

CITY OF PORT LAVACA, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

CITY OF PORT LAVACA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2018

Sandra Mason
Director of Finance

William A. DiLibero, C.M.
City Manager

Issued By:
Finance Department

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
Organizational Chart.....	vi
Certificate of Achievement for Excellence in Financial Reporting	vii
Directory of Principal Officials.....	viii
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis	4
<u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26
Statement of Fiduciary Net Position - Fiduciary Funds.....	28
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	29
Notes to Financial Statements	30
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual - General Fund	59
Schedule of Changes in Net Pension Liability and Related Ratios Texas Municipal Retirement System - Pension	60
Schedule of Employer Contributions Texas Municipal Retirement System - Pension	62
Schedule of Changes in Total OPEB Liability and Related Ratios Texas Municipal Retirement System - Supplemental Death Benefit	64
Schedule of Employer Contributions Texas Municipal Retirement System - Supplemental Death Benefit	65
Notes to Required Supplementary Information.....	66

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules

Governmental Funds

Combining Statements

Nonmajor Governmental Funds.....	68
Combining Balance Sheet - Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	71

Individual Statements and Schedules

General Fund	73
Balance Sheet	74
Schedule of Revenues and Other Financing Sources - Budget (GAAP Basis) and Actual.....	75
Schedule of Expenditures and Other Financing Uses - Budget (GAAP Basis) and Actual.....	77
Nonmajor Debt Service Fund	80
2012 General Obligation Refunding Bonds Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual.....	81

Fiduciary Fund

Agency Fund.....	82
Statement of Changes in Assets and Liabilities - Police Seized Nonforfeiture Fund	83

STATISTICAL SECTION 84

Financial Trends

Net Position by Component.....	85
Changes in Net Position.....	87
Fund Balances, Governmental Funds.....	91
Changes in Fund Balances, Governmental Funds	93
Tax Revenues by Source, Governmental Funds	95

Revenue Capacity

Assessed and Estimated Actual Value of Taxable Property	96
Direct and Overlapping Property Tax Rates	98
Principal Property Taxpayers (Unaudited)	99
Property Tax Levies and Collections.....	100
Water Produced and Consumed and Wastewater Treated.....	102
Water and Sewer Rates.....	104
Ten Largest Water Customers (Unaudited).....	106

STATISTICAL SECTION - (Continued)

Debt Capacity

Ratios of Outstanding Debt by Type	107
Ratios of Net General Bonded Debt Outstanding	109
Direct and Overlapping Governmental Activities Debt (Unaudited)	111
Pledged-Revenue Coverage	112

Demographic and Economic Information

Demographic and Economic Statistics (Unaudited)	113
Principal Employers (Unaudited)	114

Operating Information

Full-Time-Equivalent City Government Employees by Function/Program	115
Operating Indicators by Function/Program	117
Capital Asset Statistics by Function/Program	119

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 <i>Government Auditing Standards</i>	121
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INTRODUCTORY SECTION



CITY OF PORT LAVACA

202 N. Virginia, Port Lavaca, Texas 77979-0105 www.portlavaca.org
Main Number: 361-552-9793 Main Facsimile: 361-552-6062

City Manager
Ext. 222

City Secretary
Ext. 224

Code Enforcement
Ext. 229

Finance
Ext. 234

Inspections/Permits
Ext. 229

Municipal Court
Ext. 226

Personnel
Ext. 224

Utility Billing
Ext. 238

Animal Control
361-552-5726

Bauer Center
361-552-1234

Fire Station
361-552-3241

Public Works Director
361-552-3347

Parks & Recreation
361-552-1234

Police
361-552-3788

Streets
361-552-3347

Utilities Operation
361-552-3347

March 28, 2019

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

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, 2018, is hereby submitted. It is published to provide to the City Council, to representatives of financial institutions, and to our citizens and other interested persons, detailed information concerning the financial condition of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

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

City Overview and Governance

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.

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.

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.

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 12,212 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 \$2,693,583 in 2017 to \$3,138,929 in 2018 (14% 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 1.88. 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. 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 2017-2018 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:

- Repairs to Nautical Landings Building
- Lighthouse Beach recreation room roof replaced
- Lighthouse Beach bathhouse roof replaced
- Commerce Street reconstruction
- 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 Revenue 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

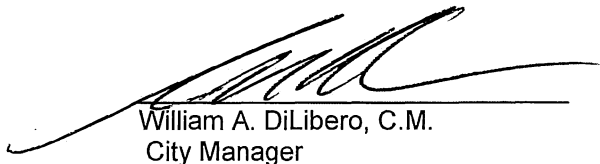
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Lavaca for the fiscal year ended September 30, 2017. This was the seventh time since 1999. The City hopes to continue to receive 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.

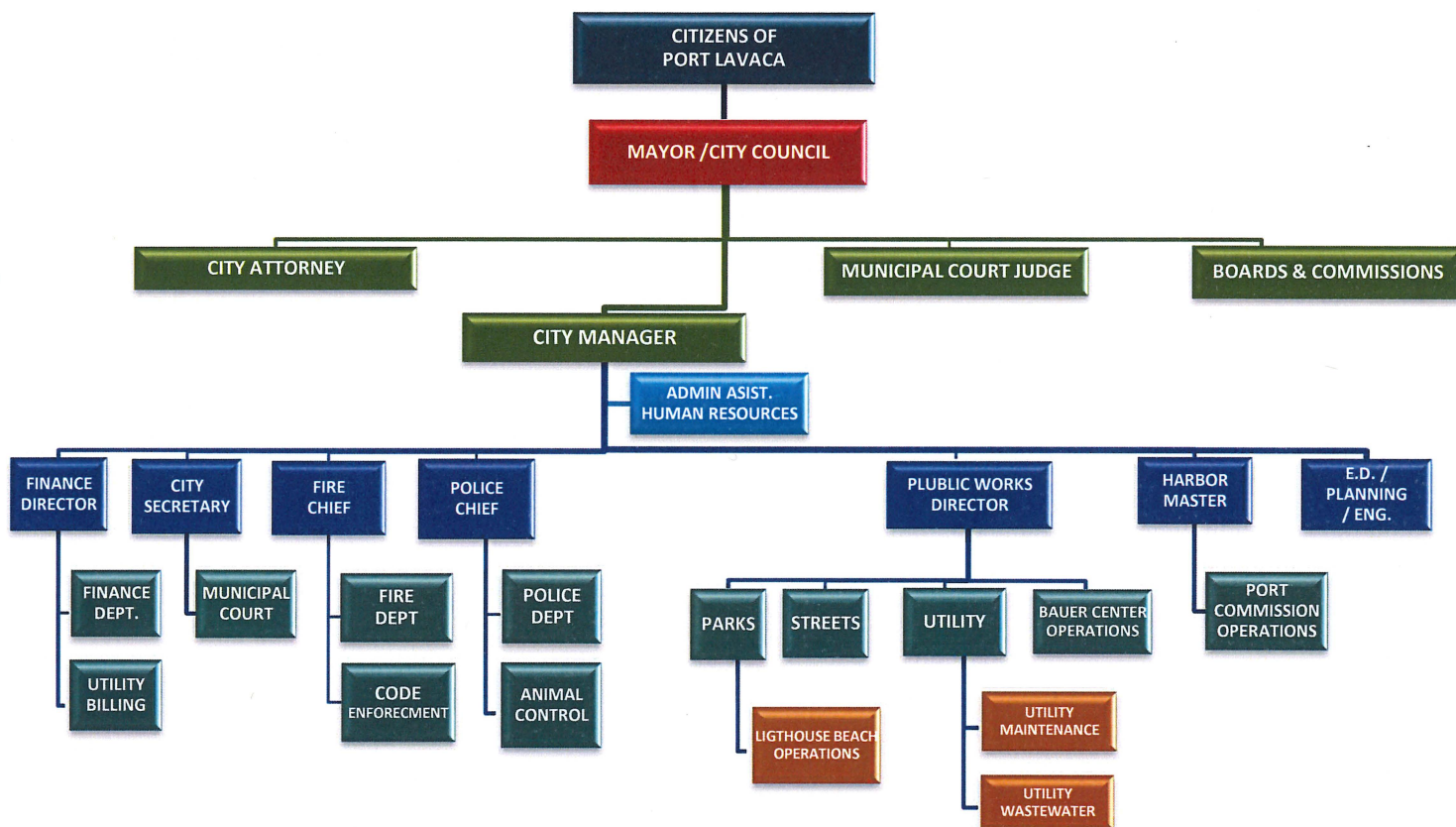
Respectfully,



William A. DiLibero, C.M.
City Manager



Sandra J. Mason, Director of Finance





Government Finance Officers Association

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

Presented to

**City of Port Lavaca
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrell

Executive Director/CEO

CITY OF PORT LAVACA, TEXAS
DIRECTORY OF PRINCIPAL OFFICIALS
September 30, 2018

City Officials

Jack Whitlow

Ken Barr

Jerry Smith

Jan Regan

Rosie Padron

Tim Dent

Jim Ward

Elective Position

Mayor

Council Member

Council Member

Council Member

Council Member

Council Member

Mayor Pro-Tem

Key Staff

William A. DiLibero, C.M.

Sandra Mason

Mandy Grant

Joe Reyes, Jr.

Colin Rangnow

Oscar Pena

Joanna Weaver

Appointive Position

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
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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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 20 to the financial statements, in 2018 the City adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 75 related to accounting for other post employment benefit plans. This resulted in a restatement of prior year balances. Our opinion is not modified with respect to this matter.

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, schedules of changes in total OPEB liability and related ratios, and the schedules 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 28, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

March 28, 2019

CITY OF PORT LAVACA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2018

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, 2018.

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 \$61,150,645 (net position). Of this amount, \$18,170,219 (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 \$2,453,836 over the prior year.

Governmental Activities

- Net position grew from \$32,976,273 in 2017, to \$34,090,884 (an increase of 3%) as of September 30, 2018.

Business-type Activities

- Net position grew from \$25,720,536 in 2017, to \$27,059,761 (an increase of 5%) as of September 30, 2018.

Governmental Funds

- As of September 30, 2018, the City's governmental funds reported an ending fund balance of \$11,943,454, a decrease of \$67,042 (<1%) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$8,508,563 or 123% of total General Fund expenditures.
- The committed portion of the General Fund's fund balance totaled \$2,548,794. These monies were committed by the Council to pay for 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 13

Government-wide Financial Statements

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

Pages 14 to 17

Fund Financial Statements

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

Pages 18 to 29

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 30 to 58

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 18-23 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 24-27 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 28-29 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 30-58 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund, a schedule of changes in liability and related ratios for the TMRS Defined Benefit Pension Plan, a schedule of employer contributions for the TMRS Defined Benefit Pension Plan, a schedule of changes in Total OPEB liability and related ratios for the TMRS Supplemental Death Benefit Plan, and a schedule of employer contributions for the TMRS Supplemental Death Benefit Plan. Required supplementary information can be found on pages 59-67 of this report.

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 68-83 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 \$61,150,645 as of September 30, 2018.

The largest portion of the City's net position (67%) 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 (30%) 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						
	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	\$ 13,510,112	\$ 13,408,145	\$ 9,078,687	\$ 7,981,848	\$ 22,588,799	\$ 21,389,993
Capital assets, net	24,028,357	23,182,022	22,867,381	23,410,865	46,895,738	46,592,887
Total assets	37,538,469	36,590,167	31,946,068	31,392,713	69,484,537	67,982,880
Total deferred outflows of resources	218,879	611,918	187,431	273,166	406,310	885,084
Current and other liabilities	1,438,286	1,303,029	1,451,684	1,426,426	2,889,970	2,729,455
Noncurrent liabilities	1,906,827	2,853,637	3,567,891	4,509,314	5,474,718	7,362,951
Total liabilities	3,345,113	4,156,666	5,019,575	5,935,740	8,364,688	10,092,406
Total deferred inflows of resources	321,351	69,146	54,163	9,603	375,514	78,749
Net Position:						
Net investment in capital assets	22,482,158	21,310,618	18,732,930	18,489,664	41,215,088	39,800,282
Restricted	1,765,338	1,545,313	-	-	1,765,338	1,545,313
Unrestricted	9,843,388	10,120,342	8,326,831	7,230,872	18,170,219	17,351,214
Total net position	\$ 34,090,884	\$ 32,976,273	\$ 27,059,761	\$ 25,720,536	\$ 61,150,645	\$ 58,696,809

*2017 net position has been restated. See Note 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Net position of the City increased by \$2,453,836. This consisted of an increase of \$1,114,611 for governmental activities and \$1,339,225 for business-type activities.

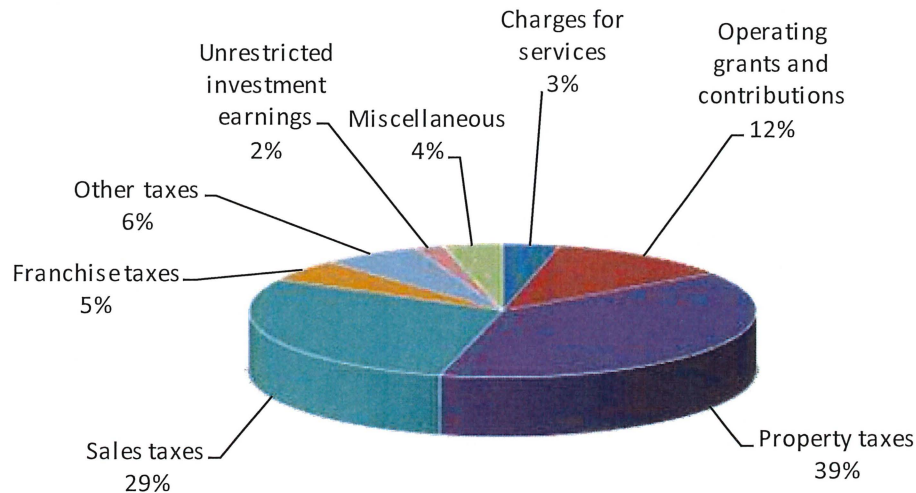
City of Port Lavaca, Texas						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
REVENUES						
Program revenues:						
Charges for services	\$ 393,968	\$ 721,582	\$ 6,474,529	\$ 6,458,067	\$ 6,868,497	\$ 7,179,649
Operating grants and contributions	1,291,888	741,691	-	2,000	1,291,888	743,691
Capital grants and contributions	-	21,410	2,500	181,111	2,500	202,521
General revenues:						
Property taxes	4,217,842	4,159,200	-	-	4,217,842	4,159,200
Sales taxes	3,138,929	2,693,583	-	-	3,138,929	2,693,583
Franchise taxes	588,803	583,034	-	-	588,803	583,034
Other taxes	692,232	615,385	-	-	692,232	615,385
Unrestricted investment earnings	199,214	104,812	136,038	67,248	335,252	172,060
Miscellaneous	415,208	306,855	-	-	415,208	306,855
Total revenues	10,938,084	9,947,552	6,613,067	6,708,426	17,551,151	16,655,978
EXPENSES						
General government	4,221,921	2,615,056	-	-	4,221,921	2,615,056
Public safety	3,411,589	3,460,733	-	-	3,411,589	3,460,733
Public works	1,653,462	1,423,250	-	-	1,653,462	1,423,250
Parks and recreation	758,143	748,171	-	-	758,143	748,171
Interest on long-term debt	45,858	51,373	-	-	45,858	51,373
Public utilities	-	-	4,414,433	4,313,837	4,414,433	4,313,837
Port revenue	-	-	347,709	340,846	347,709	340,846
Beach operations	-	-	244,200	267,756	244,200	267,756
Total expenses	10,090,973	8,298,583	5,006,342	4,922,439	15,097,315	13,221,022
Change in net position before transfers	847,111	1,648,969	1,606,725	1,785,987	2,453,836	3,434,956
Transfers	267,500	267,500	(267,500)	(267,500)	-	-
Change in net position	1,114,611	1,916,469	1,339,225	1,518,487	2,453,836	3,434,956
Net position - October 1, as restated	32,976,273	31,059,804	25,720,536	24,202,049	58,696,809	55,261,853
Net position - September 30	\$ 34,090,884	\$ 32,976,273	\$ 27,059,761	\$ 25,720,536	\$ 61,150,645	\$ 58,696,809

*2017 net position has been restated. See Note 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

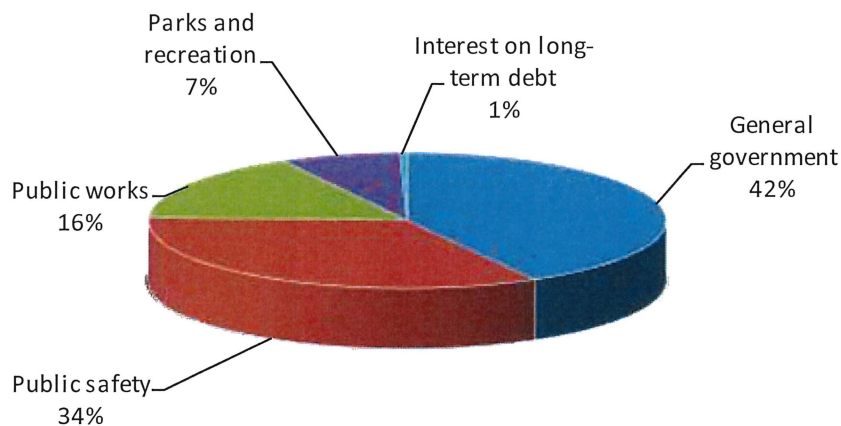
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

Governmental Revenues



For the fiscal year ended September 30, 2018, revenues from governmental activities totaled \$10.9 million. Charges for services decreased from fiscal year 2017 by \$327,614. \$103,204 of the decrease was from the canceling of the red light camera system that had been in place for approximately ten years in the City. Operating grants and contributions increased \$550,197 or 74% from fiscal year 2017. This was mainly due to the revenues received relating to Hurricane Harvey. Sales tax revenues also increased \$445,346 or 17% from fiscal year 2017. The increase is mainly due to a sales increase because of the Formosa Plastics Plant expansion.

Governmental Functional Expenses



For the fiscal year ended September 30, 2018, expenses for governmental activities totaled \$10.1 million. This is an increase of \$1,792,390 or 22% from fiscal year 2017. This increase was attributable to the expenses incurred by the City relating to Hurricane Harvey.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type activities increased the City's net position by \$1,339,225. The key elements of this increase relate to the Public Utility Fund. The Public Utility Fund had an operating income for fiscal year 2018 of \$1,416,475.

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, 2018, the City's governmental funds, which consist of the General Fund, one debt service fund, one capital projects fund, and ten special revenue funds, reported an ending fund balance of \$11,943,454, which is a decrease of \$67,042 from last year's total of \$12,010,496.

The General Fund is the chief operating fund of the City. Its fund balance increased by \$1,000,781 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 123% of total General Fund expenditures as compared to 94% 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.

The net decrease in overall fund balance for governmental funds also included a decrease of \$908,694 for the Hurricane Harvey Fund, a major Special Revenue Fund, a decrease of \$377,544 in the Street Construction Fund and a net increase of \$218,415 in other governmental funds. The reason for the decreases in the Hurricane Harvey Fund and the Street Construction Fund is due to the expenditures exceeding revenues for fiscal year 2018 for both funds.

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 \$6,215,655. The increase in total net position for the year was \$1,213,527. Net positions of the Port Revenue Fund and the Beach Operating Fund both changed during the 2018 fiscal year by \$144,896 and (\$19,198), 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 \$1,282,318 greater than budgeted expectations, with tax revenues making up \$1,057,884 or 82% of the positive variance. Sales tax made up 88% of the variance while property tax contributed to 8% of the variance. Investment income was greater than budget expectations by \$122,461.

Total actual expenditures were under budgeted expenditures by \$927,031. 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 \$338,620 to expenditures. A few of the changes are briefly summarized as follows:

- An increase of \$251,585 in city manager department which consisted of an increase of \$161,050 in personnel services, an increase of \$1,500 in materials and supplies, and \$89,035 in contracted services.
- A decrease of \$24,000 in the fire department which consisted of a decrease of \$27,000 in capital expenditures and an increase of \$3,000 in maintenance.
- An increase of \$83,635 in the street department which consisted of the following: Increase of \$83,635 in capital expenditures-machinery and equipment for the purchase of a backhoe to replace one that was totaled.
- An increase of \$27,500 in non-departmental department due to higher health insurance claims.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of September 30, 2018, amounts to \$46,895,738 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, and infrastructure.

City of Port Lavaca, Texas						
Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Non-Depreciable Assets						
Land	\$ 1,517,859	\$ 1,517,859	\$ 1,501,013	\$ 1,501,013	\$ 3,018,872	\$ 3,018,872
Construction in progress	2,205,198	706,684	94,152	-	2,299,350	706,684
Other Capital Assets						
Machinery and equipment	3,686,018	3,507,463	970,836	891,896	4,656,854	4,399,359
Buildings and structures	6,849,706	6,849,706	5,234,972	5,004,477	12,084,678	11,854,183
Infrastructure	31,800,568	31,800,568	43,036,239	43,032,947	74,836,807	74,833,515
Accumulated depreciation on other capital assets	(22,030,992)	(21,200,258)	(27,969,831)	(27,019,468)	(50,000,823)	(48,219,726)
Total	\$ 24,028,357	\$ 23,182,022	\$ 22,867,381	\$ 23,410,865	\$ 46,895,738	\$ 46,592,887

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 and certificates of obligation outstanding of \$5.9 million. The following table details the nature of this debt and other debt obligations of the City.

City of Port Lavaca, Texas						
Long-term Debt						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue bonds	\$ -	\$ -	\$ 3,255,000	\$ 3,975,000	\$ 3,255,000	\$ 3,975,000
General obligation bonds	1,605,000	1,895,000	-	-	1,605,000	1,895,000
Certificates of obligation	-	-	1,040,000	1,125,000	1,040,000	1,125,000
Capital leases	-	45,830	-	-	-	45,830
Compensated absences	129,047	122,783	17,825	12,661	146,872	135,444
OPEB liability	213,449	185,872	37,668	32,801	251,117	218,673
Net pension liability	301,917	980,500	53,280	173,030	355,197	1,153,530
Total	\$ 2,249,413	\$ 3,229,985	\$ 4,403,773	\$ 5,318,492	\$ 6,653,186	\$ 8,548,477

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 2018 increased over sales tax revenue for 2017 by 14%. 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 reconstruction of the Commerce Street. Fiscal Year 2018-2019 is primarily focused on repairing existing amenities at all City parks and the reconstruction of Ann & Benavides Street and completing Bonorden Area Street.

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

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

Utility Fund - (Continued)

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, the engineering phases of Virginia Street's water line and sewer line plus Colorado Street's water line are almost complete.

Beach Fund

The City of Port Lavaca recently completed maintenance dredging at the Lighthouse Beach Boat Ramp. Also roof replacements occurred on the Lighthouse Beach Recreation room and bathhouse.

Port Revenue Fund

The City purchased waterfront property and the Port Lavaca Channel & Dock Co. which are integral components of the overall Waterfront Development Plan. 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, Nautical Landings Marina and development of the newly acquired Smith Harbor as a marine recreation center and commercial dock space.

All Major Funds

The City has been fully reimbursed for storm debris collection and disposal related to Hurricane Harvey. The total expenditure for debris collection in the City was \$775,410 and FEMA has reimbursed the full amount to Port Lavaca. The City has completed the repair of the Bauer Community Center. The Center was re-opened on Labor Day Weekend of 2018 after being closed for just over one year. The Center is now in full operation and again a major revenue generating operation. The City spent nearly \$967,220 to fully repair and improve the Bauer Center. The Fishing Pier at Bayfront Park has been fully repaired and stainless steel fixtures have been used to extend the resiliency of the structure. Permitting issues with FEMA is currently holding up reimbursement for the construction. The Birdwalk at Lighthouse Beach Park is now in the bidding stage. Commencement of construction will hinge on any FEMA permitting issues that may arise. The fishing pier at Lighthouse Beach is pending due to the initial estimated expense of \$2 million. The City has been trying to determine the best way to construct this pier without an extensive drain on the City's fund balances. Presently, the thought is to build it incrementally in 200 foot segments over a number of years.

The City is working carefully to manage its fund balances. Major reconstruction projects have been scheduled to maximize the retention of the City's fund balances. Major projects are being scheduled in a manner to obtain full FEMA reimbursement where possible. At the same time critical projects with limited potential for FEMA reimbursement continue to move forward. Based on communications with Federal and State Officials, reimbursements for damages to public facilities is expected to be at 90% of the damages. However, the FEMA and TDEM (Texas Department of Emergency Management) are slow moving programs. Also complicating the matter is the frequent change of FEMA project managers (the City has had four project managers during the 18 month period since Hurricane Harvey), and the changing of FEMA requirements during or sometimes following the FEMA funded repairs.

The City continues to move forward with the repair process. In most cases this entails selection of consulting engineers for a project, preliminary engineering, project design and preparation of project specifications, project bidding, selection of a project contractor for each project, contracting and construction. It is a lengthy process for each project.

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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 11,508,533	\$ 8,268,449	\$ 19,776,982
Receivables (net)	732,534	762,865	1,495,399
Due from other governments	1,222,343	2,500	1,224,843
Prepaid items	46,702	16,725	63,427
Inventory	-	28,148	28,148
Total current assets	<u>13,510,112</u>	<u>9,078,687</u>	<u>22,588,799</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	3,723,057	1,595,165	5,318,222
Assets being depreciated (net)	<u>20,305,300</u>	<u>21,272,216</u>	<u>41,577,516</u>
Total noncurrent assets	<u>24,028,357</u>	<u>22,867,381</u>	<u>46,895,738</u>
Total assets	<u>37,538,469</u>	<u>31,946,068</u>	<u>69,484,537</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pension	142,736	23,822	166,558
Deferred outflow related to OPEB	17,342	3,060	20,402
Deferred amount on refunding	<u>58,801</u>	<u>160,549</u>	<u>219,350</u>
Total deferred outflows of resources	<u>218,879</u>	<u>187,431</u>	<u>406,310</u>

The accompanying notes are an integral part of this statement.

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$ 818,289	\$ 320,002	\$ 1,138,291
Payroll related liabilities	181,737	29,642	211,379
Accrued interest payable	4,106	12,168	16,274
Due to other governments	12,286	4,450	16,736
Accrued compensated absences	42,586	5,882	48,468
Unearned revenue	65,676	30,901	96,577
Customer deposits	13,606	218,639	232,245
Current portion of long-term obligations	300,000	830,000	1,130,000
Total current liabilities	<u>1,438,286</u>	<u>1,451,684</u>	<u>2,889,970</u>
Noncurrent liabilities			
Accrued compensated absences	86,461	11,943	98,404
Net pension liability	301,917	53,280	355,197
OPEB liability	213,449	37,668	251,117
Noncurrent portion of long-term obligations	1,305,000	3,465,000	4,770,000
Total noncurrent liabilities	<u>1,906,827</u>	<u>3,567,891</u>	<u>5,474,718</u>
Total liabilities	<u>3,345,113</u>	<u>5,019,575</u>	<u>8,364,688</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pension	<u>321,351</u>	<u>54,163</u>	<u>375,514</u>
NET POSITION			
Net investment in capital assets	22,482,158	18,732,930	41,215,088
Restricted for:			
Debt service	176,481	-	176,481
Economic development, tourism and conventions	1,460,027	-	1,460,027
Public safety	96,375	-	96,375
Municipal court	32,455	-	32,455
Unrestricted	<u>9,843,388</u>	<u>8,326,831</u>	<u>18,170,219</u>
Total net position	<u>\$ 34,090,884</u>	<u>\$ 27,059,761</u>	<u>\$ 61,150,645</u>

CITY OF PORT LAVACA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 4,221,921	\$ 348,096	\$ 1,014,507	\$ -
Public safety	3,411,589	35,072	272,187	-
Public works	1,653,462	-	-	-
Parks and recreation	758,143	10,800	5,194	-
Interest on long-term debt	45,858	-	-	-
Total governmental activities	<u>10,090,973</u>	<u>393,968</u>	<u>1,291,888</u>	<u>-</u>
Business-type activities				
Public utilities	4,414,433	5,770,068	-	-
Port revenue	347,709	483,334	-	2,500
Beach operations	244,200	221,127	-	-
Total business-type activities	<u>5,006,342</u>	<u>6,474,529</u>	<u>-</u>	<u>2,500</u>
Total government	<u>\$ 15,097,315</u>	<u>\$ 6,868,497</u>	<u>\$ 1,291,888</u>	<u>\$ 2,500</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, as restated

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
\$ (2,859,318)	\$ -	\$ (2,859,318)
(3,104,330)	-	(3,104,330)
(1,653,462)	-	(1,653,462)
(742,149)	-	(742,149)
(45,858)	-	(45,858)
<u>(8,405,117)</u>	<u>-</u>	<u>(8,405,117)</u>
-	1,355,635	1,355,635
-	138,125	138,125
-	<u>(23,073)</u>	<u>(23,073)</u>
-	<u>1,470,687</u>	<u>1,470,687</u>
<u>(8,405,117)</u>	<u>1,470,687</u>	<u>(6,934,430)</u>
3,887,416	-	3,887,416
330,426	-	330,426
3,138,929	-	3,138,929
588,803	-	588,803
692,232	-	692,232
199,214	136,038	335,252
415,208	-	415,208
267,500	<u>(267,500)</u>	<u>-</u>
<u>9,519,728</u>	<u>(131,462)</u>	<u>9,388,266</u>
1,114,611	1,339,225	2,453,836
<u>32,976,273</u>	<u>25,720,536</u>	<u>58,696,809</u>
<u>\$ 34,090,884</u>	<u>\$ 27,059,761</u>	<u>\$ 61,150,645</u>

CITY OF PORT LAVACA, TEXAS**BALANCE SHEET****GOVERNMENTAL FUNDS**

September 30, 2018

	<u>General</u>	<u>Hurricane Harvey</u>	<u>Street Construction</u>	<u>Other Governmental Funds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 9,599,179	\$ -	\$ 252,026	\$ 1,657,328
Receivables (net)	541,464	-	-	191,070
Due from other governments	575,832	646,162	-	349
Due from other funds	1,452,928	-	-	-
Prepaid items	46,702	-	-	-
Total assets	<u>\$ 12,216,105</u>	<u>\$ 646,162</u>	<u>\$ 252,026</u>	<u>\$ 1,848,747</u>
LIABILITIES				
Accounts payable	\$ 385,032	\$ 123,338	\$ 252,026	\$ 57,893
Payroll related payables	181,737	-	-	-
Due to other governments	12,286	-	-	-
Due to other funds	-	1,431,518	-	21,410
Customer and other deposits	13,606	-	-	-
Unearned revenue	65,676	-	-	-
Total liabilities	<u>658,337</u>	<u>1,554,856</u>	<u>252,026</u>	<u>79,303</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	453,709	-	-	21,355
Total deferred inflows of resources	<u>453,709</u>	<u>-</u>	<u>-</u>	<u>21,355</u>
FUND BALANCES				
Nonspendable	46,702	-	-	-
Restricted	-	-	-	1,748,089
Committed	2,548,794	-	-	-
Unassigned	8,508,563	(908,694)	-	-
Total fund balances	<u>11,104,059</u>	<u>(908,694)</u>	<u>-</u>	<u>1,748,089</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 12,216,105</u>	<u>\$ 646,162</u>	<u>\$ 252,026</u>	<u>\$ 1,848,747</u>

The accompanying notes are an integral part of this statement.

Total
Governmental
Funds

\$ 11,508,533
732,534
1,222,343
1,452,928
46,702
\$ 14,963,040

\$ 818,289
181,737
12,286
1,452,928
13,606
65,676
2,544,522

475,064
475,064

46,702
1,748,089
2,548,794
7,599,869
11,943,454

\$ 14,963,040

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

September 30, 2018

Total governmental fund balances		\$ 11,943,454
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Amounts reported for governmental activities in the statement of net position are different because:

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.

396,977

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.

78,087

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	\$ 46,059,349	
Accumulated depreciation of governmental capital assets	<u>(22,030,992)</u>	24,028,357

Deferred outflows of resources are not reported in the governmental funds:

Deferred amount on refunding	58,801	
Deferred amount on pension	142,736	
Deferred amount on OPEB	<u>17,342</u>	218,879

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	(1,605,000)	
Accrued interest payable	(4,106)	
Compensated absences	(129,047)	
OPEB liability	(213,449)	
Net pension liability	<u>(301,917)</u>	(2,253,519)

Deferred inflows of resources are not reported in the governmental funds:

Deferred amount on pension		<u>(321,351)</u>
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Net position of governmental activities		\$ <u>34,090,884</u>
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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, 2018*

	<u>General</u>	<u>Hurricane Harvey</u>	<u>Street Construction</u>	<u>Other Governmental Funds</u>
REVENUES				
Taxes				
Ad valorem	\$ 3,887,764	\$ -	\$ -	\$ 332,057
Sales	3,138,929	-	-	-
Other	624,879	-	-	656,156
Fines, fees, and forfeitures	315,170	-	-	32,418
Intergovernmental	268,461	1,014,507	-	8,920
Licenses and permits	154,056	-	-	-
Investment	172,461	-	-	26,753
Rental	10,800	-	-	-
Charges for services	4,079	-	-	-
Miscellaneous	53,707	199,986	-	61,529
Total revenues	<u>8,630,306</u>	<u>1,214,493</u>	<u>-</u>	<u>1,117,833</u>
EXPENDITURES				
Current				
General government	1,722,158	2,123,187	-	352,906
Public safety	3,356,706	-	-	39,428
Public works	1,217,296	-	-	-
Parks and recreation	642,491	-	-	-
Capital outlay	-	-	1,517,027	-
Debt service				
Principal retirement	-	-	-	290,000
Interest and fiscal charges	-	-	-	35,975
Total expenditures	<u>6,938,651</u>	<u>2,123,187</u>	<u>1,517,027</u>	<u>718,309</u>
Excess (deficiency) of revenues over expenditures	1,691,655	(908,694)	(1,517,027)	399,524
OTHER FINANCING SOURCES (USES)				
Transfers in	448,639	-	1,139,483	30
Transfers out	(1,139,513)	-	-	(181,139)
Total other financing sources (uses)	<u>(690,874)</u>	<u>-</u>	<u>1,139,483</u>	<u>(181,109)</u>
Net change in fund balances	1,000,781	(908,694)	(377,544)	218,415
Fund balances at beginning of year	<u>10,103,278</u>	<u>-</u>	<u>377,544</u>	<u>1,529,674</u>
Fund balances at end of year	<u>\$ 11,104,059</u>	<u>\$ (908,694)</u>	<u>\$ -</u>	<u>\$ 1,748,089</u>

The accompanying notes are an integral part of this statement.

Total
Governmental
Funds

\$ 4,219,821
3,138,929
1,281,035
347,588
1,291,888
154,056
199,214
10,800
4,079
315,222
10,962,632

4,198,251
3,396,134
1,217,296
642,491
1,517,027

290,000
35,975
11,297,174

(334,542)

1,588,152
(1,320,652)
267,500

(67,042)
12,010,496
\$ 11,943,454

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, 2018

Total net change in fund balances - governmental funds	\$	(67,042)
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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	\$ 1,770,801	
Depreciation expense	<u>(900,669)</u>	870,132

The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position.

		(23,797)
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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	290,000	
Capital lease principal retirement	<u>45,830</u>	335,830

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	(1,701)	
Other revenues	<u>950</u>	(751)

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	(6,265)	
Decrease in loss on bond refunding	(10,625)	
Decrease in accrued interest	742	
Net pension costs	31,714	
Net OPEB costs	<u>(15,327)</u>	<u>239</u>

Change in net position of governmental activities	\$	<u>1,114,611</u>
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The accompanying notes are an integral part of this statement.

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

September 30, 2018

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,131,496	\$ 1,320,488	\$ 816,465	\$ 8,268,449
Receivables (net)	736,180	26,164	521	762,865
Due from other governments	-	2,500	-	2,500
Prepaid items	9,578	5,343	1,804	16,725
Inventory	28,148	-	-	28,148
Total current assets	6,905,402	1,354,495	818,790	9,078,687
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	212,718	1,108,634	273,813	1,595,165
Assets being depreciated (net)	16,319,699	3,324,902	1,627,615	21,272,216
Net noncurrent assets	16,532,417	4,433,536	1,901,428	22,867,381
Total assets	23,437,819	5,788,031	2,720,218	31,946,068
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to pension	23,822	-	-	23,822
Deferred outflow related to OPEB	3,060	-	-	3,060
Deferred amount on refunding	160,549	-	-	160,549
Total deferred outflows of resources	187,431	-	-	187,431
LIABILITIES				
Current liabilities				
Accounts payable	275,951	15,781	28,270	320,002
Payroll related liabilities	28,063	1,579	-	29,642
Accrued interest payable	7,003	5,165	-	12,168
Due to other governments	4,450	-	-	4,450
Accrued compensated absences	5,882	-	-	5,882
Unearned revenue	21,437	9,464	-	30,901
Customer deposits	216,789	950	900	218,639
Current portion of noncurrent liabilities				
Bonds and certificates	745,000	85,000	-	830,000
Total current liabilities	1,304,575	117,939	29,170	1,451,684
Long-term liabilities, net of current portion				
Accrued compensated absences	11,943	-	-	11,943
Net pension liability	53,280	-	-	53,280
OPEB liability	37,668	-	-	37,668
Bonds and certificates (net of unamortized deferred amounts)	2,510,000	955,000	-	3,465,000
Total long-term liabilities	2,612,891	955,000	-	3,567,891
Total liabilities	3,917,466	1,072,939	29,170	5,019,575
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to pension	54,163	-	-	54,163
NET POSITION				
Net investment in capital assets	13,437,966	3,393,536	1,901,428	18,732,930
Unrestricted	6,215,655	1,321,556	789,620	8,326,831
Total net position	\$ 19,653,621	\$ 4,715,092	\$ 2,691,048	\$ 27,059,761

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, 2018*

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
OPERATING REVENUES				
Charges for services				
Water sales	\$ 2,519,656	\$ -	\$ -	\$ 2,519,656
Sewer services	2,061,093	-	-	2,061,093
Waste collection	789,929	-	-	789,929
Tap and service fees	237,580	-	-	237,580
Gate fees	-	-	33,385	33,385
Leases and rentals	-	472,276	184,431	656,707
Penalties	96,532	-	-	96,532
Miscellaneous	65,278	11,058	3,311	79,647
Total operating revenues	<u>5,770,068</u>	<u>483,334</u>	<u>221,127</u>	<u>6,474,529</u>
OPERATING EXPENSES				
Personnel services	832,742	19,542	16	852,300
Materials and supplies	67,708	2,574	746	71,028
Services	1,076,259	91,975	104,734	1,272,968
Water purchases	1,212,254	-	-	1,212,254
Maintenance and repairs	438,587	9,501	13,601	461,689
Depreciation and amortization	666,697	181,997	119,919	968,613
Miscellaneous	59,346	-	5,184	64,530
Total operating expenses	<u>4,353,593</u>	<u>305,589</u>	<u>244,200</u>	<u>4,903,382</u>
Operating income (loss)	1,416,475	177,745	(23,073)	1,571,147
NONOPERATING REVENUES (EXPENSES)				
Investment income	102,892	21,271	11,875	136,038
Interest expense	(60,840)	(42,120)	-	(102,960)
Net nonoperating revenues	<u>42,052</u>	<u>(20,849)</u>	<u>11,875</u>	<u>33,078</u>
Income before capital contributions and transfers	1,458,527	156,896	(11,198)	1,604,225
Capital grants and contributions	-	2,500	-	2,500
Transfers out	<u>(245,000)</u>	<u>(14,500)</u>	<u>(8,000)</u>	<u>(267,500)</u>
Change in net position	1,213,527	144,896	(19,198)	1,339,225
Total net position at beginning of year, as restated	<u>18,440,094</u>	<u>4,570,196</u>	<u>2,710,246</u>	<u>25,720,536</u>
Total net position at end of year	<u>\$ 19,653,621</u>	<u>\$ 4,715,092</u>	<u>\$ 2,691,048</u>	<u>\$ 27,059,761</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, 2018

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 6,038,007	\$ 477,043	\$ 221,457	\$ 6,736,507
Cash payments to suppliers for goods and services	(2,865,208)	(102,591)	(109,092)	(3,076,891)
Cash payments to employees for services	(826,353)	(17,963)	-	(844,316)
Net cash provided (used) by operating activities	<u>2,346,446</u>	<u>356,489</u>	<u>112,365</u>	<u>2,815,300</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Borrowings (to) from other funds	(25,499)	-	-	(25,499)
Receipts from noncapital grants and contributions	-	2,000	-	2,000
Transfers to other funds	(245,000)	(14,500)	(8,000)	(267,500)
Net cash provided (used) by noncapital financing activities	<u>(270,499)</u>	<u>(12,500)</u>	<u>(8,000)</u>	<u>(290,999)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Acquisition of capital assets	(171,384)	(224,460)	(11,035)	(406,879)
Receipts from capital grants and contributions	3,025	2,500	-	5,525
Principal paid on capital debt	(720,000)	(85,000)	-	(805,000)
Interest paid on capital debt	(62,675)	(42,542)	-	(105,217)
Net cash provided (used) by capital financing activities	<u>(951,034)</u>	<u>(349,502)</u>	<u>(11,035)</u>	<u>(1,311,571)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	245,000	-	-	245,000
Investment income	102,892	21,271	11,875	136,038
Net cash provided (used) by investing activities	<u>347,892</u>	<u>21,271</u>	<u>11,875</u>	<u>381,038</u>
Net increase (decrease) in cash and cash equivalents	1,472,805	15,758	105,205	1,593,768
Cash and cash equivalents at beginning of year	<u>4,658,691</u>	<u>1,304,730</u>	<u>711,260</u>	<u>6,674,681</u>
Cash and cash equivalents at end of year	<u>\$ 6,131,496</u>	<u>\$ 1,320,488</u>	<u>\$ 816,465</u>	<u>\$ 8,268,449</u>

CITY OF PORT LAVACA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2018

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 1,416,475	\$ 177,745	\$ (23,073)	\$ 1,571,147
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	666,697	181,997	119,919	968,613
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	282,157	(6,038)	(70)	276,049
(Increase) decrease in prepaid expense	(456)	(521)	(176)	(1,153)
(Increase) decrease in inventory	(2,493)	-	-	(2,493)
(Increase) decrease in deferred outflow related to pension	69,646	-	-	69,646
(Increase) decrease in deferred outflow related to OPEB	(2,162)	-	-	(2,162)
Increase (decrease) in accounts and other payables	(5,210)	1,980	15,365	12,135
Increase (decrease) in payroll related liabilities	4,064	1,579	-	5,643
Increase (decrease) in due to other governments	(2,895)	-	-	(2,895)
Increase (decrease) in compensated absences	5,164	-	-	5,164
Increase (decrease) in net pension liability	(119,750)	-	-	(119,750)
Increase (decrease) in OPEB liability	4,867	-	-	4,867
Increase (decrease) in unearned revenue	(11,988)	(353)	-	(12,341)
Increase (decrease) in customer deposits	(2,230)	100	400	(1,730)
Increase (decrease) in deferred inflow related to pension	44,560	-	-	44,560
Net cash provided (used) by operating activities	\$ 2,346,446	\$ 356,489	\$ 112,365	\$ 2,815,300

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS***September 30, 2018*

	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
ASSETS		
Cash and cash equivalents	\$ 150	\$ 26,009
Total assets	<u>150</u>	<u>\$ 26,009</u>
LIABILITIES		
Due to others	-	\$ 26,009
Total liabilities	<u>-</u>	<u>\$ 26,009</u>
NET POSITION		
Restricted for payment of pension benefits	150	
Total net position	<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, 2018*

	Fireman's Relief and Retirement Fund
ADDITIONS	
Employer contributions	<u>\$ 2,500</u>
DEDUCTIONS	
Benefits	<u>2,500</u>
Change in net position	-
Net position at beginning of year	<u>150</u>
Net position at end of year	<u><u>\$ 150</u></u>

The accompanying notes are an integral part of this statement.

INDEX

<u>Note</u>		<u>Page</u>
1	Summary of Significant Accounting Policies	31
2	Stewardship, Compliance, and Accountability	38
3	Deposits and Investments	39
4	Receivables	40
5	Due from Other Governments	41
6	Capital Assets	41
7	Interfund Receivables, Payables, and Transfers	43
8	Lessor Agreements	43
9	Long-term Debt	44
10	Prior Year Defeasance of Debt	47
11	Proprietary Fund Net Position	47
12	Risk Management	47
13	Contingencies and Commitments	48
14	Defined Benefit Pension Plan	49
15	Supplemental Death Benefit Plan (OPEB).....	54
16	Volunteer Firefighters' Pension Benefit Plan	57
17	Deferred Compensation Plan	57
18	Fund Balances	57
19	Subsequent Event.....	58
20	Restatement of Previously Issued Financial Statements.....	58

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

The City's basic financial statements include the accounts of all City operations. The criteria for including legally separate organizations as component units within the City's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). No legally separate organizations met the necessary criteria for inclusion as component units for the year ended September 30, 2018.

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.

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City has ten Special Revenue Funds, one of which has been reported as a major fund. The Hurricane Harvey Fund is used to account for proceeds received and expenditures incurred by the City related to Hurricane Harvey.

Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City has one Capital Project Fund. The Street Construction Fund accounts for the funding of street improvements by the use of bond proceeds or by funds from other governmental funds.

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 Revenue 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.

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

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

Additionally, the City reports the following fund types:

Debt Service Fund - The 2012 General Obligation Refunding Bonds Fund accounts for the resources accumulated and payments made for principal and interest on the City's 2012 General Obligation Refunding Bonds.

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 fire-fighters.

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.

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.

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

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, 2018.

The Calhoun County Appraisal District bills and collects property taxes for the City. These taxes are levied on October 1st of each year and are payable by the following January 31st, 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 1st 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.

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension/OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of pension or OPEB liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report 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. This year, the City has the following items that qualify for reporting in this category.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

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.

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**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 2017-2018.

<u>Fund Name- Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
City manager	\$ 328,042	\$ 329,227	\$ 1,185
City secretary	177,570	177,733	163
Municipal court	143,540	154,483	10,943
Police	1,895,399	1,939,726	44,327
Convention/visitors bureau	247,131	282,915	35,784
Transfers out	502,000	1,139,513	637,513
Debt Service Fund	325,825	325,975	150

These over expenditures were funded by available fund balances in the respective funds.

Deficit Fund Equity

As of September 30, 2018, the Hurricane Harvey Fund (a major Special Revenue Fund) had a deficit fund equity balance of \$908,694. This deficit will be eliminated in the 2019 fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas Public Funds Investment Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the City's and the depository bank's agent bank. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance.

As of September 30, 2018, the City had the following investments classified as cash and cash equivalents:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool LOGIC	\$ 10,488,099	42

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

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 to less than one year from the time of purchase. LOGIC weighted average maturities cannot exceed 60 days.

Credit Risk

The investment pools operate in full compliance with the Public Funds Investment Act. LOGIC is rated AAAM by Standard & Poor's.

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 110% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City's investments are invested in LOGIC and they have no 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 Revenue</u>	<u>Beach Operating</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Ad valorem taxes	\$ 481,380	\$ -	\$ -	\$ -	\$ 22,479	\$ 503,859
Franchise taxes	76,871	-	-	-	-	76,871
Municipal court fines	138,380	-	-	-	-	138,380
Charges for services	158,192	678,114	26,164	-	-	862,470
Occupancy taxes	-	-	-	-	148,305	148,305
Miscellaneous	<u>10,883</u>	<u>58,066</u>	<u>-</u>	<u>521</u>	<u>21,410</u>	<u>90,880</u>
Gross receivables	865,706	736,180	26,164	521	192,194	1,820,765
Less: Allowance for uncollectibles	<u>(324,242)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,124)</u>	<u>(325,366)</u>
Net total receivables	<u>\$ 541,464</u>	<u>\$ 736,180</u>	<u>\$ 26,164</u>	<u>\$ 521</u>	<u>\$ 191,070</u>	<u>\$ 1,495,399</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, 2018, was \$0.7944 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	\$ 375,622	\$ -	\$ 375,622
Charges for services	15,816	65,676	81,492
Municipal court fines	62,271	-	62,271
Nonmajor Funds			
Ad valorem taxes	<u>21,355</u>	<u>-</u>	<u>21,355</u>
	<u>\$ 475,064</u>	<u>\$ 65,676</u>	<u>\$ 540,740</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, 2018:

	General Fund	Hurricane Harvey	Port Revenue	Nonmajor Funds	Total
Sales taxes	\$ 562,533	\$ -	\$ -	\$ -	\$ 562,533
Mixed beverage taxes	7,721	-	-	-	7,721
Property taxes	5,578	-	-	349	5,927
Grant reimbursements	-	646,162	2,500	-	648,662
	<u>\$ 575,832</u>	<u>\$ 646,162</u>	<u>\$ 2,500</u>	<u>\$ 349</u>	<u>\$ 1,224,843</u>

NOTE 6: CAPITAL ASSETS

The capital asset activity of the City was as follows for the year ended September 30, 2018:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,517,859	\$ -	\$ -	\$ 1,517,859
Construction in progress	706,684	1,519,924	(21,410)	2,205,198
Total capital assets not being depreciated	<u>2,224,543</u>	<u>1,519,924</u>	<u>(21,410)</u>	<u>3,723,057</u>
Capital assets, being depreciated:				
Machinery and equipment	3,507,463	250,877	(72,322)	3,686,018
Buildings and structures	6,849,706	-	-	6,849,706
Infrastructure	31,800,568	-	-	31,800,568
Total capital assets being depreciated	<u>42,157,737</u>	<u>250,877</u>	<u>(72,322)</u>	<u>42,336,292</u>
Less accumulated depreciation for:				
Machinery and equipment	(2,715,504)	(235,910)	69,935	(2,881,479)
Buildings and structures	(3,519,261)	(176,957)	-	(3,696,218)
Infrastructure	(14,965,493)	(487,802)	-	(15,453,295)
Total accumulated depreciation	<u>(21,200,258)</u>	<u>(900,669)</u>	<u>69,935</u>	<u>(22,030,992)</u>
Total capital assets being depreciated, net	<u>20,957,479</u>	<u>(649,792)</u>	<u>(2,387)</u>	<u>20,305,300</u>
Governmental activities capital assets, net	<u>\$ 23,182,022</u>	<u>\$ 870,132</u>	<u>\$ (23,797)</u>	<u>\$ 24,028,357</u>

NOTE 6: CAPITAL ASSETS - (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 1,501,013	\$ -	\$ -	\$ 1,501,013
Construction in progress	-	327,939	(233,787)	94,152
Total capital assets not being depreciated	<u>1,501,013</u>	<u>327,939</u>	<u>(233,787)</u>	<u>1,595,165</u>
Capital assets, being depreciated:				
Machinery and equipment	891,896	78,940	-	970,836
Buildings and structures	5,004,477	230,495	-	5,234,972
Infrastructure	<u>43,032,947</u>	<u>3,292</u>	<u>-</u>	<u>43,036,239</u>
Total capital assets being depreciated	<u>48,929,320</u>	<u>312,727</u>	<u>-</u>	<u>49,242,047</u>
Less accumulated depreciation for:				
Machinery and equipment	(729,852)	(61,864)	-	(791,716)
Buildings and structures	(3,221,465)	(139,661)	-	(3,361,126)
Infrastructure	<u>(23,068,151)</u>	<u>(748,838)</u>	<u>-</u>	<u>(23,816,989)</u>
Total accumulated depreciation	<u>(27,019,468)</u>	<u>(950,363)</u>	<u>-</u>	<u>(27,969,831)</u>
Total capital assets being depreciated, net	<u>21,909,852</u>	<u>(637,636)</u>	<u>-</u>	<u>21,272,216</u>
Business-type activities capital assets, net	<u>\$ 23,410,865</u>	<u>\$ (309,697)</u>	<u>\$ (233,787)</u>	<u>\$ 22,867,381</u>

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

Governmental activities:

General government	\$ 29,749
Public safety	170,944
Public works	540,446
Parks and recreation	<u>159,530</u>
Total depreciation expense - governmental activities	<u>\$ 900,669</u>

Business-type activities:

Public Utility	\$ 648,447
Port Revenue	181,997
Beach Operating	<u>119,919</u>
Total depreciation expense - business-type activities	<u>\$ 950,363</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, 2018, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Hurricane Harvey Fund	\$ 1,431,518
	Nonmajor Special Revenue	<u>21,410</u>
		<u>\$ 1,452,928</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 General Fund to the Street Construction for fiscal year 2018 construction costs. During the current fiscal year, transfers between funds consisted of the following:

	<u>Transfers In</u>			
	<u>General</u>	<u>Street Construction</u>	<u>Nonmajor</u>	<u>Total</u>
Transfers out				
General	\$ -	\$ 1,139,483	\$ 30	\$ 1,139,513
Public Utility	245,000	-	-	245,000
Port Revenue	14,500	-	-	14,500
Beach Operating	8,000	-	-	8,000
Nonmajor	181,139	-	-	181,139
	<u>\$ 448,639</u>	<u>\$ 1,139,483</u>	<u>\$ 30</u>	<u>\$ 1,588,152</u>

NOTE 8: LESSOR AGREEMENTS

The Port Revenue 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 Revenue Fund under noncancelable lease agreements as of September 30, 2018:

<u>Year Ending</u>	
<u>September 30</u>	
2019	\$ 18,000
2020	18,000
2021	18,000
2022	<u>18,000</u>
	72,000
Thereafter	<u>-</u>
	<u>\$ 72,000</u>

NOTE 9: LONG-TERM DEBT**A. Changes in Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 1,895,000	\$ -	\$ 290,000	\$ 1,605,000	\$ 300,000
Net bonds payable	1,895,000	-	290,000	1,605,000	300,000
Capital leases	45,830	-	45,830	-	-
Compensated absences	122,783	142,399	136,135	129,047	42,586
OPEB liability	185,872	27,577	-	213,449	-
Net pension liability	980,500	-	678,583	301,917	-
Total governmental activity					
long-term liabilities	<u>\$ 3,229,985</u>	<u>\$ 169,976</u>	<u>\$ 1,150,548</u>	<u>\$ 2,249,413</u>	<u>\$ 342,586</u>
Business-type activities					
Bonds and certificates payable:					
Revenue bonds	\$ 3,975,000	\$ -	\$ 720,000	\$ 3,255,000	\$ 745,000
Certificates	1,125,000	-	85,000	1,040,000	85,000
Net bonds and certificates	5,100,000	-	805,000	4,295,000	830,000
Compensated absences	12,661	17,988	12,824	17,825	5,882
OPEB liability	32,801	4,867	-	37,668	-
Net pension liability	173,030	-	119,750	53,280	-
Total business-type activity					
long-term liabilities	<u>\$ 5,318,492</u>	<u>\$ 22,855</u>	<u>\$ 937,574</u>	<u>\$ 4,403,773</u>	<u>\$ 835,882</u>

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

NOTE 9: LONG-TERM DEBT - (Continued)**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, 2018, was comprised of the following individual issue:

\$2,945,000 Series 2012 General Obligation Refunding Bonds due in annual installments ranging from \$300,000 to \$320,000 through February 15, 2024; interest fixed at 2.03%.	<u>\$ 1,605,000</u>
Total Bonds	<u>\$ 1,605,000</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
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	320,000	4,466	324,466
2024	60,000	609	60,609
	<u>\$ 1,605,000</u>	<u>\$ 86,327</u>	<u>\$ 1,691,327</u>

C. Revenue Bonds and Certificates

Revenue bonds and certificates payable were comprised of the following individual issues at September 30, 2018:

\$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%.	<u>\$ 3,255,000</u>
\$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>1,040,000</u>
Total Revenue Bonds and Certificates	<u>\$ 4,295,000</u>

NOTE 9: 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:

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
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	200,000	27,588	227,588
2024-2028	675,000	59,484	734,484
	<u>\$ 4,295,000</u>	<u>\$ 348,143</u>	<u>\$ 4,643,143</u>

The revenues of the Public Utility Fund and the Port Revenue 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, 2018.

As of September 30, 2018, the \$4,295,000 balance on the revenue bonds and certificates is detailed as follows according to the purpose of their issuance: \$2,276,350 or 53% water system improvements, \$1,073,750 or 25% wastewater system improvements, and \$944,900 or 22% harbor system improvements.

NOTE 10: 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, 2018, \$6,920,000 of bonds outstanding was considered defeased.

NOTE 11: PROPRIETARY FUND NET POSITION

Management has committed for operating reserves \$1,164,858 of the Public Utility Fund's \$6,215,655 unrestricted net position. Management has also committed \$90,552 of the Port Revenue Fund's \$1,321,556 unrestricted net position for operating reserves and \$63,050 of the Beach Operating Fund's \$789,620 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 Revenue Fund, and the Beach Operating Fund had \$5,050,797, \$1,231,004, and \$726,570, respectively, of unrestricted, uncommitted net position as of September 30, 2018.

NOTE 12: 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, 2018, 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.

The City has also entered into an interlocal agreement with the Texas Municipal League Intergovernmental Employees Benefit Pool for health benefits coverage for its employees. The City pays \$485.46 or approximately 86% of the premiums for full-time employees. Dependent coverage is available at additional premiums paid by the employee and the City.

NOTE 13: CONTINGENCIES AND COMMITMENTS**A. Litigation**

The City was not involved in any litigation as of September 30, 2018, 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, 2018, 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, 2018, 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	\$ 1,977,499	\$ 694,034	City
Park improvements	146,003	503,997	City/Grant
Veterans' memorial	81,696	-	City/Contributions
	<u>\$ 2,205,198</u>	<u>\$ 1,198,031</u>	
Business-type activities:			
Water and sewer improvements	\$ 89,152	\$ 1,705,848	City
Sewer line improvements	-	330,000	City/Grant
Helena bulkhead at H.O.R.	2,500	1,197,500	Grant/Contributions
Properties for Port projects	2,500	808,159	City
	<u>\$ 94,152</u>	<u>\$ 4,041,507</u>	

NOTE 14: DEFINED BENEFIT PENSION PLAN**Plan Description**

The City participates as one of 883 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.

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 2018 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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	100
Active employees	<u>91</u>
	<u>254</u>

NOTE 14: 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 6.02% and 5.99% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were \$216,287, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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, 2017, 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 14: 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 2018 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%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	<u>5.00%</u>	7.50%
Total	<u>100.00%</u>	

NOTE 14: 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 10,920,459	\$ 9,766,929	\$ 1,153,530
Changes for the year:			
Service cost	348,599	-	348,599
Interest	726,299	-	726,299
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(125,070)	-	(125,070)
Change of assumptions	-	-	-
Contributions - Employer	-	219,660	(219,660)
Contributions - Employee	-	182,513	(182,513)
Net investment income	-	1,353,359	(1,353,359)
Benefit payments, including refunds of employee contributions	(669,541)	(669,541)	-
Administrative expense	-	(7,015)	7,015
Other changes	-	(356)	356
Net changes	<u>280,287</u>	<u>1,078,620</u>	<u>(798,333)</u>
Balance at 12/31/2017	<u>\$ 11,200,746</u>	<u>\$ 10,845,549</u>	<u>\$ 355,197</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:	\$1,937,364	\$355,197	\$(923,248)

NOTE 14: 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.tmrs.com.

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

For the year ended September 30, 2018 the City recognized pension expense of \$179,245.

At September 30, 2018, 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	\$ 6,188	\$ 99,280
Changes in actuarial assumptions	7,048	-
Difference between projected and actual investment earnings	-	276,532
Contributions subsequent to the measurement date	153,321	-
Total	\$ 166,557	\$ 375,812

\$153,321 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, 2019. 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
2018	\$ (24,762)
2019	(45,663)
2020	(153,332)
2021	(138,820)
2022	-
Thereafter	-
Total	(362,577)

NOTE 15: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)Plan Description and Benefits Provided

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership

At the December 31, 2017 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>91</u>
Total	<u>141</u>

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retired term life insurance during employees' entire careers. Therefore, there are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The SDBF is considered an unfunded OPEB plan and benefit payments made by the City are treated as being equal to the City's yearly contribution for retirees.

The City's contribution rates for the program are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.23%	0.07%
2018	0.22%	0.08%

NOTE 15: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)**Total OPEB Liability**

The City's total OPEB liability and the OPEB expense is recognized on the City's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Inflation	2.5%
Salary increases	3.5% to 10.5 % including inflation
Discount rate	3.31%; based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-service retirees	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
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Implementing GASB Statement No. 75

In the year of implementation (fiscal year ended September 30, 2018), the City made a prior period adjustment for the Total OPEB Liability as of the 12/31/16 measurement date and recorded a deferred outflow of resources for contributions recorded by the City (retiree portion of SDB rate only) from December 31, 2016 to September 30, 2017. TMRS elected not to calculate other deferrals as of the December 31, 2016 measurement date.

NOTE 15: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)**Total OPEB Liability - (Continued)*****Changes in Total OPEB Liability***

The following details the changes in the Total OPEB liability:

Balance at 12/31/16	\$ 218,673
Changes for the year:	
Service cost	8,761
Interest	8,383
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	17,855
Benefit payments	(2,555)
Net changes	<u>32,444</u>
Balance at 12/31/17	<u>\$ 251,117</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1.0% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1.0% Increase in Discount Rate (4.31%)
City's Total OPEB Liability:	\$297,191	\$251,117	\$215,407

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$20,228.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in actuarial assumptions	14,771	-
Contributions subsequent to the measurement date	5,631	-
Total	\$ 20,402	\$ -

NOTE 16: 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, 2018, there were 10 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, 2018.

NOTE 17: 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 \$683,711 as of September 30, 2018, 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 18: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2018:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid items	\$ 46,702	\$ -	\$ -	\$ -	\$ 46,702
Operating reserves	-	-	2,312,884	-	2,312,884
Capital asset replacement	-	-	235,910	-	235,910
Unassigned	-	-	-	8,508,563	8,508,563
Hurricane Harvey					
Unassigned	-	-	-	(908,694)	(908,694)
Nonmajor Governmental					
Retirement of long-term debt	-	159,232	-	-	159,232
Tourism and conventions	-	1,449,672	-	-	1,449,672
Economic development	-	10,355	-	-	10,355
Police	-	96,375	-	-	96,375
Municipal court	-	32,455	-	-	32,455
	<u>\$ 46,702</u>	<u>\$ 1,748,089</u>	<u>\$ 2,548,794</u>	<u>\$ 7,599,869</u>	<u>\$ 11,943,454</u>

NOTE 19: SUBSEQUENT EVENT

In November 2018, the City issued \$1,500,000 in Combination Tax and Surplus Harbor System Revenue Certificates of Obligation. The certificates are due in annual installments ranging from \$70,000 to \$125,000 through 2030 with interest varying from 3.50% to 5.00%. The proceeds from the sale of the certificates will be used to paying contractual obligations to be incurred for (1) acquiring land to enlarge, extend, and improve the City's Harbor System; (2) building, constructing, purchasing, improving, repairing, and replacing public works to be owned by the City as part of the City's Harbor System, including bulkheads, piers, wharfs, streets, sidewalks, or other improvements; (3) purchasing material, supplies, equipment, and machinery for authorized needs and purposes relating to the City's Harbor System; and (4) payment of professional services and costs of issued related thereto.

NOTE 20: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The GASB has issued the following statement which became effective for fiscal year 2018:

GASB Statement No. 75: Accounting and Financial Reporting for Post-employment Benefits Other than Pensions replaces previous authoritative literature. For plans that do not have formal trusts, GASB Statement No. 75 requires state and local government employers to recognize the total OPEB liability and the related OPEB expense on their financial statements along with the related deferred outflows and inflows of resources. In addition to the deferred outflows/inflows associated with plan experience and assumption changes, the standard requires the benefit payments and administrative costs incurred subsequent to the measurement date and before the end of the employer's reporting period to be reported as a deferred outflow of resources.

The implementation of GASB No. 75 resulted in the restatement of beginning net position for the recording of the beginning OPEB liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying the change results in the adjustments below.

	<u>Government-wide</u>		<u>Fund Level</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Public Utility</u>
Net position at September 30, 2017, as previously reported	\$ 33,157,054	\$ 25,752,438	\$ 18,471,996
Recording of Total OPEB - SDB liability as of September 30, 2017	(185,872)	(32,801)	(32,801)
Deferral for OPEB - SDB contributions made after the measurement date	<u>5,091</u>	<u>899</u>	<u>899</u>
Net position at September 30, 2017, as restated	<u>\$ 32,976,273</u>	<u>\$ 25,720,536</u>	<u>\$ 18,440,094</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, 2018**With comparative totals for the year ended September 30, 2017*

	2018				2017
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES					
Taxes	\$ 6,593,688	\$ 6,593,688	\$ 7,651,572	\$ 1,057,884	\$ 7,121,212
Fines and forfeitures	261,000	261,000	315,170	54,170	332,554
Intergovernmental	257,800	257,800	268,461	10,661	301,953
Licenses and permits	86,500	86,500	154,056	67,556	231,321
Investment	50,000	50,000	172,461	122,461	89,097
Rental	65,000	65,000	10,800	(54,200)	76,020
Charges for services	9,000	9,000	4,079	(4,921)	2,176
Miscellaneous	25,000	25,000	53,707	28,707	164,343
Total revenues	<u>7,347,988</u>	<u>7,347,988</u>	<u>8,630,306</u>	<u>1,282,318</u>	<u>8,318,676</u>
EXPENDITURES					
Current					
General government	1,653,381	1,932,366	1,722,158	210,208	1,962,288
Public safety	3,484,108	3,460,108	3,356,706	103,402	3,041,975
Public works	1,474,096	1,557,731	1,217,296	340,435	1,253,933
Parks and recreation	665,477	665,477	642,491	22,986	614,018
Capital outlay	250,000	250,000	-	250,000	254,362
Total expenditures	<u>7,527,062</u>	<u>7,865,682</u>	<u>6,938,651</u>	<u>927,031</u>	<u>7,126,576</u>
Excess (deficiency) of revenues over expenditures	(179,074)	(517,694)	1,691,655	2,209,349	1,192,100
OTHER FINANCING SOURCES (USES)					
Transfers in	448,500	448,500	448,639	139	453,500
Transfers out	(502,000)	(502,000)	(1,139,513)	(637,513)	(44,661)
Net other financing sources (uses)	<u>(53,500)</u>	<u>(53,500)</u>	<u>(690,874)</u>	<u>(637,374)</u>	<u>408,839</u>
Net change in fund balance	(232,574)	(571,194)	1,000,781	1,571,975	1,600,939
Fund balance at beginning of year	<u>10,103,278</u>	<u>10,103,278</u>	<u>10,103,278</u>	<u>-</u>	<u>8,502,339</u>
Fund balance at end of year	<u>\$ 9,870,704</u>	<u>\$ 9,532,084</u>	<u>\$ 11,104,059</u>	<u>\$ 1,571,975</u>	<u>\$ 10,103,278</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****TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION***Last ten years*

	Measurement Year		
	2014	2015	2016
Total Pension Liability			
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	(546,714)	(465,578)	(574,303)
Net Change in Total Pension Liability	188,487	530,143	501,419
Total Pension Liability - Beginning	9,700,410	9,888,897	10,419,040
Total Pension Liability - Ending (a)	<u>\$ 9,888,897</u>	<u>\$ 10,419,040</u>	<u>\$ 10,920,459</u>
Plan Fiduciary Net Position			
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	(442)	(415)	(383)
Net Change in Plan Fiduciary Net Position	336,561	(23,701)	448,675
Plan Fiduciary Net Position - Beginning	9,005,394	9,341,955	9,318,254
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,341,955</u>	<u>\$ 9,318,254</u>	<u>\$ 9,766,929</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 546,942</u>	<u>\$ 1,100,786</u>	<u>\$ 1,153,530</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.47%	89.43%	89.44%
Covered Payroll	\$ 3,538,200	\$ 3,900,944	\$ 3,753,514
Net Pension Liability as a Percentage of Covered Payroll	15.46%	28.22%	30.73%

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

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

Measurement Year

2017

\$ 348,599
726,299
-
(125,070)
-

(669,541)

280,287

10,920,459

\$ 11,200,746

\$ 219,660
182,513
1,353,359

(669,541)

(7,015)

(356)

1,078,620

9,766,929

\$ 10,845,549

\$ 355,197

96.83%

\$ 3,650,253

9.73%

CITY OF PORT LAVACA, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION
Last ten fiscal years

	Fiscal Year		
	2015	2016	2017
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 payroll	\$ 3,728,430	\$ 3,822,573	\$ 3,575,417
Contributions as a percentage of covered payroll	6.30%	6.07%	6.16%

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

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

Fiscal Year

2018

\$ 216,287

(224,324)

\$ (8,037)

\$ 3,605,556

6.22%

CITY OF PORT LAVACA, TEXAS**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT
Last ten years

	<u>Measurement Year</u>
	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 8,761
Interest (on the total OPEB liability)	8,383
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	17,855
Benefit payments	<u>(2,555)</u>
Net Change in Total OPEB Liability	32,444
Total OPEB Liability - Beginning	<u>218,673</u>
Total OPEB Liability - Ending	<u>\$ 251,117</u>
 Covered Payroll	 \$ 3,650,253
 Total OPEB Liability as a Percentage of Covered Payroll	 6.88%

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine 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****TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT***Last ten fiscal years*

	<u>Fiscal Year</u>
	<u>2018</u>
Actuarially Determined Contribution	\$ 2,780
Contribution in relation to the actuarially determined contribution	<u>(2,780)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 3,605,556
Contributions as a percentage of covered payroll	0.0771%

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine 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, 2018

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.

The Required Supplementary Information does not include a budgetary comparison schedule for the Major Special Revenue Fund, Hurricane Harvey. The activity of this fund is funded by the federal and state government, thereby no local control over appropriating funds is possible. Therefore, there is no requirement of presenting a budgetary comparison schedule.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

For the year ended September 30, 2018, 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 manager	\$ 328,042	\$ 329,227	\$ 1,185
City secretary	177,570	177,733	163
Municipal court	143,540	154,483	10,943
Police	1,895,399	1,939,726	44,327
Convention/visitors bureau	247,131	282,915	35,784
Transfers out	502,000	1,139,513	637,513

NOTE 3: DEFINED BENEFIT PENSION PLAN**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	28 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

CITY OF PORT LAVACA, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

NOTE 3: DEFINED BENEFIT PENSION PLAN - (Continued)

Methods and Assumptions Used to Determine Contribution Rates - (Continued)

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.
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Other Information

There were no benefit changes during the year.

NOTE 4: SUPPLEMENTAL DEATH BENEFIT PLAN - OPEB

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

There were no changes in plan provisions or assumptions 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 and Building Security - 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.

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 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, 2018

	Special Revenue				
	Hotel Occupancy Tax	Police Forfeitures	Building Security	Economic Development	Texas Capital Fund
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,359,260	\$ 13,278	\$ 27,440	\$ 10,355	\$ -
Receivables (net)	148,305	-	-	-	21,410
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 1,507,565</u>	<u>\$ 13,278</u>	<u>\$ 27,440</u>	<u>\$ 10,355</u>	<u>\$ 21,410</u>
LIABILITIES					
Liabilities					
Accounts payable	\$ 57,893	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	21,410
Total liabilities	<u>57,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,410</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Restricted					
Retirement of long-term debt	-	-	-	-	-
Tourism and conventions	1,449,672	-	-	-	-
Economic development	-	-	-	10,355	-
Public safety	-	13,278	-	-	-
Municipal court	-	-	27,440	-	-
Total fund balance	<u>1,449,672</u>	<u>13,278</u>	<u>27,440</u>	<u>10,355</u>	<u>-</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,507,565</u>	<u>\$ 13,278</u>	<u>\$ 27,440</u>	<u>\$ 10,355</u>	<u>\$ 21,410</u>

Special Revenue			Debt Service	
Redflex Traffic System	Court Technology Fund	Total	2012 General Obligation Refunding Bonds	Total Nonmajor Governmental Funds
\$ 83,097	\$ 5,015	\$ 1,498,445	\$ 158,883	\$ 1,657,328
-	-	169,715	21,355	191,070
-	-	-	349	349
<u>\$ 83,097</u>	<u>\$ 5,015</u>	<u>\$ 1,668,160</u>	<u>\$ 180,587</u>	<u>\$ 1,848,747</u>
\$ -	\$ -	\$ 57,893	\$ -	\$ 57,893
-	-	21,410	-	21,410
-	-	79,303	-	79,303
-	-	-	21,355	21,355
-	-	-	21,355	21,355
-	-	-	159,232	159,232
-	-	1,449,672	-	1,449,672
-	-	10,355	-	10,355
83,097	-	96,375	-	96,375
-	5,015	32,455	-	32,455
<u>83,097</u>	<u>5,015</u>	<u>1,588,857</u>	<u>159,232</u>	<u>1,748,089</u>
<u>\$ 83,097</u>	<u>\$ 5,015</u>	<u>\$ 1,668,160</u>	<u>\$ 180,587</u>	<u>\$ 1,848,747</u>

CITY OF PORT LAVACA, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS***For the year ended September 30, 2018*

	Special Revenue					
	Hotel Occupancy Tax	Police Forfeitures	Building Security	Economic Development	HOME Program	Redflex Traffic System
REVENUES						
Taxes	\$ 656,156	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, fees, and forfeitures	-	44	2,726	-	-	25,987
Intergovernmental	-	-	-	-	-	-
Investment	20,168	619	402	155	-	1,240
Miscellaneous	61,529	-	-	-	-	-
Total revenues	<u>737,853</u>	<u>663</u>	<u>3,128</u>	<u>155</u>	<u>-</u>	<u>27,227</u>
EXPENDITURES						
Current						
General government	352,876	-	-	-	30	-
Public safety	-	-	4,521	-	-	25,987
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>352,876</u>	<u>-</u>	<u>4,521</u>	<u>-</u>	<u>30</u>	<u>25,987</u>
Excess (deficiency) of revenues over expenditures	384,977	663	(1,393)	155	(30)	1,240
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	30	-
Transfers out	(181,000)	-	-	-	-	-
Total other financing sources (uses)	<u>(181,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>-</u>
Net change in fund balances	203,977	663	(1,393)	155	-	1,240
Fund balances at beginning of year	<u>1,245,695</u>	<u>12,615</u>	<u>28,833</u>	<u>10,200</u>	<u>-</u>	<u>81,857</u>
Fund balances at end of year	<u>\$ 1,449,672</u>	<u>\$ 13,278</u>	<u>\$ 27,440</u>	<u>\$ 10,355</u>	<u>\$ -</u>	<u>\$ 83,097</u>

Special Revenue				Debt Service	
Court Technology Fund	Bayfront Peninsula Pier	Homeland Security	Total	2012 General Obligation Refunding Bonds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 656,156	\$ 332,057	\$ 988,213
3,661	-	-	32,418	-	32,418
-	-	8,920	8,920	-	8,920
517	-	-	23,101	3,652	26,753
-	-	-	61,529	-	61,529
<u>4,178</u>	<u>-</u>	<u>8,920</u>	<u>782,124</u>	<u>335,709</u>	<u>1,117,833</u>
-	-	-	352,906	-	352,906
-	-	8,920	39,428	-	39,428
-	-	-	-	-	-
-	-	-	-	290,000	290,000
-	-	-	-	35,975	35,975
<u>-</u>	<u>-</u>	<u>8,920</u>	<u>392,334</u>	<u>325,975</u>	<u>718,309</u>
4,178	-	-	389,790	9,734	399,524
-	-	-	30	-	30
<u>-</u>	<u>(139)</u>	<u>-</u>	<u>(181,139)</u>	<u>-</u>	<u>(181,139)</u>
-	(139)	-	(181,109)	-	(181,109)
4,178	(139)	-	208,681	9,734	218,415
<u>837</u>	<u>139</u>	<u>-</u>	<u>1,380,176</u>	<u>149,498</u>	<u>1,529,674</u>
<u>\$ 5,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,588,857</u>	<u>\$ 159,232</u>	<u>\$ 1,748,089</u>

GENERAL FUND

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

CITY OF PORT LAVACA, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****BALANCE SHEET**

September 30, 2018

With comparative totals for September 30, 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 9,599,179	\$ 10,305,360
Receivables, net		
Taxes	452,492	445,675
Fines	62,271	60,407
Other	26,701	18,230
Due from other governments	575,832	525,724
Due from other funds	1,452,928	58,829
Prepaid items	46,702	42,147
Total assets	\$ 12,216,105	\$ 11,456,372
LIABILITIES		
Accounts payable	\$ 385,032	\$ 628,767
Payroll related payables	181,737	139,953
Other payables	-	40,907
Due to other governments	12,286	13,056
Customer and other deposits	13,606	11,177
Unearned revenue	65,676	64,044
Total liabilities	658,337	897,904
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	453,709	455,190
Total deferred inflows of resources	453,709	455,190
FUND BALANCE		
Nonspendable		
Prepaid items	46,702	42,147
Committed		
Operating reserves	2,312,884	2,375,525
Health insurance claims	-	733,670
Capital asset replacement	235,910	264,637
Unassigned	8,508,563	6,687,299
Total fund balance	11,104,059	10,103,278
Total liabilities, deferred inflows and fund balance	\$ 12,216,105	\$ 11,456,372

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, 2018

With comparative totals for the year ended September 30, 2017

	2018		Variance	2017
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 3,805,200	\$ 3,887,764	\$ 82,564	\$ 3,814,701
Sales	2,204,988	3,138,929	933,941	2,693,583
Franchise	563,500	588,803	25,303	583,034
Beverage	20,000	36,076	16,076	29,894
Total taxes	<u>6,593,688</u>	<u>7,651,572</u>	<u>1,057,884</u>	<u>7,121,212</u>
Fines and forfeitures				
Municipal court	156,000	193,090	37,090	214,366
Tax penalties and fees	105,000	122,080	17,080	118,188
Total fines and forfeitures	<u>261,000</u>	<u>315,170</u>	<u>54,170</u>	<u>332,554</u>
Intergovernmental				
Reimbursements	256,000	261,073	5,073	256,175
Grants and allocations	1,800	7,388	5,588	45,778
Total intergovernmental	<u>257,800</u>	<u>268,461</u>	<u>10,661</u>	<u>301,953</u>
Licenses and permits				
Licenses				
Building/electrical	5,000	12,885	7,885	10,050
Animal	5,000	4,290	(710)	6,325
Alcoholic beverage	4,500	5,565	1,065	4,760
Permits				
Building	30,000	62,135	32,135	117,517
Electrical	7,000	11,962	4,962	9,190
Plumbing	10,000	10,092	92	10,313
Mechanical	5,000	7,080	2,080	22,444
Miscellaneous	20,000	40,047	20,047	50,722
Total licenses and permits	<u>86,500</u>	<u>154,056</u>	<u>67,556</u>	<u>231,321</u>
Investment	<u>50,000</u>	<u>172,461</u>	<u>122,461</u>	<u>89,097</u>
Rental	<u>65,000</u>	<u>10,800</u>	<u>(54,200)</u>	<u>76,020</u>
Charges for services				
Police service fees	2,000	2,654	654	2,176
Other	7,000	1,425	(5,575)	-
Total charges for services	<u>9,000</u>	<u>4,079</u>	<u>(4,921)</u>	<u>2,176</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, 2018**With comparative totals for the year ended September 30, 2017*

	<u>2018</u>			<u>2017</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
REVENUES - (Continued)				
Miscellaneous				
Reimbursements and refunds	\$ 5,000	\$ 29,380	\$ 24,380	\$ 72,313
Other	20,000	24,327	4,327	92,030
Total miscellaneous	<u>25,000</u>	<u>53,707</u>	<u>28,707</u>	<u>164,343</u>
 Total revenues	 <u>7,347,988</u>	 <u>8,630,306</u>	 <u>1,282,318</u>	 <u>8,318,676</u>
 OTHER FINANCING SOURCES				
Transfers in	<u>448,500</u>	<u>448,639</u>	<u>139</u>	<u>453,500</u>
Total other financing sources	<u>448,500</u>	<u>448,639</u>	<u>139</u>	<u>453,500</u>
 Total revenues and other financing sources	 <u>\$ 7,796,488</u>	 <u>\$ 9,078,945</u>	 <u>\$ 1,282,457</u>	 <u>\$ 8,772,176</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, 2018

With comparative totals for the year ended September 30, 2017

	2018		Variance	2017
	Final Budget	Actual	Positive (Negative)	Actual
EXPENDITURES				
Current				
General government				
City council				
Personnel services	\$ 31,071	\$ 31,075	\$ (4)	\$ 28,808
Materials and supplies	500	227	273	493
Services	1,250	1,340	(90)	1,417
Total city council	32,821	32,642	179	30,718
City manager				
Personnel services	227,807	229,644	(1,837)	158,008
Materials and supplies	2,200	2,113	87	1,375
Services	98,035	97,470	565	5,491
Total city manager	328,042	329,227	(1,185)	164,874
City secretary				
Personnel services	155,070	165,214	(10,144)	133,408
Materials and supplies	1,500	1,462	38	1,755
Services	20,500	11,057	9,443	4,376
Maintenance	500	-	500	-
Total city secretary	177,570	177,733	(163)	139,539
Human resources				
Materials and supplies	2,000	1,161	839	2,001
Services	23,500	9,676	13,824	10,756
Total human resources	25,500	10,837	14,663	12,757
Municipal court				
Personnel services	126,840	128,610	(1,770)	90,419
Materials and supplies	1,200	1,701	(501)	1,976
Services	12,000	17,139	(5,139)	16,329
Maintenance	3,500	7,033	(3,533)	200
Total municipal court	143,540	154,483	(10,943)	108,924
Economic development				
Personnel services	107,875	98,924	8,951	29,318
Materials and supplies	1,000	464	536	2,471
Services	11,000	5,678	5,322	40,693
Maintenance	1,200	9,000	(7,800)	144
Total economic development	121,075	114,066	7,009	72,626
Finance				
Personnel services	203,160	203,273	(113)	148,448
Materials and supplies	8,000	6,802	1,198	8,187
Services	11,400	5,194	6,206	17,677
Maintenance	500	-	500	558
Total finance	223,060	215,269	7,791	174,870

(continued)

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, 2018

With comparative totals for the year ended September 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
General government - (Continued)				
City hall				
Personnel services	\$ 5,893	\$ 4,914	\$ 979	\$ 689
Materials and supplies	16,000	16,308	(308)	8,911
Services	57,450	43,386	14,064	75,051
Maintenance	88,000	54,872	33,128	23,847
Capital outlay	7,326	6,862	464	40,256
Total city hall	174,669	126,342	48,327	148,754
Non-departmental				
Personnel services	111,100	56,789	54,311	551,598
Services	421,014	391,885	29,129	376,872
Maintenance	89,405	88,051	1,354	75,050
Sundry	84,570	24,834	59,736	105,706
Total non-departmental	706,089	561,559	144,530	1,109,226
Total general government	1,932,366	1,722,158	210,208	1,962,288
Public safety				
Police				
Personnel services	1,582,960	1,605,249	(22,289)	1,382,582
Materials and supplies	81,000	77,898	3,102	84,205
Services	118,700	133,071	(14,371)	123,001
Maintenance	63,500	76,147	(12,647)	82,125
Capital outlay	49,239	47,361	1,878	49,590
Total police	1,895,399	1,939,726	(44,327)	1,721,503
Fire				
Personnel services	1,093,396	1,003,944	89,452	901,109
Materials and supplies	96,325	92,872	3,453	131,089
Services	66,754	61,405	5,349	52,852
Maintenance	61,500	44,564	16,936	90,885
Capital outlay	67,000	66,310	690	-
Debt service	47,144	47,180	(36)	47,763
Total fire	1,432,119	1,316,275	115,844	1,223,698
Animal control				
Personnel services	90,590	58,128	32,462	65,518
Materials and supplies	13,100	8,311	4,789	7,093
Services	20,900	15,198	5,702	15,507
Maintenance	8,000	19,068	(11,068)	8,656
Total animal control	132,590	100,705	31,885	96,774
Total public safety	3,460,108	3,356,706	103,402	3,041,975

(continued)

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, 2018

With comparative totals for the year ended September 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
Public works				
Code enforcement/inspections				
Personnel services	\$ 221,686	\$ 159,286	\$ 62,400	\$ 178,593
Materials and supplies	7,100	6,278	822	6,413
Services	43,400	37,258	6,142	44,795
Maintenance	4,800	2,716	2,084	2,211
Capital outlay	8,000	8,000	-	31,406
Total code enforcement/inspections	284,986	213,538	71,448	263,418
Streets				
Personnel services	580,160	523,242	56,918	399,603
Materials and supplies	45,622	32,559	13,063	28,272
Services	150,100	118,929	31,171	155,264
Maintenance	353,228	245,393	107,835	85,613
Capital outlay	143,635	83,635	60,000	321,763
Total streets	1,272,745	1,003,758	268,987	990,515
Total public works	1,557,731	1,217,296	340,435	1,253,933
Parks and recreation				
Parks				
Personnel services	218,846	183,528	35,318	173,934
Materials and supplies	40,622	22,161	18,461	31,833
Services	57,000	51,197	5,803	60,621
Maintenance	60,878	61,084	(206)	56,902
Capital outlay	41,000	41,606	(606)	33,139
Total parks	418,346	359,576	58,770	356,429
Convention/visitors bureau				
Personnel services	79,681	62,707	16,974	61,697
Materials and supplies	6,400	2,585	3,815	6,073
Services	115,100	92,229	22,871	108,371
Maintenance	45,950	125,394	(79,444)	81,448
Total convention/visitors bureau	247,131	282,915	(35,784)	257,589
Total parks and recreation	665,477	642,491	22,986	614,018
Total current	7,615,682	6,938,651	677,031	6,872,214
Capital outlay	250,000	-	250,000	254,362
Total expenditures	7,865,682	6,938,651	927,031	7,126,576
OTHER FINANCING USES				
Transfers out	502,000	1,139,513	(637,513)	44,661
Total expenditures and other financing uses	\$ 8,367,682	\$ 8,078,164	\$ 289,518	\$ 7,171,237

(concluded)

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, 2018**With comparative totals for the year ended September 30, 2017*

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 325,825	\$ 332,057	\$ 6,232	\$ 333,532
Investment	-	3,652	3,652	1,556
Total revenues	<u>325,825</u>	<u>335,709</u>	<u>9,884</u>	<u>335,088</u>
EXPENDITURES				
Debt service				
Principal retirement	290,000	290,000	-	285,000
Interest and fiscal charges	<u>35,825</u>	<u>35,975</u>	<u>(150)</u>	<u>41,661</u>
Total expenditures	<u>325,825</u>	<u>325,975</u>	<u>(150)</u>	<u>326,661</u>
Excess (deficiency) of revenues over expenditures	-	9,734	9,734	8,427
OTHER FINANCING SOURCES (USES)	-	-	-	-
Net change in fund balances	-	9,734	9,734	8,427
Fund balances at beginning of year	<u>149,498</u>	<u>149,498</u>	<u>-</u>	<u>141,071</u>
Fund balances at end of year	<u>\$ 149,498</u>	<u>\$ 159,232</u>	<u>\$ 9,734</u>	<u>\$ 149,498</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, 2018*

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
POLICE SEIZED NONFORFEITURE FUND				
Assets				
Cash and cash equivalents	<u>\$ 26,332</u>	<u>\$ 38,665</u>	<u>\$ 38,988</u>	<u>\$ 26,009</u>
Total assets	<u>\$ 26,332</u>	<u>\$ 38,665</u>	<u>\$ 38,988</u>	<u>\$ 26,009</u>
Liabilities				
Due to others	<u>\$ 26,332</u>	<u>\$ 38,665</u>	<u>\$ 38,988</u>	<u>\$ 26,009</u>
Total liabilities	<u>\$ 26,332</u>	<u>\$ 38,665</u>	<u>\$ 38,988</u>	<u>\$ 26,009</u>

STATISTICAL SECTION

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>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	85
Revenue Capacity	
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.....	96
Debt Capacity	
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	107
Demographic and Economic Information	
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	113
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs	115

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 15,787,249	\$ 18,383,147	\$ 18,380,797	\$ 19,174,209
Restricted	876,554	784,798	1,049,987	1,027,384
Unrestricted	6,394,379	4,732,493	5,231,769	5,544,238
Total governmental activities net position	<u>\$ 23,058,182</u>	<u>\$ 23,900,438</u>	<u>\$ 24,662,553</u>	<u>\$ 25,745,831</u>
Business-type activities				
Net investment in capital assets	\$ 11,334,652	\$ 11,536,833	\$ 13,321,583	\$ 13,756,393
Restricted	233,544	51,469	-	-
Unrestricted	5,642,701	6,841,071	6,892,206	7,449,406
Total business-type activities net position	<u>\$ 17,210,897</u>	<u>\$ 18,429,373</u>	<u>\$ 20,213,789</u>	<u>\$ 21,205,799</u>
Primary government				
Net investment in capital assets	\$ 27,121,901	\$ 29,919,980	\$ 31,702,380	\$ 32,930,602
Restricted	1,110,098	836,267	1,049,987	1,027,384
Unrestricted	12,037,080	11,573,564	12,123,975	12,993,644
Total primary government activities net position	<u>\$ 40,269,079</u>	<u>\$ 42,329,811</u>	<u>\$ 44,876,342</u>	<u>\$ 46,951,630</u>

(1) Accrual basis of accounting

NOTES: 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.

The City implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this new standard.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 21,750,587	\$ 19,170,337	\$ 20,724,855	\$ 20,549,966	\$ 21,310,618	\$ 22,482,158
1,463,189	1,175,154	1,330,800	1,321,980	1,545,313	1,765,338
<u>3,452,739</u>	<u>7,942,352</u>	<u>8,118,735</u>	<u>9,368,639</u>	<u>10,301,123</u>	<u>9,843,388</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>	<u>\$ 34,090,884</u>
\$ 14,059,066	\$ 16,550,105	\$ 17,592,876	\$ 17,986,418	\$ 18,489,664	\$ 18,732,930
-	-	-	-	-	-
<u>7,772,021</u>	<u>6,402,372</u>	<u>5,622,584</u>	<u>6,247,533</u>	<u>7,262,774</u>	<u>8,326,831</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>	<u>\$ 27,059,761</u>
\$ 35,809,653	\$ 35,720,442	\$ 38,317,731	\$ 38,536,384	\$ 39,800,282	\$ 41,215,088
1,463,189	1,175,154	1,330,800	1,321,980	1,545,313	1,765,338
<u>11,224,760</u>	<u>14,344,724</u>	<u>13,741,319</u>	<u>15,616,172</u>	<u>17,563,897</u>	<u>18,170,219</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>	<u>\$ 61,150,645</u>

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Program expenses				
General government	\$ 1,847,859	\$ 1,886,794	\$ 1,952,643	\$ 2,150,599
Public safety	2,598,507	3,191,293	3,112,422	3,088,940
Public works	1,615,002	1,406,502	1,539,354	1,629,726
Parks and recreation	547,013	686,747	701,325	637,689
Interest on long-term debt	154,696	147,266	140,373	132,374
Total expenses	<u>6,763,077</u>	<u>7,318,602</u>	<u>7,446,117</u>	<u>7,639,328</u>
Program revenues				
Charges for services	484,632	804,307	612,209	586,394
Operating grants and contributions	378,324	322,510	293,947	322,478
Capital grants and contributions	51,589	125,279	35,500	259,835
Total program revenues	<u>914,545</u>	<u>1,252,096</u>	<u>941,656</u>	<u>1,168,707</u>
Total governmental activities net program expense	(5,848,532)	(6,066,506)	(6,504,461)	(6,470,621)
General revenues and other changes in net position				
Taxes				
Property taxes	3,214,039	3,414,317	3,513,386	3,754,272
Sales taxes	2,170,959	2,295,492	2,313,247	2,364,076
Franchise taxes	613,509	620,247	586,575	593,255
Other taxes	235,571	271,287	339,366	345,381
Unrestricted investment earnings	123,127	54,319	38,045	29,877
Miscellaneous	235,375	277,928	246,642	232,217
Transfers	275,000	182,943	229,315	234,821
Special item - litigation settlement	-	(185,000)	-	-
Total general revenues and other changes in net position	<u>6,867,580</u>	<u>6,931,533</u>	<u>7,266,576</u>	<u>7,553,899</u>
Total governmental activities change in net position	<u>\$ 1,019,048</u>	<u>\$ 865,027</u>	<u>\$ 762,115</u>	<u>\$ 1,083,278</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 2,140,960	\$ 2,632,811	\$ 2,405,720	\$ 2,417,076	\$ 2,615,056	\$ 4,221,921
3,199,920	3,232,531	3,292,483	3,200,259	3,460,733	3,411,589
1,629,165	1,379,978	1,374,483	1,592,784	1,423,250	1,653,462
689,022	629,640	685,084	697,230	748,171	758,143
113,201	67,300	60,841	53,809	51,373	45,858
<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>	<u>10,090,973</u>
711,117	613,177	603,814	608,227	721,582	393,968
252,056	687,201	364,996	273,077	741,691	1,291,888
-	142,843	32,894	-	21,410	-
<u>963,173</u>	<u>1,443,221</u>	<u>1,001,704</u>	<u>881,304</u>	<u>1,484,683</u>	<u>1,685,856</u>
(6,809,095)	(6,499,039)	(6,816,907)	(7,079,854)	(6,813,900)	(8,405,117)
3,808,571	3,971,992	4,071,091	4,054,264	4,159,200	4,217,842
2,445,393	2,500,013	2,809,977	2,510,153	2,693,583	3,138,929
587,534	615,184	615,800	587,153	583,034	588,803
389,564	576,001	538,290	427,960	615,385	692,232
12,995	14,445	29,459	42,964	104,812	199,214
302,881	191,564	245,554	254,054	306,855	415,208
224,000	251,168	864,500	269,501	267,500	267,500
-	-	-	-	-	-
<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>9,519,728</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>	\$ <u>1,114,611</u>

(continued)

CITY OF PORT LAVACA, TEXAS

CHANGES IN NET POSITION (1)

Last ten fiscal years

	Fiscal Year			
	2009	2010	2011	2012
Business-type activities				
Expenses				
Public utilities	\$ 4,288,109	\$ 4,283,432	\$ 4,123,809	\$ 4,244,884
Port revenue	379,371	395,332	382,570	444,081
Beach operations	162,064	218,240	309,838	225,381
Total expenses	<u>4,829,544</u>	<u>4,897,004</u>	<u>4,816,217</u>	<u>4,914,346</u>
Program revenues				
Charges for services	5,966,101	5,893,741	6,303,875	5,913,131
Operating grants and contributions	2,000	2,000	175,303	22,340
Capital grants and contributions	236,338	374,396	330,595	117,620
Total program revenues	<u>6,204,439</u>	<u>6,270,137</u>	<u>6,809,773</u>	<u>6,053,091</u>
Total business-type activities net program expense	1,374,895	1,373,133	1,993,556	1,138,745
General revenues and other changes in net position				
Unrestricted investment earnings	75,060	28,286	20,175	20,024
Miscellaneous	18,000	-	-	68,062
Transfers	(275,000)	(182,943)	(229,315)	(234,821)
Total general revenues and other changes in net position	<u>(181,940)</u>	<u>(154,657)</u>	<u>(209,140)</u>	<u>(146,735)</u>
Total business-type activities change in net position	<u>\$ 1,192,955</u>	<u>\$ 1,218,476</u>	<u>\$ 1,784,416</u>	<u>\$ 992,010</u>
Total primary government change in net position	<u>\$ 2,212,003</u>	<u>\$ 2,083,503</u>	<u>\$ 2,546,531</u>	<u>\$ 2,075,288</u>

(1) Accrual basis of accounting

NOTES 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.

The City implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this new standard.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 4,360,184	\$ 4,252,370	\$ 4,614,845	\$ 4,452,538	\$ 4,313,837	\$ 4,414,433
464,556	456,212	447,151	396,088	340,846	347,709
253,315	261,309	344,669	272,436	267,756	244,200
5,078,055	4,969,891	5,406,665	5,121,062	4,922,439	5,006,342
6,163,237	6,081,076	6,558,643	6,322,642	6,458,067	6,474,529
2,000	-	-	2,000	2,000	-
49,217	248,350	37,000	45,625	181,111	2,500
6,214,454	6,329,426	6,595,643	6,370,267	6,641,178	6,477,029
1,136,399	1,359,535	1,188,978	1,249,205	1,718,739	1,470,687
17,507	13,023	13,563	38,787	67,248	136,038
-	-	-	-	-	-
(224,000)	(251,168)	(864,500)	(269,501)	(267,500)	(267,500)
(206,493)	(238,145)	(850,937)	(230,714)	(200,252)	(131,462)
\$ 929,906	\$ 1,121,390	\$ 338,041	\$ 1,018,491	\$ 1,518,487	\$ 1,339,225
\$ 1,891,749	\$ 2,742,718	\$ 2,695,805	\$ 2,084,686	\$ 3,434,956	\$ 2,453,836

(concluded)

CITY OF PORT LAVACA, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ 52,478	\$ 49,954
Committed				
Operating reserves	-	-	2,306,152	2,408,598
Health insurance claims	-	-	504,848	676,542
Capital asset replacement	-	-	382,265	273,122
Unassigned	-	-	1,539,331	1,728,695
Reserved				
Prepaid items	37,078	50,017	-	-
Unreserved, designated				
Operating reserves	3,107,978	2,063,977	-	-
Health insurance claims	500,000	500,000	-	-
Capital asset replacement	250,000	250,000	-	-
Unreserved, undesignated	<u>2,534,443</u>	<u>1,750,753</u>	<u>-</u>	<u>-</u>
Total general fund	<u>\$ 6,429,499</u>	<u>\$ 4,614,747</u>	<u>\$ 4,785,074</u>	<u>\$ 5,136,911</u>
All Other Governmental Funds				
Restricted				
Retirement of long-term debt	-	-	177,224	183,391
Various capital projects	-	-	114,799	133,106
Tourism and conventions	-	-	551,491	497,372
Economic development	-	-	-	10,001
Public safety	-	-	112,456	114,723
Municipal court	-	-	20,247	18,328
Bayfront park pier	-	-	55,943	56,004
Committed				
Various capital projects	-	-	-	-
Unassigned	-	-	-	-
Unreserved, undesignated reported in				
Special revenue funds	707,885	704,036	-	-
Debt service fund	159,657	161,177	-	-
Capital project funds	<u>(505,092)</u>	<u>(281,044)</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 362,450</u>	<u>\$ 584,169</u>	<u>\$ 1,032,160</u>	<u>\$ 1,012,925</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					
2013	2014	2015	2016	2017	2018
\$ 64,938	\$ 51,193	\$ 47,218	\$ 45,717	\$ 42,147	\$ 46,702
2,286,604	2,236,320	2,468,798	2,330,439	2,375,525	2,312,884
728,602	929,210	924,846	920,230	733,670	-
282,298	275,245	285,876	283,660	264,637	235,910
2,536,205	3,183,423	4,076,496	4,922,293	6,687,299	8,508,563
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 11,104,059</u>
207,178	201,457	142,508	141,071	149,498	159,232
508,824	-	-	-	-	-
517,606	774,183	1,004,401	1,049,921	1,245,695	1,449,672
10,024	10,057	10,088	10,120	10,200	10,355
125,936	88,429	89,916	82,009	94,472	96,375
17,857	20,627	23,382	26,408	29,670	32,455
56,063	56,087	56,126	-	139	-
-	1,008,386	478,412	949,666	377,544	-
-	-	-	-	-	(908,694)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 839,395</u>

CITY OF PORT LAVACA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Taxes	\$ 6,198,734	\$ 6,609,092	\$ 6,747,620	\$ 7,097,425
Licenses and permits	96,535	97,740	108,266	109,347
Fines and forfeitures	501,345	769,529	687,791	566,325
Charges for services	5,332	5,956	7,525	5,170
Intergovernmental	429,913	447,789	329,447	322,478
Investment	123,127	54,319	38,045	29,877
Rental	37,390	22,737	30,780	46,432
Miscellaneous	96,453	135,191	91,311	84,151
Total revenues	<u>7,488,829</u>	<u>8,142,353</u>	<u>8,040,785</u>	<u>8,261,205</u>
Expenditures				
Current				
General government	1,846,671	1,859,894	2,136,142	2,132,974
Public safety	2,742,639	3,213,266	3,330,945	3,221,180
Public works	1,422,306	1,016,111	1,220,156	1,176,781
Parks and recreation	440,345	579,783	670,771	504,457
Capital outlay	1,947,494	2,922,769	235,268	787,921
Debt service				
Principal retirement	195,000	200,000	205,000	215,000
Interest and fiscal charges	155,465	148,599	141,658	134,067
Issuance costs	-	-	-	-
Total expenditures	<u>8,749,920</u>	<u>9,940,422</u>	<u>7,939,940</u>	<u>8,172,380</u>
Excess (deficiency) of revenues over expenditures	(1,261,091)	(1,798,069)	100,845	88,825
Other financing sources (uses)				
Transfers in	1,019,558	3,271,834	924,047	613,632
Transfers out	(744,558)	(3,071,834)	(696,612)	(378,811)
Debt issued	-	-	284,776	-
Payment to escrow	-	-	-	-
Sale of capital assets	14,141	5,036	5,262	8,956
Total other financing sources (uses)	<u>289,141</u>	<u>205,036</u>	<u>517,473</u>	<u>243,777</u>
Change in fund balances	<u>\$ (971,950)</u>	<u>\$ (1,593,033)</u>	<u>\$ 618,318</u>	<u>\$ 332,602</u>
Debt service as a percentage of noncapital expenditures	<u>5.49%</u>	<u>5.10%</u>	<u>4.86%</u>	<u>4.84%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 7,290,483	\$ 7,653,598	\$ 8,059,337	\$ 7,556,970	\$ 8,040,235	\$ 8,639,785
158,721	131,291	105,245	109,637	231,321	154,056
626,677	512,461	518,363	508,347	524,683	347,588
6,820	2,901	3,667	2,744	2,176	4,079
252,056	830,044	372,153	273,077	763,101	1,291,888
12,995	14,445	29,459	42,964	104,812	199,214
67,615	76,290	87,084	87,130	76,020	10,800
181,263	143,274	157,627	163,060	192,809	315,222
<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>	<u>10,962,632</u>
2,096,778	2,604,645	2,374,117	2,430,712	2,597,561	4,198,251
3,089,627	3,336,053	3,198,927	3,088,008	3,309,471	3,396,134
1,174,528	983,253	1,344,897	1,190,259	1,275,343	1,217,296
932,950	469,422	1,004,617	738,490	614,018	642,491
16,000	412,833	1,215,917	88,715	830,641	1,517,027
270,000	265,000	275,000	280,000	285,000	290,000
53,061	60,386	53,571	47,396	41,661	35,975
67,106	-	-	-	-	-
<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>	<u>11,297,174</u>
896,580	1,232,712	(134,111)	880,349	981,462	(334,542)
825,428	1,228,814	1,813,565	1,126,774	498,161	1,588,152
(601,428)	(969,044)	(949,065)	(857,273)	(230,661)	(1,320,652)
2,945,000	-	-	-	-	-
(2,877,894)	-	-	-	-	-
4,613	-	43,061	3,617	-	-
<u>295,719</u>	<u>259,770</u>	<u>907,561</u>	<u>273,118</u>	<u>267,500</u>	<u>267,500</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>(67,042)</u>
<u>4.51%</u>	<u>4.44%</u>	<u>4.52%</u>	<u>4.41%</u>	<u>4.30%</u>	<u>3.42%</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>
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
2018	4,219,821	3,138,929	588,803	656,156	36,076	8,639,785

(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			
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
2018	2017	293,607,619	263,417,728	92,256,010	104,333,461	544,947,896

(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>
\$(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%
(77,851,764)	467,096,132	0.7944	3,710,612	489,316	4,199,928	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
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
2018	2017	0.7200	0.0744	0.7944	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

2018		
<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
Rexco Inc	\$ 12,064,290	2.58%
Maxim Crane Works LP	10,273,090	2.20%
Wal-Mart Real Estate Business Trust	7,242,160	1.55%
Momentum Rental & Sales , Inc.	6,735,000	1.44%
AEP Texas Central Company	6,680,950	1.43%
BKCK LTD	5,217,780	1.12%
Butt H E Grocery Company	5,189,320	1.11%
Port Lavaca Dodge	4,603,290	0.99%
VIVA Properties LLC	5,058,420	1.08%
Port Lavaca Retail Group LLC	4,213,610	0.90%
	<u>\$ 67,277,910</u>	<u>14.40%</u>

2009		
<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
T W Laquay Dredging, Inc.	\$ 10,794,385	2.90%
RSC Equipment Rental, Inc. #759	10,354,241	2.78%
Rexco Inc	10,220,256	2.74%
Wal-Mart Real Estate Business Trust	7,848,289	2.11%
Wal-Mart Stores Texas, LP	6,291,114	1.69%
Helena Chemicals	6,065,624	1.63%
Butt H E Grocery Company	4,878,666	1.31%
AEP Texas Central Company	3,778,250	1.01%
BKCK LTD	3,365,975	0.90%
First National Bank	2,877,100	0.77%
	<u>\$ 66,473,900</u>	<u>17.84%</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>	Taxes Levied for the Fiscal Year (Original Levy)	<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>
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%
2018	2017	4,209,792	2,553	4,212,345	4,112,004	97.62%

SOURCE: Calhoun County Appraisal District

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 172,299	\$ 3,190,035	99.74%
148,232	3,390,265	99.70%
113,987	3,554,278	99.75%
100,116	3,744,565	99.75%
87,620	3,789,629	99.66%
102,188	3,939,018	99.58%
73,807	4,048,936	99.42%
77,289	4,024,910	99.26%
63,363	4,109,743	98.73%
-	4,112,004	97.62%

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>
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	101,275,570	20%
2017	436,727,000	402,621,000	20,467	34,085,533	8%
2018	461,979,000	409,691,000	52,288	66,358,000	14%

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.)

Gallons of Wastewater Treated	Total Direct Rate			
	Water		Sewer	
	Base Rate	Usage Rate	Base Rate	Usage Rate
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
460,402,000	16.50	14.25	15.50	15.87

CITY OF PORT LAVACA, TEXAS**WATER AND SEWER RATES***Last ten fiscal years*

	Fiscal Year							
	2009		2010		2011		2012	
	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.
Water Rates								
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
Conservation Rate Tiers for water								
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
Sewer Rates								
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											
2013		2014		2015		2016		2017		2018	
Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.
\$15.00	\$ 17.50	16.00	18.50	16.00	18.50	16.00	18.50	16.50	19.00	16.50	19.00
15.00	17.50	16.00	18.50	16.00	18.50	16.00	18.50	16.50	19.00	16.50	19.00
15.00	17.50	16.00	18.50	16.00	18.50	16.00	18.50	16.50	19.00	16.50	19.00
15.00	35.00	16.00	36.00	16.00	36.00	16.00	36.00	16.50	36.50	16.50	36.50
15.00	35.00	16.00	36.00	16.00	36.00	16.00	36.00	16.50	36.50	16.50	36.50
15.00	35.00	16.00	36.00	16.00	36.00	16.00	36.00	16.50	36.50	16.50	36.50
15.00	35.00	16.00	36.00	16.00	36.00	16.00	36.00	16.50	36.50	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	4.75	4.95	4.75	4.95	4.75	4.95	4.75	4.95	4.75	4.95
N/A	N/A	5.03	5.03	5.03	5.03	5.03	5.03	5.14	5.14	5.14	5.14
N/A	N/A	5.71	5.71	5.71	5.71	5.71	5.71	5.14	5.14	5.14	5.14
14.00	15.75	15.00	16.75	15.00	16.75	15.00	16.75	15.50	17.25	15.50	17.25
4.90	4.95	5.18	5.18	5.18	5.18	5.18	5.18	5.29	5.29	5.29	5.29

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

2018			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
City of Port Lavaca	Government	12,048	2.94%
C.C.I.S.D.	School	6,741	1.65%
VIVA Properties	Apartment Complex	5,118	1.25%
Regency Nursing & Rehab Center	Senior Citizen Home	4,919	1.20%
Memorial Medical Center	Hospital	4,690	1.14%
Prestige Oysters, Inc.	Industry/ Commercial	4,225	1.03%
Splash & Dash	Commercial/ Car Wash	4,062	0.99%
Days Inn	Hotel/ Motel	3,706	0.90%
Sea Breeze Village Apts.	Apartment Complex	3,544	0.87%
Calhoun County Adult Dent Ctr.	Jail	3,340	0.82%

2009			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
C.C.I.S.D. #2	School	9,170	2.02%
Regency Nursing & Rehab Center	Senior Citizen Home	6,460	1.42%
Memorial Medical Center	Hospital	6,440	1.42%
H. E. B. #434	Grocery Store	4,580	1.01%
Wal*Mart Stores, Inc.	Store	4,445	0.98%
Calhoun County Adult Dent. Ctr.	Jail	4,163	0.91%
City of Port Lavaca	Municipality	3,417	0.75%
Orion Marine Group, Inc.	Industry/ Commercial	3,318	0.73%
Splash-N-Dash	Commercial/ Car Wash	3,266	0.72%
C.C.I.S.D. #1	School	3,247	0.71%

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
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	-	-
2018	-	1,605,000	-	1,040,000	3,255,000	-	-

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>
\$ 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
5,900,000	0.7%	483.13

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		
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
2018	1,040,000	1,605,000	2,645,000	159,232	1,040,000

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

(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>
\$ 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
1,445,768	0.27%	118.39

CITY OF PORT LAVACA, TEXAS**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)****September 30, 2018**

	<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	9/30/2018	<u>\$ 1,605,000</u>	100.00%	<u>\$ 1,605,000</u>
Overlapping Debt:				
Calhoun County	9/30/2018	5,290,000	14.28%	755,412
Calhoun Independent School District	9/30/2018	45,510,000	13.74%	6,253,074
Calhoun Port Authority	9/30/2018	<u>32,400,000</u>	22.33%	<u>7,234,920</u>
Total Overlapping Debt		<u>83,200,000</u>		<u>14,243,406</u>
Total		<u>\$ 84,805,000</u>		<u>\$ 15,848,406</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>
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
2018	5,872,960	3,686,896	2,186,064	564,106	3.88

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*

Fiscal Year	(1)		(2)	(3)	(4)
	Population	Personal Income	Per Capita Personal Income (Calhoun County)	School Enrollment	Unemployment Rate
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
2018	12,212	795,537,000	36,587	3,805	5.80%

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 Five Years Ago*

2018		
Employer	Employees	Percentage of Total County Employment
Formosa Plastics	2,360	22.70%
Calhoun County I.S.D.	580	5.58%
Dow Chemical	575	5.53%
Orion Marine Group, Inc.	250	2.40%
Calhoun County	217	2.09%
Memorial Medical Center	204	1.96%
INEOS Nitriles Formerly BP	133	1.28%
Seadrift Coke	105	1.01%
	<u>4,424</u>	<u>42.55%</u>

2013		
Employer	Employees	Percentage of Total County Employment
Formosa Plastics	2,400	23.10%
Inteplast Group	2,300	22.14%
Alcoa	650	6.26%
Calhoun County I.S.D.	579	5.57%
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			
	2009	2010	2011	2012
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	2.0	1.0	1.0	1.0
Human resources	-	1.0	1.0	1.0
Economic development	-	-	-	-
Finance	3.0	3.0	3.0	3.0
Municipal court	1.0	1.0	1.5	2.0
Technology (Contract)	-	1.0	-	-
City Hall - custodial services	-	1.0	1.0	-
Public safety				
Police	18.0	20.0	17.0	19.0
Communications	6.0	6.0	6.0	7.0
Fire	17.0	17.0	17.0	14.0
Code enforcement	3.0	3.0	3.0	3.0
Animal control	1.0	2.0	2.0	2.0
Public works				
Public works	2.0	2.0	2.0	2.0
Streets/maintenance	9.0	9.0	8.0	9.0
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	11.0	9.0
Parks and recreation	5.0	5.0	5.0	3.0
Bauer Center	2.0	2.0	2.0	3.0
Port Revenue	-	-	-	1.0
Total	88.0	93.0	87.5	86.0

Fiscal Year					
2013	2014	2015	2016	2017	2018
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	2.0	2.0	2.0
1.0	1.0	1.0	-	-	-
-	1.0	2.0	1.0	1.0	1.0
3.0	3.0	3.0	3.0	3.0	3.0
2.0	3.0	3.0	3.0	3.0	3.0
-	-	-	-	-	-
-	-	-	1.0	1.0	1.0
18.0	20.0	20.0	20.0	20.0	20.0
6.0	6.0	6.0	6.0	6.0	6.0
16.0	17.0	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	-	-	-	-	-
9.0	15.0	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
10.0	14.0	14.0	14.0	14.0	14.0
4.0	6.0	6.0	6.0	6.0	6.0
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.5	1.0	-	1.0	1.0
<u>87.0</u>	<u>102.5</u>	<u>103.0</u>	<u>102.0</u>	<u>103.0</u>	<u>103.0</u>

CITY OF PORT LAVACA, TEXAS**OPERATING INDICATORS BY FUNCTION/PROGRAM***Last ten fiscal years*

Function/Program	Fiscal Year			
	2009	2010	2011	2012
General government				
Building permits issued	564	548	801	784
Building inspections conducted	564	732	822	1,187
Public safety				
Police				
Physical arrests	1,155	1,022	807	837
Traffic violations	3,985	4,717	3,370	2,799
Fire				
Fire calls	192	175	568	650
Public works				
Streets (miles)	50.1	50.1	50.1	50.1
Culture and recreation				
Parks and recreation				
Bauer Center rentals	71	65	63	59
Lighthouse beach park				
Pavillion	25	42	39	47
Water and wastewater				
Water				
Water customers	4,514	4,552	4,544	4,556
Water taps	19	11	11	15
Average daily consumption	1.38 mgd	1.27 mgd	1.53 mgd	1.272 mgd
Peak daily consumption	1.66 mgd	1.49 mgd	5.65 mgd	2.10 mgd
Wastewater				
Sewer customers	4,217	4,267	4,258	4,276
Sewer taps	2	7	9	7
Average daily sewage treatment	1.01 mgd	1.19 mgd	1.01 mgd	1.11 mgd

Fiscal Year					
2013	2014	2015	2016	2017	2018
357	266	195	782	965	890
627	689	411	538	741	512
1,132	961	970	1064	790	927
4,080	2,366	3,353	4584	2075	5480
685	591	632	664	881	862
50.1	50.1	50.2	50.2	50.2	50.2
47	212	218	215	190	11
36	43	41	41	42	11
4,606	4,416	4,624	4630	4,590	4,773
21	10	10	21	28	7
1.07 mgd	1.33 mgd	1.13 mgd	1.24 mgd	1.21mgd	1.121 mgd
2.74 mgd	2.44 mgd	2.83 mgd	1.71 mgd	2.36 mgd	1.833 mgd
4,317	4,332	4,337	4,335	4,318	4,450
12	7	7	13	13	7
1.08 mgd	0.98 mgd	1.12 mgd	1.11 mgd	1.08 mgd	0.933 mgd

CITY OF PORT LAVACA, TEXAS**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM***Last ten fiscal years*

	Fiscal Year			
	2009	2010	2011	2012
Function/Program				
Public safety				
Police				
Stations	1	1	1	1
Patrol units	7	7	6	7
Fire stations	2	2	2	2
Highways and streets				
Streets (miles)	50.1	50.1	50.1	50.1
Streetlights	684	686	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)	69	69	69	69
Fire hydrants	259	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

Fiscal Year					
2013	2014	2015	2016	2017	2018
1	1	1	1	1	1
7	7	7	7	7	7
2	2	2	2	2	2
50.1	50.1	50.2	50.2	50.2	50.2
678	678	685	685	685	685
150	150	150	153	153	153
7	7	7	7	7	7
2	2	4	4	4	4
1	1	1	1	1	1
1	1	1	1	1	1
70	70.2	70.3	70.9	70.9	70.9
262	268	273	279	279	279
1 MG	1 MG	1 MG	1 MG	1 MG	1 MG
58	58.2	58.3	58.9	58.9	58.9
2.5	2.5	2.5	2.5	2.5	2.5

**OVERALL COMPLIANCE AND INTERNAL
CONTROL SECTION**



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

The Honorable Mayor and Members
of the City Council
City of 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, 2018, 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 28, 2019.

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, L.L.P.
Certified Public Accountants

March 28, 2019

CITY OF PORT LAVACA
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