439	2,119,224	2,202,096	2,172,473
Penalty and interest	61,700	66,304	63,574	73,518
Grants and contributions not rest.	-	-	91,076	122,691
Miscellaneous revenue	645,063	693,273	135,334	511,770
Investment earnings	392,083	266,109	97,964	76,892
Special item - resource	-	-	47,821	37,782
Special item (use)	-	-	4,423	4,065
Transfers in (out)	<u>(1,666,810)</u>	<u>(670,202)</u>	<u>(1,431,720)</u>	<u>(2,401,089)</u>
Total governmental activities general revenues and other	<u>6,581,632</u>	<u>8,038,538</u>	<u>7,268,120</u>	<u>6,942,182</u>
Business-type activities:				
Sales taxes	1,085,214	1,185,502	-	-
Miscellaneous revenue	298,016	505,558	230,872	-
Investment earnings	369,894	292,526	68,051	21,968
Special item (use)	-	-	-	-
Transfers in (out)	<u>1,666,810</u>	<u>670,202</u>	<u>1,251,118</u>	<u>2,401,088</u>
Total business-type activities general revenues and other	<u>3,419,934</u>	<u>2,653,788</u>	<u>1,550,041</u>	<u>2,423,056</u>
Total primary government general revenues	<u>\$ 10,001,566</u>	<u>\$ 10,692,326</u>	<u>\$ 8,818,161</u>	<u>\$ 9,365,238</u>
CHANGE IN NET POSITION				
Governmental activities	\$(26,490)	\$ 230,607	\$(631,034)	\$(2,992,176)
Business-type activities	<u>3,802,733</u>	<u>2,947,306</u>	<u>3,176,097</u>	<u>3,875,426</u>
Total primary government	<u>\$ 3,776,243</u>	<u>\$ 3,177,913</u>	<u>\$ 2,545,063</u>	<u>\$ 883,250</u>

TABLE 3

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$(10,195,282)	\$(8,710,027)	\$(10,644,365)	\$(9,922,081)	\$(10,066,598)	\$(13,609,452)
<u>1,556,138</u>	<u>2,396,781</u>	<u>937,868</u>	<u>1,706,722</u>	<u>1,221,944</u>	<u>1,263,408</u>
\$(<u>8,639,144</u>)	\$(<u>6,313,246</u>)	\$(<u>9,706,497</u>)	\$(<u>8,215,359</u>)	\$(<u>8,844,654</u>)	\$(<u>12,346,044</u>)
\$ 3,557,551	\$ 3,947,319	\$ 4,294,978	\$ 4,619,684	\$ 4,806,931	\$ 5,671,902
2,722,333	3,194,452	3,352,264	3,538,097	4,021,662	4,325,273
404,582	431,129	412,730	454,377	486,694	495,709
2,512,219	2,568,635	2,501,546	2,737,816	2,850,062	2,777,935
58,562	72,164	-	-	-	-
98,733	-	205,651	-	-	-
296,242	892,755	126,303	64,532	46,176	79,626
31,639	86,562	20,427	18,787	19,380	74,232
40,431	44,774	-	-	-	-
3,179	7,344	(9,537)	-	3,330,054	-
<u>928,594</u>	<u>(1,201,295)</u>	<u>(2,469,672)</u>	<u>439,179</u>	<u>500,248</u>	<u>(358,216)</u>
<u>10,654,065</u>	<u>10,043,839</u>	<u>8,434,690</u>	<u>11,872,472</u>	<u>16,061,207</u>	<u>13,066,461</u>
-	-	-	-	-	-
-	3,353	98,600	52,672	150,808	181,324
14,412	14,066	11,910	9,064	14,490	65,264
-	-	-	-	627,566	-
<u>(928,594)</u>	<u>1,201,295</u>	<u>2,469,672</u>	<u>(439,179)</u>	<u>(500,248)</u>	<u>358,216</u>
<u>(914,182)</u>	<u>1,218,714</u>	<u>2,580,182</u>	<u>(377,443)</u>	<u>292,616</u>	<u>604,804</u>
\$ <u>9,739,883</u>	\$ <u>11,262,553</u>	\$ <u>11,014,872</u>	\$ <u>11,495,029</u>	\$ <u>16,353,823</u>	\$ <u>13,671,265</u>
\$ 458,783	\$ 1,333,812	\$(2,209,675)	\$ 1,950,391	\$ 5,994,609	\$(542,991)
<u>641,956</u>	<u>3,615,495</u>	<u>3,518,050</u>	<u>1,329,279</u>	<u>1,514,560</u>	<u>1,868,212</u>
\$ <u>1,100,739</u>	\$ <u>4,949,307</u>	\$ <u>1,308,375</u>	\$ <u>3,279,670</u>	\$ <u>7,509,169</u>	\$ <u>1,325,221</u>

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TABLE 4

CITY OF BASTROP, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,362	\$ 56,011	\$ 136,887	\$ 82,553
Restricted	76,039	77,637	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	89,868
Unassigned	2,048,836	2,277,834	2,187,883	2,515,443	2,059,480	3,294,416	3,530,544	4,707,026	5,365,120	3,661,166
Total general fund	<u>\$ 2,124,875</u>	<u>\$ 2,355,471</u>	<u>\$ 2,187,883</u>	<u>\$ 2,515,443</u>	<u>\$ 2,059,480</u>	<u>\$ 3,294,416</u>	<u>\$ 3,575,906</u>	<u>\$ 4,763,037</u>	<u>\$ 5,502,007</u>	<u>\$ 3,833,587</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 512	\$ 83,913	\$ 383,789
Restricted for:										
Capital projects	2,613,207	-	-	-	-	-	755,047	5,297,045	4,019,033	2,369,536
Debt service	1,006,310	986,734	-	-	-	-	707,322	736,729	804,205	230,749
Other restricted	-	-	5,604,401	9,380,765	5,926,375	7,269,212	-	57,463	19,959	24,026
Cemetery	-	-	-	-	-	-	607,655	648,832	558,234	186,500
Public improvement district	-	-	-	-	-	-	87,098	161,579	187,892	132,794
Traffic safety	-	-	-	-	-	-	639,090	621,945	631,613	639,377
Culture & recreation	-	-	-	-	-	-	114,949	121,182	46,708	124,559
Economic development	-	-	-	-	-	-	1,905,557	2,148,817	2,015,834	2,265,766
Committed for:										
Economic development	-	-	-	-	-	-	1,038,897	1,044,994	1,077,854	1,225,851
Arena	-	-	-	-	-	-	-	-	-	24,167
Unassigned	1,555,496	3,168,641	2,412,513	167,536	1,034,177	1,102,144	-	-	-	-
Total all other governmental funds	<u>\$ 5,175,013</u>	<u>\$ 4,155,375</u>	<u>\$ 8,016,914</u>	<u>\$ 9,548,301</u>	<u>\$ 6,960,552</u>	<u>\$ 8,371,356</u>	<u>\$ 5,855,615</u>	<u>\$ 10,839,098</u>	<u>\$ 9,445,245</u>	<u>\$ 7,607,114</u>

CITY OF BASTROP, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Property taxes	\$ 2,904,316	\$ 2,908,474	\$ 3,326,158	\$ 3,668,631	\$ 3,859,531	\$ 4,266,992	\$ 4,243,734	\$ 4,536,737	\$ 4,741,831	\$ 4,998,616
Sales taxes	2,170,754	2,371,361	2,508,969	2,606,584	2,722,333	3,194,452	3,352,264	3,538,097	4,021,662	4,371,880
Hotel/motel taxes	1,837,439	2,119,224	2,202,096	1,970,512	2,247,985	2,276,444	2,501,546	2,737,816	2,850,062	2,777,935
Franchise taxes	294,684	350,299	365,838	375,077	404,582	431,129	412,730	454,377	486,694	495,709
Licenses and permits	242,043	235,490	150,664	104,149	97,305	135,408	143,768	153,841	213,904	187,729
Intergovernmental	1,230,269	854,313	1,614,689	1,231,197	1,691,978	1,625,928	1,960,454	531,182	728,094	656,385
Service fees	21,075	40,943	72,172	70,418	90,526	278,350	269,570	263,304	709,339	745,419
Fines and forfeitures	319,321	422,094	323,673	324,465	346,568	366,040	1,080,535	1,144,202	653,730	563,971
Investments earnings	392,084	266,109	97,964	76,854	31,640	26,315	20,427	18,788	19,380	70,100
Miscellaneous	371,146	457,763	145,889	667,249	394,975	2,124,631	197,675	348,371	443,233	530,322
Total revenues	<u>9,783,131</u>	<u>10,026,070</u>	<u>10,808,112</u>	<u>11,095,136</u>	<u>11,887,423</u>	<u>14,725,689</u>	<u>14,182,703</u>	<u>13,726,715</u>	<u>14,867,929</u>	<u>15,398,066</u>
EXPENDITURES										
Current:										
General government	3,961,515	4,594,555	1,805,523	2,233,336	2,591,833	2,659,338	2,587,881	1,498,735	2,695,518	4,195,350
Public safety	1,599,829	1,804,708	2,470,393	2,196,265	2,433,848	2,776,805	3,218,590	3,424,029	3,349,118	3,558,802
Development services	71,027	71,027	2,074,168	3,035,287	2,430,328	2,818,297	614,744	670,992	708,518	896,180
Public works	1,326,446	1,420,520	1,505,497	1,640,182	2,355,876	1,808,697	-	-	-	-
Community service	-	-	560,947	555,892	609,360	650,615	2,456,957	2,370,344	2,464,526	2,096,550
Economic development	-	-	-	-	-	-	2,512,066	3,846,172	2,743,266	2,266,449
Capital outlay	2,700,721	2,230,134	836,126	2,155,806	3,470,556	2,577,411	424,088	2,304,424	1,700,223	1,180,847
Debt service:										
Principal	897,461	1,129,328	1,066,729	1,457,967	1,519,243	1,520,438	1,422,705	1,326,185	1,439,775	1,815,125
Interest and other	585,168	749,638	1,135,654	1,002,209	1,474,101	1,162,345	721,877	1,111,724	1,068,183	973,859
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	325,000
Total expenditures	<u>11,142,167</u>	<u>11,999,910</u>	<u>11,455,037</u>	<u>14,276,944</u>	<u>16,885,145</u>	<u>15,973,946</u>	<u>13,958,908</u>	<u>16,552,605</u>	<u>16,169,127</u>	<u>17,308,162</u>

CITY OF BASTROP, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,359,036)</u>	<u>\$ (1,973,840)</u>	<u>\$ (646,925)</u>	<u>\$ (3,181,808)</u>	<u>\$ (4,997,722)</u>	<u>\$ (1,248,257)</u>	<u>\$ 223,795</u>	<u>\$ (2,825,890)</u>	<u>\$ (1,301,198)</u>	<u>\$ (1,910,096)</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	2,009,370	1,338,208	1,218,690	1,127,753	2,657,927	2,673,323	2,426,820	2,387,025	2,856,260	2,554,732
Transfers out	(3,676,179)	(2,008,410)	(2,650,410)	(3,528,663)	(1,729,333)	(3,874,618)	(4,896,492)	(1,947,846)	(2,356,012)	(4,182,948)
Issuance of long-term debt	4,825,000	1,855,000	6,135,000	7,400,000	4,260,000	6,315,000	-	7,392,000	1,695,558	1,440,000
Premium of long-term debt	-	-	121,803	-	179,469	460,848	-	127,985	185,830	116,968
Other resources	-	-	47,821	37,782	40,431	44,774	-	475,000	-	-
Payments to refunded bond escrow agent	-	-	-	-	(4,300,560)	(1,732,675)	-	-	(1,819,234)	(1,505,285)
Insurance recoveries	-	-	-	-	-	-	-	-	-	51,757
Sale of capital assets	-	-	4,423	4,065	3,179	7,344	11,626	19,615	-	12,234
Total other financing sources (uses)	<u>3,158,191</u>	<u>1,184,798</u>	<u>4,877,327</u>	<u>5,040,937</u>	<u>1,111,113</u>	<u>3,893,996</u>	<u>(2,458,046)</u>	<u>8,453,779</u>	<u>562,402</u>	<u>(1,512,542)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,799,155</u>	<u>\$ (789,042)</u>	<u>\$ 4,230,402</u>	<u>\$ 1,859,129</u>	<u>\$ (3,886,609)</u>	<u>\$ 2,645,739</u>	<u>\$ (2,234,251)</u>	<u>\$ 5,627,889</u>	<u>\$ (738,796)</u>	<u>\$ (3,422,638)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	17.6%	19.2%	18.7%	19.4%	21.1%	18.2%	15.8%	17.1%	17.2%	17.3%

CITY OF BASTROP, TEXAS
TAXABLE SALES BY CATEGORY
LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	Fiscal Year			
	2007	2008	2009	2010
Agriculture/Forestry/Fishing/Hunting	\$ -	\$ -		\$ 38,325
Construction	642,769	928,716	772,931	548,569
Manufacturing	483,658	735,263	519,926	502,894
Wholesale trade	2,190,599	1,941,359	2,064,535	1,537,429
Retail trade	145,167,362	158,632,371	171,365,676	182,220,911
Transportation/warehousing	4,500	3,400		
Information	468,181	656,160	1,162,003	1,435,657
Finance/insurance	958,008	1,049,129	1,117,241	1,251,733
Professional/scientific/technical	985,762	805,327	604,404	566,407
Real estate/rental/leasing	2,301,601	1,180,657	2,449,809	1,993,012
Admin/support/Waste Mgmt/Remediation Srvs	862,385	471,492	459,068	415,289
Educational Services	19,981	23,464	8,029	6,502
Health Care/Social Assistance	68,941	61,585	16,296	84,316
Arts/Entertainment/Recreation	585,087	755,058	925,762	884,721
Accommodation/Food Services	31,337,923	33,558,943	34,293,028	35,011,335
Other Services (except Public Admin)	4,185,036	4,836,668	4,872,634	4,787,520
Public Administration	528,562	508,278	-	-
Other	-	-	-	-
Total	\$ 190,790,355	\$ 206,147,870	\$ 220,631,342	\$ 231,284,620
City Direct Sales Tax Rate	1%	1%	1%	1%

Source: Texas Comptroller

(1) Only information for 3 quarters is available

TABLE 6

Fiscal Year					
2011	2012	2013	2014	2015	2016 (1)
\$ 49,454	\$ 51,436	\$ 49,046	\$ 52,808	\$ 52,920	\$ 38,040
2,529,176	612,692	733,996	813,098	761,185	656,495
609,479	1,113,311	567,873	1,038,367	1,205,357	572,447
1,532,664	1,897,020	2,180,790	2,151,794	1,822,898	1,410,224
191,434,598	227,250,051	231,643,120	238,982,499	277,256,866	224,686,355
	5,480	58,825	64,042	42,575	41,957
1,451,985	1,886,983	2,268,905	5,165,014	6,285,357	4,717,838
1,277,053	1,334,575	1,430,714	1,441,582	1,499,365	1,133,011
619,830	688,357	939,161	586,683	600,935	521,609
1,240,362	1,006,683	1,062,877	894,945	1,284,457	987,768
377,390	536,628	608,223	546,942	552,963	445,508
7,479	5,424	11,445	33,522	24,482	42,943
108,373	265,225	146,756	134,592	155,984	150,870
868,901	819,934	817,189	660,179	487,662	529,062
37,095,419	41,461,897	46,836,570	51,668,983	60,429,758	48,776,972
5,338,783	5,448,774	5,089,936	5,622,266	6,609,898	5,650,349
1,361,039	2,728,196	2,959,497	2,987,696	3,160,468	2,118,522
-	-	-	-	-	-
<u>\$ 245,901,985</u>	<u>\$ 287,112,666</u>	<u>\$ 297,404,923</u>	<u>\$ 312,845,012</u>	<u>\$ 362,233,130</u>	<u>\$ 292,479,970</u>
1%	1%	1%	1%	1%	1%

TABLE 7

**CITY OF BASTROP, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year	Tax Year	Real Property	Personal Property	Less Exempt Property	Less Other (1)	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2007	2006	534,005,461	67,961,872	(95,264,326)	(59,591,491)	447,111,516	0.5835	447,111,516	100.00%
2008	2007	574,267,963	74,825,034	(103,636,206)	(62,093,889)	483,362,902	0.5350	483,362,902	100.00%
2009	2008	642,672,510	92,109,942	(110,409,715)	(75,953,047)	548,419,690	0.5540	548,419,690	100.00%
2010	2009	683,627,607	83,978,203	(117,951,584)	(82,207,662)	567,446,564	0.5540	567,446,564	100.00%
2011	2010	749,216,172	82,203,043	(135,123,943)	(89,217,278)	607,077,994	0.0554	607,077,994	100.00%
2012	2011	779,056,911	81,672,766	(146,849,465)	(86,623,396)	627,256,816	0.0584	627,256,816	100.00%
2013	2012	792,557,307	89,185,540	(147,350,585)	(98,583,801)	635,808,461	0.0584	635,808,461	100.00%
2014	2013	816,067,208	101,281,545	(143,609,524)	(103,017,981)	670,721,248	0.0584	670,721,248	100.00%
2015	2014	863,574,836	110,674,924	(150,322,357)	(86,004,438)	737,922,965	0.5640	737,922,965	100.00%
2016	2015	929,201,260	121,017,621	(158,570,133)	(108,720,698)	782,928,050	0.5640	782,928,050	100.00%

Source: Central Appraisal District of Bastrop County certified roll

(1) Other includes Homestead Cap Adjustment, Productivity Loss, Exemptions, 065 Freeze/Transfer and DP Freeze.

CITY OF BASTROP, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	City Direct Rates			Overlapping Rates		Other
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Bastrop Independent School District	Bastrop County/ County Road	Hunter's Crossing PID Fixed \$ amount
2007	\$ 0.1834	\$ 0.4001	\$ 0.5835	\$ 1.6221	\$ 0.6283	\$ 226.00
2008	0.1952	0.3398	0.5350	1.5010	0.6192	226.00
2009	0.1992	0.3548	0.5540	1.4810	0.6192	226.00
2010	0.2292	0.3248	0.5540	1.4810	0.6192	238.00
2011	0.2889	0.2651	0.5540	1.4810	0.6192	271.00
2012	0.3203	0.2637	0.5840	1.4810	0.6175	289.52
2013	0.3504	0.2336	0.5840	1.4810	0.6314	308.16
2014	0.3638	0.2202	0.5840	1.4610	0.6290	324.16
2015	0.3598	0.2042	0.5640	1.4410	0.6290	324.16
2016	0.3596	0.2044	0.5640	1.4410	0.6190	324.16

(1) Source: City of Bastrop Budget, County and BISD websites
(2) Basis for property tax rate is per \$100 of taxable valuation.

CITY OF BASTROP, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Bastrop Retail Partners	\$ 29,930,566	1	3.82%	\$ -	-	-
H E Butt Grocery Company	16,965,966	2	2.17%	9,113,405	4	2.04%
Covert Chevrolet	15,246,642	3	1.95%	11,162,053	3	2.50%
Bastrop Walnut Ridge Apartments	11,645,786	4	1.49%	-	-	-
Buc-ee's LTD	9,785,774	5	1.25%	-	-	-
The Home Depot	9,081,982	6	1.16%	11,637,220	2	2.60%
Walmart Real Estate Bus Trust	8,678,608	7	1.11%	13,420,478	1	3.00%
Soft Hotels LLC	6,859,956	8	0.88%	-	-	-
First National Bank of Bastrop	6,627,561	9	0.85%	6,072,279	8	1.36%
Lowe's Home Center Inc.	6,025,000	10	0.77%	-	-	-
Total	\$ 120,847,841		15.44%	\$ 51,405,435		11.50%

(1) Source: Central Appraisal District of Bastrop County

TABLE 10

**CITY OF BASTROP, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year Ended September 30	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 2,819,407	\$ 2,749,328	97.51%	\$ 56,097	\$ 2,805,426	99.50%
2008	2,800,288	2,736,004	97.70%	75,325	2,794,059	99.78%
2009	3,278,876	3,185,516	97.15%	76,075	3,261,591	99.47%
2010	3,404,859	3,327,953	97.74%	52,298	3,380,251	99.28%
2011	3,609,482	3,517,945	97.46%	66,308	3,584,253	99.30%
2012	3,915,501	3,863,585	98.67%	31,277	3,894,862	99.47%
2013	3,977,570	3,928,876	98.78%	33,687	3,962,563	99.62%
2014	4,192,486	4,147,083	98.92%	29,036	4,176,119	99.61%
2015	4,356,620	4,321,311	99.19%	8,767	4,330,078	99.39%
2016	4,704,126	4,683,239	99.56%	-	4,683,239	99.56%

Source: Tax-Assessor/Collector Annual Report

1. Due to variances allowed by Bastrop County Appraisal District the total Collections to Date exceed the Original Taxes Levied

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TABLE 11

**CITY OF BASTROP, TEXAS
DIRECT AND OVERLAPPING SALES TAX REVENUE
LAST TEN FISCAL YEARS (UNAUDITED)**

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Bastrop Economic Development Corporation</u>	<u>Bastrop County</u>	<u>State of Texas</u>
2007	1.00%	0.50%	0.50%	6.25%
2008	1.00%	0.50%	0.50%	6.25%
2009	1.00%	0.50%	0.50%	6.25%
2010	1.00%	0.50%	0.50%	6.25%
2011	1.00%	0.50%	0.50%	6.25%
2012	1.00%	0.50%	0.50%	6.25%
2013	1.00%	0.50%	0.50%	6.25%
2014	1.00%	0.50%	0.50%	6.25%
2015	1.00%	0.50%	0.50%	6.25%
2016	1.00%	0.50%	0.50%	6.25%

Source: Texas Comptroller

CITY OF BASTROP, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	General Bonded Debt				Business-type Activities			Total Primary Government	Population	Per Capita Income (1)	Personal Income
	General Obligation Bonds	Tax Notes	Notes Payable	Certificates of Obligation	General Obligation Bonds	Notes Payable	Certificates of Obligations				
2007	\$ 18,301,929	\$ 210,028	\$ -	\$ 4,392,476	\$ -	\$ -	\$ -	\$ 22,904,433	6,649	\$ 23,222	\$ 154,403,078
2008	16,921,679	901,817	-	4,167,729	-	-	1,772,530	23,763,755	6,836	23,782	162,573,752
2009	19,169,975	631,741	-	3,871,132	3,143,097	-	7,190,976	34,006,921	7,023	24,337	170,918,751
2010	17,797,138	473,072	-	1,848,435	2,965,593	-	17,887,129	40,971,367	7,218	26,527	191,471,886
2011	15,710,244	349,047	642,839	1,939,055	2,755,453	-	16,998,811	38,395,449	7,306	28,507	208,272,142
2012	14,430,240	218,856	688,171	11,435,550	4,862,938	-	10,321,157	41,956,912	7,394	29,077	214,995,338
2013	13,197,037	92,754	570,384	10,723,722	4,499,232	-	9,768,175	38,851,304	7,483	29,658	221,930,814
2014	12,218,133	-	960,513	22,663,741	4,132,955	600,000	24,096,343	64,671,685	7,649	26,883	205,628,067
2015	13,495,677	-	819,821	19,327,660	4,599,140	540,000	22,114,323	60,896,621	7,900	30,383	240,025,700
2016	10,787,319	-	388,915	13,010,913	2,621,276	480,000	16,763,677	44,052,100	8,600	30,991	266,519,676

(1) Information from 2000 census, 2010 census and modified by City staff estimates.

TABLE 13

**CITY OF BASTROP, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year	General Bonded Debt Outstanding				Percentage Actual Taxable Property Value (a)	Per Capita (b)
	General Obligation Bonds	Tax Notes	Certificates of Obligation	Total		
2007	\$ 18,301,929	\$ 210,028	\$ 4,392,476	\$ 22,904,433	5.12%	\$ 3,544
2008	16,921,679	901,817	4,167,729	21,991,225	4.55%	3,307
2009	19,169,975	631,741	3,871,132	23,672,848	4.32%	3,463
2010	17,797,138	473,072	1,848,435	20,118,645	3.55%	2,787
2011	15,710,244	349,047	1,939,055	17,998,346	2.96%	2,464
2012	14,430,240	218,856	11,435,550	26,084,646	4.16%	3,528
2013	13,197,037	92,754	10,723,722	24,013,513	3.78%	3,209
2014	12,218,133	-	22,663,741	34,881,874	5.20%	4,560
2015	13,495,677	-	19,327,660	32,823,337	4.45%	4,155
2016	10,787,319	-	13,010,913	23,798,232	3.04%	3,012

(a) See Table 7 for Taxable Property Value

(b) See Table 12 for Per Capita

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TABLE 14

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

<u>Taxing Jurisdiction</u>	<u>Total Direct Debt</u>	<u>Estimated % Applicable</u>	<u>City's Overlapping Tax Supported Debt as of 09/30/2016</u>	<u>Subtotals</u>
City of Bastrop	\$ 24,187,147 (1)	100.00%	\$ 24,187,147	
Total Direct Debt				\$ 24,187,147
Bastrop County	35,180,000	14.92%	5,248,856	
Bastrop Independent School District	163,257,566	25.56%	41,728,634	
Total Indirect Debt				46,977,490
Total Direct and Overlapping Tax Supported Debt				71,164,637
Ratio of Direct and Overlapping Bonded Debt to Taxable Assessed Valuation (a)				9.09%
Per Capita Direct and Overlapping Debt (b)				\$ 8,275

Source : Texas Municipal Reports published by the Municipal Advisory Council of Texas
 (1) Excludes self-supporting ad valorem tax debt
 (a) See Table 7 for Taxable Property Value
 (b) See Table 12 for Per Capita

CITY OF BASTROP, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
Assessed Valuation	\$ 447,111,516	\$ 483,362,902	\$ 548,419,690	\$ 567,446,564
Limit on Amount Designated for Debt Service:				
\$1.50 per \$100 assessed valuation	<u>x 1.5</u>	<u>x 1.5</u>	<u>x 1.5</u>	<u>x 1.5</u>
Legal Annual Maximum Debt Payment	<u>\$ 6,706,673</u>	<u>\$ 7,250,444</u>	<u>\$ 8,226,295</u>	<u>\$ 8,511,698</u>
Actual Amount Expended for General Obligation Debt Service During the Fiscal Year	<u>1,476,257</u>	<u>1,878,966</u>	<u>2,039,796</u>	<u>1,900,868</u>
Legal Debt Margin for Annual Debt Service Requirements	<u>\$ 5,230,416</u>	<u>\$ 5,371,478</u>	<u>\$ 6,186,499</u>	<u>\$ 6,610,830</u>
Total Net Debt Applicable to the Limit				
As a percentage of Debt Limit	22.01%	25.92%	24.80%	22.33%

Source: Central Appraisal District of Bastrop County
Audited Financial Statements of the City of Bastrop
BCAD - Assessment Roll Grand Totals Report

TABLE 15

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 607,077,994	\$ 627,256,816	\$ 635,808,461	\$ 670,721,248	\$ 737,922,965	\$ 782,928,050
<u>x 1.5</u>	<u>x 1.5</u>	<u>x 1.5</u>	<u>x 1.5</u>	<u>x 1.5</u>	<u>x 1.5</u>
<u>\$ 9,106,170</u>	<u>\$ 9,408,852</u>	<u>\$ 9,537,127</u>	<u>\$ 10,060,819</u>	<u>\$ 11,068,844</u>	<u>\$ 11,743,921</u>
<u>1,871,190</u>	<u>2,508,842</u>	<u>2,147,495</u>	<u>2,437,909</u>	<u>2,277,309</u>	<u>2,244,952</u>
<u>\$ 7,234,980</u>	<u>\$ 6,900,010</u>	<u>\$ 7,389,632</u>	<u>\$ 7,622,910</u>	<u>\$ 8,791,535</u>	<u>\$ 9,498,969</u>
20.55%	26.66%	22.52%	24.23%	20.57%	19.12%

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TABLE 16

**CITY OF BASTROP, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year	Water Revenue Bonds					Revenue Bond Coverage
	Gross Revenue (1)	Less: Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principle & Interest		
2006	\$ 2,502,526	\$ 1,563,948	\$ 938,578	\$ 300,788		3.120
2007	2,288,916	1,810,031	478,885	160,634		2.981
2008	2,842,989	2,027,077	815,912	243,666		3.348
2009	3,236,870	2,033,125	1,203,745	389,082		3.094
2010	3,071,126	2,603,978	467,148	438,917		1.064
2011	3,445,382	2,524,850	920,532	563,808		1.633
2012	3,610,941	2,443,648	1,167,293	571,497		2.043
2013	3,986,051	2,818,231	1,167,820	759,350		1.538
2014	3,971,117	2,469,599	1,501,518	928,595		1.617
2015	4,353,611	2,513,833	1,839,778	1,475,046		1.247
2016	4,703,546	3,347,215	1,356,331	1,424,776		0.952

(1) Water and Wastewater Fund operating and non-operating revenues.

(2) Water and Wastewater Fund operating expenses, less depreciation expense.

CITY OF BASTROP, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
Population (1)	6,462	6,649	6,836	7,218
Median Household Income (1)	\$ 48,064	\$ 48,064	\$ 48,486	\$ 48,486
Per Capita Income (1)	22,662	23,222	25,839	25,839
Median Age	33.4	33.4	33.4	33.4
Education Level in Years of Schooling (at 18 years and over) (2)				
Less than high school graduate	670	670	670	670
High school graduate (or equivalent)	1,291	1,291	1,291	1,291
Some college, no degree	1,626	1,626	1,626	1,626
Associate degree or higher	190	190	190	190
Bachelor's degree or higher	717	717	717	717
Graduate degree or higher	459	459	459	459
School Enrollment (3)	4,597	4,658	4,825	4,825
Unemployment Rate (4)	4.2%	5.4%	8.1%	7.8%

(1) Information from 2000 census, 2010 census and modified by City staff estimates.

(2) US Census Bureau - American Community Survey 2015

(3) Bastrop Independent School District - Only Schools located with in City limits
not all enrolled live within the City limits

(4) Unemployment rates from TWC website (www.twc.state.tx.us). Bastrop County rate only one available.

TABLE 17

		Fiscal Year					
		2011	2012	2013	2014	2015	2016
		7,306	7,394	7,483	7,557	7,900	8,600
\$		48,486	\$ 48,486	\$ 48,486	\$ 49,456	\$ 52,886	\$ 53,889
		25,839	25,839	26,356	26,356	28,930	29,509
		33.4	33.6	36.9	36.9	38.9	38.7
		670	670	800	800	987	881
		1,291	1,291	1,285	1,285	1,410	1,479
		1,626	1,626	1,570	1,570	1,273	1,462
		190	190	261	261	378	387
		717	717	571	571	679	679
		459	459	421	421	302	325
		4,344	3,949	3,764	3,663	3,942	4,123
		8.6%	7.8%	6.4%	4.2%	3.8%	3.4%

TABLE 18

**CITY OF BASTROP, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)**

Employer	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Bastrop ISD	1,100	1	3.07%	1,130	1	3.69%
Hyatt Regency Lost Pines Resort	675	2	1.88%	600	2	1.96%
Bastrop County	460	3	1.28%	409	4	1.34%
MD Anderson Cancer Center	430	4	1.20%	255	6	0.83%
HEB Food Stores	400	5	1.11%	125	9	0.41%
Walmart	320	6	0.89%	415	3	1.35%
Bastrop FCI	284	7	0.79%	294	5	0.96%
Buc-ee's	173	8	0.48%	-	-	-
Bluebonnet Electric Co-op	154	9	0.43%	-	-	-
Southside Market & BBQ	150	10	0.42%	-	-	-
Agilent/Stratagene	140	11	0.39%	133	7	-
Lowe's	133	12	0.37%	-	-	-
Griffin Industries	125	13	0.35%	-	-	-
Total	<u>4,544</u>		<u>12.66%</u>	<u>3,361</u>		<u>10.54%</u>
Total County Employment	35,884			30,631		

Source: Texas Workforce Commission

TABLE 19

CITY OF BASTROP, TEXAS
FULL-TIME EQUIVALENT EMPLOYERS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City Manager's Office	2.00	2.00	2.00	2.00	2.60	2.60	2.63	2.63	2.63	2.63
City Secretary	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Finance	4.00	4.00	4.00	4.00	4.30	4.30	4.30	4.45	4.45	4.45
Utility Billing	5.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	5.00
Human Resources	1.00	1.00	1.00	1.10	1.00	1.00	1.00	1.10	1.10	1.50
Information Technology	-	-	-	1.00	1.00	1.00	1.00	1.00	1.63	2.00
Municipal Court	4.00	4.50	4.50	4.50	5.50	5.50	5.50	5.50	5.50	4.50
Building Maintenance	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00
Police Department										
Officers	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	22.00	22.00
Civilian	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Code Enforcement	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.50
Animal Control	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	0.50
Fire Department										
Chief	-	-	-	-	-	-	-	-	-	1.00
Development Services										
Planning	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00
Building Inspections	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Works										
Administration	2.00	2.00	2.00	2.00	2.20	2.20	2.00	1.00	1.00	1.00
Streets	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Other	-	-	1.40	0.40	-	-	-	-	-	-
Community Services										
Parks Department	9.00	9.00	9.60	9.60	11.00	11.00	11.00	11.00	11.00	11.00
Library	8.30	8.30	8.30	8.80	9.80	9.80	9.80	9.80	9.80	9.80
Proprietary Funds										
Water/ Wastewater	12.00	12.00	12.00	12.00	13.00	13.00	13.00	12.50	12.50	12.50
Electric	8.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Other Funds										
Convention Center	-	-	-	-	4.00	4.20	4.20	4.20	5.50	4.50
Economic Development Corp.	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.50
Fairview Cemetery	-	-	-	-	0.50	0.50	0.50	1.50	1.50	1.00
Main Street	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	<u>101.80</u>	<u>105.30</u>	<u>107.30</u>	<u>107.90</u>	<u>118.40</u>	<u>118.60</u>	<u>119.43</u>	<u>119.18</u>	<u>122.10</u>	<u>120.88</u>

TABLE 20

CITY OF BASTROP, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Building Permits Issued	219	207	91	128	101	139	141	158	157	100
Building Permits Value (thousands)	\$ 18,507,556	\$ 25,820,447	\$ 22,822,734	\$ 16,408,290	\$ 11,051,550	\$ 15,305,041	\$ 16,984,537	\$ 21,690,642	\$ 17,654,706	\$ 16,076,498
Police										
Physical Arrests	813	700	537	941	829	834	769	816	700	781
Violations Issued	4,671	5,963	6,491	3,955	3,643	3,678	3,606	4,125	4,000	4,869
Accident Investigations	352	271	487	253	304	383	316	448	450	552
Fire										
Incident Volume	613	843	826	717	980	1,040	1,125	1,150	1,140	921
Priority Calls Answered	300	450	433	336	430	325	398	450	530	444
Court										
Cases Filed	-	-	-	2,968	2,375	2,006	1,990	2,012	1,679	3,155
Warrants Issued	-	-	-	1,261	1,398	1,097	924	1,063	802	1,673
Public Works										
Paved Streets (miles)	49	49	50	52	53	53	54	55	56	56
Open Drainage Ditches (miles)	52	52	52	52	50	50	50	50	50	50
Storm Sewer Lines (miles)	65	65	66	66	67	67	67	67	67	67
Number of Street Signs	1,380	1,380	1,400	1,425	1,425	1,425	1,425	1,425	1,435	1,435
Parks and Recreation										
Pavilion Rentals	86	86	85	90	95	95	96	96	96	51
New Trees Planted	313	313	150	120	75	75	50	50	50	7
Special Events	16	16	18	22	18	22	24	56	56	57
Library										
Volumes in Collection	43,714	46,451	49,699	50,093	50,211	50,504	50,157	50,765	52,132	53,566
Total Circulation	156,116	171,360	192,700	205,177	193,529	163,577	165,667	167,324	162,900	152,111
Story Time & Program Attendance	7,978	9,989	10,024	10,446	12,979	12,562	13,161	13,500	12,000	11,748
Water										
Treated Water Prod (in millions of gal)	459.607	469.258	490.050	495.344	445.269	454.174	476.704	486.706	495.797	481.745
Line Leaks and Breaks	148	148	222	206	210	69	254	259	118	133
Wastewater										
Millions of gallons treated	243.266	222.171	235.284	210.239	229.610	312.842	319.099	325.480	325.737	350.635
Sewer Stops	94	94	80	90	92	45	176	180	53	55

TABLE 21

CITY OF BASTROP, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Bastrop Public Library	1	1	1	1	1	1	1	1	1	1
Other Public Works										
Paved Streets (miles)	49	49	50	52	53	53	54	55	56	56
Open Drainage Ditches (miles)	52	52	52	52	50	50	50	50	50	50
Storm Sewer Lines (miles)	65	65	66	66	67	67	67	67	67	67
Parks and Recreation										
Acreage (maintained)	#REF!	89	120	120	120	120	120	120	120	120
Right of Ways	52	52	52	54	55	55	55	55	55	55
Playgrounds	3	3	4	4	4	4	4	4	4	4
Basketball Courts	3	3	4	4	4	4	6	6	4	4
Ball Fields	7	7	7	7	7	7	7	7	7	7
Sand Volleyball			1	1	1	1	1	1	1	1
Water										
Number of service connections	2,689	2,689	2,762	2,770	2,825	2,889	2,960	3,029	3,091	3,140
Wastewater										
Number of Wastewater Customers	2,409	2,404	2,448	2,502	2,540	2,564	2,625	2,678	2,754	2,781
Number of Lift Stations	15	15	18	18	18	18	18	18	18	18

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COMPLIANCE SECTION

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

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

To the Honorable Mayor
and City Council of the
City of Bastrop, Texas

We have audited, in accordance with the 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, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bastrop, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Bastrop, Texas' basic financial statements, and have issued our report thereon dated February 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bastrop, Texas' 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 of Bastrop, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bastrop, Texas' 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 and correct, 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 entity's 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
February 15, 2017