

DISCOVER  
CITY OF PORT LAVACA,  
TEXAS



COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**CITY OF PORT LAVACA, TEXAS**  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
*For the year ended September 30, 2017*

Sandra Mason  
*Director of Finance*

William Dilibero  
*Interim City Manager*

Issued By:  
Finance Department

**TABLE OF CONTENTS**

	<u>Page</u>	
<b>INTRODUCTORY SECTION</b>		
Letter of Transmittal.....	i	
Organizational Chart.....	vi	
Directory of Principal Officials.....	vii	
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report.....	1	
Management's Discussion and Analysis .....	4	
<b><u>Basic Financial Statements</u></b>		
Government-wide Financial Statements		
Statement of Net Position .....	13	
Statement of Activities .....	15	
Fund Financial Statements		
Balance Sheet - Governmental Funds.....	17	
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18	
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	19	
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	20	
Statement of Net Position - Proprietary Funds .....	21	
Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds .....	22	
Statement of Cash Flows - Proprietary Funds.....	23	
Statement of Fiduciary Net Position - Fiduciary Funds.....	25	
Statement of Changes in Fiduciary Net Position - Fiduciary Fund .....	26	
Notes to Financial Statements .....	27	
<b><u>Required Supplementary Information</u></b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual - General Fund .....		54
Schedule of Changes in Net Pension Liability and Related Ratios.....		55
Schedule of Employer Contributions .....		56
Notes to Required Supplementary Information.....		57
<b><u>Combining and Individual Fund Statements and Schedules</u></b>		
<i>Governmental Funds</i>		
Combining Statements		
Nonmajor Governmental Funds.....	58	
Combining Balance Sheet - Nonmajor Governmental Funds.....	60	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds .....	62	

	<u>Page</u>
<b>FINANCIAL SECTION - (Continued)</b>	
<u><b>Combining and Individual Fund Statements and Schedules - (Continued)</b></u>	
<i>Governmental Funds - (Continued)</i>	
Individual Statements and Schedules	
General Fund .....	65
Balance Sheet .....	66
Schedule of Revenues and Other Financing Sources - Budget (GAAP Basis) and Actual.....	67
Schedule of Expenditures and Other Financing Uses - Budget (GAAP Basis) and Actual.....	69
Nonmajor Debt Service Fund .....	72
2012 General Obligation Refunding Bonds Fund	
Schedule of Revenues, Expenditures, and Changes	
in Fund Balance - Budget (GAAP Basis) and Actual.....	73
<i>Fiduciary Fund</i>	
Agency Fund.....	74
Statement of Changes in Assets and Liabilities - Police Seized Nonforfeiture Fund .....	75
<b>STATISTICAL SECTION .....</b>	<b>77</b>
<u><b>Financial Trends</b></u>	
Net Position by Component.....	78
Changes in Net Position.....	80
Fund Balances, Governmental Funds.....	84
Changes in Fund Balances, Governmental Funds .....	86
Tax Revenues by Source, Governmental Funds .....	88
<u><b>Revenue Capacity</b></u>	
Assessed and Estimated Actual Value of Taxable Property.....	89
Direct and Overlapping Property Tax Rates .....	91
Principal Property Taxpayers (Unaudited) .....	92
Property Tax Levies and Collections.....	93
Water Produced and Consumed and Wastewater Treated.....	95
Water and Sewer Rates.....	97
Ten Largest Water Customers (Unaudited).....	99

---

**STATISTICAL SECTION - (Continued)**

**Page**

**Debt Capacity**

Ratios of Outstanding Debt by Type .....	100
Ratios of Net General Bonded Debt Outstanding .....	102
Direct and Overlapping Governmental Activities Debt (Unaudited) .....	104
Pledged-Revenue Coverage .....	105

**Demographic and Economic Information**

Demographic and Economic Statistics (Unaudited).....	106
Principal Employers (Unaudited).....	107

**Operating Information**

Full-Time-Equivalent City Government Employees by Function/Program .....	108
Operating Indicators by Function/Program .....	110
Capital Asset Statistics by Function/Program .....	112

**OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	114
--	-----

## **INTRODUCTORY SECTION**



CITY OF  
**PORT LAVACA**

202 N. Virginia, Port Lavaca, Texas 77979-0105 [www.portlavaca.org](http://www.portlavaca.org)  
Main Number: 361-552-9793 Main Facsimile: 361-552-6062

City Manager  
Ext. 222

March 26, 2018

City Secretary  
Ext. 224

To the Honorable Mayor, City Council, and the Citizens of Port Lavaca:

Code Enforcement  
Ext. 229

The Comprehensive Annual Financial Report of the City of Port Lavaca, Texas, hereinafter referred to as the "City", for the fiscal year ended September 30, 2017, is hereby submitted. It is published to provide to the City Council, to representatives of financial institutions, and to our citizens and other interested persons, detailed information concerning the financial condition of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

Finance  
Ext. 234

Inspections/Permits  
Ext. 229

Municipal Court  
Ext. 226

Personnel  
Ext. 224

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

Utility Billing  
Ext. 238

Animal Control  
361-552-5726

### City Overview and Governance

Bauer Center  
361-552-1234

Fire Station  
361-552-3241

The City has a home-rule Council-Manager form of government. The elected body is made up of a Mayor, who is elected at large, and six Council Members elected by district. The Mayor is elected for a two-year term while Council Members are all elected for staggered three-year terms. The City Manager is appointed by the City Council and is responsible to implement the policies of the City Council and oversee all day-to-day operations of the City.

Public Works Director  
361-552-3347

The City Council appoints many residents, who volunteer their expertise, experience, and time to serve on various boards and commissions. These standing boards and commissions serve the City in an advisory capacity.

Parks & Recreation  
361-552-1234

Police  
361-552-3788

A full range of municipal services are provided by the City including public safety (police, fire protection, and animal control); public utilities (water and wastewater services); public improvements; repair and maintenance of infrastructure; economic and community development including planning and permitting; and general administrative services. This report includes all funds of the City government.

Streets  
361-552-3347

Utilities Operation  
361-552-3347

The City also manages a number of quasi-governmental operations including a campground at Lighthouse Beach and the Nautical Landings Marina's commercial office space. The City with the assistance of the Port Lavaca Chamber of Commerce operates the Bauer Community Center that is leased throughout the year for public activities and business meetings. Finally, the City jointly runs the Lighthouse Beach Swimming pool with the local YMCA. The City

maintains the grounds and pays for pool equipment and maintenance supplies. The YMCA facilitates the operations of the facility; hiring, training and managing the pool staff.

The City supplies water for its citizens by purchasing treated water from the Guadalupe-Blanco River Authority (GBRA) under a long- term contract ending in the year 2035. Collection and disposal of solid waste has been privatized through an awarded contract to Republic Services, Inc.

### **Financial Management**

The City of Port Lavaca each year has pushed to become more proactive in the managing and most importantly, planning for its financial future. The City annually reviews its Financial Management and Budgetary Policy document and makes changes where necessary to ensure long-term financial stability. In addition, the City reviews "best practice" recommendations from the Government Finance Officers Association. These policies are the foundation of each annual budget.

### **Long Term Financial Planning**

The City's Financial Management and Budgetary Policy document speaks to long term goals to not only improve bond ratings, but to maintain a healthy financial position. The City prepares a five-year capital plan that is reviewed and adopted annually. This year, the budget and plan will be completed by all departments documenting the procurement of capital items planned over a five year period. Methodologies are reviewed for revenue projections and proper level of reserves each year.

The City of Port Lavaca always looks for a more economical way to provide services to our citizens. The City keeps in mind that the economy is still volatile and follows conservative budgeting practices. Following the impact of Hurricane Harvey the City foresees costs of over \$10 million to replace public facilities damaged by the hurricane. The City envisions a three-year austerity period to return to pre-Harvey reserves. Please refer to Management's Discussion & Analysis for additional information.

The City through policy has procedures in place to react quickly when signs of sales tax or other major revenue sources are anticipated to deviate materially from the budget. These policy changes will help the City proactively amend the budget at the first sign of change to determine what expenditures in the budget could be delayed in efforts to maintain core services. The conservative fiscal management practiced by Port Lavaca has enabled City Officials to initiate a number of emergency measures while maintaining a significant portion of emergency reserve funds.

### **Economic Condition and Outlook**

The City of Port Lavaca is currently home to about 12,200 residents and is located within Calhoun County, Texas. The City is a central hub between Houston, Corpus Christi and San Antonio. As the county seat of Calhoun County, the City's economic base is a combination of manufacturing, oil and gas, agribusiness, seafood production, construction, transportation, and the visitor leisure industry. Several major facilities are located in the City of Port Lavaca, including operations to transport liquid fertilizer and seafood processing and distribution facilities. Port Lavaca maintains a rail system origination from its Harbor of Refuge. Highway 87 parallels the rail line in a north-south direction and Highway 35 connecting Houston and Corpus Christi also runs through the City.

Calhoun County, a natural seaport on Matagorda Bay, serves as an attraction for commerce, industry and recreation. The Calhoun County area is a major industrial hub on the Texas Gulf Coast; serving as a well-developed regional network of interconnecting transportation systems. Industrial sites are served by the Gulf Intracoastal Waterway and branch channels including the Victoria Barge Canal and the Port in Point Comfort. Calhoun County is located in the



middle of the world's largest concentration of petrochemical plants - an area which stretches along the Texas Coast from Corpus Christi to Port Arthur. The strong County industry has helped Port Lavaca maintain a stable revenue growth especially during this time of economic uncertainty.

Sales tax revenues increased from \$2,510,153 in 2016 to \$2,693,583 in 2017 (7% increase). Since 2010, sales tax revenue continues its growth streak in Port Lavaca, however the City continues to budget sales tax conservatively until further signs of economic recovery are indicated. Property tax revenue levied for general purpose for the City increased by 2.87. New value added to the tax roll was a contributor for property revenue increase along with adopting a tax rate that exceeded the effective tax rate. This additional revenue stream was needed to maintain service levels and to cover the cost of increased health claims that the City has been experiencing over the last several years.

The City's financial condition is very strong with fund balance reserves at levels that allow for capital projects to be addressed without borrowing money. The City Council has continued the policy that reserve levels should be maintained at a minimum of 4 months of operating expenditures in the General Fund to provide for operating liquidity and contingency funding for non-specific, unscheduled expenditures including natural disasters. In addition to this reserve, the City committed an additional portion of the General Fund Reserve to provide contingency funding for the employee health care expenses not covered by the catastrophic stop loss policy held by the City. **This financial policy supports the volatile impact the City can have with health care claims.** The City maintains a minimum of a 90 day working capital position along with a budget designed to cover depreciation expense in each of the City's enterprise funds. This budgeting practice provides the City the ability to set aside reserves to fund capital projects while reducing debt.

### **Major Initiatives**

In the 2016-2017 fiscal year, the City's capital improvement program continued to focus on the rebuilding of critical infrastructure and to add amenities to improve the quality of life for our citizens.

This was accomplished through numerous public improvement projects. The projects completed are listed below:

- Reconstruction of Pinta and Montier Streets
- Construction of the Smith Road water line
- Concreted nine RV pads at Lighthouse Beach Park
- Installed Phase-two of the sewer system on Bonorden Street
- Installed water line on Colorado Street
- Installed sewer line on Commerce Street
- Acquisition of 8 waterfront lots to incorporate into the proposed City waterfront walkway
- Notice of award for RESTORE act funds for the removal of sunken barges near Bayfront Park

The City's capital program strategy for infrastructure improvements replaces water and/or sewer lines prior to any street improvements. This has become part of the capital improvement program strategy rolling forward each year. Over the next five years, the City will invest in drainage, streets, parks, and wastewater projects through its capital improvements program. The City will continue with these short and long term objectives on a slower pace while Hurricane Harvey activities are completed and the City receives FEMA and TDEM reimbursements:

#### Replace/Maintain Infrastructure

- Street improvement projects; build reserve to fund a major project every 2-3 years
- WWTP and Lift Station generator installation through CDBG funds
- Continue with seal coat program
- Lift station upgrades
- Replacement of water/sewer lines using grants and local dollars

#### Enhance City Parks & Downtown

- Improve Wilson Park and Bay Front Park for enhanced recreational activities
- Demolish abandoned pier at Light House Beach Park and await FEMA funding for pier replacement
- Replace sidewalks downtown

#### Environmental Code Improvement

- Continue to budget for demolition of abandoned/dilapidated structures and weed lot compliance
- Improve the housing stock through initiation of a Zoning Ordinance and various incentive programs
- Enforce building codes

#### **Financial Information**

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

Internal accounting controls are established by management to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition. Also, they are designed to provide reasonable assurance as to the reliability of financial records for preparing financial statements and are employed to help maintain accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits expected to be derived and the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, Debt Service Fund, Public Utility Fund, Beach Operating Fund, Port Commission Fund, and Hotel/Motel Fund are included in the annual audit, however the only funds with appropriated budgets are the General Fund and the City's Debt Service Fund.

#### **Independent Audit**

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

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Lavaca for the fiscal year ended September 30, 2015. This was the sixth consecutive time

since 1999. The City hopes to continue to receive this highest form of recognition for excellence in state and local government financial reporting.

A Certificate of Achievement is valid for a period of one year only. The City believes this comprehensive annual financial report will meet the Certificate of Achievement Program's requirements, and is submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgments**

The preparation of this report is a joint effort of the City's Finance Department and the City's independent auditor, Harrison, Waldrop, & Uherek, L.L.P. We would also like to thank the Mayor and Members of City Council for their interest and support in planning and conducting the financial operations of the City in a progressive and responsible manner.

Respectfully,



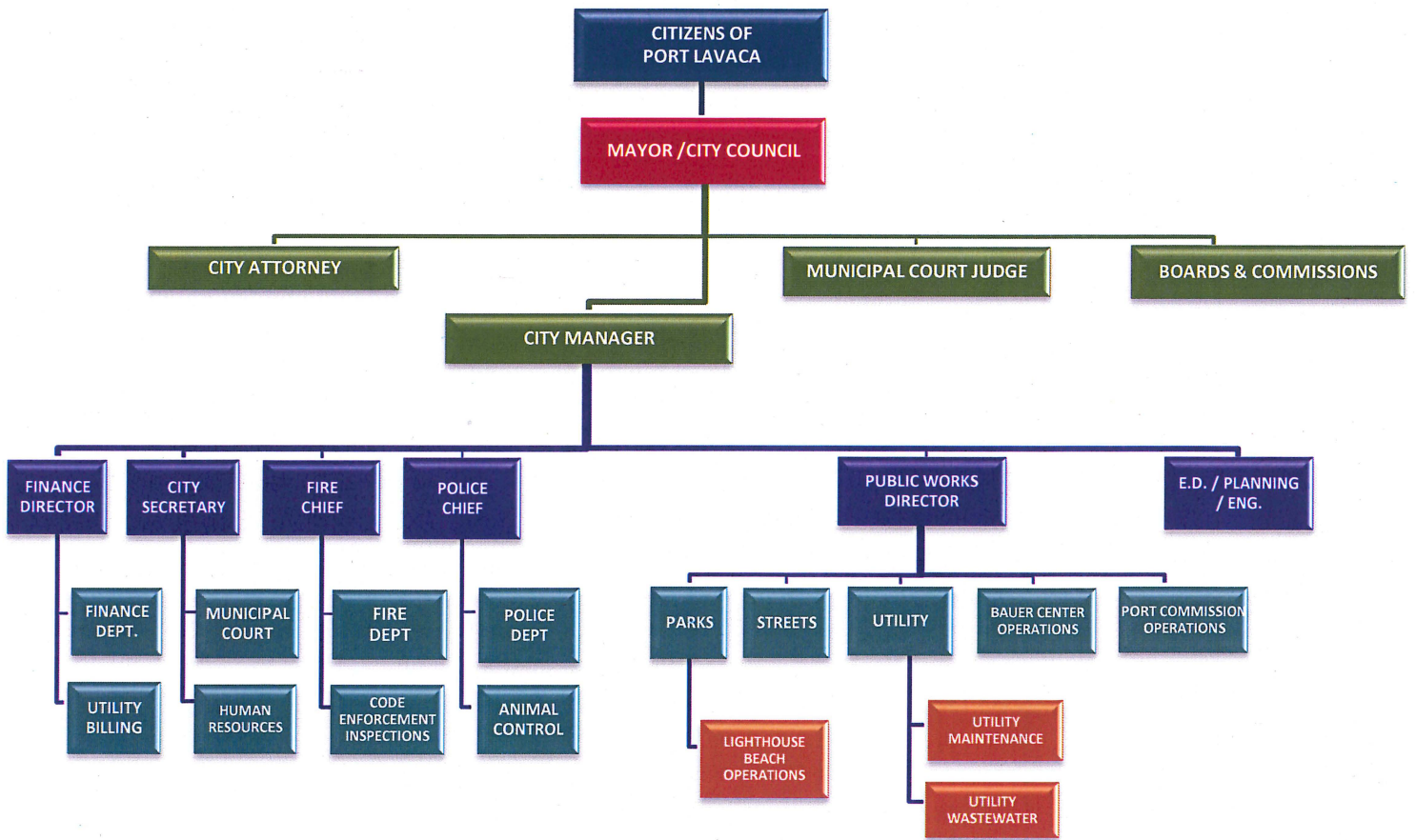
---

William A. DiLibero, C.M.  
Interim City Manager



---

Sandra J. Mason, Director of Finance



**CITY OF PORT LAVACA, TEXAS**  
*DIRECTORY OF PRINCIPAL OFFICIALS*  
*September 30, 2017*

---

**City Officials**

Jack Whitlow  
Ken Barr  
Jerry Smith  
Jan Regan  
Rosie Padron  
Tim Dent  
Jim Ward

**Elective Position**

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

**Key Staff**

William Dilibero  
Sandra Mason  
Mandy Grant  
Joe Reyes, Jr.  
Colin Rangnow  
Oscar Pena  
Joanna Weaver

**Appointive Position**

Interim City Manager  
Director of Finance  
City Secretary  
Chief of Fire  
Chief of Police  
Director of Public Works  
Economic Director/City Engineer

**FINANCIAL SECTION**



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

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

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

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members  
of the City Council  
City of Port Lavaca, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Lavaca, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; 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.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Honorable Mayor and Members  
of the City Council  
City of Port Lavaca, Texas

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, 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, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of employer contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The combining and individual nonmajor fund financial statements 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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



The Honorable Mayor and Members  
of the City Council  
City of Port Lavaca, Texas

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Harrison, Waldrop & Uherek, LLP*

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

March 23, 2018

**CITY OF PORT LAVACA, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*For the year ended September 30, 2017*

---

As management of the City of Port Lavaca, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2017.

**FINANCIAL HIGHLIGHTS**

***Government-wide***

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$58,909,492 (net position). Of this amount, \$17,563,897 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,434,956 over the prior year.

***Governmental Activities***

- Net position grew from \$31,240,585 in 2016, to \$33,157,054 (an increase of 6%) as of September 30, 2017.

***Business-type Activities***

- Net position grew from \$24,233,951 in 2016, to \$25,752,438 (an increase of 6%) as of September 30, 2017.

***Governmental Funds***

- As of September 30, 2017, the City's governmental funds reported an ending fund balance of \$12,010,496, an increase of \$1,248,962 (12%) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$6,687,299 or 94% of total General Fund expenditures.
- The committed portion of the General Fund's fund balance totaled \$3,373,832. These monies were committed by the Council to pay health insurance claims, capital asset replacement, and to be ready financially in the event of a disaster.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

**Organization and Flow of Financial Section Information**

**Independent Auditors' Report**

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

**Management's Discussion and Analysis**

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

Pages 4 to 12

**Government-wide Financial Statements**

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

Pages 13 to 16

**Fund Financial Statements**

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

Pages 17 to 26

**Notes to Financial Statements**

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

Pages 27 to 53

---

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

### **Government-wide Financial Statements**

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

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

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

The government-wide financial statements present functions and programs of the City that are provided for various funding sources. The government-wide financial statements can be found on pages 13-16 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the 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 financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary fund financial statements can be found on pages 21-24 of this report.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City uses an expendable trust fund and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary fund financial statements can be found on pages 25-26 of this report.

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

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 27-53 of this report.

### **Other Information**

The combining and individual fund statements and schedules provide additional information pertaining to the City's nonmajor governmental funds and the General Fund's budgetary performance. This other information can be found on pages 58-75 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$58,909,492 as of September 30, 2017.

The largest portion of the City's net position (68%) reflects its investment in capital assets (e.g. land, buildings, vehicles, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending. The second largest portion of the City's net position (28%) represents unrestricted financial resources available for future operations. Additionally, a portion of the City's net position (3%) represents resources that are subject to restrictions on how they may be used.

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

### **City of Port Lavaca, Texas**

#### **Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 13,408,145	\$ 11,719,061	\$ 7,981,848	\$ 6,976,941	\$ 21,389,993	\$ 18,696,002
Capital assets, net	<u>23,182,022</u>	<u>22,739,936</u>	<u>23,410,865</u>	<u>23,623,990</u>	<u>46,592,887</u>	<u>46,363,926</u>
<b>Total assets</b>	<u>36,590,167</u>	<u>34,458,997</u>	<u>31,392,713</u>	<u>30,600,931</u>	<u>67,982,880</u>	<u>65,059,928</u>
<b>Total deferred outflows of resources</b>	<u>606,827</u>	<u>761,528</u>	<u>272,267</u>	<u>238,580</u>	<u>879,094</u>	<u>1,000,108</u>
Current and other liabilities	1,303,029	864,520	1,426,426	1,380,488	2,729,455	2,245,008
Noncurrent liabilities	<u>2,667,765</u>	<u>2,946,051</u>	<u>4,476,513</u>	<u>5,197,783</u>	<u>7,144,278</u>	<u>8,143,834</u>
<b>Total liabilities</b>	<u>3,970,794</u>	<u>3,810,571</u>	<u>5,902,939</u>	<u>6,578,271</u>	<u>9,873,733</u>	<u>10,388,842</u>
<b>Total deferred inflows of resources</b>	<u>69,146</u>	<u>169,369</u>	<u>9,603</u>	<u>27,289</u>	<u>78,749</u>	<u>196,658</u>
Net Position:						
Net investment in capital assets	21,310,618	20,549,966	18,489,664	17,986,418	39,800,282	38,536,384
Restricted	1,545,313	1,321,980	-	-	1,545,313	1,321,980
Unrestricted	<u>10,301,123</u>	<u>9,368,639</u>	<u>7,262,774</u>	<u>6,247,533</u>	<u>17,563,897</u>	<u>15,616,172</u>
<b>Total net position</b>	<u>\$ 33,157,054</u>	<u>\$ 31,240,585</u>	<u>\$ 25,752,438</u>	<u>\$ 24,233,951</u>	<u>\$ 58,909,492</u>	<u>\$ 55,474,536</u>

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

Net position of the City increased by \$3,434,956. Key elements of this increase are due primarily because revenues increased over the prior year and there was a decrease in expenses for the business-type activities.

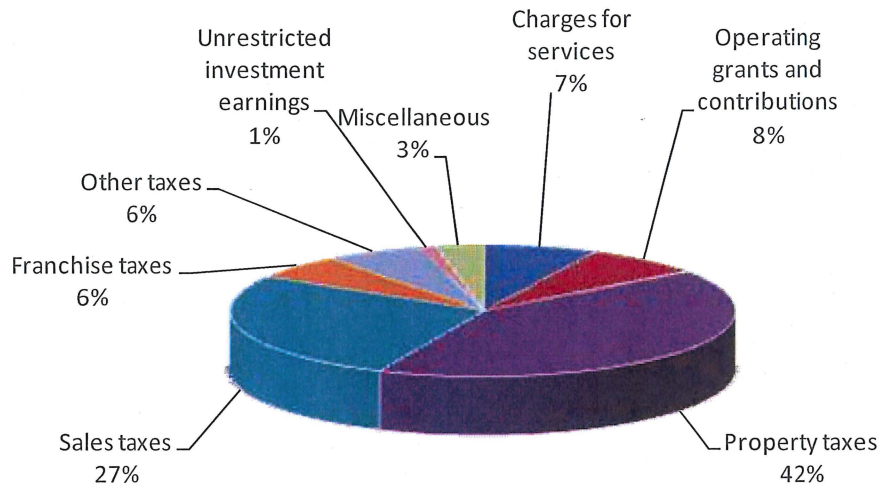
City of Port Lavaca, Texas						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 721,582	\$ 608,227	\$ 6,458,067	\$ 6,322,642	\$ 7,179,649	\$ 6,930,869
Operating grants and contributions	741,691	273,077	2,000	2,000	743,691	275,077
Capital grants and contributions	21,410	-	181,111	45,625	202,521	45,625
General revenues:						
Property taxes	4,159,200	4,054,264	-	-	4,159,200	4,054,264
Sales taxes	2,693,583	2,510,153	-	-	2,693,583	2,510,153
Franchise taxes	583,034	587,153	-	-	583,034	587,153
Other taxes	615,385	427,960	-	-	615,385	427,960
Unrestricted investment earnings	104,812	42,964	67,248	38,787	172,060	81,751
Miscellaneous	306,855	254,054	-	-	306,855	254,054
<b>Total revenues</b>	<b>9,947,552</b>	<b>8,757,852</b>	<b>6,708,426</b>	<b>6,409,054</b>	<b>16,655,978</b>	<b>15,166,906</b>
<b>EXPENSES</b>						
General government	2,615,056	2,417,076	-	-	2,615,056	2,417,076
Public safety	3,460,733	3,200,259	-	-	3,460,733	3,200,259
Public works	1,423,250	1,592,784	-	-	1,423,250	1,592,784
Parks and recreation	748,171	697,230	-	-	748,171	697,230
Interest on long-term debt	51,373	53,809	-	-	51,373	53,809
Public utilities	-	-	4,313,837	4,452,538	4,313,837	4,452,538
Port commission	-	-	340,846	396,088	340,846	396,088
Beach operations	-	-	267,756	272,436	267,756	272,436
<b>Total expenses</b>	<b>8,298,583</b>	<b>7,961,158</b>	<b>4,922,439</b>	<b>5,121,062</b>	<b>13,221,022</b>	<b>13,082,220</b>
<b>Change in net position before transfers</b>	<b>1,648,969</b>	<b>796,694</b>	<b>1,785,987</b>	<b>1,287,992</b>	<b>3,434,956</b>	<b>2,084,686</b>
Transfers	267,500	269,501	(267,500)	(269,501)	-	-
Change in net position	1,916,469	1,066,195	1,518,487	1,018,491	3,434,956	2,084,686
<b>Net position - October 1</b>	<b>31,240,585</b>	<b>30,174,390</b>	<b>24,233,951</b>	<b>23,215,460</b>	<b>55,474,536</b>	<b>53,389,850</b>
<b>Net position - September 30</b>	<b>\$ 33,157,054</b>	<b>\$ 31,240,585</b>	<b>\$ 25,752,438</b>	<b>\$ 24,233,951</b>	<b>\$ 58,909,492</b>	<b>\$ 55,474,536</b>

---

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

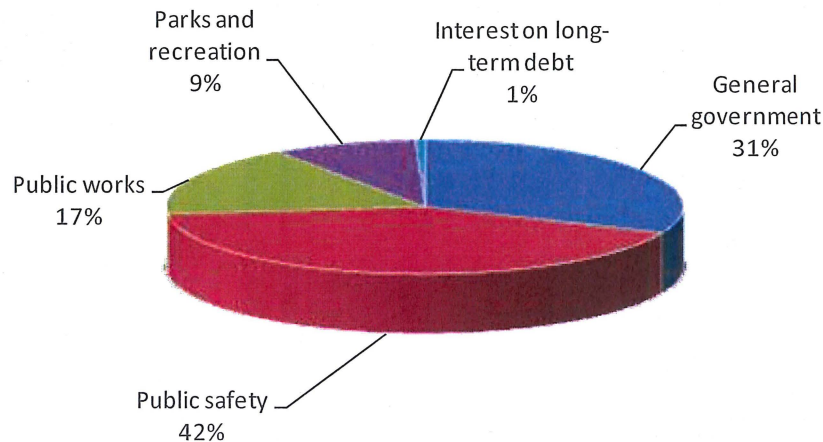
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

### Governmental Revenues



For the fiscal year ended September 30, 2017, revenues from governmental activities totaled \$9.9 million. Operating grants and contributions increased \$468,614 or 172% from fiscal year 2016.

### Governmental Functional Expenses



For the fiscal year ended September 30, 2017, expenses for governmental activities totaled \$8.3 million. This is an increase of \$337,425 or 4% from fiscal year 2016.

---

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

Business-type activities increased the City's net position by \$1,518,487. The key elements of this increase relate to the Public Utility Fund. The Public Utility Fund had an operating income for fiscal year 2017 of \$1,539,910.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds are discussed below.

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

As of September 30, 2017, the City's governmental funds, which consist of the General Fund, one debt service fund, one capital projects fund, and twelve special revenue funds, reported an ending fund balance of \$12,010,496, which is an increase of \$1,248,962 from last year's total of \$10,761,534.

The General Fund is the chief operating fund of the City. Its fund balance increased by \$1,600,939 during the fiscal year due mainly to revenue exceeding budget expectations and expenditures coming in less than expected. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 94% of total General Fund expenditures as compared to 70% in the prior year. The main reason for the increase in percentage is due to the same reasons explained above for the increase in overall fund balance.

### **Proprietary Funds**

The City's proprietary fund statements provide the same type of information as found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Public Utility Fund at the end of the fiscal year amounted to \$5,258,717. The increase in total net position for the year was \$1,375,146. Net positions of the Port Commission Fund and the Beach Operating Fund both increased during the 2017 fiscal year by \$110,810 and \$32,531, respectively.

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

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Total revenues earned were \$711,615 greater than budgeted expectations, with tax revenues making up \$343,712 or 48% of the positive variance. Sales tax made up 27% of the variance while property tax contributed to the 64% of the variance. Total revenue from licenses and permits increased 111% from prior year.

Total actual expenditures were under budgeted expenditures by \$2,903,647. Conservative budgetary practices resulted in positive budget variances as it relates to general government, public safety, parks and recreation, public works (including streets) departments.

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

Differences between the General Fund’s original budget and final amended budget were a net increase of \$349,123 to expenditures. A few of the changes are briefly summarized as follows:

- An increase of \$56,023 in fire department which consisted of an increase of \$20,225 in materials and supplies for the purchase of safety equipment and an increase of \$35,798 in maintenance costs.
- An increase of \$29,908 in the street department which consisted of the following: Increase of \$29,908 in capital expenditures-machinery and equipment for the purchase of a backhoe to replace one that was totaled.
- An increase of \$5,869 in code enforcement department due to the need to purchase a replacement vehicle.
- A net increase of \$256,363 in parks and recreation department expenditures due to unexpected repairs to a vehicles and the for the purchase of eight lots next to the Bayfront Park.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

The City’s investment in capital assets as of September 30, 2017, amounts to \$46,592,887 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, and infrastructure.

<b>City of Port Lavaca, Texas</b>						
<b>Capital Assets (Net of Depreciation)</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Non-Depreciable Assets</b>						
Land	\$ 1,517,859	\$ 1,263,497	\$ 1,501,013	\$ 1,501,013	\$ 3,018,872	\$ 2,764,510
Construction in progress	706,684	232,595	-	337,300	706,684	569,895
<b>Other Capital Assets</b>						
Machinery and equipment	3,507,463	3,290,851	891,896	862,956	4,399,359	4,153,807
Buildings and structures	6,849,706	6,849,706	5,004,477	4,954,482	11,854,183	11,804,188
Infrastructure	31,800,568	31,396,424	43,032,947	42,013,219	74,833,515	73,409,643
Accumulated depreciation on other capital assets	<u>(21,200,258)</u>	<u>(20,293,137)</u>	<u>(27,019,468)</u>	<u>(26,044,980)</u>	<u>(48,219,726)</u>	<u>(46,338,117)</u>
<b>Total</b>	<b><u>\$ 23,182,022</u></b>	<b><u>\$ 22,739,936</u></b>	<b><u>\$ 23,410,865</u></b>	<b><u>\$ 23,623,990</u></b>	<b><u>\$ 46,592,887</u></b>	<b><u>\$ 46,363,926</u></b>

Major capital asset events during the current fiscal year included various infrastructure projects and the purchase of vehicles and equipment for governmental and business-type activities. Additional information on the City’s capital assets can be found in Note 6 in the notes to financial statements.



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

Long-term Debt

At the end of the current fiscal year, the City had total bonds, certificates of obligation, and capital lease obligations outstanding of \$7 million. The following table details the nature of this debt and other debt obligations of the City.

<b>City of Port Lavaca, Texas</b>						
<b>Long-term Debt</b>						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds	\$ -	\$ -	\$ 3,975,000	\$ 2,965,000	\$ 3,975,000	\$ 2,965,000
General obligation bonds	1,895,000	2,180,000	-	-	1,895,000	2,180,000
Certificates of obligation	-	-	1,125,000	2,820,000	1,125,000	2,820,000
Issuance discount	-	-	-	(27,774)	-	(27,774)
Capital leases	45,830	89,837	-	-	45,830	89,837
Compensated absences	122,783	105,383	12,661	17,114	135,444	122,497
Net pension liability	980,500	935,668	173,030	165,118	1,153,530	1,100,786
<b>Total</b>	<b>\$ 3,044,113</b>	<b>\$ 3,310,888</b>	<b>\$ 5,285,691</b>	<b>\$ 5,939,458</b>	<b>\$ 8,329,804</b>	<b>\$ 9,250,346</b>

Additional information on the City's long-term debt can be found in Note 10 in the notes to financial statements.

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

*General Fund*

The City has been experiencing a steady growth in sales tax since 2010. Sales tax revenue for 2017 slightly increased over sales tax revenue for 2016. Even with the positive trend in sales tax over the prior years, the City continues to forecast sales tax revenue from an extremely conservative position. Property values have remained relatively flat over the prior year. A small increase in property tax revenue was a result of new property added to the tax roll.

The City approved a Five-Year Capital Plan that continues to focus on infrastructure upgrades and improvements to streets and parks based on a "pay as you go" philosophy. The City recently completed construction of the Pinta and Montier Street. Fiscal Year 2017-2018 is primarily focused on repairing existing amenities at all City parks and the reconstruction of Commerce Street, Ann and Benavides Street and Bonorden Area Street. The City purchased eight (8) undeveloped waterfront lots which are an integral component of the overall Waterfront Development Plan.

*Utility Fund*

The City has recently completed a water and wastewater rate study to help plan for future infrastructure needs. The consultant provided the City with various rate structure solutions. The study determined that the City needed to change the rate structure and increase the rates. City Council approved the first rate increase since 2008 in October 2013 and again in October 2016. In keeping with the consultant's recommendation, the next increase will occur in October 2019. This increase ensures debt service coverage for utility infrastructure repairs and replacements. Weather continues to be a factor for the Public Utility Fund. Forecasts of dry conditions will increase the demand for water this year, but is too early to project year end.

---

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - (Continued)**

### *Utility Fund - (continued)*

Current water and sewer sales are on budget target. Initial discussions have begun with the Guadalupe-Blanco River Authority related to major upgrades to the water treatment facility.

Future plans include continuation of infrastructure replacement. The City has replaced many antiquated water lines by means of grants and Texas Water Development Board loans. Plans are to replace water lines and valves to increase water pressure, provide cleaner water, decrease water loss percentage, and reduce outages due to very old infrastructure. In keeping with the City's Five -Year Capital Plan, Bonorden Street sewer lines, Smith Road water lines, Colorado Street water lines and Commerce Street sewer lines have all been completed.

### *Beach Fund*

Continuing with improvements at Lighthouse Beach Park, there was an addition of nine (9) concrete pads for trailers. The existing boat ramp will be upgraded to include boater access to the ramp.

### *Port Commission*

The City, in partnership with Calhoun Port Authority, recently completed maintenance dredging of the Matagorda Ship Channel and the Harbor of Refuge. Operations at the Harbor of Refuge continue to expand with increases in both barge and truck traffic due to Eagle Ford Shale related activities. In addition, the City is addressing infrastructure improvements and repairs that include breakwater, bulkhead, and docks to accommodate future growth and activity at Harbor of Refuge, City Harbor and City Marina.

### *All Major Funds*

Following Hurricane Harvey, the City spent approximately \$900,000 to collect and remove storm related debris. Less than one-third of this amount has been reimbursed to the City through FEMA. The City has authorized and spent nearly \$400,000 to remediate the Bauer Center and the Nautical Landing Building. This amount resulted in the major repairs to the Nautical Landing building that was kept in operation during the repairs. An additional \$800,000 has been allocated to fund architectural plans and repairs to the Bauer Center. Funds have been authorized for engineering plans and specifications for the repair of the Fishing Pier at Bayfront Park. The City is also working with Formosa Plastics to initiate repairs on the Birdwalk at Lighthouse Park. A series of repairs were completed at Lighthouse Park to make the campground operational. The campground commenced operation in January of 2018 and is now at full capacity.

The City is working carefully to manage its fund balances. Major reconstruction projects have been placed on hold while the City awaits reimbursements from FEMA (at the Federal level), and TDEM (at the State level). Based on communications with Federal and State Officials, reimbursements for damages to public facilities is expected to be at 90% of the damages. FEMA officials have investigated all of the public properties that have obtained damages and made estimates of the extent of reimbursement. The City remains in wait for reimbursement funding for project costs estimated by both FEMA officials and engineering firms hired by the City.

## **REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Port Lavaca: Sandra Mason, Finance Director, 202 North Virginia, Port Lavaca, Texas 77979.

## **Basic Financial Statements**

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 12,061,647	\$ 6,674,681	\$ 18,736,328
Investments	-	245,000	245,000
Receivables (net)	750,289	1,041,414	1,791,703
Due from other governments	528,563	5,025	533,588
Internal balances	25,499	(25,499)	-
Prepaid items	42,147	15,572	57,719
Inventory	-	25,655	25,655
<b>Total current assets</b>	<u>13,408,145</u>	<u>7,981,848</u>	<u>21,389,993</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	2,224,543	1,501,013	3,725,556
Assets being depreciated (net)	<u>20,957,479</u>	<u>21,909,852</u>	<u>42,867,331</u>
<b>Total noncurrent assets</b>	<u>23,182,022</u>	<u>23,410,865</u>	<u>46,592,887</u>
<b>Total assets</b>	<u>36,590,167</u>	<u>31,392,713</u>	<u>67,982,880</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow related to TMRS	537,401	93,468	630,869
Deferred amount on refunding	<u>69,426</u>	<u>178,799</u>	<u>248,225</u>
<b>Total deferred outflows of resources</b>	<u>606,827</u>	<u>272,267</u>	<u>879,094</u>

The accompanying notes are an integral part of this statement.

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 651,171	\$ 292,608	\$ 943,779
Payroll related liabilities	141,478	23,999	165,477
Accrued interest payable	4,848	14,426	19,274
Other payables	40,907	15,259	56,166
Due to other governments	13,056	7,345	20,401
Accrued compensated absences	40,518	4,178	44,696
Unearned revenue	64,044	43,242	107,286
Customer deposits	11,177	220,369	231,546
Current portion of long-term obligations	335,830	805,000	1,140,830
<b>Total current liabilities</b>	<u>1,303,029</u>	<u>1,426,426</u>	<u>2,729,455</u>
Noncurrent liabilities			
Accrued compensated absences	82,265	8,483	90,748
Net pension liability	980,500	173,030	1,153,530
Noncurrent portion of long-term obligations	1,605,000	4,295,000	5,900,000
<b>Total noncurrent liabilities</b>	<u>2,667,765</u>	<u>4,476,513</u>	<u>7,144,278</u>
<b>Total liabilities</b>	<u>3,970,794</u>	<u>5,902,939</u>	<u>9,873,733</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow related to TMRS	69,146	9,603	78,749
<b>NET POSITION</b>			
Net investment in capital assets	21,310,618	18,489,664	39,800,282
Restricted for:			
Debt service	165,276	-	165,276
Economic development, tourism and conventions	1,255,895	-	1,255,895
Public safety	94,472	-	94,472
Municipal court	29,670	-	29,670
Unrestricted	10,301,123	7,262,774	17,563,897
<b>Total net position</b>	<u>\$ 33,157,054</u>	<u>\$ 25,752,438</u>	<u>\$ 58,909,492</u>

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the year ended September 30, 2017*

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General government	\$ 2,615,056	\$ 451,257	\$ 358,302	\$ -
Public safety	3,460,733	194,305	383,389	-
Public works	1,423,250	-	-	21,410
Parks and recreation	748,171	76,020	-	-
Interest on long-term debt	51,373	-	-	-
<b>Total governmental activities</b>	<u>8,298,583</u>	<u>721,582</u>	<u>741,691</u>	<u>21,410</u>
<b>Business-type activities</b>				
Public utilities	4,313,837	5,702,881	-	181,111
Port commission	340,846	453,062	2,000	-
Beach operations	267,756	302,124	-	-
<b>Total business-type activities</b>	<u>4,922,439</u>	<u>6,458,067</u>	<u>2,000</u>	<u>181,111</u>
<b>Total government</b>	<u>\$ 13,221,022</u>	<u>\$ 7,179,649</u>	<u>\$ 743,691</u>	<u>\$ 202,521</u>

General revenues:

Taxes:

  Property taxes, levied for general purposes

  Property taxes, levied for debt service

  Sales taxes

  Franchise taxes

  Other taxes

  Unrestricted investment earnings

  Miscellaneous

Transfers

Total general revenues and transfers

  Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business- type Activities	Total
\$ (1,805,497)	\$ -	\$ (1,805,497)
(2,883,039)	-	(2,883,039)
(1,401,840)	-	(1,401,840)
(672,151)	-	(672,151)
(51,373)	-	(51,373)
<u>(6,813,900)</u>	<u>-</u>	<u>(6,813,900)</u>
-	1,570,155	1,570,155
-	114,216	114,216
-	34,368	34,368
-	<u>1,718,739</u>	<u>1,718,739</u>
<u>(6,813,900)</u>	<u>1,718,739</u>	<u>(5,095,161)</u>
3,825,372	-	3,825,372
333,828	-	333,828
2,693,583	-	2,693,583
583,034	-	583,034
615,385	-	615,385
104,812	67,248	172,060
306,855	-	306,855
267,500	(267,500)	-
<u>8,730,369</u>	<u>(200,252)</u>	<u>8,530,117</u>
1,916,469	1,518,487	3,434,956
<u>31,240,585</u>	<u>24,233,951</u>	<u>55,474,536</u>
<u>\$ 33,157,054</u>	<u>\$ 25,752,438</u>	<u>\$ 58,909,492</u>

**CITY OF PORT LAVACA, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 10,305,360	\$ 1,756,287	\$ 12,061,647
Receivables (net)	524,312	225,977	750,289
Due from other governments	525,724	2,839	528,563
Due from other funds	58,829	-	58,829
Prepaid items	42,147	-	42,147
<b>Total assets</b>	<b><u>\$ 11,456,372</u></b>	<b><u>\$ 1,985,103</u></b>	<b><u>\$ 13,441,475</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 628,767	\$ 22,404	\$ 651,171
Payroll related payables	139,953	1,525	141,478
Other payables	40,907	-	40,907
Due to other governments	13,056	-	13,056
Due to other funds	-	33,330	33,330
Customer and other deposits	11,177	-	11,177
Unearned revenue	64,044	-	64,044
<b>Total liabilities</b>	<b><u>897,904</u></b>	<b><u>57,259</u></b>	<b><u>955,163</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	455,190	20,626	475,816
<b>Total deferred inflows of resources</b>	<b><u>455,190</u></b>	<b><u>20,626</u></b>	<b><u>475,816</u></b>
<b>FUND BALANCES</b>			
Nonspendable	42,147	-	42,147
Restricted	-	1,529,674	1,529,674
Committed	3,373,832	377,544	3,751,376
Unassigned	6,687,299	-	6,687,299
<b>Total fund balances</b>	<b><u>10,103,278</u></b>	<b><u>1,907,218</u></b>	<b><u>12,010,496</u></b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b><u>\$ 11,456,372</u></b>	<b><u>\$ 1,985,103</u></b>	<b><u>\$ 13,441,475</u></b>

The accompanying notes are an integral part of this statement.



**CITY OF PORT LAVACA, TEXAS****RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION****OF GOVERNMENTAL ACTIVITIES**

September 30, 2017

---

<b>Total governmental fund balances</b>		<b>\$ 12,010,496</b>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.		398,679
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.		77,137
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	\$ 44,382,280	
Accumulated depreciation of governmental capital assets	<u>(21,200,258)</u>	23,182,022
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	69,426	
Deferred amount on pension	<u>537,401</u>	606,827
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	(1,895,000)	
Capital leases payable	(45,830)	
Accrued interest payable	(4,848)	
Compensated absences	(122,783)	
Net pension liability	<u>(980,500)</u>	(3,048,961)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on pension		<u>(69,146)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 33,157,054</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS**

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

**GOVERNMENTAL FUNDS**

*For the year ended September 30, 2017*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes			
Ad valorem	\$ 3,814,701	\$ 333,532	\$ 4,148,233
Sales	2,693,583	-	2,693,583
Other	612,928	585,491	1,198,419
Fines, fees, and forfeitures	332,554	192,129	524,683
Intergovernmental	301,953	461,148	763,101
Licenses and permits	231,321	-	231,321
Investment	89,097	15,715	104,812
Rental	76,020	-	76,020
Charges for services	2,176	-	2,176
Miscellaneous	164,343	28,466	192,809
<b>Total revenues</b>	<u>8,318,676</u>	<u>1,616,481</u>	<u>9,935,157</u>
<b>EXPENDITURES</b>			
Current			
General government	1,962,288	635,273	2,597,561
Public safety	3,041,975	267,496	3,309,471
Public works	1,253,933	21,410	1,275,343
Parks and recreation	614,018	-	614,018
Capital outlay	254,362	576,279	830,641
Debt service			
Principal retirement	-	285,000	285,000
Interest and fiscal charges	-	41,661	41,661
<b>Total expenditures</b>	<u>7,126,576</u>	<u>1,827,119</u>	<u>8,953,695</u>
Excess (deficiency) of revenues over expenditures	1,192,100	(210,638)	981,462
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	453,500	44,661	498,161
Transfers out	(44,661)	(186,000)	(230,661)
<b>Total other financing sources (uses)</b>	<u>408,839</u>	<u>(141,339)</u>	<u>267,500</u>
Net change in fund balances	1,600,939	(351,977)	1,248,962
Fund balances at beginning of year	<u>8,502,339</u>	<u>2,259,195</u>	<u>10,761,534</u>
<b>Fund balances at end of year</b>	<u>\$ 10,103,278</u>	<u>\$ 1,907,218</u>	<u>\$ 12,010,496</u>

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS****RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES***For the year ended September 30, 2017*

---

**Total net change in fund balances - governmental funds** **\$ 1,248,962**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Increase in capital assets	\$ 1,364,627	
Depreciation expense	<u>(922,541)</u>	442,086

Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:

Bond principal retirement	285,000	
Capital lease principal retirement	<u>44,007</u>	329,007

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.

Property taxes	6,824	
Other revenues	<u>5,572</u>	12,396

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	(17,400)	
Decrease in loss on bond refunding	(10,441)	
Decrease in accrued interest	729	
Net pension costs	<u>(88,870)</u>	<u>(115,982)</u>

**Change in net position of governmental activities** **\$ 1,916,469**

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2017

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 4,658,691	\$ 1,304,730	\$ 711,260	\$ 6,674,681
Investments	245,000	-	-	245,000
Receivables (net)	1,018,337	22,626	451	1,041,414
Due from other governments	3,025	2,000	-	5,025
Prepaid items	9,122	4,822	1,628	15,572
Inventory	25,655	-	-	25,655
<b>Total current assets</b>	<b>5,959,830</b>	<b>1,334,178</b>	<b>713,339</b>	<b>8,007,347</b>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	123,566	1,103,634	273,813	1,501,013
Assets being depreciated (net)	16,885,914	3,287,439	1,736,499	21,909,852
<b>Net noncurrent assets</b>	<b>17,009,480</b>	<b>4,391,073</b>	<b>2,010,312</b>	<b>23,410,865</b>
<b>Total assets</b>	<b>22,969,310</b>	<b>5,725,251</b>	<b>2,723,651</b>	<b>31,418,212</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflow related to TMRS	93,468	-	-	93,468
Deferred amount on refunding	178,799	-	-	178,799
<b>Total deferred outflows of resources</b>	<b>272,267</b>	<b>-</b>	<b>-</b>	<b>272,267</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	265,902	13,801	12,905	292,608
Payroll related liabilities	23,999	-	-	23,999
Accrued interest payable	8,839	5,587	-	14,426
Other payables	15,259	-	-	15,259
Due to other governments	7,345	-	-	7,345
Due to other funds	25,499	-	-	25,499
Accrued compensated absences	4,178	-	-	4,178
Unearned revenue	33,425	9,817	-	43,242
Customer deposits	219,019	850	500	220,369
Current portion of noncurrent liabilities				
Bonds and certificates	720,000	85,000	-	805,000
<b>Total current liabilities</b>	<b>1,323,465</b>	<b>115,055</b>	<b>13,405</b>	<b>1,451,925</b>
Long-term liabilities, net of current portion				
Accrued compensated absences	8,483	-	-	8,483
Net pension liability	173,030	-	-	173,030
Bonds and certificates (net of unamortized deferred amounts)	3,255,000	1,040,000	-	4,295,000
<b>Total long-term liabilities</b>	<b>3,436,513</b>	<b>1,040,000</b>	<b>-</b>	<b>4,476,513</b>
<b>Total liabilities</b>	<b>4,759,978</b>	<b>1,155,055</b>	<b>13,405</b>	<b>5,928,438</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow related to TMRS	9,603	-	-	9,603
<b>NET POSITION</b>				
Net investment in capital assets	13,213,279	3,266,073	2,010,312	18,489,664
Unrestricted	5,258,717	1,304,123	699,934	7,262,774
<b>Total net position</b>	<b>\$ 18,471,996</b>	<b>\$ 4,570,196</b>	<b>\$ 2,710,246</b>	<b>\$ 25,752,438</b>

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS**

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

PROPRIETARY FUNDS

For the year ended September 30, 2017

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
<b>OPERATING REVENUES</b>				
Charges for services				
Water sales	\$ 2,571,173	\$ -	\$ -	\$ 2,571,173
Sewer services	2,035,423	-	-	2,035,423
Waste collection	778,107	-	-	778,107
Tap and service fees	173,252	-	-	173,252
Gate fees	-	-	65,550	65,550
Leases and rentals	-	452,343	231,270	683,613
Penalties	86,213	-	-	86,213
Miscellaneous	58,713	719	5,304	64,736
Total operating revenues	<u>5,702,881</u>	<u>453,062</u>	<u>302,124</u>	<u>6,458,067</u>
<b>OPERATING EXPENSES</b>				
Personnel services	851,542	278	31	851,851
Materials and supplies	67,226	1,627	1,791	70,644
Services	1,136,290	67,553	123,979	1,327,822
Water purchases	1,079,580	-	-	1,079,580
Maintenance and repairs	319,722	17,780	16,625	354,127
Depreciation and amortization	657,480	208,213	117,919	983,612
Miscellaneous	51,131	-	7,411	58,542
Total operating expenses	<u>4,162,971</u>	<u>295,451</u>	<u>267,756</u>	<u>4,726,178</u>
<b>Operating income (loss)</b>	1,539,910	157,611	34,368	1,731,889
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Noncapital grants and contributions	-	2,000	-	2,000
Investment income	49,991	11,094	6,163	67,248
Interest expense	(150,866)	(45,395)	-	(196,261)
Net nonoperating revenues	<u>(100,875)</u>	<u>(32,301)</u>	<u>6,163</u>	<u>(127,013)</u>
Income before capital contributions and transfers	1,439,035	125,310	40,531	1,604,876
Capital grants and contributions	181,111	-	-	181,111
Transfers out	<u>(245,000)</u>	<u>(14,500)</u>	<u>(8,000)</u>	<u>(267,500)</u>
Change in net position	1,375,146	110,810	32,531	1,518,487
Total net position at beginning of year	<u>17,096,850</u>	<u>4,459,386</u>	<u>2,677,715</u>	<u>24,233,951</u>
<b>Total net position at end of year</b>	<u>\$ 18,471,996</u>	<u>\$ 4,570,196</u>	<u>\$ 2,710,246</u>	<u>\$ 25,752,438</u>

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2017

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 5,366,246	\$ 443,189	\$ 302,124	\$ 6,111,559
Cash payments to suppliers for goods and services	(2,615,905)	(84,173)	(148,970)	(2,849,048)
Cash payments to employees for services	(846,312)	-	-	(846,312)
<b>Net cash provided (used) by operating activities</b>	<u>1,904,029</u>	<u>359,016</u>	<u>153,154</u>	<u>2,416,199</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Borrowings to other funds	(821,301)	-	-	(821,301)
Receipts from noncapital grants and contributions	-	2,000	-	2,000
Transfers to other funds	(245,000)	(14,500)	(8,000)	(267,500)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(1,066,301)</u>	<u>(12,500)</u>	<u>(8,000)</u>	<u>(1,086,801)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Acquisition of capital assets	(711,367)	-	(49,996)	(761,363)
Receipts from capital grants and contributions	178,086	-	-	178,086
Principal paid on capital debt	(750,000)	(80,000)	-	(830,000)
Interest paid on capital debt	(58,956)	(45,792)	-	(104,748)
<b>Net cash provided (used) by capital financing activities</b>	<u>(1,342,237)</u>	<u>(125,792)</u>	<u>(49,996)</u>	<u>(1,518,025)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sales and maturities of investments	500,000	-	-	500,000
Investment income	51,181	11,094	6,163	68,438
<b>Net cash provided (used) by investing activities</b>	<u>551,181</u>	<u>11,094</u>	<u>6,163</u>	<u>568,438</u>
Net increase (decrease) in cash and cash equivalents	46,672	231,818	101,321	379,811
Cash and cash equivalents at beginning of year	<u>4,612,019</u>	<u>1,072,912</u>	<u>609,939</u>	<u>6,294,870</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,658,691</u>	<u>\$ 1,304,730</u>	<u>\$ 711,260</u>	<u>\$ 6,674,681</u>

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2017

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 1,539,910	\$ 157,611	\$ 34,368	\$ 1,731,889
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	657,480	208,213	117,919	983,612
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(346,117)	(10,067)	-	(356,184)
(Increase) decrease in prepaid expense	51,438	84	28	51,550
(Increase) decrease in inventory	2,674	-	-	2,674
(Increase) decrease in deferred outflow related to TMRS	25,458	-	-	25,458
Increase (decrease) in accounts and other payables	(19,310)	3,807	839	(14,664)
Increase (decrease) in payroll related liabilities	(6,001)	(826)	-	(6,827)
Increase (decrease) in due to other governments	3,242	-	-	3,242
Increase (decrease) in compensated absences	(4,453)	-	-	(4,453)
Increase (decrease) in net pension liability	7,912	-	-	7,912
Increase (decrease) in unearned revenue	9,947	194	-	10,141
Increase (decrease) in customer deposits	(465)	-	-	(465)
Increase (decrease) in deferred inflow related to TMRS	(17,686)	-	-	(17,686)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,904,029</u>	<u>\$ 359,016</u>	<u>\$ 153,154</u>	<u>\$ 2,416,199</u>

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
*September 30, 2017*

	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 150	\$ 26,332
<b>Total assets</b>	<u>150</u>	<u>\$ 26,332</u>
<b>LIABILITIES</b>		
Due to others	-	\$ 26,332
<b>Total liabilities</b>	<u>-</u>	<u>\$ 26,332</u>
<b>NET POSITION</b>		
Restricted for payment of pension benefits	150	
<b>Total net position</b>	<u>\$ 150</u>	

The accompanying notes are an integral part of this statement.



**CITY OF PORT LAVACA, TEXAS**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUND*  
*For the year ended September 30, 2017*

---

	<u>Fireman's Relief and Retirement Fund</u>
<b>ADDITIONS</b>	
Employer contributions	<u>\$ 2,625</u>
<b>DEDUCTIONS</b>	
Benefits	<u>2,625</u>
Change in net position	-
Net position at beginning of year	<u>150</u>
<b>Net position at end of year</b>	<u><u>\$ 150</u></u>

The accompanying notes are an integral part of this statement.

**INDEX**

<b>Note</b>		<b>Page</b>
1	Summary of Significant Accounting Policies .....	28
2	Stewardship, Compliance, and Accountability.....	34
3	Deposits and Investments .....	35
4	Receivables .....	37
5	Due from Other Governments .....	38
6	Capital Assets.....	38
7	Interfund Receivables, Payables, and Transfers.....	40
8	Lease Obligations.....	41
9	Lessor Agreements .....	42
10	Long-term Debt .....	42
11	Prior Year Defeasance of Debt .....	45
12	Proprietary Fund Net Position .....	45
13	Risk Management .....	45
14	Contingencies and Commitments .....	46
15	Defined Benefit Pension Plan.....	47
16	Supplemental Death Benefit Plan.....	52
17	Volunteer Firefighters' Pension Benefit Plan.....	52
18	Deferred Compensation Plan.....	52
19	Fund Balances.....	53

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

The City of Port Lavaca, Texas (the "City"), was incorporated January 31, 1956, under a home rule charter. The City operates under a Council-Manager form of government. The City Council consists of the mayor and six council members. The City provides services related to the following: public safety (police and fire), highways and streets, sanitation, health and welfare, culture and recreation, economic development, planning and zoning, and general administrative services.

**A. Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units. No legally separate organizations met the necessary criteria for inclusion as component units for the year ended September 30, 2017.

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

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

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

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

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

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

---

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

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

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.

Sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The City reports the following major enterprise (proprietary) funds:

The Public Utility Fund accounts for the activities of the City related to its provision of water, wastewater, and sanitation services.

The Port Commission Fund accounts for the harbor and port activities of the City.

The Beach Operating Fund accounts for the revenues and expenses related to the operation of the City's Lighthouse Beach and adjacent RV park.

Additionally, the City reports the following fund types:

Pension Trust Fund - The Fireman's Relief and Retirement Fund accounts for the accumulation and payment of retirement benefits to the City's eligible retired volunteer firefighters.

Agency Fund - The Police Seized Nonforfeiture Fund accounts for assets seized by the City's police department in various law enforcement actions prior to disposition of the assets by court authorities.

---

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

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

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

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 City's enterprise funds are charges to customers for sales and services. The Public Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost connecting new customers to the water 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.

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

D. Budgets and Budgetary Accounting

As set forth in the City Charter, the City Council legally adopts an annual budget for the General Fund and the Debt Service Fund. The budgets for these governmental funds are prepared in accordance with generally accepted accounting principles (GAAP). The City Manager is authorized to transfer budgeted amounts within departments of individual funds; however, any revisions that alter the total departmental expenditures/expenses must be approved by the City Council. Therefore, the legal level of budgetary control is at the departmental level. Each fund other than the General Fund is defined as its own department. All encumbered and unencumbered appropriations lapse at the end of the fiscal year.

E. Deposits and Investments

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

The City may invest excess funds in any instruments authorized by its adopted investment policy. The City's authorized investment options are more restrictive than those allowed under the Public Funds Investment Act of Texas. Investments authorized under the City's investment policy include the following: Obligations of the United States or its agencies and instrumentalities which have a liquid market with a readily determinable market value; direct obligations of the State of Texas and agencies thereof; other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or United States of America; obligations of the State, agencies thereof, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than A or its equivalent; certificates of deposit of state or national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by obligations previously mentioned; fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies or instrumentalities pledged with a third party; and certain joint pools of political subdivisions in the State of Texas that invest in instruments and follow practices allowed by current law.

The City reports its investments at fair value in the accompanying financial statements.

---

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

F. Receivables and Payables

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

All receivables are reported net of an applicable allowance for uncollectibles. Allowance accounts related to trade accounts receivable are based upon management estimates. The property tax receivable allowance is equal to 5% of outstanding property taxes at September 30, 2017.

The Calhoun County Appraisal District bills and collects property taxes for the City. These taxes are levied on October 1<sup>st</sup> of each year and are payable by the following January 31<sup>st</sup>, at which time penalties and interest charges are assessed on unpaid balances. An enforceable lien on property is attached on all ad valorem taxes unpaid as of January 1<sup>st</sup> following the year of levy.

G. Inventories and Prepaid Items

All inventories are valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased, and no material amounts of inventory were held by these funds as of year-end. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded when purchased rather than when consumed.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Except for infrastructure assets, the City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure assets are capitalized if their cost exceeds \$100,000. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, the Public Utility Fund capitalized \$0 of interest expense.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	5-50
Public Domain Infrastructure	50-75
Utility System Infrastructure	20-75
Machinery and Equipment	5-10

---

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

I. Compensated Absences

It is the City's policy to permit employees to accumulate vacation and sick pay benefits. Unused vacation benefits are reported in the accompanying financial statements according to the provisions of GASB Statement No. 16. Earned but unused sick pay benefits are not recorded as liabilities as the City's policy for payment of these benefits excludes them based on the applicable GASB and FASB pronouncements.

J. Long-term Obligations

In the government-wide financial statements and in enterprise funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount on the statement of net position.

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

K. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is the deferred amount calculated in the actuarial pension study required by GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" (GASB No. 68) and the current year pension payments reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that are considered deferred inflows of resources. One of the items arises only under a modified accrual basis of accounting and this item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from a variety of sources and are further defined in Note 4. The other item that qualifies for reporting as a deferred inflow of resources is calculated in the actuarial pension study required by GASB No. 68. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

---

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

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 68.

M. Fund Balance Policies

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that cannot be spent because of their form (such as inventory or prepaid items) or because they are legally or contractually required to be maintained in tact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, assigned, or any combination of those classifications. In addition, the General Fund may also include an unassigned amount.

Commitments will only be used for specific purposes pursuant to a formal action (ordinance or resolution) of the City Council. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. Commitments may be changed or lifted only by the City Council taking the same formal action that originally imposed the constraint.

The City Council delegates the responsibility to assign funds not to exceed \$25,000 to the City Manager or their designee to be used for specific purposes. City Council shall have the authority to assign any amount of funds to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. The assignments may occur subsequent to fiscal year-end.



---

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

N. Net Position Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

O. Minimum Fund Balance Policy

The City will maintain a minimum fund balance in its General Fund equal to 180 days of the operating expenditures and a policy to maintain an unassigned fund balance of no less than 120 days of operating expenditures as to provide operating liquidity and contingency funding for non-specific unscheduled expenditures such as natural disasters or major unexpected expenditures. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

The City also has a goal to maintain a working capital position equal to 120 days of the operating budget and a policy to maintain a working capital position no less than 90 days of the operating budget in the enterprise funds. Refer to Note 12 which addresses the policy set by the Council for the enterprise funds.

P. Use of Estimates

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

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

Budgetary Compliance

There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2016-2017.

<u>Fund Name- Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
City secretary	\$ 139,050	\$ 139,539	\$ 489
Police	1,682,150	1,721,503	39,353
Code enforcement/insp.	184,619	263,418	78,799
Convention/visitors bureau	231,000	257,589	26,589
Transfers out	12,000	44,661	32,661

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

---

**NOTE 3: DEPOSITS AND INVESTMENTS**Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2017 not all deposits of the City that exceeded the federal depository insurance coverage level of \$250,000 per account were covered by collateral by the Federal Reserve Bank in the City's name under a collateral agreement with the First National Bank of Port Lavaca. The market value of the collateral held at the Federal Reserve Bank in the City's name at fiscal year-end was \$8,266,590. The City's uninsured, uncollateralized cash balances totaled \$233,136 at September 30, 2017.

At September 30, 2017, the carrying amount of the City's deposits was \$8,456,326 and the respective bank balances totaled \$8,749,726. The City's cash on hand totaled \$2,225.

Investments

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

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

As of September 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposits	\$ 245,000	\$ -	\$ 245,000	\$ -
Total	\$ 245,000	\$ -	\$ 245,000	\$ -

---

**NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)****Investments - (Continued)***Interest Rate Risk*

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to less than one year from the time of purchase. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirement and maintain additional liquidity for unexpected liabilities.

As of September 30, 2017, the City's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Certificates of Deposits	\$ 245,000	\$ 245,000	\$ -	\$ -	\$ -
Total	\$ 245,000	\$ 245,000	\$ -	\$ -	\$ -

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent.

At September 30, 2017, the City's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Certificates of Deposits	\$ 245,000	\$ -	\$ -	\$ -	\$ 245,000
Total	\$ 245,000	\$ -	\$ -	\$ -	\$ 245,000

*Concentration of Credit Risk*

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

*Custodial Credit Risk - Investments*

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2017, and for the year then ended, the City was not exposed to any custodial credit risk.

---

**NOTE 4: RECEIVABLES**

Receivables as of year-end for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Public Utility</u>	<u>Port Commission</u>	<u>Beach Operating</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Ad valorem taxes	\$ 483,677	\$ -	\$ -	\$ -	\$ 21,711	\$ 505,388
Franchise taxes	67,622	-	-	-	-	67,622
Municipal court fines	120,814	-	-	-	-	120,814
Charges for services	167,300	746,970	19,814	-	-	934,084
Occupancy taxes	-	-	-	-	205,351	205,351
Miscellaneous	<u>1,500</u>	<u>271,367</u>	<u>2,812</u>	<u>451</u>	<u>-</u>	<u>276,130</u>
Gross receivables	840,913	1,018,337	22,626	451	227,062	2,109,389
Less: Allowance for uncollectibles	<u>(316,601)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,085)</u>	<u>(317,686)</u>
Net total receivables	<u>\$ 524,312</u>	<u>\$ 1,018,337</u>	<u>\$ 22,626</u>	<u>\$ 451</u>	<u>\$ 225,977</u>	<u>\$ 1,791,703</u>

The City is permitted by a local charter to levy taxes up to limits set by the Constitution and laws of the State of Texas. Currently, the State of Texas does not set limits on the rate at which ad valorem taxes may be assessed. The combined tax rate for the year ended September 30, 2017, was \$0.79 per \$100 of assessed valuation. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by the following January 31, which comprises the collection dates for the current tax roll. The Calhoun County Appraisal District bills, collects, and remits daily all ad valorem taxes.

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 378,053	\$ -	\$ 378,053
Charges for services	16,730	64,044	80,774
Municipal court fines	60,407	-	60,407
Nonmajor Funds			
Ad valorem taxes	<u>20,626</u>	<u>-</u>	<u>20,626</u>
	<u>\$ 475,816</u>	<u>\$ 64,044</u>	<u>\$ 539,860</u>

**NOTE 5: DUE FROM OTHER GOVERNMENTS**

Various funds of the City reported amounts due from other governments as of the end of the current fiscal year. These amounts are comprised of the following at September 30, 2017:

	General Fund	Public Utility	Port Commission	Nonmajor Funds	Total
Sales taxes	\$ 450,848	\$ -	\$ -	\$ -	\$ 450,848
Mixed beverage taxes	7,001	-	-	-	7,001
Property taxes	23,895	-	-	1,597	25,492
Grant reimbursements	43,980	3,025	2,000	1,242	50,247
	<u>\$ 525,724</u>	<u>\$ 3,025</u>	<u>\$ 2,000</u>	<u>\$ 2,839</u>	<u>\$ 533,588</u>

**NOTE 6: CAPITAL ASSETS**

The capital asset activity of the City was as follows for the year ended September 30, 2017:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,263,497	\$ 254,362	\$ -	\$ 1,517,859
Construction in progress	232,595	1,132,595	(658,506)	706,684
Total capital assets not being depreciated	<u>1,496,092</u>	<u>1,386,957</u>	<u>(658,506)</u>	<u>2,224,543</u>
Capital assets, being depreciated:				
Machinery and equipment	3,290,851	232,032	(15,420)	3,507,463
Buildings and structures	6,849,706	-	-	6,849,706
Infrastructure	31,396,424	404,144	-	31,800,568
Total capital assets being depreciated	<u>41,536,981</u>	<u>636,176</u>	<u>(15,420)</u>	<u>42,157,737</u>
Less accumulated depreciation for:				
Machinery and equipment	(2,466,287)	(264,637)	15,420	(2,715,504)
Buildings and structures	(3,341,076)	(178,185)	-	(3,519,261)
Infrastructure	(14,485,774)	(479,719)	-	(14,965,493)
Total accumulated depreciation	<u>(20,293,137)</u>	<u>(922,541)</u>	<u>15,420</u>	<u>(21,200,258)</u>
Total capital assets being depreciated, net	<u>21,243,844</u>	<u>(286,365)</u>	<u>-</u>	<u>20,957,479</u>
Governmental activities capital assets, net	<u>\$ 22,739,936</u>	<u>\$ 1,100,592</u>	<u>\$ (658,506)</u>	<u>\$ 23,182,022</u>

**NOTE 6: CAPITAL ASSETS - (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,501,013	\$ -	\$ -	\$ 1,501,013
Construction in progress	337,300	732,423	(1,069,723)	-
Total capital assets not being depreciated	<u>1,838,313</u>	<u>732,423</u>	<u>(1,069,723)</u>	<u>1,501,013</u>
Capital assets, being depreciated:				
Machinery and equipment	862,956	28,940	-	891,896
Buildings and structures	4,954,482	49,995	-	5,004,477
Infrastructure	42,013,219	1,019,728	-	43,032,947
Total capital assets being depreciated	<u>47,830,657</u>	<u>1,098,663</u>	<u>-</u>	<u>48,929,320</u>
Less accumulated depreciation for:				
Machinery and equipment	(652,416)	(77,436)	-	(729,852)
Buildings and structures	(3,083,804)	(137,661)	-	(3,221,465)
Infrastructure	(22,308,760)	(759,391)	-	(23,068,151)
Total accumulated depreciation	<u>(26,044,980)</u>	<u>(974,488)</u>	<u>-</u>	<u>(27,019,468)</u>
Total capital assets being depreciated, net	<u>21,785,677</u>	<u>124,175</u>	<u>-</u>	<u>21,909,852</u>
Business-type activities capital assets, net	<u>\$ 23,623,990</u>	<u>\$ 856,598</u>	<u>\$ (1,069,723)</u>	<u>\$ 23,410,865</u>

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

**Governmental activities:**

General government	\$ 27,886
Public safety	194,983
Public works	538,538
Parks and recreation	161,134
Total depreciation expense - governmental activities	<u>\$ 922,541</u>

**Business-type activities:**

Public Utility	\$ 648,356
Port Commission	208,213
Beach Operating	117,919
Total depreciation expense - business-type activities	<u>\$ 974,488</u>

**NOTE 7: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A. Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2017, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Public Utility	\$ 25,499
	Nonmajor Special Revenue	<u>33,330</u>
		<u>\$ 58,829</u>

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. Besides planned transfers from the Public Utility Fund to the General Fund, the most significant transfer was from the Hotel Occupancy Tax Fund, a nonmajor special revenue fund, to the General Fund to cover the continued costs of the City. During the current fiscal year, transfers between funds consisted of the following:

	<u>Transfers In</u>		
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Transfers out			
General	\$ -	\$ 44,661	\$ 44,661
Public Utility	245,000	-	245,000
Port Commission	14,500	-	14,500
Beach Operating	8,000	-	8,000
Nonmajor	<u>186,000</u>	<u>-</u>	<u>186,000</u>
	<u>\$ 453,500</u>	<u>\$ 44,661</u>	<u>\$ 498,161</u>

---

**NOTE 8: LEASE OBLIGATIONS**

A. Capital Lease

The City has entered into lease agreements to finance a fire truck. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and equipment	
Other equipment	\$ 309,776
	<u>309,776</u>
Less: Accumulated depreciation	<u>(196,192)</u>
	<u>\$ 113,584</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2018	\$ 47,762
Total minimum lease payments	47,762
Less: Amount representing interest	<u>(1,932)</u>
Present value of minimum lease payments	<u>\$ 45,830</u>

B. Operating Lease

The City has entered into a lease agreement for a red light camera system that is used to enforce various traffic laws within the City. The agreement was signed on February 20, 2008 and the first citation was issued in late 2008 or early 2009 which established the beginning of the five-year lease period. The lease was extended for two additional two year periods and will expire on January 29, 2018. The lease agreement provides for future minimum rental payments as follows:

<u>Year Ending September 30</u>	
2018	\$ 97,400
	<u>\$ 97,400</u>

Rental expenditures in 2017 were \$129,191. The City does not have the option to purchase the leased system at the expiration of the lease terms.



---

**NOTE 9: LESSOR AGREEMENTS**

The Port Commission Fund leases dock frontage and harbor rights to various unrelated third parties. Substantially all of the Fund's capital assets are leased to third parties. Following is an analysis of minimum future rentals due the Port Commission Fund under noncancelable lease agreements as of September 30, 2017:

Year Ending September 30	
2018	\$ 27,180
2019	18,000
2020	18,000
2021	<u>18,000</u>
	81,180
Thereafter	<u>-</u>
	<u>\$ 81,180</u>

**NOTE 10: LONG-TERM DEBT****A. Changes in Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable:					
General obligation bonds	\$ 2,180,000	\$ -	\$ 285,000	\$ 1,895,000	\$ 290,000
Net bonds payable	2,180,000	-	285,000	1,895,000	290,000
Capital leases	89,837	-	44,007	45,830	45,830
Compensated absences	105,383	144,583	127,183	122,783	40,518
Net pension liability	<u>935,668</u>	<u>44,832</u>	<u>-</u>	<u>980,500</u>	<u>-</u>
Total governmental activity long-term liabilities	<u>\$ 3,310,888</u>	<u>\$ 189,415</u>	<u>\$ 456,190</u>	<u>\$ 3,044,113</u>	<u>\$ 376,348</u>
<b>Business-type activities</b>					
Bonds and certificates payable:					
Revenue bonds	\$ 2,965,000	\$ 3,810,000	\$ 2,800,000	\$ 3,975,000	\$ 720,000
Certificates	2,820,000	-	1,695,000	1,125,000	85,000
Less deferred amounts:					
Issuance discounts	<u>(27,774)</u>	<u>-</u>	<u>(27,774)</u>	<u>-</u>	<u>-</u>
Net bonds and certificates	5,757,226	3,810,000	4,467,226	5,100,000	805,000
Compensated absences	17,114	13,831	18,284	12,661	4,178
Net pension liability	<u>165,118</u>	<u>7,912</u>	<u>-</u>	<u>173,030</u>	<u>-</u>
Total business-type activity long-term liabilities	<u>\$ 5,939,458</u>	<u>\$ 3,831,743</u>	<u>\$ 4,485,510</u>	<u>\$ 5,285,691</u>	<u>\$ 809,178</u>

**NOTE 10: LONG-TERM DEBT - (Continued)**

A. Changes in Long-term Liabilities - (Continued)

Compensated absences and safety pay are generally liquidated by the General Fund for the governmental activities.

B. General Obligation Bonds

The City issues general obligation debt to provide funds for the acquisition and construction of major capital facilities and are direct obligations and pledge the full faith and credit of the City.

General obligation bonds at September 30, 2017, was comprised of the following individual issue:

\$2,945,000 Series 2012 General Obligation Refunding Bonds due in annual installments ranging from \$290,000 to \$320,000 through February 15, 2024; interest fixed at 2.03%.	<u>\$ 1,895,000</u>
Total Bonds	<u>\$ 1,895,000</u>

Annual debt service requirements to maturity for the City's general obligation bonds are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 290,000	\$ 35,525	\$ 325,525
2019	300,000	29,537	329,537
2020	300,000	23,447	323,447
2021	305,000	17,306	322,306
2022	320,000	10,962	330,962
2023-2024	380,000	5,075	385,075
	<u>\$ 1,895,000</u>	<u>\$ 121,852</u>	<u>\$ 2,016,852</u>

C. Revenue Bonds and Certificates

Revenue bonds and certificates payable were comprised of the following individual issues at September 30, 2017:

\$2,265,000 Series 2011 General Obligation Refunding Bonds due in one annual installment of \$350,000 on February 15, 2018; interest rates varying of 2.83%.	\$ 350,000
\$3,810,000 Series 2016 General Obligation Refunding Bonds due in annual installments ranging from \$100,000 to \$780,000 through February 15, 2024; interest rates varying between 1.10% and 2.05%.	3,625,000
\$1,700,000 Series 2008 Combination Tax and Surplus Harbor System Revenue Certificates of Obligation due in annual installments ranging from \$85,000 to \$125,000 through February 15, 2028; interest rate of 3.93%.	<u>1,125,000</u>
Total Revenue Bonds and Certificates	<u>\$ 5,100,000</u>

---

**NOTE 10: LONG-TERM DEBT - (Continued)****C. Revenue Bonds and Certificates - (Continued)**

The annual debt service requirements to maturity for the above listed revenue bonds and certificates are as follows:

<u>Year Ending September 30</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 805,000	\$ 105,219	\$ 910,219
2019	830,000	89,213	919,213
2020	850,000	74,292	924,292
2021	865,000	57,762	922,762
2022	875,000	39,804	914,804
2023-2027	750,000	84,616	834,616
2028	125,000	2,456	127,456
	<u>\$ 5,100,000</u>	<u>\$ 453,362</u>	<u>\$ 5,553,362</u>

The revenues of the Public Utility Fund and the Port Commission Fund are pledged for the repayment of debt reported by those funds. The City complied in all material respects with the various covenants applicable to its long-term debt agreements for the year ending September 30, 2017.

As of September 30, 2017, the \$5,100,000 balance on the revenue bonds and certificates is detailed as follows according to the purpose of their issuance: \$2,106,750 or 53% water system improvements, \$1,868,250 or 25% wastewater system improvements, and \$1,125,000 or 22% harbor system improvements.

**D. Refunding Bonds**

In December 2016, the City issued \$3,810,000 General Obligation Refunding Bonds with interest varying between 1.10% and of 2.05% to advance refund \$850,000 of the City's Certificates of Obligation, Series 2004, which were still outstanding in the amount of \$850,000 with interest rates ranging from 3.00% to 3.55%, \$2,185,000 of the City's General Obligation Refunding Bonds, Series 2007, which were still outstanding in the amount of \$2,270,000 with interest rates of 4.00%, and \$630,000 of the City's Combination Tax and Revenue Certificates of Obligation, Series 2007, which were still outstanding in the amount of \$765,000 with interest rates of 4.00%. The refunding proceeds also provided funding for costs of issuance. As a result, the Series 2004 and 2007 bonds and certificates are considered defeased and the refunded portions of the liabilities have been removed from the business-type activities column of the statement of net position. The net proceeds available for refunding bonds in the amount of \$3,733,270 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issues. The refunding of the Series 2004 and 2007 bonds and certificates resulted in an economic gain of \$170,496 and an increase in cash flow of \$183,952.

---

**NOTE 11: PRIOR YEAR DEFEASANCE OF DEBT**

In prior years, the City defeased certain revenue and refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2017, \$7,925,000 of bonds outstanding was considered defeased.

**NOTE 12: PROPRIETARY FUND NET POSITION**

Management has committed for operating reserves \$1,139,709 of the Public Utility Fund's \$5,258,717 unrestricted net position. Management has also committed \$88,837 of the Port Commission Fund's \$1,304,123 unrestricted net position for operating reserves and \$68,939 of the Beach Operating Fund's \$699,934 unrestricted net position for operating reserves. The committed amounts represent approximately 90 days of operating expenses, including interest expense and transfers to other funds. The Public Utility Fund, the Port Commission Fund, and the Beach Operating Fund had \$4,119,008, \$1,215,286, and \$630,995, respectively, of unrestricted, uncommitted net position as of September 30, 2017.

**NOTE 13: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2017, the City purchased insurance through the Texas Municipal League (TML) to cover its risk of loss in these areas. Substantially all risk of loss for events occurring during the current year has been transferred to TML by the payment of insurance premiums. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

In the health insurance area, the City assumes all risk up to \$45,000 of eligible medical claims per participant, per year. A re-insurance policy has been purchased through the TML Intergovernmental Employee Benefits Pool that pays any additional claims in excess of this individual stop-loss amount. The City's total medical claim risk exposure is also limited by an aggregate stop-loss amount that is determined by the re-insurance carrier on an annual basis. Premiums paid by the City during the year for the individual and aggregate stop-loss coverage totaled \$177,901.

Beginning October 1, 2017, the City no longer assumes the risk on participant medical claims.

Paid health-related claims totaled \$688,663 during the current fiscal year. The insurance carrier estimated that \$56,166 in claims had been incurred but not reported as of the fiscal year-end. These estimated claims as well as known payables are included in the claim liability reported by various funds in the accompanying financial statements.

Following is a reconciliation of health-related claim liabilities and payments for the years noted:

	<u>Beginning Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
Fiscal Year 2013	\$ 29,895	\$ 673,238	\$ 645,271	\$ 57,862
Fiscal Year 2014	57,862	826,576	826,398	58,040
Fiscal Year 2015	58,040	838,791	850,506	46,325
Fiscal Year 2016	46,325	765,314	741,823	69,816
Fiscal Year 2017	69,816	675,013	688,663	56,166

---

**NOTE 14: CONTINGENCIES AND COMMITMENTS**

A. Litigation

The City was not involved in any litigation as of September 30, 2017, and management was not aware of any threatened litigation or unasserted claims as of that date.

B. Grant Programs

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any monies received may be required, and the collectability of any related receivables at September 30, 2017, may be impaired. In the opinion of the administration of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the City's various grant programs.

C. Water Purchase Commitment

The City has entered into an agreement with the Guadalupe Blanco River Authority (GBRA) that obligates the City to purchase its water from GBRA; this contract shall be in force until the latter of August 2035 or until the City has paid the part of any outstanding plant revenue bonds for which the City is at least partially responsible.

D. Construction Commitments

As of September 30, 2017, the following construction projects were in progress:

<u>Project Description</u>	<u>Costs Incurred To Date</u>	<u>Estimated Remaining Costs</u>	<u>Source of Funds</u>
Governmental activities:			
Street improvements	\$ 460,471	\$ 2,255,364	City
Park improvements	146,003	503,997	City/Grant
Veterans' memorial	78,800	-	City/Contributions
Infrastructure	<u>21,410</u>	<u>228,590</u>	Grant
	<u>\$ 706,684</u>	<u>\$ 2,987,951</u>	

---

**NOTE 15: DEFINED BENEFIT PENSION PLAN**

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the 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 agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS 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 Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2017 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	100.0 repeating
Annuity increase (to retirees)	70.0% of CPI

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	92
Active employees	<u>87</u>
	<u>239</u>

---

**NOTE 15: DEFINED BENEFIT PENSION PLAN - (Continued)**

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution 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 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.68% and 6.02% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$211,938, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Overall Payroll Growth	3.0%
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 disables annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male 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, 2016, 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 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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 expense and inflation) are developed for each major asset class.

---

**NOTE 15: DEFINED BENEFIT PENSION PLAN - (Continued)****Net Pension Liability - (Continued)***Actuarial Assumptions - (Continued)*

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). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	<u>5.00%</u>	7.75%
<b>Total</b>	<u>100.00%</u>	



**NOTE 15: DEFINED BENEFIT PENSION PLAN - (Continued)**

Net Pension Liability - (Continued)

*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 periods of projected benefit payments to determine the Total Pension Liability.

	<b>Increase (Decrease)</b>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	(a)	(b)	(a) - (b)
<b>Balance at 12/31/2015</b>	\$ 10,419,040	\$ 9,318,254	\$ 1,100,786
Changes for the year:			
Service cost	365,217	-	365,217
Interest	696,229	-	696,229
Changes of benefit terms	-	-	-
Difference between expected and actual experience	14,276	-	14,276
Change of assumptions	-	-	-
Contributions - Employer	-	213,193	(213,193)
Contributions - Employee	-	187,676	(187,676)
Net investment income	-	629,604	(629,604)
Benefit payments, including refunds of employee contributions	(574,303)	(574,303)	-
Administrative expense	-	(7,112)	7,112
Other changes	-	(383)	383
Net changes	<u>501,419</u>	<u>448,675</u>	<u>52,744</u>
<b>Balance at 12/31/2016</b>	<u>\$ 10,920,459</u>	<u>\$ 9,766,929</u>	<u>\$ 1,153,530</u>

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

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

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's Net Pension Liability:	\$2,697,902	\$1,153,530	\$(97,067)

---

**NOTE 15: DEFINED BENEFIT PENSION PLAN - (Continued)**

Net Pension Liability - (Continued)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2017 the City recognized pension expense of \$316,487.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,232	\$ 78,749
Changes in actuarial assumptions	34,158	-
Difference between projected and actual investment earnings	429,701	-
Contributions subsequent to the measurement date	156,778	-
Total	\$ 630,869	\$ 78,749

\$156,778 reported as deferred outflows of resources related to pensions 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2017	\$ 114,469
2018	150,950
2019	130,049
2020	(126)
2021	-
Thereafter	-

---

**NOTE 16: SUPPLEMENTAL DEATH BENEFIT PLAN**

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

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

The City's contributions to the TMRS SDBF for the years ended 2017, 2016, and 2015 were \$2,503, \$3,440, and \$2,983, respectively, which equaled the required contributions each year.

**NOTE 17: VOLUNTEER FIREFIGHTERS' PENSION BENEFIT PLAN**

The City provides a pension benefit for all retired volunteer firemen who qualify under the provisions of the Texas Local Fire Fighters Retirement Act. To be eligible, individuals must have completed at least 20 years of service and be at least 55 years old. Quarterly payments of \$75 are made to qualifying individuals until their death, at which time the surviving spouse, if any, is entitled to receive payments of \$50 per quarter until death. As of September 30, 2017, there were 13 individuals receiving benefits under the plan. Benefit payments for the year totaled \$2,625.

An actuarial study has not been performed to determine the City's accrued liability related to this benefit plan. Management estimates that the unfunded liability for vested benefits was between \$40,000 and \$50,000 as of September 30, 2017.

**NOTE 18: DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits the deferral of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

The assets of this plan, which totaled \$805,515 as of September 30, 2017, are held in trust for the exclusive benefit of participants and their beneficiaries. As such, no amounts related to these assets are included in the accompanying financial statements.

---

**NOTE 19: FUND BALANCES**

The following is a detail of the governmental fund balances as of September 30, 2017:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid items	\$ 42,147	\$ -	\$ -	\$ -	\$ 42,147
Operating reserves	-	-	2,375,525	-	2,375,525
Health insurance claims	-	-	733,670	-	733,670
Capital asset replacement	-	-	264,637	-	264,637
Unassigned	-	-	-	6,687,299	6,687,299
Nonmajor Governmental					
Retirement of long-term debt	-	149,498	-	-	149,498
Various capital projects	-	139	377,544	-	377,683
Tourism and conventions	-	1,245,695	-	-	1,245,695
Economic development	-	10,200	-	-	10,200
Police	-	94,472	-	-	94,472
Municipal court	-	29,670	-	-	29,670
	<u>\$ 42,147</u>	<u>\$ 1,529,674</u>	<u>\$ 3,751,376</u>	<u>\$ 6,687,299</u>	<u>\$ 12,010,496</u>

**Required Supplementary Information**

**CITY OF PORT LAVACA, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017			Variance Positive (Negative)	2016
	Original Budget	Final Budget	Actual		Actual
<b>REVENUES</b>					
Taxes	\$ 6,777,500	\$ 6,777,500	\$ 7,121,212	\$ 343,712	\$ 6,828,135
Fines and forfeitures	308,000	308,000	332,554	24,554	317,651
Intergovernmental	257,800	257,800	301,953	44,153	258,107
Licenses and permits	86,000	86,000	231,321	145,321	109,637
Investment	15,000	15,000	89,097	74,097	36,208
Rental	50,000	50,000	76,020	26,020	87,130
Charges for services	2,000	2,000	2,176	176	2,744
Miscellaneous	16,000	110,761	164,343	53,582	71,990
<b>Total revenues</b>	<u>7,512,300</u>	<u>7,607,061</u>	<u>8,318,676</u>	<u>711,615</u>	<u>7,711,602</u>
<b>EXPENDITURES</b>					
Current					
General government	2,441,062	2,442,022	1,962,288	479,734	2,192,038
Public safety	3,033,488	3,089,511	3,041,975	47,536	2,870,529
Public works	3,135,950	3,171,727	1,253,933	1,917,794	1,190,259
Parks and recreation	1,070,600	1,072,601	614,018	458,583	738,490
Capital outlay	-	254,362	254,362	-	-
<b>Total expenditures</b>	<u>9,681,100</u>	<u>10,030,223</u>	<u>7,126,576</u>	<u>2,903,647</u>	<u>6,991,316</u>
Excess (deficiency) of revenues over expenditures	(2,168,800)	(2,423,162)	1,192,100	3,615,262	720,286
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	448,500	448,500	453,500	5,000	550,988
Transfers out	(12,000)	(12,000)	(44,661)	(32,661)	(575,786)
Sale of capital assets	5,000	5,000	-	(5,000)	3,617
<b>Net other financing sources (uses)</b>	<u>441,500</u>	<u>441,500</u>	<u>408,839</u>	<u>(32,661)</u>	<u>(21,181)</u>
Net change in fund balance	(1,727,300)	(1,981,662)	1,600,939	3,582,601	699,105
Fund balance at beginning of year	8,502,339	8,502,339	8,502,339	-	7,803,234
<b>Fund balance at end of year</b>	<u>\$ 6,775,039</u>	<u>\$ 6,520,677</u>	<u>\$ 10,103,278</u>	<u>\$ 3,582,601</u>	<u>\$ 8,502,339</u>

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

**CITY OF PORT LAVACA, TEXAS**

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

Last ten years

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Total Pension Liability</b>			
Service cost	\$ 314,835	\$ 358,107	\$ 365,217
Interest (on the total pension liability)	670,913	688,461	696,229
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(250,547)	(139,223)	14,276
Change of assumptions	-	88,376	-
Benefit payments, including refunds of employee contributions	<u>(546,714)</u>	<u>(465,578)</u>	<u>(574,303)</u>
<b>Net Change in Total Pension Liability</b>	188,487	530,143	501,419
<b>Total Pension Liability - Beginning</b>	<u>9,700,410</u>	<u>9,888,897</u>	<u>10,419,040</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 9,888,897</u>	<u>\$ 10,419,040</u>	<u>\$ 10,920,459</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 197,075	\$ 241,857	\$ 213,193
Contributions - Employee	176,910	195,047	187,676
Net investment income	515,111	13,784	629,604
Benefit payments, including refunds of employee contributions	(546,714)	(465,578)	(574,303)
Administrative expense	(5,379)	(8,396)	(7,112)
Other	<u>(442)</u>	<u>(415)</u>	<u>(383)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	336,561	(23,701)	448,675
<b>Plan Fiduciary Net Position - Beginning</b>	<u>9,005,394</u>	<u>9,341,955</u>	<u>9,318,254</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 9,341,955</u>	<u>\$ 9,318,254</u>	<u>\$ 9,766,929</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 546,942</u>	<u>\$ 1,100,786</u>	<u>\$ 1,153,530</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	94.47%	89.43%	89.44%
<b>Covered Employee Payroll</b>	\$ 3,538,200	\$ 3,900,944	\$ 3,753,514
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	15.46%	28.22%	30.73%

NOTE: Information for the prior seven years was not readily available. The City will compile the respective information over the next seven years as provided by TMRS on a "measurement date" basis.

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

**CITY OF PORT LAVACA, TEXAS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
*Last ten fiscal years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 225,696	\$ 222,531	\$ 211,938
Contribution in relation to the actuarially determined contribution	<u>(234,844)</u>	<u>(232,147)</u>	<u>(220,357)</u>
Contribution deficiency (excess)	<u>\$ (9,148)</u>	<u>\$ (9,616)</u>	<u>\$ (8,419)</u>
Covered employee payroll	\$ 3,728,430	\$ 3,822,573	\$ 3,575,417
Contributions as a percentage of covered employee payroll	6.30%	6.07%	6.16%

NOTE: Information for the prior seven fiscal years was not readily available. The City will compile the respective information over the next seven fiscal years.

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



**CITY OF PORT LAVACA, TEXAS**  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 September 30, 2017

**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

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

**NOTE 2: BUDGETARY LEGAL COMPLIANCE**

For the year ended September 30, 2017, the City complied with budgetary restrictions at all departmental levels except the following:

<u>Fund Name- Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
City secretary	\$ 139,050	\$ 139,539	\$ 489
Police	1,682,150	1,721,503	39,353
Code enforcement/insp.	184,619	263,418	78,799
Convention/visitors bureau	231,000	257,589	26,589
Transfers out	12,000	44,661	32,661

**NOTE 3: TEXAS MUNICIPAL RETIREMENT SYSTEM**

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	29 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 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 with scale BB.

Other Information

There were no benefit changes during the year.

**Combining and Individual Fund Statements and Schedules**

## NONMAJOR GOVERNMENTAL FUNDS

### Nonmajor Special Revenue Funds

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

**Hotel Occupancy Tax Fund** - Accounts for the collection of hotel and motel taxes collected within the City. The City uses these funds to directly enhance and promote tourism and the convention and hotel industry or other expenses as approved by State Law.

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

**Municipal Court Technology, Building Security, and Juvenile Case Manager Funds** - Account for fees collected on conviction of certain municipal court offenses and funds are intended to enhance these specific areas.

**Economic Development Fund** - Accounts for funds received from public and private partners to be used for economic development purposes.

**HOME Program Fund** - Accounts for grant funds received from the Texas Department of Housing and Community Affairs to provide funds to entities for the reconstruction of substandard homes in their community.

**Texas Capital Fund** - Accounts for federal funds received to fund downtown revitalization such as sidewalks in the Historic Commercial District.

**Bullet Proof Vest Grant Fund** - Accounts for the purchases of bullet proof vests funded 50% by the U.S. Department of Justice and 50% by the City through the Bullet Proof Vest Partnership Program.

**Redflex Traffic System Fund** - Accounts for fees collected by the City's red light camera system. This money is shared with the State's trauma account and the City can only use this money to enhance pedestrian safety.

**Bayfront Peninsula Pier Fund** - Accounts for maintenance of the City's pier located at Bayfront Park.

**Homeland Security Grant** - Accounts for grant funds received from the Governor's Division of Emergency Management to provide law enforcement and emergency response communities with enhanced capabilities for detecting, deterring, disrupting, preventing and responding to potential threats of manmade, natural disasters, and acts of terrorism.

### Nonmajor Capital Projects Fund

Capital Project Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities or other capital assets. They exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**Street Construction Fund** - Accounts for the funding of street improvements by the use of bond proceeds or by funds from other governmental funds.

**NONMAJOR GOVERNMENTAL FUNDS - (Continued)**

**Nonmajor Debt Service Fund**

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

**2012 General Obligation Refunding Bonds Fund** - To accumulate monies for payment of the City's 2012 General Obligation Refunding Bonds.

**CITY OF PORT LAVACA, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2017

	Special Revenue				
	Hotel Occupancy Tax	Police Forfeitures	Juvenile Case Manager	Building Security	Economic Development
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 1,062,179	\$ 12,615	\$ 1,979	\$ 28,833	\$ 10,200
Receivables (net)	205,351	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 1,267,530</u></b>	<b><u>\$ 12,615</u></b>	<b><u>\$ 1,979</u></b>	<b><u>\$ 28,833</u></b>	<b><u>\$ 10,200</u></b>
<b>LIABILITIES</b>					
Liabilities					
Accounts payable	\$ 21,835	\$ -	\$ 454	\$ -	\$ -
Payroll related payables	-	-	1,525	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b><u>21,835</u></b>	<b><u>-</u></b>	<b><u>1,979</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCE</b>					
Restricted					
Retirement of long-term debt	-	-	-	-	-
Tourism and conventions	1,245,695	-	-	-	-
Economic development	-	-	-	-	10,200
Bayfront Park pier	-	-	-	-	-
Public safety	-	12,615	-	-	-
Municipal court	-	-	-	28,833	-
Committed					
Capital projects	-	-	-	-	-
<b>Total fund balance</b>	<b><u>1,245,695</u></b>	<b><u>12,615</u></b>	<b><u>-</u></b>	<b><u>28,833</u></b>	<b><u>10,200</u></b>
<b>Total liabilities, deferred inflows and fund balance</b>	<b><u>\$ 1,267,530</u></b>	<b><u>\$ 12,615</u></b>	<b><u>\$ 1,979</u></b>	<b><u>\$ 28,833</u></b>	<b><u>\$ 10,200</u></b>

Special Revenue					Capital Projects	
Bullet Proof Vest Grant	Redflex Traffic System	Court Technology Fund	Bayfront Peninsula Pier	Total	Street Construction	Total
\$ -	\$ 81,857	\$ 33,025	\$ 139	\$ 1,230,827	\$ 377,559	\$ 377,559
-	-	-	-	205,351	-	-
<u>1,242</u>	-	-	-	<u>1,242</u>	-	-
<u>\$ 1,242</u>	<u>\$ 81,857</u>	<u>\$ 33,025</u>	<u>\$ 139</u>	<u>\$ 1,437,420</u>	<u>\$ 377,559</u>	<u>\$ 377,559</u>
\$ -	\$ -	\$ 100	\$ -	\$ 22,389	\$ 15	\$ 15
-	-	-	-	1,525	-	-
<u>1,242</u>	-	<u>32,088</u>	-	<u>33,330</u>	-	-
<u>1,242</u>	-	<u>32,188</u>	-	<u>57,244</u>	<u>15</u>	<u>15</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,245,695	-	-
-	-	-	-	10,200	-	-
-	-	-	139	139	-	-
-	81,857	-	-	94,472	-	-
-	-	837	-	29,670	-	-
-	-	-	-	-	-	-
-	-	-	-	-	<u>377,544</u>	<u>377,544</u>
-	<u>81,857</u>	<u>837</u>	<u>139</u>	<u>1,380,176</u>	<u>377,544</u>	<u>377,544</u>
<u>\$ 1,242</u>	<u>\$ 81,857</u>	<u>\$ 33,025</u>	<u>\$ 139</u>	<u>\$ 1,437,420</u>	<u>\$ 377,559</u>	<u>\$ 377,559</u>

**CITY OF PORT LAVACA, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2017**

	Debt Service		Total Nonmajor Governmental Funds
	2012 General Obligation Refunding Bonds	Total	
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 147,901	\$ 147,901	\$ 1,756,287
Receivables (net)	20,626	20,626	225,977
Due from other governments	1,597	1,597	2,839
<b>Total assets</b>	<b>\$ 170,124</b>	<b>\$ 170,124</b>	<b>\$ 1,985,103</b>
<b>LIABILITIES</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 22,404
Payroll related payables	-	-	1,525
Due to other funds	-	-	33,330
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>57,259</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	20,626	20,626	20,626
<b>Total deferred inflows of resources</b>	<b>20,626</b>	<b>20,626</b>	<b>20,626</b>
<b>FUND BALANCE</b>			
Restricted			
Retirement of long-term debt	149,498	149,498	149,498
Tourism and conventions	-	-	1,245,695
Economic development	-	-	10,200
Bayfront Park pier	-	-	139
Public safety	-	-	94,472
Municipal court	-	-	29,670
Committed			
Capital projects	-	-	377,544
<b>Total fund balance</b>	<b>149,498</b>	<b>149,498</b>	<b>1,907,218</b>
<b>Total liabilities, deferred inflows and fund balance</b>	<b>\$ 170,124</b>	<b>\$ 170,124</b>	<b>\$ 1,985,103</b>

**CITY OF PORT LAVACA, TEXAS**

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

*NONMAJOR GOVERNMENTAL FUNDS*

*For the year ended September 30, 2017*

	Special Revenue					
	Hotel Occupancy Tax	Police Forfeitures	Juvenile Case Manager	Building Security	Economic Development	HOME Program
<b>REVENUES</b>						
Taxes	\$ 585,491	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, fees, and forfeitures	-	49,861	5,930	3,056	-	-
Intergovernmental	-	-	-	-	-	358,302
Investment	8,177	437	-	206	80	91
Miscellaneous	28,466	-	-	-	-	-
<b>Total revenues</b>	<u>622,134</u>	<u>50,298</u>	<u>5,930</u>	<u>3,262</u>	<u>80</u>	<u>358,393</u>
<b>EXPENDITURES</b>						
Current						
General government	240,360	-	-	-	-	388,396
Public safety	-	38,401	17,151	-	-	-
Public works	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<u>240,360</u>	<u>38,401</u>	<u>17,151</u>	<u>-</u>	<u>-</u>	<u>388,396</u>
Excess (deficiency) of revenues over expenditures	381,774	11,897	(11,221)	3,262	80	(30,003)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	11,221	-	-	30,003
Transfers out	(186,000)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(186,000)</u>	<u>-</u>	<u>11,221</u>	<u>-</u>	<u>-</u>	<u>30,003</u>
Net change in fund balances	195,774	11,897	-	3,262	80	-
Fund balances at beginning of year	1,049,921	718	-	25,571	10,120	-
<b>Fund balances at end of year</b>	<u>\$ 1,245,695</u>	<u>\$ 12,615</u>	<u>\$ -</u>	<u>\$ 28,833</u>	<u>\$ 10,200</u>	<u>\$ -</u>



Special Revenue

Texas Capital Fund	Bullet Proof Vest Grant	Redflex Traffic System	Court Technology Fund	Bayfront Peninsula Pier	Homeland Security	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 585,491
-	-	129,191	4,091	-	-	192,129
21,410	1,242	-	-	-	80,194	461,148
-	-	641	231	139	-	10,002
-	-	-	-	-	-	28,466
<u>21,410</u>	<u>1,242</u>	<u>129,832</u>	<u>4,322</u>	<u>139</u>	<u>80,194</u>	<u>1,277,236</u>
-	-	-	6,517	-	-	635,273
-	2,484	129,266	-	-	80,194	267,496
21,410	-	-	-	-	-	21,410
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>21,410</u>	<u>2,484</u>	<u>129,266</u>	<u>6,517</u>	<u>-</u>	<u>80,194</u>	<u>924,179</u>
-	(1,242)	566	(2,195)	139	-	353,057
-	1,242	-	2,195	-	-	44,661
-	-	-	-	-	-	(186,000)
-	1,242	-	2,195	-	-	(141,339)
-	-	566	-	139	-	211,718
-	-	81,291	837	-	-	1,168,458
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,857</u>	<u>\$ 837</u>	<u>\$ 139</u>	<u>\$ -</u>	<u>\$ 1,380,176</u>

(continued)

**CITY OF PORT LAVACA, TEXAS**

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

*NONMAJOR GOVERNMENTAL FUNDS*

*For the year ended September 30, 2017*

	<u>Capital Projects</u>		<u>Debt Service</u>		Total Nonmajor Governmental Funds
	<u>Street Construction</u>	<u>Total</u>	<u>2012 General Obligation Refunding Bonds</u>	<u>Total</u>	
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ 333,532	\$ 333,532	\$ 919,023
Fines, fees, and forfeitures	-	-	-	-	192,129
Intergovernmental	-	-	-	-	461,148
Investment	4,157	4,157	1,556	1,556	15,715
Miscellaneous	-	-	-	-	28,466
<b>Total revenues</b>	<u>4,157</u>	<u>4,157</u>	<u>335,088</u>	<u>335,088</u>	<u>1,616,481</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	635,273
Public safety	-	-	-	-	267,496
Public works	-	-	-	-	21,410
Capital outlay	576,279	576,279	-	-	576,279
Debt service					
Principal retirement	-	-	285,000	285,000	285,000
Interest and fiscal charges	-	-	41,661	41,661	41,661
<b>Total expenditures</b>	<u>576,279</u>	<u>576,279</u>	<u>326,661</u>	<u>326,661</u>	<u>1,827,119</u>
Excess (deficiency) of revenues over expenditures	(572,122)	(572,122)	8,427	8,427	(210,638)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	44,661
Transfers out	-	-	-	-	(186,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141,339)</u>
Net change in fund balances	(572,122)	(572,122)	8,427	8,427	(351,977)
Fund balances at beginning of year	<u>949,666</u>	<u>949,666</u>	<u>141,071</u>	<u>141,071</u>	<u>2,259,195</u>
<b>Fund balances at end of year</b>	<u>\$ 377,544</u>	<u>\$ 377,544</u>	<u>\$ 149,498</u>	<u>\$ 149,498</u>	<u>\$ 1,907,218</u>

(concluded)

## **GENERAL FUND**

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

**CITY OF PORT LAVACA, TEXAS**  
**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**  
**BALANCE SHEET**  
**September 30, 2017**  
*With comparative totals for September 30, 2016*

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,305,360	\$ 7,017,149
Investments	-	490,000
Receivables, net		
Taxes	445,675	461,449
Fines	60,407	55,748
Other	18,230	50,612
Due from other governments	525,724	426,283
Due from other funds	58,829	885,233
Prepaid items	<u>42,147</u>	<u>45,717</u>
<b>Total assets</b>	<b><u>\$ 11,456,372</u></b>	<b><u>\$ 9,432,191</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 628,767	\$ 156,877
Payroll related payables	139,953	161,111
Other payables	40,907	58,143
Due to other governments	13,056	25,343
Customer and other deposits	11,177	18,944
Unearned revenue	<u>64,044</u>	<u>64,041</u>
<b>Total liabilities</b>	<u>897,904</u>	<u>484,459</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	<u>455,190</u>	<u>445,393</u>
<b>Total deferred inflows of resources</b>	<u>455,190</u>	<u>445,393</u>
<b>FUND BALANCE</b>		
Nonspendable		
Prepaid items	42,147	45,717
Committed		
Operating reserves	2,375,525	2,330,439
Health insurance claims	733,670	920,230
Capital asset replacement	264,637	283,660
Unassigned	<u>6,687,299</u>	<u>4,922,293</u>
<b>Total fund balance</b>	<u>10,103,278</u>	<u>8,502,339</u>
<b>Total liabilities, deferred inflows and fund balance</b>	<b><u>\$ 11,456,372</u></b>	<b><u>\$ 9,432,191</u></b>

**CITY OF PORT LAVACA, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 3,594,000	\$ 3,814,701	\$ 220,701	\$ 3,706,583
Sales	2,600,000	2,693,583	93,583	2,510,153
Franchise	568,500	583,034	14,534	587,153
Beverage	15,000	29,894	14,894	24,246
Total taxes	<u>6,777,500</u>	<u>7,121,212</u>	<u>343,712</u>	<u>6,828,135</u>
Fines and forfeitures				
Municipal court	188,000	214,366	26,366	212,719
Tax penalties and fees	120,000	118,188	(1,812)	104,932
Total fines and forfeitures	<u>308,000</u>	<u>332,554</u>	<u>24,554</u>	<u>317,651</u>
Intergovernmental				
Reimbursements	256,000	256,175	175	256,166
Grants and allocations	1,800	45,778	43,978	1,941
Total intergovernmental	<u>257,800</u>	<u>301,953</u>	<u>44,153</u>	<u>258,107</u>
Licenses and permits				
Licenses				
Building/electrical	7,500	10,050	2,550	8,028
Animal	5,000	6,325	1,325	7,270
Alcoholic beverage	4,000	4,760	760	5,295
Permits				
Building	30,000	117,517	87,517	22,733
Electrical	7,000	9,190	2,190	10,649
Plumbing	8,500	10,313	1,813	11,792
Mechanical	3,500	22,444	18,944	11,445
Miscellaneous	20,500	50,722	30,222	32,425
Total licenses and permits	<u>86,000</u>	<u>231,321</u>	<u>145,321</u>	<u>109,637</u>
Investment	<u>15,000</u>	<u>89,097</u>	<u>74,097</u>	<u>36,208</u>
Rental	<u>50,000</u>	<u>76,020</u>	<u>26,020</u>	<u>87,130</u>
Charges for services				
Police service fees	2,000	2,176	176	1,645
Other	-	-	-	1,099
Total charges for services	<u>2,000</u>	<u>2,176</u>	<u>176</u>	<u>2,744</u>

**CITY OF PORT LAVACA, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

---

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES - (Continued)</b>				
Miscellaneous				
Reimbursements and refunds	\$ 79,536	\$ 72,313	\$ (7,223)	\$ 11,669
Other	<u>31,225</u>	<u>92,030</u>	<u>60,805</u>	<u>60,321</u>
Total miscellaneous	<u>110,761</u>	<u>164,343</u>	<u>53,582</u>	<u>71,990</u>
Total revenues	<u>7,607,061</u>	<u>8,318,676</u>	<u>711,615</u>	<u>7,711,602</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	448,500	453,500	5,000	550,988
Sale of capital assets	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>	<u>3,617</u>
Total other financing sources	<u>453,500</u>	<u>453,500</u>	<u>-</u>	<u>554,605</u>
<b>Total revenues and other financing sources</b>	<u>\$ 8,060,561</u>	<u>\$ 8,772,176</u>	<u>\$ 711,615</u>	<u>\$ 8,266,207</u>

**CITY OF PORT LAVACA, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
<b>EXPENDITURES</b>				
Current				
General government				
City council				
Personnel services	\$ 29,894	\$ 28,808	\$ 1,086	\$ 27,205
Materials and supplies	-	493	(493)	380
Services	1,150	1,417	(267)	1,331
Total city council	<u>31,044</u>	<u>30,718</u>	<u>326</u>	<u>28,916</u>
City manager				
Personnel services	191,850	158,008	33,842	223,217
Materials and supplies	700	1,375	(675)	1,131
Services	9,000	5,491	3,509	5,356
Total city manager	<u>201,550</u>	<u>164,874</u>	<u>36,676</u>	<u>229,704</u>
City secretary				
Personnel services	116,050	133,408	(17,358)	88,128
Materials and supplies	2,000	1,755	245	1,451
Services	20,600	4,376	16,224	29,745
Maintenance	400	-	400	398
Total city secretary	<u>139,050</u>	<u>139,539</u>	<u>(489)</u>	<u>119,722</u>
Human resources				
Personnel services	-	-	-	44,469
Materials and supplies	1,500	2,001	(501)	1,977
Services	27,500	10,756	16,744	15,524
Maintenance	-	-	-	560
Total human resources	<u>29,000</u>	<u>12,757</u>	<u>16,243</u>	<u>62,530</u>
Municipal court				
Personnel services	86,575	90,419	(3,844)	84,638
Materials and supplies	2,200	1,976	224	3,723
Services	20,000	16,329	3,671	13,632
Maintenance	3,500	200	3,300	3,168
Total municipal court	<u>112,275</u>	<u>108,924</u>	<u>3,351</u>	<u>105,161</u>
Economic development				
Personnel services	71,535	29,318	42,217	87,257
Materials and supplies	1,000	2,471	(1,471)	658
Services	117,000	40,693	76,307	33,899
Maintenance	6,500	144	6,356	867
Total economic development	<u>196,035</u>	<u>72,626</u>	<u>123,409</u>	<u>122,681</u>

**CITY OF PORT LAVACA, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
General government - (Continued)				
Finance				
Personnel services	\$ 203,600	\$ 148,448	\$ 55,152	\$ 209,970
Materials and supplies	8,000	8,187	(187)	6,546
Services	12,900	17,677	(4,777)	5,933
Maintenance	500	558	(58)	456
Total finance	<u>225,000</u>	<u>174,870</u>	<u>50,130</u>	<u>222,905</u>
City hall				
Personnel services	-	689	(689)	-
Materials and supplies	9,800	8,911	889	9,215
Services	80,450	75,051	5,399	78,205
Maintenance	51,960	23,847	28,113	7,569
Capital outlay	45,000	40,256	4,744	-
Total city hall	<u>187,210</u>	<u>148,754</u>	<u>38,456</u>	<u>94,989</u>
Non-departmental				
Personnel services	693,500	551,598	141,902	647,284
Services	461,514	376,872	84,642	458,250
Maintenance	70,000	75,050	(5,050)	68,105
Sundry	95,844	105,706	(9,862)	31,791
Total non-departmental	<u>1,320,858</u>	<u>1,109,226</u>	<u>211,632</u>	<u>1,205,430</u>
Total general government	<u>2,442,022</u>	<u>1,962,288</u>	<u>479,734</u>	<u>2,192,038</u>
Public safety				
Police				
Personnel services	1,342,000	1,382,582	(40,582)	1,299,801
Materials and supplies	110,000	84,205	25,795	75,464
Services	85,950	123,001	(37,051)	82,024
Maintenance	86,200	82,125	4,075	118,052
Capital outlay	58,000	49,590	8,410	46,680
Total police	<u>1,682,150</u>	<u>1,721,503</u>	<u>(39,353)</u>	<u>1,622,021</u>
Fire				
Personnel services	979,100	901,109	77,991	911,107
Materials and supplies	117,700	131,089	(13,389)	90,794
Services	58,300	52,852	5,448	50,079
Maintenance	93,798	90,885	2,913	36,091
Debt service	47,763	47,763	-	47,763
Total fire	<u>1,296,661</u>	<u>1,223,698</u>	<u>72,963</u>	<u>1,135,834</u>
Animal control				
Personnel services	83,000	65,518	17,482	82,856
Materials and supplies	12,300	7,093	5,207	7,268
Services	11,400	15,507	(4,107)	10,151
Maintenance	4,000	8,656	(4,656)	12,399
Total animal control	<u>110,700</u>	<u>96,774</u>	<u>13,926</u>	<u>112,674</u>
Total public safety	<u>3,089,511</u>	<u>3,041,975</u>	<u>47,536</u>	<u>2,870,529</u>



**CITY OF PORT LAVACA, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
Public works				
Code enforcement/inspections				
Personnel services	\$ 149,100	\$ 178,593	\$ (29,493)	\$ 149,846
Materials and supplies	6,700	6,413	287	5,813
Services	19,150	44,795	(25,645)	18,542
Maintenance	3,800	2,211	1,589	3,170
Capital outlay	5,869	31,406	(25,537)	-
Total code enforcement/inspections	184,619	263,418	(78,799)	177,371
Streets				
Personnel services	442,000	399,603	42,397	441,950
Materials and supplies	50,000	28,272	21,728	45,088
Services	153,850	155,264	(1,414)	130,974
Maintenance	204,750	85,613	119,137	289,296
Capital outlay	2,136,508	321,763	1,814,745	105,580
Total streets	2,987,108	990,515	1,996,593	1,012,888
Total public works	3,171,727	1,253,933	1,917,794	1,190,259
Parks and recreation				
Parks				
Personnel services	172,000	173,934	(1,934)	165,126
Materials and supplies	40,900	31,833	9,067	28,673
Services	49,100	60,621	(11,521)	64,738
Maintenance	64,001	56,902	7,099	64,693
Capital outlay	515,600	33,139	482,461	202,853
Total parks	841,601	356,429	485,172	526,083
Convention/visitors bureau				
Personnel services	64,200	61,697	2,503	59,317
Materials and supplies	6,550	6,073	477	6,028
Services	114,100	108,371	5,729	110,299
Maintenance	46,150	81,448	(35,298)	36,763
Total convention/visitors bureau	231,000	257,589	(26,589)	212,407
Total parks and recreation	1,072,601	614,018	458,583	738,490
Total current	9,775,861	6,872,214	2,903,647	6,991,316
Capital outlay	254,362	254,362	-	-
Total expenditures	10,030,223	7,126,576	2,903,647	6,991,316
<b>OTHER FINANCING USES</b>				
Transfers out	12,000	44,661	(32,661)	575,786
<b>Total expenditures and other financing uses</b>	<b>\$ 10,042,223</b>	<b>\$ 7,171,237</b>	<b>\$ 2,870,986</b>	<b>\$ 7,567,102</b>

**NONMAJOR DEBT SERVICE FUND**

**CITY OF PORT LAVACA, TEXAS**

**NONMAJOR GOVERNMENTAL FUNDS - 2012 GENERAL OBLIGATION REFUNDING BONDS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 327,000	\$ 333,532	\$ 6,532	\$ 325,121
Investment	-	1,556	1,556	838
<b>Total revenues</b>	<u>327,000</u>	<u>335,088</u>	<u>8,088</u>	<u>325,959</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	285,000	285,000	-	280,000
Interest and fiscal charges	<u>42,000</u>	<u>41,661</u>	<u>339</u>	<u>47,396</u>
<b>Total expenditures</b>	<u>327,000</u>	<u>326,661</u>	<u>339</u>	<u>327,396</u>
Excess (deficiency) of revenues over expenditures	-	8,427	8,427	(1,437)
<b>OTHER FINANCING SOURCES (USES)</b>	-	-	-	-
Net change in fund balances	-	8,427	8,427	(1,437)
Fund balances at beginning of year	<u>141,071</u>	<u>141,071</u>	-	<u>142,508</u>
<b>Fund balances at end of year</b>	<u>\$ 141,071</u>	<u>\$ 149,498</u>	<u>\$ 8,427</u>	<u>\$ 141,071</u>

## AGENCY FUND

Agency Funds are used to account for resources held for others in a custodial capacity and do not involve measurement of results of operations.

**Police Seized Nonforfeiture Fund** - To account for assets seized by the City's police department in various law enforcement actions prior to disposition of the assets by court authorities.

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
*For the year ended September 30, 2017*

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>POLICE SEIZED NONFORFEITURE FUND</b>				
Assets				
Cash and cash equivalents	\$ 78,817	\$ 8,076	\$ 60,561	\$ 26,332
Total assets	<u>\$ 78,817</u>	<u>\$ 8,076</u>	<u>\$ 60,561</u>	<u>\$ 26,332</u>
Liabilities				
Due to others	\$ 78,817	\$ 8,076	\$ 60,561	\$ 26,332
Total liabilities	<u>\$ 78,817</u>	<u>\$ 8,076</u>	<u>\$ 60,561</u>	<u>\$ 26,332</u>

## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time .....	78
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues .....	89
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future .....	100
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments .....	106
<b>Operating Information</b>	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs .....	108

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

	Fiscal Year			
	2008	2009	2010	2011
<b>Governmental activities</b>				
Net investment in capital assets	\$ 13,815,306	\$ 15,787,249	\$ 18,383,147	\$ 18,380,797
Restricted	848,885	876,554	784,798	1,049,987
Unrestricted	7,374,943	6,394,379	4,732,493	5,231,769
<b>Total governmental activities net position</b>	<b>\$ 22,039,134</b>	<b>\$ 23,058,182</b>	<b>\$ 23,900,438</b>	<b>\$ 24,662,553</b>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 11,052,199	\$ 11,334,652	\$ 11,536,833	\$ 13,321,583
Restricted	12,681	233,544	51,469	-
Unrestricted	4,953,062	5,642,701	6,841,071	6,892,206
<b>Total business-type activities net position</b>	<b>\$ 16,017,942</b>	<b>\$ 17,210,897</b>	<b>\$ 18,429,373</b>	<b>\$ 20,213,789</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 24,867,505	\$ 27,121,901	\$ 29,919,980	\$ 31,702,380
Restricted	861,566	1,110,098	836,267	1,049,987
Unrestricted	12,328,005	12,037,080	11,573,564	12,123,975
<b>Total primary government activities net position</b>	<b>\$ 38,057,076</b>	<b>\$ 40,269,079</b>	<b>\$ 42,329,811</b>	<b>\$ 44,876,342</b>

(1) Accrual basis of accounting

NOTE: The City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 19,174,209	\$ 21,750,587	\$ 19,170,337	\$ 20,724,855	\$ 20,549,966	\$ 21,310,618
1,027,384	1,463,189	1,175,154	1,330,800	1,321,980	1,545,313
5,544,238	3,452,739	7,942,352	8,118,735	9,368,639	10,301,123
<u>\$ 25,745,831</u>	<u>\$ 26,666,515</u>	<u>\$ 28,287,843</u>	<u>\$ 30,174,390</u>	<u>\$ 31,240,585</u>	<u>\$ 33,157,054</u>
\$ 13,756,393	\$ 14,059,066	\$ 16,550,105	\$ 17,592,876	\$ 17,986,418	\$ 18,489,664
-	-	-	-	-	-
7,449,406	7,772,021	6,402,372	5,622,584	6,247,533	7,262,774
<u>\$ 21,205,799</u>	<u>\$ 21,831,087</u>	<u>\$ 22,952,477</u>	<u>\$ 23,215,460</u>	<u>\$ 24,233,951</u>	<u>\$ 25,752,438</u>
\$ 32,930,602	\$ 35,809,653	\$ 35,720,442	\$ 38,317,731	\$ 38,536,384	\$ 39,800,282
1,027,384	1,463,189	1,175,154	1,330,800	1,321,980	1,545,313
12,993,644	11,224,760	14,344,724	13,741,319	15,616,172	17,563,897
<u>\$ 46,951,630</u>	<u>\$ 48,497,602</u>	<u>\$ 51,240,320</u>	<u>\$ 53,389,850</u>	<u>\$ 55,474,536</u>	<u>\$ 58,909,492</u>



**CITY OF PORT LAVACA, TEXAS**

*CHANGES IN NET POSITION (1)*

*Last ten fiscal years*

	Fiscal Year			
	2008	2009	2010	2011
<b>Governmental activities</b>				
Program expenses				
General government	\$ 1,499,965	\$ 1,847,859	\$ 1,886,794	\$ 1,952,643
Public safety	2,490,358	2,598,507	3,191,293	3,112,422
Public works	1,974,638	1,615,002	1,406,502	1,539,354
Parks and recreation	167,594	547,013	686,747	701,325
Interest on long-term debt	-	154,696	147,266	140,373
Total expenses	<u>6,132,555</u>	<u>6,763,077</u>	<u>7,318,602</u>	<u>7,446,117</u>
Program revenues				
Charges for services	412,420	484,632	804,307	612,209
Operating grants and contributions	269,784	378,324	322,510	293,947
Capital grants and contributions	407,223	51,589	125,279	35,500
Total program revenues	<u>1,089,427</u>	<u>914,545</u>	<u>1,252,096</u>	<u>941,656</u>
Total governmental activities net program expense	(5,043,128)	(5,848,532)	(6,066,506)	(6,504,461)
General revenues and other changes in net position				
Taxes				
Property taxes	2,894,987	3,214,039	3,414,317	3,513,386
Sales taxes	2,439,957	2,170,959	2,295,492	2,313,247
Franchise taxes	623,987	613,509	620,247	586,575
Other taxes	277,757	235,571	271,287	339,366
Unrestricted investment earnings	258,739	123,127	54,319	38,045
Miscellaneous	338,701	235,375	277,928	246,642
Transfers	364,397	275,000	182,943	229,315
Special item - litigation settlement	-	-	(185,000)	-
Total general revenues and other changes in net position	<u>7,198,525</u>	<u>6,867,580</u>	<u>6,931,533</u>	<u>7,266,576</u>
<b>Total governmental activities change in net position</b>	<u>\$ 2,155,397</u>	<u>\$ 1,019,048</u>	<u>\$ 865,027</u>	<u>\$ 762,115</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 2,150,599	\$ 2,140,960	\$ 2,632,811	\$ 2,405,720	\$ 2,417,076	\$ 2,615,056
3,088,940	3,199,920	3,232,531	3,292,483	3,200,259	3,460,733
1,629,726	1,629,165	1,379,978	1,374,483	1,592,784	1,423,250
637,689	689,022	629,640	685,084	697,230	748,171
132,374	113,201	67,300	60,841	53,809	51,373
<u>7,639,328</u>	<u>7,772,268</u>	<u>7,942,260</u>	<u>7,818,611</u>	<u>7,961,158</u>	<u>8,298,583</u>
586,394	711,117	613,177	603,814	608,227	721,582
322,478	252,056	687,201	364,996	273,077	741,691
259,835	-	142,843	32,894	-	21,410
<u>1,168,707</u>	<u>963,173</u>	<u>1,443,221</u>	<u>1,001,704</u>	<u>881,304</u>	<u>1,484,683</u>
(6,470,621)	(6,809,095)	(6,499,039)	(6,816,907)	(7,079,854)	(6,813,900)
3,754,272	3,808,571	3,971,992	4,071,091	4,054,264	4,159,200
2,364,076	2,445,393	2,500,013	2,809,977	2,510,153	2,693,583
593,255	587,534	615,184	615,800	587,153	583,034
345,381	389,564	576,001	538,290	427,960	615,385
29,877	12,995	14,445	29,459	42,964	104,812
232,217	302,881	191,564	245,554	254,054	306,855
234,821	224,000	251,168	864,500	269,501	267,500
-	-	-	-	-	-
<u>7,553,899</u>	<u>7,770,938</u>	<u>8,120,367</u>	<u>9,174,671</u>	<u>8,146,049</u>	<u>8,730,369</u>
\$ <u>1,083,278</u>	\$ <u>961,843</u>	\$ <u>1,621,328</u>	\$ <u>2,357,764</u>	\$ <u>1,066,195</u>	\$ <u>1,916,469</u>

(continued)

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

	Fiscal Year			
	2008	2009	2010	2011
<b>Business-type activities</b>				
Expenses				
Public utilities	\$ 3,913,016	\$ 4,288,109	\$ 4,283,432	\$ 4,123,809
Port commission	328,525	379,371	395,332	382,570
Beach operations	150,828	162,064	218,240	309,838
Total expenses	<u>4,392,369</u>	<u>4,829,544</u>	<u>4,897,004</u>	<u>4,816,217</u>
Program revenues				
Charges for services	5,612,806	5,966,101	5,893,741	6,303,875
Operating grants and contributions	2,000	2,000	2,000	175,303
Capital grants and contributions	153,218	236,338	374,396	330,595
Total program revenues	<u>5,768,024</u>	<u>6,204,439</u>	<u>6,270,137</u>	<u>6,809,773</u>
Total business-type activities net program expense	1,375,655	1,374,895	1,373,133	1,993,556
General revenues and other changes in net position				
Unrestricted investment earnings	176,704	75,060	28,286	20,175
Miscellaneous	-	18,000	-	-
Special item - GBRA clearwell	(891,876)	-	-	-
Transfers	(364,397)	(275,000)	(182,943)	(229,315)
Total general revenues and other changes in net position	<u>(1,079,569)</u>	<u>(181,940)</u>	<u>(154,657)</u>	<u>(209,140)</u>
<b>Total business-type activities change in net position</b>	<u>\$ 296,086</u>	<u>\$ 1,192,955</u>	<u>\$ 1,218,476</u>	<u>\$ 1,784,416</u>
<b>Total primary government change in net position</b>	<u>\$ 2,451,483</u>	<u>\$ 2,212,003</u>	<u>\$ 2,083,503</u>	<u>\$ 2,546,531</u>

(1) Accrual basis of accounting

NOTE: The City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 4,244,884	\$ 4,360,184	\$ 4,252,370	\$ 4,614,845	\$ 4,452,538	\$ 4,313,837
444,081	464,556	456,212	447,151	396,088	340,846
225,381	253,315	261,309	344,669	272,436	267,756
<u>4,914,346</u>	<u>5,078,055</u>	<u>4,969,891</u>	<u>5,406,665</u>	<u>5,121,062</u>	<u>4,922,439</u>
5,913,131	6,163,237	6,081,076	6,558,643	6,322,642	6,458,067
22,340	2,000	-	-	2,000	2,000
117,620	49,217	248,350	37,000	45,625	181,111
<u>6,053,091</u>	<u>6,214,454</u>	<u>6,329,426</u>	<u>6,595,643</u>	<u>6,370,267</u>	<u>6,641,178</u>
1,138,745	1,136,399	1,359,535	1,188,978	1,249,205	1,718,739
20,024	17,507	13,023	13,563	38,787	67,248
68,062	-	-	-	-	-
-	-	-	-	-	-
<u>(234,821)</u>	<u>(224,000)</u>	<u>(251,168)</u>	<u>(864,500)</u>	<u>(269,501)</u>	<u>(267,500)</u>
<u>(146,735)</u>	<u>(206,493)</u>	<u>(238,145)</u>	<u>(850,937)</u>	<u>(230,714)</u>	<u>(200,252)</u>
<u>\$ 992,010</u>	<u>\$ 929,906</u>	<u>\$ 1,121,390</u>	<u>\$ 338,041</u>	<u>\$ 1,018,491</u>	<u>\$ 1,518,487</u>
<u>\$ 2,075,288</u>	<u>\$ 1,891,749</u>	<u>\$ 2,742,718</u>	<u>\$ 2,695,805</u>	<u>\$ 2,084,686</u>	<u>\$ 3,434,956</u>

(concluded)

**CITY OF PORT LAVACA, TEXAS**  
**FUND BALANCES, GOVERNMENTAL FUNDS (1)**  
*Last ten fiscal years*

	Fiscal Year			
	2008	2009	2010	2011
<b>General Fund</b>				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ 52,478
Committed				
Operating reserves	-	-	-	2,306,152
Health insurance claims	-	-	-	504,848
Capital asset replacement	-	-	-	382,265
Unassigned	-	-	-	1,539,331
Reserved				
Prepaid items	25,929	37,078	50,017	-
Unreserved, designated				
Operating reserves	2,908,981	3,107,978	2,063,977	-
Health insurance claims	500,000	500,000	500,000	-
Street improvements	-	-	-	-
Capital asset replacement	340,946	250,000	250,000	-
Unreserved, undesignated	<u>2,543,671</u>	<u>2,534,443</u>	<u>1,750,753</u>	<u>-</u>
<b>Total general fund</b>	<u>\$ 6,319,527</u>	<u>\$ 6,429,499</u>	<u>\$ 4,614,747</u>	<u>\$ 4,785,074</u>
<b>All Other Governmental Funds</b>				
Restricted				
Retirement of long-term debt	-	-	-	177,224
Various capital projects	-	-	-	114,799
Tourism and conventions	-	-	-	551,491
Economic development	-	-	-	-
Public safety	-	-	-	112,456
Municipal court	-	-	-	20,247
Bayfront park pier	-	-	-	55,943
Committed				
Various capital projects	-	-	-	-
Unreserved, undesignated reported in				
Special revenue funds	711,057	707,885	704,036	-
Debt service fund	159,271	159,657	161,177	-
Capital project funds	<u>574,045</u>	<u>(505,092)</u>	<u>(281,044)</u>	<u>-</u>
<b>Total all other governmental funds</b>	<u>\$ 1,444,373</u>	<u>\$ 362,450</u>	<u>\$ 584,169</u>	<u>\$ 1,032,160</u>

(1) Modified accrual basis of accounting

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 49,954	\$ 64,938	\$ 51,193	\$ 47,218	\$ 45,717	\$ 42,147
2,408,598	2,286,604	2,236,320	2,468,798	2,330,439	2,375,525
676,542	728,602	929,210	924,846	920,230	733,670
273,122	282,298	275,245	285,876	283,660	264,637
1,728,695	2,536,205	3,183,423	4,076,496	4,922,293	6,687,299
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 5,136,911</u>	<u>\$ 5,898,647</u>	<u>\$ 6,675,391</u>	<u>\$ 7,803,234</u>	<u>\$ 8,502,339</u>	<u>\$ 10,103,278</u>
183,391	207,178	201,457	142,508	141,071	149,498
133,106	508,824	-	-	-	-
497,372	517,606	774,183	1,004,401	1,049,921	1,245,695
10,001	10,024	10,057	10,088	10,120	10,200
114,723	125,936	88,429	89,916	82,009	94,472
18,328	17,857	20,627	23,382	26,408	29,670
56,004	56,063	56,087	56,126	-	139
-	-	1,008,386	478,412	949,666	377,544
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,012,925</u>	<u>\$ 1,443,488</u>	<u>\$ 2,159,226</u>	<u>\$ 1,804,833</u>	<u>\$ 2,259,195</u>	<u>\$ 1,907,218</u>

**CITY OF PORT LAVACA, TEXAS**

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

*Last ten fiscal years*

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes	\$ 6,298,996	\$ 6,198,734	\$ 6,609,092	\$ 6,747,620
Licenses and permits	98,076	96,535	97,740	108,266
Fines and forfeitures	402,550	501,345	769,529	687,791
Charges for services	11,080	5,332	5,956	7,525
Intergovernmental	262,384	429,913	447,789	329,447
Investment	258,739	123,127	54,319	38,045
Rental	36,535	37,390	22,737	30,780
Miscellaneous	267,720	96,453	135,191	91,311
Total revenues	<u>7,636,080</u>	<u>7,488,829</u>	<u>8,142,353</u>	<u>8,040,785</u>
Expenditures				
Current				
General government	1,588,358	1,846,671	1,859,894	2,136,142
Public safety	2,565,946	2,742,639	3,213,266	3,330,945
Public works	1,301,846	1,422,306	1,016,111	1,220,156
Parks and recreation	447,281	440,345	579,783	670,771
Capital outlay	454,855	1,947,494	2,922,769	235,268
Debt service				
Principal retirement	180,000	195,000	200,000	205,000
Interest and fiscal charges	161,865	155,465	148,599	141,658
Issuance costs	-	-	-	-
Total expenditures	<u>6,700,151</u>	<u>8,749,920</u>	<u>9,940,422</u>	<u>7,939,940</u>
Excess (deficiency) of revenues over expenditures	935,929	(1,261,091)	(1,798,069)	100,845
Other financing sources (uses)				
Transfers in	1,053,450	1,019,558	3,271,834	924,047
Transfers out	(689,053)	(744,558)	(3,071,834)	(696,612)
Debt issued	257,054	-	-	284,776
Payment to escrow	-	-	-	-
Sale of capital assets	9,439	14,141	5,036	5,262
Total other financing sources (uses)	<u>630,890</u>	<u>289,141</u>	<u>205,036</u>	<u>517,473</u>
Change in fund balances	<u>\$ 1,566,819</u>	<u>\$ (971,950)</u>	<u>\$ (1,593,033)</u>	<u>\$ 618,318</u>
Debt service as a percentage of noncapital expenditures	<u>5.76%</u>	<u>5.49%</u>	<u>5.10%</u>	<u>4.86%</u>

(1) Modified accrual basis of accounting

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 7,097,425	\$ 7,290,483	\$ 7,653,598	\$ 8,059,337	\$ 7,556,970	\$ 8,040,235	
109,347	158,721	131,291	105,245	109,637	231,321	
566,325	626,677	512,461	518,363	508,347	524,683	
5,170	6,820	2,901	3,667	2,744	2,176	
322,478	252,056	830,044	372,153	273,077	763,101	
29,877	12,995	14,445	29,459	42,964	104,812	
46,432	67,615	76,290	87,084	87,130	76,020	
84,151	181,263	143,274	157,627	163,060	192,809	
<u>8,261,205</u>	<u>8,596,630</u>	<u>9,364,304</u>	<u>9,332,935</u>	<u>8,743,929</u>	<u>9,935,157</u>	
2,132,974	2,096,778	2,604,645	2,374,117	2,430,712	2,597,561	
3,221,180	3,089,627	3,336,053	3,198,927	3,088,008	3,309,471	
1,176,781	1,174,528	983,253	1,344,897	1,190,259	1,275,343	
504,457	932,950	469,422	1,004,617	738,490	614,018	
787,921	16,000	412,833	1,215,917	88,715	830,641	
215,000	270,000	265,000	275,000	280,000	285,000	
134,067	53,061	60,386	53,571	47,396	41,661	
-	67,106	-	-	-	-	
<u>8,172,380</u>	<u>7,700,050</u>	<u>8,131,592</u>	<u>9,467,046</u>	<u>7,863,580</u>	<u>8,953,695</u>	
88,825	896,580	1,232,712	(134,111)	880,349	981,462	
613,632	825,428	1,228,814	1,813,565	1,126,774	498,161	
(378,811)	(601,428)	(969,044)	(949,065)	(857,273)	(230,661)	
-	2,945,000	-	-	-	-	
-	(2,877,894)	-	-	-	-	
8,956	4,613	-	43,061	3,617	-	
<u>243,777</u>	<u>295,719</u>	<u>259,770</u>	<u>907,561</u>	<u>273,118</u>	<u>267,500</u>	
\$ <u>332,602</u>	\$ <u>1,192,299</u>	\$ <u>1,492,482</u>	\$ <u>773,450</u>	\$ <u>1,153,467</u>	\$ <u>1,248,962</u>	
<u>4.84%</u>	<u>4.51%</u>	<u>4.44%</u>	<u>4.52%</u>	<u>4.41%</u>	<u>4.30%</u>	



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

---

<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel/Motel</u>	<u>Beverage</u>	<u>Total</u>
2008	\$ 2,957,295	\$ 2,439,957	\$ 623,987	\$ 267,816	\$ 9,941	\$ 6,298,996
2009	3,178,695	2,170,959	613,509	226,054	9,517	6,198,734
2010	3,422,066	2,295,492	620,247	261,959	9,328	6,609,092
2011	3,508,432	2,313,247	586,575	328,114	11,252	6,747,620
2012	3,439,708	2,364,076	593,255	331,724	13,657	6,742,420
2013	3,867,992	2,445,393	587,534	372,677	16,887	7,290,483
2014	3,962,400	2,500,013	615,184	557,841	18,160	7,653,598
2015	4,095,270	2,809,977	615,800	515,635	22,655	8,059,337
2016	4,031,704	2,510,153	587,153	403,714	24,246	7,556,970
2017	4,148,233	2,693,583	583,034	585,491	29,894	8,040,235

(1) Modified accrual basis of accounting

NOTES: The increase in hotel/motel tax in fiscal year 2011 is due to the addition of new hotels in the City and the increase in tax revenue continued in fiscal year 2012 through 2017. Fiscal years 2014 thru 2017 also had an increase in revenues due to the hotel/motel audit performed and the payment of back taxes owed.

The increase in ad valorem tax in fiscal year 2016-2017 is due to the increase in the appraised value on the existing roll.

**CITY OF PORT LAVACA, TEXAS****ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY***Last ten fiscal years*

Fiscal Year	Tax Roll	Real Property			Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value Before Freeze
		Residential Property	Non-Residential Property				
2008	2007	\$ 206,232,783	\$ 141,359,770	\$ 83,588,536	\$ 41,119,764	\$ 390,061,325	
2009	2008	231,441,796	154,694,954	95,630,537	51,553,761	430,213,526	
2010	2009	263,328,770	163,153,617	98,027,813	62,279,300	462,230,900	
2011	2010	266,000,516	182,017,744	97,590,700	58,619,346	486,989,614	
2012	2011	258,864,339	211,167,691	121,729,513	75,510,553	516,250,990	
2013	2012	261,801,587	224,611,352	109,068,664	89,763,499	505,718,104	
2014	2013	262,539,992	238,108,943	104,598,314	90,882,927	514,364,322	
2015	2014	266,971,427	245,595,854	111,134,071	96,145,972	527,555,380	
2016	2015	273,143,803	252,372,733	100,428,715	99,607,928	526,337,323	
2017	2016	282,739,771	260,500,871	102,055,513	103,951,981	541,344,174	

(1) Includes tax-exempt property

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

SOURCE: Calhoun County Appraisal District

<u>Total Freeze Taxable</u>	<u>Freeze Adjusted Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Tax Value Before Freeze Ceiling</u>	<u>Freeze Ceiling</u>	<u>Estimated Tax Value Including Freeze Ceiling</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ -	\$ 390,061,325	\$ 0.7500	\$ 2,925,460	\$ -	\$ 2,925,460	100.00%
(57,591,363)	372,622,163	0.7500	2,794,666	399,258	3,193,924	100.00%
(63,229,126)	399,001,774	0.7500	2,992,513	403,976	3,396,489	100.00%
(68,945,245)	418,044,369	0.7500	3,135,333	423,648	3,558,981	100.00%
(69,858,766)	446,392,224	0.7450	3,325,622	431,261	3,756,883	100.00%
(71,958,318)	433,759,786	0.7568	3,282,694	446,159	3,728,853	100.00%
(71,687,194)	442,677,128	0.7900	3,950,383	453,234	4,403,617	100.00%
(73,217,883)	454,337,497	0.7900	4,061,002	471,736	4,532,738	100.00%
(72,637,802)	453,699,521	0.7900	4,049,095	464,869	4,513,964	100.00%
(75,865,635)	465,478,539	0.7900	4,154,852	477,572	4,632,424	100.00%

**CITY OF PORT LAVACA, TEXAS**

*DIRECT AND OVERLAPPING PROPERTY TAX RATES*

*PER \$100 OF ASSESSED VALUE*

*Last ten fiscal years*

Fiscal Year	Tax Roll	City Direct Rates			Overlapping Rates				
		Debt Service	General Fund	Total	School District	Calhoun County	Port Authority	Groundwater Conservation District	Total
2008	2007	\$0.0878	\$0.6622	\$0.7500	\$1.0968	\$0.4900	\$0.0039	N/A	\$ 1.5907
2009	2008	0.0821	0.6679	0.7500	1.1100	0.4900	0.0039	N/A	1.6039
2010	2009	0.0770	0.6730	0.7500	1.1201	0.4900	0.0039	N/A	1.6140
2011	2010	0.0770	0.6730	0.7500	1.1331	0.4900	0.0039	N/A	1.6270
2012	2011	0.0697	0.6753	0.7450	1.1262	0.4900	0.0036	N/A	1.6198
2013	2012	0.0846	0.6722	0.7568	1.1201	0.4900	0.0032	N/A	1.6133
2014	2013	0.0791	0.7109	0.7900	1.1151	0.4900	0.0031	N/A	1.6082
2015	2014	0.0805	0.7095	0.7900	1.2769	0.4900	0.0030	\$ 0.0100	1.7799
2016	2015	0.7123	0.0777	0.7900	1.2936	0.4900	0.0025	0.0100	1.7961
2017	2016	0.7154	0.0746	0.7900	1.2936	0.4900	0.0010	0.0100	1.7946

SOURCE: Calhoun County Appraisal District

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

2017		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Rexco Inc	\$ 12,491,560	2.68%
Wal-Mart Real Estate Business Trust	12,110,108	2.60%
Momentum Rental & Sales , Inc.	7,763,040	1.67%
AEP Texas Central Company	6,705,141	1.44%
BKCK LTD	6,507,390	1.40%
Butt H E Grocery Company	6,432,420	1.38%
Maxim Crane Works LP	6,043,710	1.30%
Port Lavaca Dodge	5,749,830	1.24%
Port Lavaca Retail Group LLC	5,837,560	1.25%
Wal-Mart Stores Texas, LP	5,473,290	1.18%
	<u>\$ 75,114,049</u>	<u>16.14%</u>

2008		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Rexco Inc	\$ 9,254,581	2.37%
T W Laquay Dredging, Inc.	8,916,550	2.29%
Helena Chemicals	8,893,816	2.28%
Wal-Mart Real Estate Business Trust	7,912,639	2.03%
RSC Equipment Rental, Inc. #759	6,919,290	1.77%
Quality Licensing Corp.	6,529,439	1.67%
Butt H E Grocery Company	5,095,023	1.31%
AEP Texas Central Company	3,892,040	1.00%
Verizon Southwest	3,206,330	0.69%
Port Lavaca Dodge	3,165,995	0.81%
	<u>\$ 63,785,703</u>	<u>16.22%</u>

SOURCE: Calhoun County Appraisal District

**CITY OF PORT LAVACA, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last ten fiscal years*

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
					<u>Amount</u>	<u>Percentage of Levy</u>
2008	2007	\$ 2,940,204	\$ (6,396)	\$ 2,933,808	\$ 2,774,053	94.55%
2009	2008	3,209,230	(10,808)	3,198,422	3,017,736	94.35%
2010	2009	3,451,515	(50,973)	3,400,542	3,242,033	95.34%
2011	2010	3,578,859	(15,589)	3,563,270	3,440,291	96.55%
2012	2011	3,760,572	(6,742)	3,753,830	3,644,449	97.09%
2013	2012	3,791,754	10,942	3,802,696	3,702,009	97.35%
2014	2013	3,956,897	(1,303)	3,955,594	3,836,830	97.00%
2015	2014	4,071,887	733	4,072,620	3,975,129	97.61%
2016	2015	4,065,656	(10,885)	4,054,771	3,947,621	97.36%
2017	2016	4,166,147	(3,352)	4,162,795	4,046,380	97.20%

SOURCE: Calhoun County Appraisal District

---

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 150,845	\$ 2,924,898	99.70%
171,246	3,188,982	99.70%
147,104	3,389,136	99.66%
112,807	3,553,098	99.71%
98,685	3,743,134	99.72%
84,826	3,786,835	99.58%
97,694	3,934,525	99.47%
64,971	4,040,100	99.20%
56,763	4,004,384	98.76%
-	4,046,380	97.20%

**CITY OF PORT LAVACA, TEXAS****WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED***Last ten fiscal years*

---

<u>Fiscal Year</u>	<u>Gallons of GBRA Water Purchased</u>	<u>Gallons of Metered Consumption</u>	<u>Gallons of Unmetered Consumption</u>	<u>Gallons of Water Unaccounted</u>	<u>Average Percent Unaccounted</u>
2008	489,864,000	405,585,000	N/A	84,279,000	17%
2009	496,619,000	455,031,000	N/A	41,588,000	8%
2010	459,847,000	377,310,000	10,304	82,526,696	18%
2011	559,150,000	462,107,000	11,188	97,031,812	17%
2012	489,614,000	414,492,000	19,130	75,102,870	15%
2013	459,908,000	390,984,000	18,243	68,905,757	15%
2014	467,309,000	374,281,000	14,077	93,013,923	20%
2015	564,410,500	435,402,000	29,458	128,979,042	23%
2016	495,589,000	394,292,000	21,430	57,371,957	12%
2017	436,727,000	402,621,000	20,467	57,371,957	13%

NOTES: The City purchases water from the Guadalupe-Blanco River Authority.

Water and Sewer Usage Rates shown are for 5,000 gallons usage.

N/A denotes information not available.

Unmetered consumption is an estimation (Water Main Breaks, Fire Drills, Line flushing, etc.)

SOURCE: City of Port Lavaca Utility Department



Gallons of Wastewater Treated	Total Direct Rate			
	Water		Sewer	
	Base Rate	Usage Rate	Base Rate	Usage Rate
382,770,000	\$ 15.00	\$ 14.25	\$ 14.00	\$ 14.70
368,120,000	15.00	14.25	14.00	14.70
435,540,000	15.00	14.25	14.00	14.70
368,780,000	15.00	14.25	14.00	14.70
403,940,000	15.00	14.25	14.00	14.70
345,530,000	15.00	14.25	14.00	14.70
305,012,000	16.00	14.25	15.00	15.54
337,739,000	16.00	14.25	15.00	15.54
406,730,000	16.00	14.25	15.00	15.54
372,684,556	16.50	14.25	15.50	15.87

**CITY OF PORT LAVACA, TEXAS**

**WATER AND SEWER RATES**

Last ten fiscal years

	Fiscal Year							
	2008		2009		2010		2011	
	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.
<b>Water Rates</b>								
Base Rate (includes 2,000 gallons)								
Base Rate by Meter Size								
3/4" to 5/8"	\$ 15.00	\$17.50	\$15.00	\$ 17.50	\$15.00	\$ 17.50	\$15.00	\$ 17.50
1"	15.00	17.50	15.00	17.50	15.00	17.50	15.00	17.50
1 1/2"	15.00	17.50	15.00	17.50	15.00	17.50	15.00	17.50
2"	15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00
3"	15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00
4"	15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00
6"	15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00
Per 1,000 gallons over base charge	4.75	4.95	4.75	4.95	4.75	4.95	4.75	4.95
<b>Conservation Rate Tiers for water</b>								
Per 1,000 gallons 2,001 - 5,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Per 1,000 gallons 5,001 - 25,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Per 1,000 gallons Over 25,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Sewer Rates</b>								
Base Rate (includes 2,000 gallons)	14.00	15.75	14.00	15.75	14.00	15.75	14.00	15.75
Per 1,000 gallons over base charge	4.90	4.95	4.90	4.95	4.90	4.95	4.90	4.95

NOTES: Increases in water and sewer rates are approved by the City Council.

Sewer consumption rates for residential customers are based on the average of the last three-month period of December, January, and February that preceded the billing date.

Customers outside City limits are charged a rate of 1.5 times the inside City limit rates.

The City changed the rate classification in 2008.

"Res." - Residential  
 "Comm." - Commercial

The City changed to a tiered conservation rate in 2013.

Fiscal Year											
2012		2013		2014		2015		2016		2017	
Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.
\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	\$ 16.00	\$ 18.50	\$ 16.00	\$ 18.50	\$ 16.00	\$ 18.50	\$ 16.50	\$ 19.00
15.00	17.50	15.00	17.50	16.00	18.50	16.00	18.50	16.00	18.50	16.50	19.00
15.00	17.50	15.00	17.50	16.00	18.50	16.00	18.50	16.00	18.50	16.50	19.00
15.00	35.00	15.00	35.00	16.00	36.00	16.00	36.00	16.00	36.00	16.50	36.50
15.00	35.00	15.00	35.00	16.00	36.00	16.00	36.00	16.00	36.00	16.50	36.50
15.00	35.00	15.00	35.00	16.00	36.00	16.00	36.00	16.00	36.00	16.50	36.50
15.00	35.00	15.00	35.00	16.00	36.00	16.00	36.00	16.00	36.00	16.50	36.50
4.75	4.95	4.75	4.95	4.75	4.95	4.75	4.95	4.75	4.95	4.75	4.95
N/A	N/A	N/A	N/A	4.75	4.95	4.75	4.95	4.75	4.95	4.75	4.95
N/A	N/A	N/A	N/A	5.03	5.03	5.03	5.03	5.03	5.03	5.14	5.14
N/A	N/A	N/A	N/A	5.71	5.71	5.71	5.71	5.71	5.71	5.14	5.14
14.00	15.75	14.00	15.75	15.00	16.75	15.00	16.75	15.00	16.75	15.50	17.25
4.90	4.95	4.90	4.95	5.18	5.18	5.18	5.18	5.18	5.18	5.29	5.29

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

2017			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
City of Port Lavaca	Government	12,103	3.01%
Memorial Medical Center	Hospital	8,308	2.06%
Calhoun County	Government	7,334	1.82%
VIVA Properties	Apartment Complex	7,303	1.81%
Villas on Independence	Apartment Complex	6,866	1.71%
C.C.I.S.D.	Schools	6,725	1.67%
Regency Nursing & Rehab Center	Senior Citizen Home	5,854	1.45%
Bordeaux Apartments	Apartment Complex	4,826	1.20%
Splash & Dash	Commercial/ Car Wash	3,550	0.88%
Days Inn	Hotel/Motel	3,271	0.81%

2008			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
H.E.B Butt #434	Grocery Store	9,770	2.41%
Memorial Medical Center	Hospital	7,027	1.73%
C.C.I.S.D.	Schools	6,519	1.61%
Regency Nursing & Rehab Center	Senior Citizen Home	6,505	1.60%
City of Port Lavaca	Government	5,623	1.39%
Calhoun County	Government	4,733	1.17%
Orion Marine Group, Inc.	Industrial/ Commercial	4,279	1.06%
Helena Chemical Co.	Industrial/ Commercial	3,997	0.99%
Colonial Arms Apartments	Apartment Complex	3,595	0.89%
Splash-N-Dash	Commercial/ Car Wash	3,434	0.85%

SOURCE: City of Port Lavaca Utility Billing Department

**CITY OF PORT LAVACA, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
*Last ten fiscal years*

Fiscal Year	Governmental Activities			Business-type Activities			
	Certificates of Obligation	General Obligation Bonds	Capital Leases	Certificates of Obligation	Revenue Bonds	Less: Issuance Discount	Capital Leases
2008	\$ 3,910,000	\$ -	\$ 423,954	\$ 4,035,000	\$ 5,595,000	\$ (32,532)	\$ 288,374
2009	3,715,000	-	332,486	3,940,000	5,315,000	(31,983)	237,874
2010	3,515,000	-	261,340	3,800,000	5,025,000	(31,434)	193,957
2011	3,310,000	-	471,758	3,655,000	4,760,000	(30,839)	148,282
2012	3,095,000	-	248,917	3,500,000	4,425,000	(30,290)	100,780
2013	105,000	2,895,000	211,559	3,340,000	4,080,000	(29,696)	51,378
2014	55,000	2,680,000	172,640	3,175,000	3,725,000	(29,101)	-
2015	-	2,460,000	132,094	3,000,000	3,355,000	(28,460)	-
2016	-	2,180,000	89,837	2,820,000	2,965,000	(27,774)	-
2017	-	1,895,000	45,830	1,125,000	3,975,000	-	-

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

---

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 14,219,796	4.1%	\$ 1,240.28
13,508,377	3.7%	1,175.77
12,763,863	3.4%	1,060.56
12,314,201	3.1%	1,005.41
11,339,407	N/A	923.25
10,653,241	N/A	866.12
9,778,539	2.2%	790.25
8,918,634	1.8%	719.30
8,027,063	1.8%	647.34
7,040,830	N/A	567.58

**CITY OF PORT LAVACA, TEXAS****RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING***Last ten fiscal years*

Fiscal Year	General Bonded Debt Outstanding			Debt Service Monies Available (1)	Debt Payable from Enterprise Funds
	Certificates of Obligation	General Obligation Bonds	Total		
2008	\$ 7,945,000	\$ -	\$ 7,945,000	\$ 159,271	\$ 4,035,000
2009	6,655,000	-	6,655,000	159,657	3,940,000
2010	7,315,000	-	7,315,000	161,177	3,800,000
2011	6,965,000	-	6,965,000	177,224	3,655,000
2012	6,595,000	-	6,595,000	183,391	3,500,000
2013	3,445,000	2,895,000	6,340,000	226,879	3,340,000
2014	3,230,000	2,680,000	5,910,000	225,771	3,175,000
2015	3,000,000	2,460,000	5,460,000	146,887	3,000,000
2016	2,820,000	2,180,000	5,000,000	153,522	2,820,000
2017	1,125,000	1,895,000	3,020,000	165,276	1,125,000

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

N/A denotes information not available.

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

---

<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 3,750,729	0.96%	\$ 327.15
2,555,343	0.59%	222.42
3,353,823	0.73%	278.67
3,132,776	0.64%	255.78
2,911,609	0.56%	237.06
2,773,121	0.55%	225.46
2,509,229	0.49%	202.78
2,313,113	0.44%	186.56
2,026,478	0.39%	163.43
1,729,724	0.32%	139.44



**CITY OF PORT LAVACA, TEXAS****DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)****September 30, 2017**

	<u>Gross Debt Outstanding</u>		<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
	<u>Date</u>	<u>Amount</u>		
Direct Debt:				
City of Port Lavaca	9/30/2017	<u>\$ 1,940,830</u>	100.00%	<u>\$ 1,940,830</u>
Overlapping Debt:				
Calhoun County	9/30/2017	6,260,000	14.28%	893,928
Calhoun Independent School District	9/30/2017	52,215,000	13.74%	7,174,341
Calhoun Port Authority	9/30/2017	<u>32,400,000</u>	22.33%	<u>7,234,920</u>
Total Overlapping Debt		<u>90,875,000</u>		<u>15,303,189</u>
Total		<u>\$ 92,815,830</u>		<u>\$ 17,244,019</u>

NOTES: 1 There is no legal debt limit for the City. Texas municipalities are not bound by any direct constitutional or statutory maximums as to the amount of obligation bonds which may be issued; however, all local bonds must be submitted to and approved by the State Attorney General. It is the established practice of the Attorney General not to approve a prospective bond issue if it will result in a tax levy for general bonded debt of over \$1.00 for cities under 5,000 population, or \$1.50 for cities over 5,000 population.

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

SOURCE: Calhoun County Appraisal District  
 Calhoun County  
 Calhoun Port Authority  
 Calhoun County ISD

**CITY OF PORT LAVACA, TEXAS****PLEDGED-REVENUE COVERAGE***Last ten fiscal years*

---

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Average Debt Service Requirements</u>	<u>Times Debt Coverage</u>
2008	\$ 5,127,853	\$ 3,186,879	\$ 1,940,974	\$ 861,629	2.25
2009	5,331,869	3,478,632	1,853,237	869,487	2.13
2010	5,194,828	3,470,112	1,724,716	867,219	1.99
2011	5,604,515	3,368,233	2,236,282	877,114	2.55
2012	5,312,772	3,458,504	1,854,268	953,379	1.94
2013	5,391,718	3,600,338	1,791,380	998,063	1.79
2014	5,296,396	3,519,390	1,777,006	1,049,797	1.69
2015	5,838,937	3,874,837	1,964,100	1,122,295	1.75
2016	5,586,184	3,632,004	1,954,180	672,207	2.91
2017	5,702,881	3,505,491	2,197,390	583,944	3.76

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

Details regarding the City's outstanding revenue bonds and certificates can be found in Note 10 of the notes to the financial statements.

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

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income</u>	<u>(2) Per Capita Personal Income (Calhoun County)</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
2008	11,465	\$ 346,862,110	\$ 30,254	4,282	4.9%
2009	11,489	361,662,231	31,479	4,349	8.3%
2010	12,035	372,651,740	30,964	4,230	9.1%
2011	12,248	396,994,424	32,413	4,276	8.7%
2012	12,282	N/A	N/A	4,270	6.1%
2013	12,300	N/A	N/A	4,272	7.1%
2014	12,374	443,706,892	35,858	4,242	3.9%
2015	12,399	483,722,187	39,013	4,122	3.7%
2016	12,400	450,516,800	36,332	4,022	5.60%
2017	12,405	N/A	N/A	3,802	N/A

NOTES: The unemployment rates are a twelve month average from October through September for City of Port Lavaca.

N/A denotes information not available.

SOURCE: (1) Population based on U.S. Census Bureau

(2) Bureau of Economic Analysis

(3) Calhoun Independent School District

(4) Texas Workforce Commission

**CITY OF PORT LAVACA, TEXAS**

*PRINCIPAL EMPLOYERS*

*(UNAUDITED)*

*Current Year and Four Years Ago*

2017

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Formosa Plastics	2,400	23.08%
Calhoun County I.S.D.	580	5.58%
Dow Chemical	575	5.53%
Orion Marine Group, Inc.	263	2.53%
Calhoun County	252	2.42%
Seadrift Coke	95	0.91%
Memorial Medical Center	275	2.64%
INEOS Nitriles Formerly BP	133	1.28%
	<u>4,573</u>	<u>43.97%</u>

2013

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Formosa Plastics	2,400	23.10%
Inteplast Group	2,300	22.14%
Calhoun County I.S.D.	579	5.57%
Alcoa	650	6.26%
Dow Chemical	575	5.54%
Orion Marine Group, Inc.	424	4.08%
Calhoun County	209	2.01%
Memorial Medical Center	141	1.36%
Seadrift Coke	140	1.35%
HEB Grocery	135	1.30%
INEOS Nitriles Formerly BP	135	1.30%
	<u>7,688</u>	<u>74.01%</u>

NOTES: Information is for the City and Calhoun County.  
Information for nine years ago was not readily available.

SOURCE: Texas Workforce Commission-Victoria Office

**CITY OF PORT LAVACA, TEXAS**

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

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2008	2009	2010	2011
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	2.0	2.0	1.0	1.0
Human resources	-	-	1.0	1.0
Economic development	-	-	-	-
Finance	3.0	3.0	3.0	3.0
Municipal court	1.0	1.0	1.0	1.5
Technology	-	-	1.0	-
City Hall - custodial services	-	-	1.0	1.0
Public safety				
Police	19.0	18.0	20.0	17.0
Communications	6.0	6.0	6.0	6.0
Fire	17.0	17.0	17.0	17.0
Code enforcement	3.0	3.0	3.0	3.0
Animal control	1.0	1.0	2.0	2.0
Public works				
Public works	2.0	2.0	2.0	2.0
Streets/maintenance	9.0	9.0	9.0	8.0
Water/Wastewater				
Customer service	3.0	3.0	3.0	3.0
Meter readers	2.0	2.0	2.0	2.0
Water and sewer	12.0	12.0	12.0	11.0
Parks and recreation	5.0	5.0	5.0	5.0
Bauer Center	2.0	2.0	2.0	2.0
Port commission	-	-	-	-
<b>Total</b>	<b>89.0</b>	<b>88.0</b>	<b>93.0</b>	<b>87.5</b>

Fiscal Year					
2012	2013	2014	2015	2016	2017
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0	2.0	2.0
1.0	1.0	1.0	1.0	-	-
-	-	1.0	2.0	1.0	1.0
3.0	3.0	3.0	3.0	3.0	3.0
2.0	2.0	3.0	3.0	3.0	3.0
-	-	-	-	-	-
-	-	-	-	1.0	1.0
19.0	18.0	20.0	20.0	20.0	20.0
7.0	6.0	6.0	6.0	6.0	6.0
14.0	16.0	17.0	17.0	17.0	17.0
3.0	3.0	3.0	3.0	3.0	3.0
2.0	2.0	2.0	2.0	2.0	2.0
2.0	2.0	-	-	-	-
9.0	9.0	15.0	15.0	15.0	15.0
3.0	3.0	3.0	3.0	3.0	3.0
2.0	2.0	2.0	2.0	2.0	2.0
9.0	10.0	14.0	14.0	14.0	14.0
3.0	4.0	6.0	6.0	6.0	6.0
3.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.5	1.0	-	1.0
<u>86.0</u>	<u>87.0</u>	<u>102.5</u>	<u>103.0</u>	<u>102.0</u>	<u>103.0</u>

**CITY OF PORT LAVACA, TEXAS**

*OPERATING INDICATORS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2008	2009	2010	2011
General government				
Building permits issued	202	564	548	801
Building inspections conducted	436	564	732	822
Public safety				
Police				
Physical arrests	966	1,155	1,022	807
Traffic violations	4,178	3,985	4,717	3,370
Fire				
Fire calls	230	192	175	568
Public works				
Streets (miles)	50.1	50.1	50.1	50.1
Culture and recreation				
Parks and recreation				
Bauer Center rentals	88	71	65	63
Lighthouse beach park Pavillion	38	25	42	39
Water and wastewater				
Water				
Water customers	4,548	4,514	4,552	4,544
Water taps	13	19	11	11
Average daily consumption	1.34 mgd	1.38 mgd	1.27 mgd	1.53 mgd
Peak daily consumption	1.61 mgc	1.66 mgd	1.49 mgd	5.65 mgd
Wastewater				
Sewer customers	4,253	4,217	4,267	4,258
Sewer taps	7	2	7	9
Average daily sewage treatment	1.05 mgd	1.01 mgd	1.19 mgd	1.01 mgd

NOTE: N/A denotes information not available.

SOURCE: Various City departments

Fiscal Year						
2012	2013	2014	2015	2016	2017	
784	357	266	195	782	965	
1,187	627	689	411	538	741	
837	1,132	961	970	1064	790	
2,799	4,080	2,366	3,353	4584	2075	
650	685	591	632	664	881	
50.1	50.1	50.1	50.2	50.2	50.2	
59	47	212	218	215	190	
47	36	43	41	41	42	
4,556	4,606	4,416	4,624	4630	4,590	
15	21	10	10	21	28	
1.272 mgd	1.07 mgd	1.33 mgd	1.13 mgd	1.24 mgd	1.21mgd	
2.10 mgd	2.74 mgd	2.44 mgd	2.83 mgd	1.71 mgd	2.36mgd	
4,276	4,317	4,332	4,337	4,335	4,318	
7	12	7	7	13	13	
1.11 mgd	1.08 mgd	0.98 mgd	1.12 mgd	1.11 mgd	1.08mgd	



**CITY OF PORT LAVACA, TEXAS**

*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2008	2009	2010	2011
Public safety				
Police				
Stations	1	1	1	1
Patrol units	7	7	7	6
Fire stations	2	2	2	2
Highways and streets				
Streets (miles)	50.1	50.1	50.1	50.1
Streetlights	686	684	686	686
Culture and recreation				
Acreage	150	150	150	150
Parks	7	7	7	7
Baseball/softball diamonds	2	2	2	2
Community centers	1	1	1	1
Swimming pools	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	68.5	69	69	69
Fire hydrants	250	259	259	259
Storage capacity	1 MG	1 MG	1 MG	1 MG
Wastewater				
Sanitary sewers (miles)	58	58	58	58
Treatment capacity	2.5	2.5	2.5	2.5

SOURCE: Various City departments

Fiscal Year						
2012	2013	2014	2015	2016	2017	
1	1	1	1	1	1	1
7	7	7	7	7	7	7
2	2	2	2	2	2	2
50.1	50.1	50.1	50.2	50.2	50.2	50.2
686	678	678	685	685	685	685
150	150	150	150	153	153	153
7	7	7	7	7	7	7
2	2	2	4	4	4	4
1	1	1	1	1	1	1
1	1	1	1	1	1	1
69	70	70.2	70.3	70.9	70.9	70.9
259	262	268	273	279	279	279
1 MG	1 MG	1 MG	1 MG	1 MG	1 MG	1 MG
58	58	58.2	58.3	58.9	58.9	58.9
2.5	2.5	2.5	2.5	2.5	2.5	2.5

**OVERALL COMPLIANCE AND INTERNAL  
CONTROL SECTION**



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

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

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

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

The Honorable Mayor and Members  
of the City Council  
City of Port Lavaca, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Lavaca, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2018.

Internal Control Over Financial Reporting

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

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

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

The Honorable Mayor and Members  
of the City Council  
City of Port Lavaca, Texas

Compliance and Other Matters

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

Purpose of this Report

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

*Harrison, Waldrop & Uherek, LLP*

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

March 23, 2018



# **CITY OF PORT LAVACA**

**202 N. Virginia**

**Port Lavaca, TX 77979**

**361-552-9793**

**[www.portlavaca.org](http://www.portlavaca.org)**