

# **CITY OF PORT LAVACA, TEXAS**



## **ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2020**

# **CITY OF PORT LAVACA, TEXAS**

## *ANNUAL FINANCIAL REPORT*

*For the year ended September 30, 2020*

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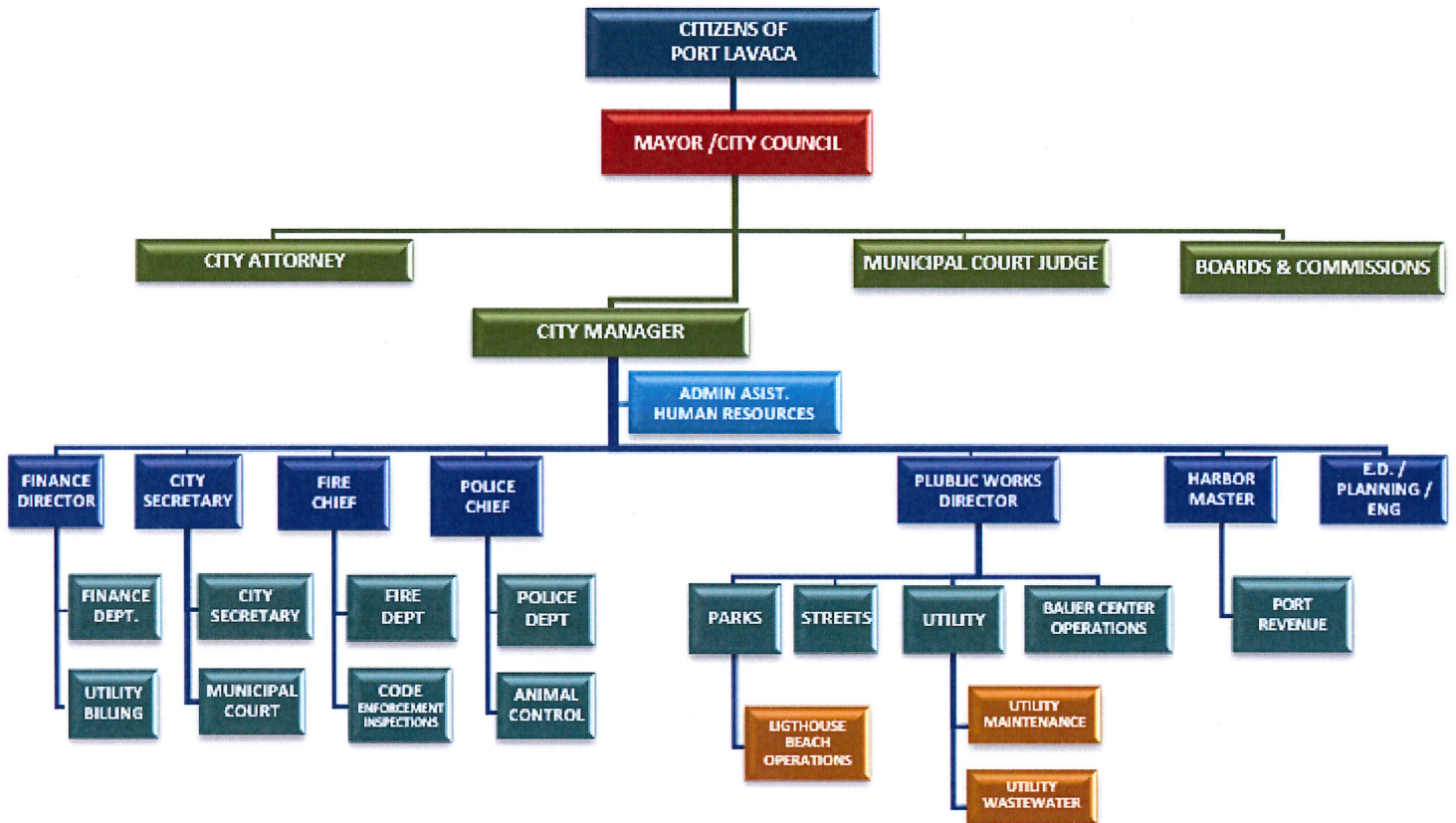
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## **INTRODUCTORY SECTION**

**CITY OF PORT LAVACA, TEXAS**  
**ORGANIZATIONAL CHART**  
*For the year ended September 30, 2020*

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**CITY OF PORT LAVACA, TEXAS**  
*DIRECTORY OF PRINCIPAL OFFICIALS*  
*September 30, 2020*

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**City Officials**

Jack Whitlow

Ken Barr

Jerry Smith

Allen Tippit

Jim Ward

Tim Dent

Rosie Padron

**Elective Position**

Mayor

Council Member

Council Member

Council Member

Council Member

Council Member

Mayor Pro-Tem

**Key Staff**

JoAnna P. Weaver

Sandra Mason

Mandy Grant

Joe Reyes, Jr.

Colin Rangnow

Wayne Shaffer

JoAnna P. Weaver

**Appointive Position**

Interim City Manager

Director of Finance

City Secretary

Chief of Fire

Chief of Police

Director of Public Works

Economic Director/City Engineer

## **FINANCIAL SECTION**





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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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section has 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 it.

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 November 30, 2021, 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

November 30, 2021

**CITY OF PORT LAVACA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the year ended September 30, 2020*

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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, 2020.

**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 \$72,025,352 (net position). Of this amount, \$20,347,665 (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 \$5,808,962 over the prior year.

***Governmental Activities***

- Net position grew from \$36,841,150 in 2019, to \$41,187,561 (an increase of 12%) as of September 30, 2020.

***Business-type Activities***

- Net position grew from \$29,375,240 in 2019, to \$30,837,791 (an increase of 5%) as of September 30, 2020.

***Governmental Funds***

- As of September 30, 2020, the City's governmental funds reported an ending fund balance of \$14,128,040, an increase of \$920,990 (7%) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$10,714,713 or 132% of total General Fund expenditures.
- The committed portion of the General Fund's fund balance totaled \$2,911,895. 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

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

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

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

The *statement of net position* presents information on all of the City's assets 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.

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## **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 68-84 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 \$72,025,352 as of September 30, 2020.

The largest portion of the City's net position (70%) reflects its investment in capital assets (e.g. land, buildings, vehicles, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending. The second largest portion of the City's net position (28%) represents unrestricted financial resources available for future operations. Additionally, a portion of the City's net position (2%) 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	
	2020	2019	2020	2019*	2020	2019*
Current and other assets	\$ 16,651,083	\$ 15,688,317	\$ 8,521,969	\$ 10,783,034	\$ 25,173,052	\$ 26,471,351
Capital assets, net	27,911,391	24,647,215	27,884,970	25,335,063	55,796,361	49,982,278
<b>Total assets</b>	<b>44,562,474</b>	<b>40,335,532</b>	<b>36,406,939</b>	<b>36,118,097</b>	<b>80,969,413</b>	<b>76,453,629</b>
<b>Total deferred outflows of resources</b>	<b>245,707</b>	<b>703,338</b>	<b>91,964</b>	<b>203,400</b>	<b>337,671</b>	<b>906,738</b>
Current and other liabilities	1,601,785	1,646,172	2,388,280	2,615,912	3,990,065	4,262,084
Noncurrent liabilities	1,577,531	2,439,314	3,251,021	4,314,166	4,828,552	6,753,480
<b>Total liabilities</b>	<b>3,179,316</b>	<b>4,085,486</b>	<b>5,639,301</b>	<b>6,930,078</b>	<b>8,818,617</b>	<b>11,015,564</b>
<b>Total deferred inflows of resources</b>	<b>441,304</b>	<b>112,234</b>	<b>21,811</b>	<b>16,179</b>	<b>463,115</b>	<b>128,413</b>
Net Position:						
Net investment in capital assets	26,755,385	23,390,026	23,856,570	20,419,430	50,611,955	43,809,456
Restricted	1,065,732	990,959	-	-	1,065,732	990,959
Unrestricted	13,366,444	12,460,165	6,981,221	8,955,810	20,347,665	21,415,975
<b>Total net position</b>	<b>\$ 41,187,561</b>	<b>\$ 36,841,150</b>	<b>\$ 30,837,791</b>	<b>\$ 29,375,240</b>	<b>\$ 72,025,352</b>	<b>\$ 66,216,390</b>

\*2019 net position has been restated. See Note 19 of this report.

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

Net position of the City increased by \$5,808,962. This consisted of an increase of \$4,346,411 for governmental activities and \$1,462,551 for business-type activities.

City of Port Lavaca, Texas						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019*	2020	2019*
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 311,753	\$ 357,995	\$ 6,481,976	\$ 6,777,026	\$ 6,793,729	\$ 7,135,021
Operating grants and contributions	1,895,078	1,533,401	-	-	1,895,078	1,533,401
Capital grants and contributions	336,700	-	474,503	1,531,801	811,203	1,531,801
General revenues:						
Property taxes	4,517,719	4,310,870	-	-	4,517,719	4,310,870
Sales taxes	3,287,441	3,562,168	-	-	3,287,441	3,562,168
Franchise taxes	569,268	584,078	-	-	569,268	584,078
Other taxes	560,236	685,682	-	-	560,236	685,682
Unrestricted investment earnings	127,105	329,183	85,575	199,053	212,680	528,236
Miscellaneous	320,406	276,301	-	-	320,406	276,301
<b>Total revenues</b>	<b>11,925,706</b>	<b>11,639,678</b>	<b>7,042,054</b>	<b>8,507,880</b>	<b>18,967,760</b>	<b>20,147,558</b>
<b>EXPENSES</b>						
General government	2,053,858	3,318,934	-	-	2,053,858	3,318,934
Public safety	3,533,380	3,355,541	-	-	3,533,380	3,355,541
Public works	1,521,470	1,658,704	-	-	1,521,470	1,658,704
Parks and recreation	716,662	790,807	-	-	716,662	790,807
Interest on long-term debt	33,969	40,061	-	-	33,969	40,061
Public utilities	-	-	4,555,046	4,262,430	4,555,046	4,262,430
Port revenue	-	-	555,137	595,580	555,137	595,580
Beach operations	-	-	189,276	305,831	189,276	305,831
<b>Total expenses</b>	<b>7,859,339</b>	<b>9,164,047</b>	<b>5,299,459</b>	<b>5,163,841</b>	<b>13,158,798</b>	<b>14,327,888</b>
<b>Change in net position before transfers</b>	<b>4,066,367</b>	<b>2,475,631</b>	<b>1,742,595</b>	<b>3,344,039</b>	<b>5,808,962</b>	<b>5,819,670</b>
Transfers	280,044	274,635	(280,044)	(274,635)	-	-
<b>Change in net position</b>	<b>4,346,411</b>	<b>2,750,266</b>	<b>1,462,551</b>	<b>3,069,404</b>	<b>5,808,962</b>	<b>5,819,670</b>
<b>Net position - October 1, as restated</b>	<b>36,841,150</b>	<b>34,090,884</b>	<b>29,375,240</b>	<b>26,305,836</b>	<b>66,216,390</b>	<b>60,396,720</b>
<b>Net position - September 30</b>	<b>\$ 41,187,561</b>	<b>\$ 36,841,150</b>	<b>\$ 30,837,791</b>	<b>\$ 29,375,240</b>	<b>\$ 72,025,352</b>	<b>\$ 66,216,390</b>

\*2019 net position has been restated. See Note 19 of this report.

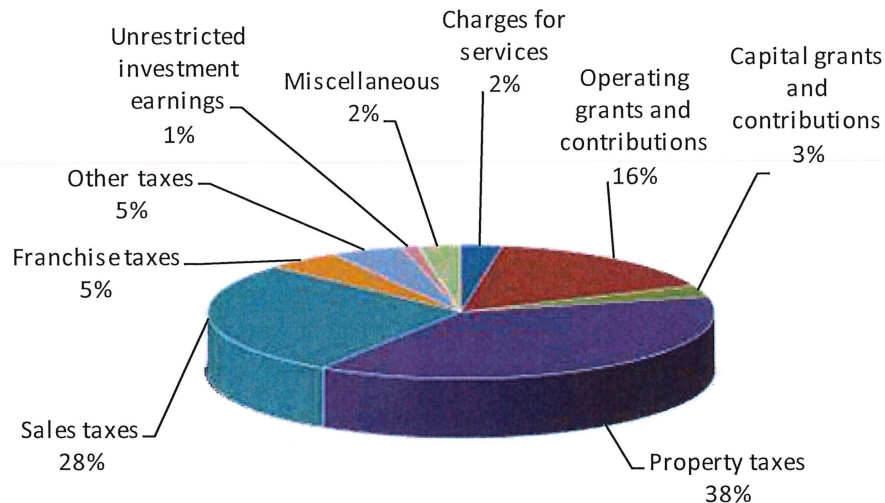


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## GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

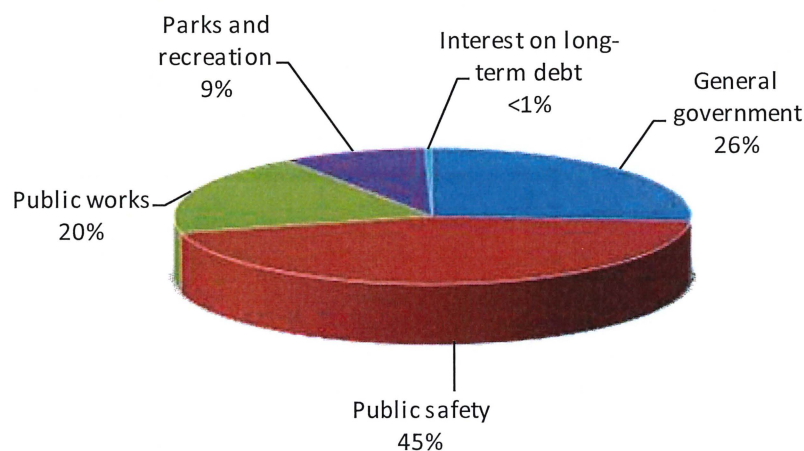
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

### Governmental Revenues



For the fiscal year ended September 30, 2020, revenues from governmental activities totaled \$11.9 million. Operating grants and contributions increased \$361,677 or 24% from fiscal year 2019. This was mainly due to the revenues received relating to Hurricane Harvey. Capital grants and contributions also increased \$336,700 from fiscal year 2019. The increase is mainly due to a CDBG grant relating to improvements to areas impacted by Hurricane Harvey.

### Governmental Functional Expenses



For the fiscal year ended September 30, 2020, expenses for governmental activities totaled \$7.9 million. This is a decrease of \$1,304,708 or 14% from fiscal year 2019. This decrease was attributable to the decrease in expenses incurred by the City relating to Hurricane Harvey in fiscal year 2020 compared to 2019. 98% of the funds expended in the Hurricane Harvey Fund in fiscal year 2020 were related to capital expenses rather than general government operating expenses as in fiscal year 2019.

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

Business-type activities increased the City's net position by \$1,462,551. The key elements of this increase relate to the Public Utility Fund and the Port Revenue Fund. The Public Utility Fund had an operating income for fiscal year 2020 of \$1,111,941. The Port Revenue Fund had an increase in net position in the amount of \$420,683 which was attributable to Helena capital contributions.

## **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, 2020, the City's governmental funds, which consist of the General Fund, one debt service fund, one capital projects fund, and nine special revenue funds, reported an ending fund balance of \$14,128,040, which is an increase of \$920,990 from last year's total of \$13,207,050.

The General Fund is the chief operating fund of the City. Its fund balance decreased by \$147,808 during the fiscal year due mainly to planned capital spending of unassigned fund balance. This decrease compared favorably to the budgeted decrease in fund balance of \$2,283,565 due to revenue exceeding budgeted expectations and project delays of planned capital spending of unassigned fund balance. 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 132% of total General Fund expenditures as compared to 153% in the prior year. The main reason for the decrease in percentage is due to the same reasons explained above for the decrease in overall fund balance.

The net decrease in overall fund balance for governmental funds also included an increase of \$403,290 for the Hurricane Harvey Fund, a major Special Revenue Fund, a net increase of \$596,037 for the Street Construction Fund, a major Capital Projects Fund, and a net increase of \$69,471 in other governmental funds. The reason for the increases in the Hurricane Harvey Fund and the other governmental funds is due to the revenues exceeding expenditures for fiscal year 2020. The reason for the increase in the Street Construction Fund is due to transfers in from the General Fund.

### **Proprietary Funds**

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

Unrestricted net position of the Public Utility Fund at the end of the fiscal year amounted to \$5,053,932. The increase in total net position for the year was \$957,433. Net positions of the Port Revenue Fund and the Beach Operating Fund both increased during the 2020 fiscal year by \$420,683 and \$84,435, respectively.

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

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## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Total revenues earned were \$1,228,658 greater than budgeted expectations, with tax revenues making up \$815,426 or 66% of the positive variance. Sales tax made up 48% of the variance while property tax contributed to 18% of the variance. In addition, the issuance of debt was not budgeted, which contributed \$187,825 or 15% of the variance.

Total actual expenditures were under budgeted expenditures by \$907,099. Conservative budgetary practices resulted in positive budget variances as it relates to general government, public safety, parks and recreation, public works (including streets) departments.

Differences between the General Fund's original budget and final amended budget were a net increase of \$235,945 to expenditures. A few of the changes are briefly summarized as follows:

- An increase of \$26,879 in the police department which primarily consisted of an increase of \$22,274 in maintenance to repair damaged vehicles.
- An increase of \$82,689 in the fire department which consisted of an increase of \$73,199 in capital outlay, an increase of \$4,957 in maintenance, and other miscellaneous items.
- An increase of \$119,836 in capital outlay expenditures for parks and recreation projects.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets as of September 30, 2020, amounts to \$55,796,361 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included various infrastructure projects, improvements to the Formosa Wetlands Walkway, 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.

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<b>City of Port Lavaca, Texas</b>						
<b>Capital Assets (Net of Depreciation)</b>						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019*	2020	2019*
<b>Non-Depreciable Assets</b>						
Land	\$ 1,844,144	\$ 1,517,859	\$ 2,316,718	\$ 2,316,718	\$ 4,160,862	\$ 3,834,577
Construction in progress	4,358,662	3,443,187	3,520,313	3,358,941	7,878,975	6,802,128
<b>Other Capital Assets</b>						
Machinery and equipment	3,874,121	3,631,026	1,274,877	901,644	5,148,998	4,532,670
Buildings and structures	8,283,362	6,870,309	5,716,807	5,239,019	14,000,169	12,109,328
Infrastructure	33,039,649	31,826,259	44,141,049	41,797,749	77,180,698	73,624,008
Accumulated depreciation on other capital assets	(23,488,547)	(22,641,425)	(29,084,794)	(28,279,008)	(52,573,341)	(50,920,433)
<b>Total</b>	<b>\$ 27,911,391</b>	<b>\$ 24,647,215</b>	<b>\$ 27,884,970</b>	<b>\$ 25,335,063</b>	<b>\$ 55,796,361</b>	<b>\$ 49,982,278</b>

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\*2019 balances have been restated. See Note 19 of this report.

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**CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)****Long-term Debt**

At the end of the current fiscal year, the City had total bonds and certificates of obligation outstanding of \$5.0 million. The following table details the nature of this debt and other debt obligations of the City.

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City of Port Lavaca, Texas						
Long-term Debt						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue bonds	\$ -	\$ -	\$ 1,750,000	\$ 2,510,000	\$ 1,750,000	\$ 2,510,000
General obligation bonds	1,005,000	1,305,000	-	-	1,005,000	1,305,000
Certificates of obligation	-	-	2,270,000	2,430,000	2,270,000	2,430,000
Loan payable	187,825	-	-	-	187,825	-
Issuance premiums	-	-	94,717	99,436	94,717	99,436
Compensated absences	141,831	122,727	13,167	15,456	154,998	138,183
OPEB liability	272,872	221,525	30,319	30,208	303,191	251,733
Net pension liability	334,462	1,130,562	37,163	154,167	371,625	1,284,729
<b>Total</b>	<b>\$ 1,941,990</b>	<b>\$ 2,779,814</b>	<b>\$ 4,195,366</b>	<b>\$ 5,239,267</b>	<b>\$ 6,137,356</b>	<b>\$ 8,019,081</b>

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Additional information on the City's long-term debt can be found in Note 9 in the notes to financial statements.

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

The City had been experiencing a steady growth in sales tax since 2010, however the global pandemic caused a dip in overall sales tax revenue for 2020 by 7.7%. Due to the conservative budgeting efforts of the City, this decrease did not affect the City in a negative manner; in fact, the City exceeded its budgeted sales tax revenue by almost 22%. Property values increased slightly due to improvements made as a result of repairs from Hurricane Harvey.

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. Plans to add a walk and handrail to the bulkhead at Scully's will tie in a future boardwalk to Bayfront Park. The Southern Pacific Depot will be renovated and will host Market Days. Crosswalk enhancements are planned at Main and Commerce streets as well as a turning lane from Park Street. City hall and the police department are slated to have a new roof, as well as a comprehensive renovation design plan. Numerous street reconstruction projects are planned which include sidewalks and drainage for: Ezzell, Mildred and George streets. Additionally, park improvements and enhancements are planned which include a skate park.

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

### *Utility Fund*

Future plans include a continuation of infrastructure replacement. The City has replaced many old, clay sewer lines by means of grants and has replaced antiquated water lines with Public Utility Fund revenues. 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, water lines along Broadway, Live Oak and Ezzell streets are planned, and wastewater will see upgrades to lift stations, generator purchases, and sewer line replacements along Ezzell Street.

Discussions continue with the Guadalupe-Blanco River Authority related to major upgrades/reconstruction to the water treatment facility.

### *Beach Fund*

The City continues the improvements utilizing FEMA Public Assistance grant funds in order to repair damage caused by Hurricane Harvey.

### *Port Revenue Fund*

The City has been awarded a Texas Parks and Wildlife Grant for a breakwater project which will improve the facilities. Continued infrastructure improvements and repair to the bulkhead and dock facilities are planned at Harbor of Refuge, City Harbor, Smith Harbor and Nautical Landings Marina.

### *All Major Funds*

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 eligible damages to public facilities is at 90% of the damages.

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: Finance Director, 202 North Virginia, Port Lavaca, Texas 77979.

## **Basic Financial Statements**

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2020

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 14,286,997	\$ 7,294,604	\$ 21,581,601
Receivables (net)	775,199	1,035,876	1,811,075
Due from other governments	1,541,363	143,259	1,684,622
Prepaid items	47,524	17,369	64,893
Inventory	-	30,861	30,861
Total current assets	<u>16,651,083</u>	<u>8,521,969</u>	<u>25,173,052</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	6,202,806	5,837,031	12,039,837
Assets being depreciated (net)	<u>21,708,585</u>	<u>22,047,939</u>	<u>43,756,524</u>
Total noncurrent assets	<u>27,911,391</u>	<u>27,884,970</u>	<u>55,796,361</u>
<b>Total assets</b>	<u>44,562,474</u>	<u>36,406,939</u>	<u>80,969,413</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow related to pension	165,111	-	165,111
Deferred outflow related to OPEB	43,777	5,647	49,424
Deferred amount on refunding	<u>36,819</u>	<u>86,317</u>	<u>123,136</u>
<b>Total deferred outflows of resources</b>	<u>245,707</u>	<u>91,964</u>	<u>337,671</u>

The accompanying notes are an integral part of this statement.

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 931,321	\$ 1,094,266	\$ 2,025,587
Payroll related liabilities	179,511	36,274	215,785
Accrued interest payable	2,571	15,938	18,509
Due to other governments	27,473	8,330	35,803
Accrued compensated absences	46,804	4,345	51,149
Unearned revenue	67,916	80,018	147,934
Customer deposits	28,534	209,109	237,643
Current portion of long-term obligations	317,655	940,000	1,257,655
Total current liabilities	<u>1,601,785</u>	<u>2,388,280</u>	<u>3,990,065</u>
Noncurrent liabilities			
Accrued compensated absences	95,027	8,822	103,849
Net pension liability	334,462	37,163	371,625
OPEB liability	272,872	30,319	303,191
Noncurrent portion of long-term obligations	875,170	3,174,717	4,049,887
Total noncurrent liabilities	<u>1,577,531</u>	<u>3,251,021</u>	<u>4,828,552</u>
<b>Total liabilities</b>	<u>3,179,316</u>	<u>5,639,301</u>	<u>8,818,617</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow related to pension	424,330	19,627	443,957
Deferred inflow related to OPEB	16,974	2,184	19,158
<b>Total deferred inflows of resources</b>	<u>441,304</u>	<u>21,811</u>	<u>463,115</u>
<b>NET POSITION</b>			
Net investment in capital assets	26,755,385	23,856,570	50,611,955
Restricted for:			
Debt service	194,426	-	194,426
Economic development, tourism and conventions	790,915	-	790,915
Public safety	26,608	-	26,608
Municipal court	53,783	-	53,783
Unrestricted	13,366,444	6,981,221	20,347,665
<b>Total net position</b>	<u>\$ 41,187,561</u>	<u>\$ 30,837,791</u>	<u>\$ 72,025,352</u>



**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the year ended September 30, 2020*

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 2,053,858	\$ 272,534	\$ 28,379	\$ -
Public safety	3,533,380	8,874	293,164	94,118
Public works	1,521,470	-	-	242,582
Parks and recreation	716,662	30,345	1,573,535	-
Interest on long-term debt	33,969	-	-	-
Total governmental activities	<u>7,859,339</u>	<u>311,753</u>	<u>1,895,078</u>	<u>336,700</u>
Business-type activities				
Public utilities	4,555,046	5,629,845	-	68,352
Port revenue	555,137	579,343	-	406,151
Beach operations	189,276	272,788	-	-
Total business-type activities	<u>5,299,459</u>	<u>6,481,976</u>	<u>-</u>	<u>474,503</u>
Total government	<u>\$ 13,158,798</u>	<u>\$ 6,793,729</u>	<u>\$ 1,895,078</u>	<u>\$ 811,203</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.

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Net (Expense) Revenue and  
Changes in Net Position

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Governmental Activities	Business- type Activities	Total
\$ (1,752,945)	\$ -	\$ (1,752,945)
(3,137,224)	-	(3,137,224)
(1,278,888)	-	(1,278,888)
887,218	-	887,218
(33,969)	-	(33,969)
<u>(5,315,808)</u>	<u>-</u>	<u>(5,315,808)</u>
-	1,143,151	1,143,151
-	430,357	430,357
-	83,512	83,512
<u>-</u>	<u>1,657,020</u>	<u>1,657,020</u>
<u>(5,315,808)</u>	<u>1,657,020</u>	<u>(3,658,788)</u>
4,188,567	-	4,188,567
329,152	-	329,152
3,287,441	-	3,287,441
569,268	-	569,268
560,236	-	560,236
127,105	85,575	212,680
320,406	-	320,406
280,044	(280,044)	-
<u>9,662,219</u>	<u>(194,469)</u>	<u>9,467,750</u>
4,346,411	1,462,551	5,808,962
<u>36,841,150</u>	<u>29,375,240</u>	<u>66,216,390</u>
<u>\$ 41,187,561</u>	<u>\$ 30,837,791</u>	<u>\$ 72,025,352</u>

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

September 30, 2020

	<u>General</u>	<u>Hurricane Harvey</u>	<u>Street Construction</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 12,658,480	\$ -	\$ 629,490
Receivables (net)	648,635	-	-
Due from other governments	700,776	840,046	-
Due from other funds	1,148,223	-	-
Prepaid items	47,524	-	-
<b>Total assets</b>	<u>\$ 15,203,638</u>	<u>\$ 840,046</u>	<u>\$ 629,490</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 686,392	\$ 153,647	\$ 33,453
Payroll related payables	154,240	-	-
Due to other governments	27,473	-	-
Due to other funds	-	1,148,223	-
Customer and other deposits	28,534	-	-
Unearned revenue	67,916	-	-
<b>Total liabilities</b>	<u>964,555</u>	<u>1,301,870</u>	<u>33,453</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>564,951</u>	<u>719,298</u>	<u>-</u>
<b>Total deferred inflows of resources</b>	<u>564,951</u>	<u>719,298</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	47,524	-	-
Restricted	-	-	596,037
Committed	2,911,895	-	-
Unassigned	10,714,713	(1,181,122)	-
<b>Total fund balances</b>	<u>13,674,132</u>	<u>(1,181,122)</u>	<u>596,037</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 15,203,638</u>	<u>\$ 840,046</u>	<u>\$ 629,490</u>

The accompanying notes are an integral part of this statement.

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Other Governmental Funds	Total Governmental Funds
\$ 999,027	\$ 14,286,997
126,564	775,199
541	1,541,363
-	1,148,223
-	47,524
<u>\$ 1,126,132</u>	<u>\$ 17,799,306</u>
\$ 57,829	\$ 931,321
-	154,240
-	27,473
-	1,148,223
-	28,534
-	67,916
<u>57,829</u>	<u>2,357,707</u>
<u>29,310</u>	<u>1,313,559</u>
<u>29,310</u>	<u>1,313,559</u>
-	47,524
1,038,993	1,635,030
-	2,911,895
-	9,533,591
<u>1,038,993</u>	<u>14,128,040</u>
<u>\$ 1,126,132</u>	<u>\$ 17,799,306</u>

**CITY OF PORT LAVACA, TEXAS****RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION  
OF GOVERNMENTAL ACTIVITIES**  
September 30, 2020

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<b>Total governmental fund balances</b>		<b>\$ 14,128,040</b>
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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.

512,845

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.

800,714

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	\$ 51,399,938	
Accumulated depreciation of governmental capital assets	<u>(23,488,547)</u>	27,911,391

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

Deferred amount on refunding	36,819	
Deferred amount on pension	165,111	
Deferred amount on OPEB	<u>43,777</u>	245,707

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	(1,005,000)	
Loan payable	(187,825)	
Accrued interest payable	(2,571)	
Compensated absences	(141,831)	
Safety pay	(25,271)	
OPEB liability	(272,872)	
Net pension liability	<u>(334,462)</u>	(1,969,832)

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

Deferred amount on pension	(424,330)	
Deferred amount on OPEB	<u>(16,974)</u>	<u>(441,304)</u>

<b>Net position of governmental activities</b>		<b><u>\$ 41,187,561</u></b>
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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, 2020*

	General	Hurricane Harvey	Street Construction
<b>REVENUES</b>			
Taxes			
Ad valorem	\$ 4,124,204	\$ -	\$ -
Sales	3,287,441	-	-
Other	598,381	-	-
Fines, fees, and forfeitures	220,122	-	-
Intergovernmental	367,212	1,571,448	-
Licenses and permits	168,367	-	-
Investment	116,706	-	-
Rental	30,345	-	-
Charges for services	14,708	-	-
Miscellaneous	175,052	-	-
<b>Total revenues</b>	<u>9,102,538</u>	<u>1,571,448</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current			
General government	1,755,370	26,653	-
Public safety	3,548,418	-	-
Public works	1,129,316	-	-
Parks and recreation	557,569	-	-
Capital outlay	1,122,492	1,141,505	1,201,963
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<u>8,113,165</u>	<u>1,168,158</u>	<u>1,201,963</u>
Excess (deficiency) of revenues over expenditures	989,373	403,290	(1,201,963)
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt issued	187,825	-	-
Transfers in	472,994	-	1,798,000
Transfers out	(1,798,000)	-	-
<b>Total other financing sources (uses)</b>	<u>(1,137,181)</u>	<u>-</u>	<u>1,798,000</u>
Net change in fund balances	(147,808)	403,290	596,037
Fund balances at beginning of year	<u>13,821,940</u>	<u>(1,584,412)</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u>\$ 13,674,132</u>	<u>\$ (1,181,122)</u>	<u>\$ 596,037</u>

The accompanying notes are an integral part of this statement.

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Other Governmental Funds	Total Governmental Funds
\$ 323,628	\$ 4,447,832
-	3,287,441
531,123	1,129,504
6,785	226,907
242,604	2,181,264
-	168,367
10,399	127,105
-	30,345
-	14,708
2,556	177,608
<u>1,117,095</u>	<u>11,791,081</u>
218,265	2,000,288
70,081	3,618,499
-	1,129,316
-	557,569
242,582	3,708,542
300,000	300,000
23,746	23,746
<u>854,674</u>	<u>11,337,960</u>
262,421	453,121
-	187,825
-	2,270,994
(192,950)	(1,990,950)
<u>(192,950)</u>	<u>467,869</u>
69,471	920,990
<u>969,522</u>	<u>13,207,050</u>
<u>\$ 1,038,993</u>	<u>\$ 14,128,040</u>

**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, 2020*

<b>Total net change in fund balances - governmental funds</b>		<b>\$ 920,990</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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	\$ 4,130,591	
Depreciation expense	<u>(866,415)</u>	3,264,176
Issuance of debt provides current financial resources to governmental funds, but issuing debt increased long-term liabilities in the statement of net position.		
Loan payable		(187,825)
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		300,000
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	83,109	
Other revenues	<u>51,516</u>	134,625
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	(19,104)	
Increase in safety pay	(25,271)	
Decrease in loss on bond refunding	(10,991)	
Decrease in accrued interest	768	
Net pension costs	(5,227)	
Net OPEB costs	<u>(25,730)</u>	<u>(85,555)</u>
<b>Change in net position of governmental activities</b>		<b>\$ <u>4,346,411</u></b>

The accompanying notes are an integral part of this statement.



**CITY OF PORT LAVACA, TEXAS**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

September 30, 2020

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 5,274,363	\$ 1,519,812	\$ 500,429	\$ 7,294,604
Receivables (net)	972,458	62,967	451	1,035,876
Due from other governments	23,259	120,000	-	143,259
Prepaid items	10,085	5,449	1,835	17,369
Inventory	30,861	-	-	30,861
Total current assets	6,311,026	1,708,228	502,715	8,521,969
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,013,312	4,258,969	564,750	5,837,031
Assets being depreciated (net)	17,882,799	3,034,247	1,130,893	22,047,939
Net noncurrent assets	18,896,111	7,293,216	1,695,643	27,884,970
<b>Total assets</b>	25,207,137	9,001,444	2,198,358	36,406,939
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflow related to OPEB	5,647	-	-	5,647
Deferred amount on refunding	86,317	-	-	86,317
<b>Total deferred outflows of resources</b>	91,964	-	-	91,964
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	833,816	113,601	146,849	1,094,266
Payroll related liabilities	34,163	2,111	-	36,274
Accrued interest payable	4,101	11,837	-	15,938
Due to other governments	8,330	-	-	8,330
Accrued compensated absences	3,163	1,182	-	4,345
Unearned revenue	75,643	4,375	-	80,018
Customer deposits	207,809	400	900	209,109
Current portion of noncurrent liabilities				
Bonds and certificates	770,000	170,000	-	940,000
Total current liabilities	1,937,025	303,506	147,749	2,388,280
Long-term liabilities, net of current portion				
Accrued compensated absences	6,423	2,399	-	8,822
Net pension liability	37,163	-	-	37,163
OPEB liability	30,319	-	-	30,319
Bonds and certificates (net of unamortized deferred amounts)	980,000	2,194,717	-	3,174,717
Total long-term liabilities	1,053,905	2,197,116	-	3,251,021
<b>Total liabilities</b>	2,990,930	2,500,622	147,749	5,639,301
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow related to pension	19,627	-	-	19,627
Deferred inflow related to OPEB	2,184	-	-	2,184
<b>Total deferred inflows of resources</b>	21,811	-	-	21,811
<b>NET POSITION</b>				
Net investment in capital assets	17,232,428	4,928,499	1,695,643	23,856,570
Unrestricted	5,053,932	1,572,323	354,966	6,981,221
<b>Total net position</b>	\$ 22,286,360	\$ 6,500,822	\$ 2,050,609	\$ 30,837,791

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, 2020

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
<b>OPERATING REVENUES</b>				
Charges for services				
Water sales	\$ 2,336,799	\$ -	\$ -	\$ 2,336,799
Sewer services	1,889,516	-	-	1,889,516
Waste collection	798,830	-	-	798,830
Tap and service fees	337,535	-	-	337,535
Gate fees	-	-	37,070	37,070
Leases and rentals	-	472,966	232,186	705,152
Port tariffs	-	104,277	-	104,277
Miscellaneous	267,165	2,100	3,532	272,797
Total operating revenues	<u>5,629,845</u>	<u>579,343</u>	<u>272,788</u>	<u>6,481,976</u>
<b>OPERATING EXPENSES</b>				
Personnel services	637,155	87,213	6,839	731,207
Materials and supplies	54,789	5,209	6,553	66,551
Services	1,515,424	132,466	77,305	1,725,195
Water purchases	1,115,532	-	-	1,115,532
Maintenance and repairs	486,413	45,921	15,182	547,516
Depreciation and amortization	653,988	187,980	75,701	917,669
Miscellaneous	54,603	-	2,063	56,666
Total operating expenses	<u>4,517,904</u>	<u>458,789</u>	<u>183,643</u>	<u>5,160,336</u>
<b>Operating income (loss)</b>	1,111,941	120,554	89,145	1,321,640
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain (loss) on sale of capital assets	-	-	(5,633)	(5,633)
Investment income	58,412	19,258	7,905	85,575
Interest and fiscal charges	(37,142)	(96,348)	-	(133,490)
Net nonoperating revenues	<u>21,270</u>	<u>(77,090)</u>	<u>2,272</u>	<u>(53,548)</u>
Income before capital contributions and transfers	1,133,211	43,464	91,417	1,268,092
Capital grants and contributions	68,352	406,151	-	474,503
Transfers out	<u>(244,130)</u>	<u>(28,932)</u>	<u>(6,982)</u>	<u>(280,044)</u>
Change in net position	957,433	420,683	84,435	1,462,551
Total net position at beginning of year, as restated	<u>21,328,927</u>	<u>6,080,139</u>	<u>1,966,174</u>	<u>29,375,240</u>
<b>Total net position at end of year</b>	<u>\$ 22,286,360</u>	<u>\$ 6,500,822</u>	<u>\$ 2,050,609</u>	<u>\$ 30,837,791</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, 2020

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 5,522,114	\$ 676,864	\$ 272,787	\$ 6,471,765
Cash payments to suppliers for goods and services	(3,453,828)	(325,738)	(29,073)	(3,808,639)
Cash payments to employees for services	(675,790)	(85,499)	(6,839)	(768,128)
<b>Net cash provided (used) by operating activities</b>	<u>1,392,496</u>	<u>265,627</u>	<u>236,875</u>	<u>1,894,998</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers to other funds	(244,130)	(28,932)	(6,982)	(280,044)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(244,130)</u>	<u>(28,932)</u>	<u>(6,982)</u>	<u>(280,044)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Acquisition of capital assets	(1,698,728)	(1,047,598)	(689,397)	(3,435,723)
Receipts from capital grants and contributions	246,990	1,469,452	-	1,716,442
Principal paid on capital debt	(760,000)	(160,000)	-	(920,000)
Interest paid on capital debt	(38,679)	(97,588)	-	(136,267)
<b>Net cash provided (used) by capital financing activities</b>	<u>(2,250,417)</u>	<u>164,266</u>	<u>(689,397)</u>	<u>(2,775,548)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income	58,412	19,258	7,905	85,575
<b>Net cash provided (used) by investing activities</b>	<u>58,412</u>	<u>19,258</u>	<u>7,905</u>	<u>85,575</u>
Net increase (decrease) in cash and cash equivalents	(1,043,639)	420,219	(451,599)	(1,075,019)
Cash and cash equivalents at beginning of year	6,318,002	1,099,593	952,028	8,369,623
<b>Cash and cash equivalents at end of year</b>	<u>\$ 5,274,363</u>	<u>\$ 1,519,812</u>	<u>\$ 500,429</u>	<u>\$ 7,294,604</u>

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2020

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 1,111,941	\$ 120,554	\$ 89,145	\$ 1,321,640
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	653,988	187,980	75,701	917,669
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(157,158)	107,810	-	(49,348)
(Increase) decrease in prepaid expense	1,195	843	236	2,274
(Increase) decrease in inventory	(8,819)	-	-	(8,819)
(Increase) decrease in deferred outflow related to pension	77,320	-	-	77,320
(Increase) decrease in deferred outflow related to OPEB	(3,370)	-	-	(3,370)
Increase (decrease) in accounts and other payables	(223,128)	(142,985)	71,793	(294,320)
Increase (decrease) in payroll related liabilities	2,939	(261)	-	2,678
Increase (decrease) in due to other governments	3,685	-	-	3,685
Increase (decrease) in compensated absences	(4,264)	1,975	-	(2,289)
Increase (decrease) in net pension liability	(117,004)	-	-	(117,004)
Increase (decrease) in OPEB liability	111	-	-	111
Increase (decrease) in unearned revenue	59,563	(9,639)	-	49,924
Increase (decrease) in customer deposits	(10,135)	(650)	-	(10,785)
Increase (decrease) in deferred inflow related to pension	5,060	-	-	5,060
Increase (decrease) in deferred inflow related to OPEB	572	-	-	572
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,392,496</u>	<u>\$ 265,627</u>	<u>\$ 236,875</u>	<u>\$ 1,894,998</u>

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS****STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS***September 30, 2020*

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	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 27,076
<b>Total assets</b>	-	<u>27,076</u>
<b>LIABILITIES</b>		
Due to others	-	\$ 27,076
<b>Total liabilities</b>	-	<u>27,076</u>
<b>NET POSITION</b>		
Restricted for payment of pension benefits	-	
<b>Total net position</b>	<u>\$ -</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, 2020*

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	Fireman's Relief and Retirement Fund
<b>ADDITIONS</b>	
Employer contributions	\$ 2,200
<b>DEDUCTIONS</b>	
Benefits	2,200
Change in net position	-
Net position at beginning of year	-
<b>Net position at end of year</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

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**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, 2020.

**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.



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**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 nine 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.

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

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**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.

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**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, 2020.

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

**G. Inventories and Prepaid Items**

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

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**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.

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**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.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)****M. Supplemental Death Benefit (OPEB)**

For purposes of measuring the total OPEB liability for the supplemental death benefit plan, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 OPEB 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. 75.

**N. 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.

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

**P. 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 11 which addresses the policy set by the Council for the enterprise funds.

**Q. 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 2019-2020.

<u>Fund Name- Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
City manager	\$ 214,600	\$ 232,642	\$ 18,042
Human resources	17,175	19,661	2,486
Finance	257,725	266,005	8,280
Non-departmental	669,039	684,596	15,557
Animal control	123,825	129,260	5,435
Capital outlay	418,836	1,122,492	673,656

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

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

As of September 30, 2020, the Hurricane Harvey Fund (a major Special Revenue Fund) had a deficit fund equity balance of \$1,181,122. This deficit will be eliminated in the 2021 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, 2020, 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	\$ 13,923,457	54

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 S&P Global.

**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.



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**NOTE 3: DEPOSITS AND INVESTMENTS - Continued****Custodial Credit Risk - Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, 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 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	\$ 611,525	\$ -	\$ -	\$ -	\$ 30,853	\$ 642,378
Franchise taxes	82,292	-	-	-	-	82,292
Municipal court fines	142,603	-	-	-	-	142,603
Charges for services	172,351	1,291,373	81,187	-	-	1,544,911
Occupancy taxes	-	-	-	-	97,254	97,254
Miscellaneous	<u>1,392</u>	<u>12,040</u>	<u>2,500</u>	<u>451</u>	<u>-</u>	<u>16,383</u>
Gross receivables	1,010,163	1,303,413	83,687	451	128,107	2,525,821
Less: Allowance for uncollectibles	<u>(361,528)</u>	<u>(330,955)</u>	<u>(20,720)</u>	<u>-</u>	<u>(1,543)</u>	<u>(714,746)</u>
Net total receivables	<u>\$ 648,635</u>	<u>\$ 972,458</u>	<u>\$ 62,967</u>	<u>\$ 451</u>	<u>\$ 126,564</u>	<u>\$ 1,811,075</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, 2020, 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	\$ 483,545	\$ -	\$ 483,545
Charges for services	17,235	67,916	85,151
Municipal court fines	64,171	-	64,171
Hurricane Harvey Fund			
Grant reimbursements	719,298	-	719,298
Nonmajor Funds			
Ad valorem taxes	<u>29,310</u>	<u>-</u>	<u>29,310</u>
	<u>\$ 1,313,559</u>	<u>\$ 67,916</u>	<u>\$ 1,381,475</u>

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**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, 2020:

	General Fund	Hurricane Harvey	Public Utility	Port Revenue	Nonmajor Funds	Total
Sales taxes	\$ 636,265	\$ -	\$ -	\$ -	\$ -	\$ 636,265
Mixed beverage taxes	6,349	-	-	-	-	6,349
Property taxes	10,182	-	-	-	541	10,723
Grant reimbursements	-	840,046	23,259	120,000	-	983,305
Other	47,980	-	-	-	-	47,980
	<u>\$ 700,776</u>	<u>\$ 840,046</u>	<u>\$ 23,259</u>	<u>\$ 120,000</u>	<u>\$ 541</u>	<u>\$ 1,684,622</u>

**NOTE 6: CAPITAL ASSETS**

The capital asset activity of the City was as follows for the year ended September 30, 2020:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,517,859	\$ 326,285	\$ -	\$ 1,844,144
Construction in progress	3,443,187	1,998,865	(1,083,390)	4,358,662
Total capital assets not being depreciated	<u>4,961,046</u>	<u>2,325,150</u>	<u>(1,083,390)</u>	<u>6,202,806</u>
Capital assets, being depreciated:				
Machinery and equipment	3,631,026	262,388	(19,293)	3,874,121
Buildings and structures	6,870,309	1,413,053	-	8,283,362
Infrastructure	31,826,259	1,213,390	-	33,039,649
Total capital assets being depreciated	<u>42,327,594</u>	<u>2,888,831</u>	<u>(19,293)</u>	<u>45,197,132</u>
Less accumulated depreciation for:				
Machinery and equipment	(2,826,638)	(207,507)	19,293	(3,014,852)
Buildings and structures	(3,873,690)	(180,820)	-	(4,054,510)
Infrastructure	(15,941,097)	(478,088)	-	(16,419,185)
Total accumulated depreciation	<u>(22,641,425)</u>	<u>(866,415)</u>	<u>19,293</u>	<u>(23,488,547)</u>
Total capital assets being depreciated, net	<u>19,686,169</u>	<u>2,022,416</u>	<u>-</u>	<u>21,708,585</u>
Governmental activities capital assets, net	<u>\$ 24,647,215</u>	<u>\$ 4,347,566</u>	<u>\$ (1,083,390)</u>	<u>\$ 27,911,391</u>

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

	<u>Beginning Balance*</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,316,718	\$ -	\$ -	\$ 2,316,718
Construction in progress	3,358,941	1,919,256	(1,757,884)	3,520,313
Total capital assets not being depreciated	<u>5,675,659</u>	<u>1,919,256</u>	<u>(1,757,884)</u>	<u>5,837,031</u>
Capital assets, being depreciated:				
Machinery and equipment	901,644	447,332	(74,099)	1,274,877
Buildings and structures	5,239,019	483,718	(5,930)	5,716,807
Infrastructure	41,797,749	2,343,300	-	44,141,049
Total capital assets being depreciated	<u>47,938,412</u>	<u>3,274,350</u>	<u>(80,029)</u>	<u>51,132,733</u>
Less accumulated depreciation for:				
Machinery and equipment	(759,546)	(39,400)	74,099	(724,847)
Buildings and structures	(3,492,104)	(158,869)	297	(3,650,676)
Infrastructure	(24,027,358)	(681,913)	-	(24,709,271)
Total accumulated depreciation	<u>(28,279,008)</u>	<u>(880,182)</u>	<u>74,396</u>	<u>(29,084,794)</u>
Total capital assets being depreciated, net	<u>19,659,404</u>	<u>2,394,168</u>	<u>(5,633)</u>	<u>22,047,939</u>
Business-type activities capital assets, net	<u>\$ 25,335,063</u>	<u>\$ 4,313,424</u>	<u>\$ (1,763,517)</u>	<u>\$ 27,884,970</u>

\*Beginning balances have been restated. See Note 19 of this report.

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

**Governmental activities:**

General government	\$ 37,217
Public safety	151,235
Public works	512,791
Parks and recreation	165,172
Total depreciation expense - governmental activities	<u>\$ 866,415</u>

**Business-type activities:**

Public Utility	\$ 616,501
Port Revenue	187,980
Beach Operating	75,701
Total depreciation expense - business-type activities	<u>\$ 880,182</u>

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**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, 2020, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Hurricane Harvey Fund	\$ 1,148,223
		<u>\$ 1,148,223</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 2020 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>Total</u>
Transfers out			
General	\$ -	\$ 1,798,000	\$ 1,798,000
Public Utility	244,130	-	244,130
Port Revenue	28,932	-	28,932
Beach Operating	6,982	-	6,982
Nonmajor	192,950	-	192,950
	<u>\$ 472,994</u>	<u>\$ 1,798,000</u>	<u>\$ 2,270,994</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, 2020:

<u>Year Ending</u> <u>September 30</u>	
2021	\$ 414,744
2022	430,635
2023	114,026
2024	110,175
2025	110,175
	<u>1,179,755</u>
Thereafter	-
	<u>\$ 1,179,755</u>

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

Long-term liability activity for the year ended September 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Bonds payable:					
General obligation bonds	\$ 1,305,000	\$ -	\$ 300,000	\$ 1,005,000	\$ 305,000
Net bonds payable	1,305,000	-	300,000	1,005,000	305,000
Loan payable	-	187,825	-	187,825	12,655
Compensated absences	122,727	19,104	-	141,831	46,804
OPEB liability	221,525	51,347	-	272,872	-
Net pension liability	1,130,562	-	796,100	334,462	-
Total governmental activity long-term liabilities	<u>\$ 2,779,814</u>	<u>\$ 258,276</u>	<u>\$ 1,096,100</u>	<u>\$ 1,941,990</u>	<u>\$ 364,459</u>
<b>Business-type activities</b>					
Bonds and certificates payable:					
Revenue bonds	\$ 2,510,000	\$ -	\$ 760,000	\$ 1,750,000	\$ 770,000
Certificates	2,430,000	-	160,000	2,270,000	170,000
Plus deferred amounts:					
Issuance premiums	99,436	-	4,719	94,717	-
Net bonds and certificates	5,039,436	-	924,719	4,114,717	940,000
Compensated absences	15,456	-	2,289	13,167	4,345
OPEB liability	30,208	111	-	30,319	-
Net pension liability	154,167	-	117,004	37,163	-
Total business-type activity long-term liabilities	<u>\$ 5,239,267</u>	<u>\$ 111</u>	<u>\$ 1,044,012</u>	<u>\$ 4,195,366</u>	<u>\$ 944,345</u>

Compensated absences, the net pension liability, and the OPEB liability are generally liquidated by the General Fund for the governmental activities.

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**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, 2020, 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>\$ 1,005,000</u>
Total Bonds	<u>\$ 1,005,000</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
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>\$ 1,005,000</u>	<u>\$ 33,343</u>	<u>\$ 1,038,343</u>

**C. Revenue Bonds and Certificates**

Revenue bonds and certificates payable were comprised of the following individual issues at September 30, 2020:

\$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%.	\$ 1,750,000
\$1,700,000 Series 2008 Combination Tax and Surplus Harbor System Revenue Certificates of Obligation due in annual installments ranging from \$85,000 to \$125,000 through February 15, 2028; interest rate of 3.93%.	865,000
\$1,475,000 Series 2018 Combination Tax and Surplus Harbor System Revenue Certificates of Obligation due in annual installments ranging from \$70,000 to \$125,000 through February 15, 2034; interest rates varying between 3.50% and 5.00%.	<u>1,405,000</u>
Total Revenue Bonds and Certificates	<u>\$ 4,020,000</u>

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**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
2021	\$ 940,000	\$ 115,563	\$ 1,055,563
2022	955,000	93,730	1,048,730
2023	280,000	77,914	357,914
2024	290,000	68,585	358,585
2025	200,000	59,836	259,836
2026-2030	870,000	169,837	1,039,837
2031-2034	485,000	34,995	519,995
	<u>\$ 4,020,000</u>	<u>\$ 620,460</u>	<u>\$ 4,640,460</u>

The City has pledged future water customer revenues, net of specified operating expenses to repay \$1.75 million in utility system debt. Proceeds from the bonds provided financing for improvements to the City's utility system. The bonds are payable through 2024. Average annual principal and interest payments on the bonds (\$447,774) are expected to require approximately 25 percent of net revenues. Principal and interest paid for the current year and total net revenues were \$798,529 and \$1,824,341, respectively. The total principal and interest remaining to be paid on the bonds is \$1,791,095.

The City complied in all material respects with the various covenants applicable to its long-term debt agreements for the year ending September 30, 2020.

**D. Loan Payable**

Loans payable at September 30, 2020, was comprised of the following:

\$187,825 loan agreement with the Texas Comptroller of Public Accounts, through its State Energy Conservation Office, due in quarterly installments of \$5,771 through November 2030; interest fixed at 2.00%.

\$ 187,825

Total Loans

\$ 187,825

The City entered into the loan in order to finance the City's projects for various energy savings measures for City buildings and facilities. Annual debt service requirements to maturity for the City's loan payable are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 12,655	\$ 4,659	\$ 17,314
2022	19,729	3,356	23,085
2023	20,127	2,959	23,086
2024	20,533	2,553	23,086
2025	20,946	2,139	23,085
2026-2030	93,835	4,279	98,114
	<u>\$ 187,825</u>	<u>\$ 19,945</u>	<u>\$ 207,770</u>

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**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, 2020, \$3,930,000 of bonds outstanding was considered defeased.

**NOTE 11: PROPRIETARY FUND NET POSITION**

Management has committed for operating reserves \$1,281,765 of the Public Utility Fund's \$5,053,932 unrestricted net position. Management has also committed \$151,197 of the Port Revenue Fund's \$1,572,323 unrestricted net position for operating reserves and \$49,065 of the Beach Operating Fund's \$354,966 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 \$3,772,167, \$1,421,126, and \$305,901, respectively, of unrestricted, uncommitted net position as of September 30, 2020.

**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, 2020, 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 \$489.98 or approximately 86% of the premiums for full-time employees. Dependent coverage is available at additional premiums paid by the employee and the City.



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

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

**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, 2020, 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, 2020, the City had entered into contractual commitments with contractors for various City projects. The costs incurred to date and estimated remaining costs were as follows:

<u>Project Description</u>	<u>Costs Incurred To Date</u>	<u>Estimated Remaining Costs</u>	<u>Source of Funds</u>
<b>Governmental activities:</b>			
Street/drainage improvements	\$ 4,081,172	\$ 1,435,361	City
Park improvements	788,724	261,276	City/Grant
Bauer Center improvements	486,908	52,764	City
Veterans' memorial	85,249	-	City/Contributions
	<u>\$ 5,442,053</u>	<u>\$ 1,749,401</u>	
<b>Business-type activities:</b>			
Water and sewer improvements	\$ 2,770,881	\$ 8,067	City
Sewer line improvements	317,876	12,124	City/Grant
Lighthouse Beach boat ramp	132,950	17,050	City
Lighthouse Beach fishing pier	157,986	2,142,014	City
Generators for lift stations	26,979	827,512	City/Grant
Helena bulkhead at H.O.R.	2,154,585	18,345	City/Grant
Properties for Port projects	150,355	206,791	City
	<u>\$ 5,711,612</u>	<u>\$ 3,231,903</u>	

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

The City participates as one of 888 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 annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2020 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	1.5 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100.0% - transfers; 2010 - Auto Readoption
COLA (for retirees)	70.0%; 2010 - Auto Readoption
Military service credit	Yes, adopted 1-1997
Restricted prior service credit	Yes, adopted 11-1997
Buy back last adopted	Not elected

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	125
Active employees	<u>82</u>
	<u>275</u>

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**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 5.81% and 5.89% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 were \$225,701, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. 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.

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**NOTE 14: DEFINED BENEFIT PENSION PLAN - (Continued)****Net Pension Liability - (Continued)*****Actuarial Assumptions - (Continued)***

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. 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).

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	<u>10.00%</u>	7.75%
<b>Total</b>	<u>100.00%</u>	

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**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.

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balance at 12/31/2018</b>	<b>\$ 11,414,588</b>	<b>\$ 10,129,859</b>	<b>\$ 1,284,729</b>
Changes for the year:			
Service cost	366,719	-	366,719
Interest	761,419	-	761,419
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(74,875)	-	(74,875)
Change of assumptions	270	-	270
Contributions - Employer	-	221,708	(221,708)
Contributions - Employee	-	190,800	(190,800)
Net investment income	-	1,563,243	(1,563,243)
Benefit payments, including refunds of employee contributions	(635,339)	(635,339)	-
Administrative expense	-	(8,849)	8,849
Other changes	-	(265)	265
Net changes	<u>418,194</u>	<u>1,331,298</u>	<u>(913,104)</u>
<b>Balance at 12/31/2019</b>	<b><u>\$ 11,832,782</u></b>	<b><u>\$ 11,461,157</u></b>	<b><u>\$ 371,625</u></b>

*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:

	<b>1.0% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1.0% Increase in Discount Rate (7.75%)</b>
City's Net Pension Liability:	\$2,047,840	\$371,625	\$(979,741)

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**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](http://www.tmrs.com).

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

For the year ended September 30, 2020 the City recognized pension expense of \$196,304.

At September 30, 2020, 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	\$ -	\$ 96,680
Changes in actuarial assumptions	171	-
Difference between projected and actual investment earnings	-	347,277
Contributions subsequent to the measurement date	164,940	-
Total	\$ 165,111	\$ 443,957

\$164,940 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, 2020. 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
2020	\$ (174,053)
2021	(129,299)
2022	35,458
2023	(175,894)
2024	-
Thereafter	-
Total	\$ (443,788)

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**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, 2019 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>82</u>
Total	<u>137</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%
2019	0.24%	0.08%
2020	0.25%	0.10%

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**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, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Inflation	2.5%
Salary increases	3.5% to 11.5 % including inflation
Discount rate	2.75 %*
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.



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**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:

<b>Balance at 12/31/18</b>	<b>\$ 251,733</b>
Changes for the year:	
Service cost	9,540
Interest	9,460
Change of benefit terms	-
Difference between expected and actual experience	(10,459)
Change of assumptions	45,970
Benefit payments	(3,053)
Net changes	51,458
<b>Balance at 12/31/19</b>	<b>\$ 303,191</b>

***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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1.0% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1.0% Increase in Discount Rate (3.75%)
City's Total OPEB Liability:	\$361,275	\$303,191	\$258,702

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$26,121.

At September 30, 2020, 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	\$ 1,092	\$ 8,529
Changes in actuarial assumptions	46,092	10,628
Contributions subsequent to the measurement date	2,240	-
Total	\$ 49,424	\$ 19,158

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

Deferred outflows and inflows of resources to be recognized in future OPEB expense (excluding City contributions subsequent to the measurement date) are as follows:

Year ended December 31:	OPEB Expense Amount
2020	\$ 7,121
2021	7,121
2022	6,472
2023	4,561
2024	2,751
Thereafter	-
Total	\$ 28,026

**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, 2020, there were 9 individuals receiving benefits under the plan. Benefit payments for the year totaled \$2,150.

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, 2020.

**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 \$704,730 as of September 30, 2020, 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.

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**NOTE 18: FUND BALANCES**

The following is a detail of the governmental fund balances as of September 30, 2020:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid items	\$ 47,524	\$ -	\$ -	\$ -	\$ 47,524
Operating reserves	-	-	2,704,388	-	2,704,388
Capital asset replacement	-	-	207,507	-	207,507
Unassigned	-	-	-	10,714,713	10,714,713
Hurricane Harvey					
Unassigned	-	-	-	(1,181,122)	(1,181,122)
Street Construction					
Various capital projects	-	596,037	-	-	596,037
Nonmajor Governmental					
Retirement of long-term debt	-	167,687	-	-	167,687
Tourism and conventions	-	779,357	-	-	779,357
Economic development	-	11,558	-	-	11,558
Public safety	-	26,608	-	-	26,608
Municipal court	-	53,783	-	-	53,783
	<u>\$ 47,524</u>	<u>\$ 1,635,030</u>	<u>\$ 2,911,895</u>	<u>\$ 9,533,591</u>	<u>\$ 14,128,040</u>

**NOTE 19: RESTATEMENT OF BEGINNING BALANCES**

The City's Beach Operating proprietary fund financial statements for fiscal year September 30, 2019 have been restated to properly reflect the capital asset and net investment in capital asset balances for fiscal year ending September 30, 2019. The result of the restatement was to decrease the capital asset accounts and the net investment in capital assets of the Beach Operating fund business-type activities by \$753,925. Accordingly, the City's business-type activities on the Statement of Net Position for fiscal year September 30, 2019 have also been restated to reflect this change.

### **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, 2020

With comparative totals for the year ended September 30, 2019

	2020				2019
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>					
Taxes	\$ 7,194,600	\$ 7,194,600	\$ 8,010,026	\$ 815,426	\$ 8,131,607
Fines and forfeitures	287,000	287,000	220,122	(66,878)	292,282
Intergovernmental	257,800	257,800	367,212	109,412	269,931
Licenses and permits	96,500	96,500	168,367	71,867	120,897
Investment	60,000	60,000	116,706	56,706	295,613
Rental	60,000	60,000	30,345	(29,655)	51,785
Charges for services	7,500	7,500	14,708	7,208	12,897
Miscellaneous	10,000	98,305	175,052	76,747	81,593
<b>Total revenues</b>	<u>7,973,400</u>	<u>8,061,705</u>	<u>9,102,538</u>	<u>1,040,833</u>	<u>9,256,605</u>
<b>EXPENDITURES</b>					
Current					
General government	1,857,090	1,863,631	1,755,370	108,261	1,544,871
Public safety	3,779,404	3,888,972	3,548,418	340,554	3,279,096
Public works	1,576,500	1,576,500	1,129,316	447,184	1,240,009
Parks and recreation	637,325	637,325	557,569	79,756	624,107
Capital outlay	329,000	448,836	1,122,492	(673,656)	575,308
<b>Total expenditures</b>	<u>8,179,319</u>	<u>8,415,264</u>	<u>8,113,165</u>	<u>302,099</u>	<u>7,263,391</u>
Excess (deficiency) of revenues over expenditures	(205,919)	(353,559)	989,373	1,342,932	1,993,214
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt issued	-	-	187,825	187,825	-
Transfers in	472,994	472,994	472,994	-	1,385,717
Transfers out	(2,403,000)	(2,403,000)	(1,798,000)	605,000	(661,050)
<b>Net other financing sources (uses)</b>	<u>(1,930,006)</u>	<u>(1,930,006)</u>	<u>(1,137,181)</u>	<u>792,825</u>	<u>724,667</u>
Net change in fund balance	(2,135,925)	(2,283,565)	(147,808)	2,135,757	2,717,881
Fund balance at beginning of year	<u>13,821,940</u>	<u>13,821,940</u>	<u>13,821,940</u>	-	<u>11,104,059</u>
<b>Fund balance at end of year</b>	<u>\$ 11,686,015</u>	<u>\$ 11,538,375</u>	<u>\$ 13,674,132</u>	<u>\$ 2,135,757</u>	<u>\$ 13,821,940</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
<b>Total Pension Liability</b>			
Service cost	\$ 314,835	\$ 358,107	\$ 365,217
Interest (on the total pension liability)	670,913	688,461	696,229
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(250,547)	(139,223)	14,276
Change of assumptions	-	88,376	-
Benefit payments, including refunds of employee contributions	(546,714)	(465,578)	(574,303)
<b>Net Change in Total Pension Liability</b>	188,487	530,143	501,419
<b>Total Pension Liability - Beginning</b>	9,700,410	9,888,897	10,419,040
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 9,888,897</u>	<u>\$ 10,419,040</u>	<u>\$ 10,920,459</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 197,075	\$ 241,857	\$ 213,193
Contributions - Employee	176,910	195,047	187,676
Net investment income	515,111	13,784	629,604
Benefit payments, including refunds of employee contributions	(546,714)	(465,578)	(574,303)
Administrative expense	(5,379)	(8,396)	(7,112)
Other	(442)	(415)	(383)
<b>Net Change in Plan Fiduciary Net Position</b>	336,561	(23,701)	448,675
<b>Plan Fiduciary Net Position - Beginning</b>	9,005,394	9,341,955	9,318,254
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 9,341,955</u>	<u>\$ 9,318,254</u>	<u>\$ 9,766,929</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 546,942</u>	<u>\$ 1,100,786</u>	<u>\$ 1,153,530</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	94.47%	89.43%	89.44%
<b>Covered Payroll</b>	\$ 3,538,200	\$ 3,900,944	\$ 3,753,514
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	15.46%	28.22%	30.73%

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

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

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Measurement Year		
2017	2018	2019
\$ 348,599	\$ 340,363	\$ 366,719
726,299	741,373	761,419
-	-	-
(125,070)	(92,649)	(74,875)
-	-	270
<u>(669,541)</u>	<u>(775,245)</u>	<u>(635,339)</u>
280,287	213,842	418,194
<u>10,920,459</u>	<u>11,200,746</u>	<u>11,414,588</u>
<u>\$ 11,200,746</u>	<u>\$ 11,414,588</u>	<u>\$ 11,832,782</u>
\$ 219,660	\$ 213,037	\$ 221,708
182,513	177,828	190,800
1,353,359	(324,704)	1,563,243
(669,541)	(775,245)	(635,339)
(7,015)	(6,279)	(8,849)
<u>(356)</u>	<u>(327)</u>	<u>(265)</u>
1,078,620	(715,690)	1,331,298
<u>9,766,929</u>	<u>10,845,549</u>	<u>10,129,859</u>
<u>\$ 10,845,549</u>	<u>\$ 10,129,859</u>	<u>\$ 11,461,157</u>
<u>\$ 355,197</u>	<u>\$ 1,284,729</u>	<u>\$ 371,625</u>
96.83%	88.74%	96.86%
\$ 3,650,253	\$ 3,556,564	\$ 3,816,010
9.73%	36.12%	9.74%

**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 four fiscal years was not readily available. The City will compile the respective information over the next four fiscal years.

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



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Fiscal Year		
2018	2019	2020
\$ 216,287	\$ 220,661	\$ 225,701
<u>(224,324)</u>	<u>(229,502)</u>	<u>(235,336)</u>
<u>\$ (8,037)</u>	<u>\$ (8,841)</u>	<u>\$ (9,635)</u>
\$ 3,605,556	\$ 3,767,059	\$ 3,846,134
6.22%	6.09%	6.12%

**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*

	Measurement Year		
	2017	2018	2019
<b>Total OPEB Liability</b>			
Service cost	\$ 8,761	\$ 9,603	\$ 9,540
Interest (on the total OPEB liability)	8,383	8,424	9,460
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	1,671	(10,459)
Change of assumptions	17,855	(16,237)	45,970
Benefit payments	(2,555)	(2,845)	(3,053)
<b>Net Change in Total OPEB Liability</b>	32,444	616	51,458
<b>Total OPEB Liability - Beginning</b>	218,673	251,117	251,733
<b>Total OPEB Liability - Ending</b>	<u>\$ 251,117</u>	<u>\$ 251,733</u>	<u>\$ 303,191</u>
<b>Covered Payroll</b>	\$ 3,650,253	\$ 3,556,564	\$ 3,816,010
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	6.88%	7.08%	7.95%

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

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

**CITY OF PORT LAVACA, TEXAS****SCHEDULE OF EMPLOYER CONTRIBUTIONS****TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT***Last ten fiscal years*

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	Fiscal Year		
	2018	2019	2020
Actuarially Determined Contribution	\$ 2,780	\$ 3,014	\$ 3,077
Contribution in relation to the actuarially determined contribution	<u>(2,780)</u>	<u>(3,014)</u>	<u>(3,077)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,605,556	\$ 3,767,059	\$ 3,846,134
Contributions as a percentage of covered payroll	0.0771%	0.0800%	0.0800%

NOTE: Information for the prior seven years was not readily available. The City will compile the respective information over the next seven 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, 2020*

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**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

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

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, 2020, 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	\$ 214,600	\$ 232,642	\$ 18,042
Human resources	17,175	19,661	2,486
Finance	257,725	266,005	8,280
Non-departmental	669,039	684,596	15,557
Animal control	123,825	129,260	5,435
Capital outlay	418,836	1,122,492	673,656

**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	26 years
Asset Valuation Method	10 year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014-2018

## CITY OF PORT LAVACA, TEXAS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2020

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#### **NOTE 3: DEFINED BENEFIT PENSION PLAN - (Continued)**

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

###### Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.  
Pre-retirement: PUB(10) mortality tables, with the Public Safety tables used for males and the General employee tables used for females. The rates are projected on a fully generational basis

##### 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 during the year.

##### Changes in Assumptions

- Salary increases changed to 3.5% to 11.5% including inflation from 3.5% to 10.5% including inflation.
- Discount rate decreased to 2.75% from 3.71%.

Changed to using the 2019 Municipal Retirees of Texas Mortality Tables from the RP2000 Combined Mortality Table along with a change in projected rates.

## **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.

**Bulletproof Vest Grant Fund** - Accounts for federal funds received to fund the purchase of protective armor vests for the City's police officers.

**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.

**CDBG Grant** - Accounts for grant funds received through the Community Development Block Grants for the drainage infrastructure and street infrastructure improvements to facilitate proper stormwater conveyance, reduce the impact of future flooding, and provide continued ingress/egress to the targeted area impacted by Hurricane Harvey.

### **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, 2020**

	Special Revenue				
	Hotel Occupancy Tax	Police Forfeitures	Building Security	Economic Development	Bulletproof Vest Grant
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 739,932	\$ 15,897	\$ 35,002	\$ 11,558	\$ 22
Receivables (net)	97,254	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<u>\$ 837,186</u>	<u>\$ 15,897</u>	<u>\$ 35,002</u>	<u>\$ 11,558</u>	<u>\$ 22</u>
<b>LIABILITIES</b>					
Liabilities					
Accounts payable	\$ 57,829	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<u>57,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>					
Restricted					
Retirement of long-term debt	-	-	-	-	-
Tourism and conventions	779,357	-	-	-	-
Economic development	-	-	-	11,558	-
Public safety	-	15,897	-	-	22
Municipal court	-	-	35,002	-	-
<b>Total fund balance</b>	<u>779,357</u>	<u>15,897</u>	<u>35,002</u>	<u>11,558</u>	<u>22</u>
<b>Total liabilities, deferred inflows and fund balance</b>	<u>\$ 837,186</u>	<u>\$ 15,897</u>	<u>\$ 35,002</u>	<u>\$ 11,558</u>	<u>\$ 22</u>



Special Revenue			Debt Service	
Redflex Traffic System	Court Technology Fund	Total	2012 General Obligation Refunding Bonds	Total Nonmajor Governmental Funds
\$ 10,689	\$ 18,781	\$ 831,881	\$ 167,146	\$ 999,027
-	-	97,254	29,310	126,564
-	-	-	541	541
<u>\$ 10,689</u>	<u>\$ 18,781</u>	<u>\$ 929,135</u>	<u>\$ 196,997</u>	<u>\$ 1,126,132</u>
\$ -	\$ -	\$ 57,829	\$ -	\$ 57,829
-	-	57,829	-	57,829
-	-	-	29,310	29,310
-	-	-	29,310	29,310
-	-	-	167,687	167,687
-	-	779,357	-	779,357
-	-	11,558	-	11,558
10,689	-	26,608	-	26,608
-	18,781	53,783	-	53,783
<u>10,689</u>	<u>18,781</u>	<u>871,306</u>	<u>167,687</u>	<u>1,038,993</u>
<u>\$ 10,689</u>	<u>\$ 18,781</u>	<u>\$ 929,135</u>	<u>\$ 196,997</u>	<u>\$ 1,126,132</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, 2020*

	Special Revenue				
	Hotel Occupancy Tax	Police Forfeitures	Building Security	Economic Development	Bulletproof Vest Grant
<b>REVENUES</b>					
Taxes	\$ 531,123	\$ -	\$ -	\$ -	\$ -
Fines, fees, and forfeitures	-	1,358	2,909	-	-
Intergovernmental	-	-	-	-	22
Investment	7,452	300	218	70	-
Miscellaneous	1,650	-	-	906	-
<b>Total revenues</b>	<u>540,225</u>	<u>1,658</u>	<u>3,127</u>	<u>976</u>	<u>22</u>
<b>EXPENDITURES</b>					
Current					
General government	218,265	-	-	-	-
Public safety	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<u>218,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	321,960	1,658	3,127	976	22
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	(192,950)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(192,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	129,010	1,658	3,127	976	22
Fund balances at beginning of year	<u>650,347</u>	<u>14,239</u>	<u>31,875</u>	<u>10,582</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u>\$ 779,357</u>	<u>\$ 15,897</u>	<u>\$ 35,002</u>	<u>\$ 11,558</u>	<u>\$ 22</u>

Special Revenue				Debt Service	Total
Redflex Traffic System	Court Technology Fund	CDBG Grant	Total	2012 General Obligation Refunding Bonds	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 531,123	\$ 323,628	\$ 854,751
-	2,518	-	6,785	-	6,785
-	-	242,582	242,604	-	242,604
515	61	-	8,616	1,783	10,399
-	-	-	2,556	-	2,556
515	2,579	242,582	791,684	325,411	1,117,095
-	-	-	218,265	-	218,265
70,081	-	-	70,081	-	70,081
-	-	242,582	242,582	-	242,582
-	-	-	-	-	-
-	-	-	-	300,000	300,000
-	-	-	-	23,746	23,746
70,081	-	242,582	530,928	323,746	854,674
(69,566)	2,579	-	260,756	1,665	262,421
-	-	-	(192,950)	-	(192,950)
-	-	-	(192,950)	-	(192,950)
(69,566)	2,579	-	67,806	1,665	69,471
80,255	16,202	-	803,500	166,022	969,522
\$ 10,689	\$ 18,781	\$ -	\$ 871,306	\$ 167,687	\$ 1,038,993

## **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, 2020**With comparative totals for September 30, 2019*

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,658,480	\$ 12,343,705
Receivables, net		
Taxes	565,836	482,452
Fines	64,172	63,918
Other	18,627	17,105
Due from other governments	700,776	746,421
Due from other funds	1,148,223	1,309,155
Prepaid items	<u>47,524</u>	<u>53,633</u>
<b>Total assets</b>	<u>\$ 15,203,638</u>	<u>\$ 15,016,389</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 686,392	\$ 447,603
Payroll related payables	154,240	152,228
Due to other governments	27,473	18,341
Customer and other deposits	28,534	23,464
Unearned revenue	<u>67,916</u>	<u>67,439</u>
<b>Total liabilities</b>	<u>964,555</u>	<u>709,075</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	<u>564,951</u>	<u>485,374</u>
<b>Total deferred inflows of resources</b>	<u>564,951</u>	<u>485,374</u>
<b>FUND BALANCE</b>		
Nonspendable		
Prepaid items	47,524	53,633
Committed		
Operating reserves	2,704,388	2,421,130
Capital asset replacement	207,507	209,694
Unassigned	<u>10,714,713</u>	<u>11,137,483</u>
<b>Total fund balance</b>	<u>13,674,132</u>	<u>13,821,940</u>
<b>Total liabilities, deferred inflows and fund balance</b>	<u>\$ 15,203,638</u>	<u>\$ 15,016,389</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, 2020

With comparative totals for the year ended September 30, 2019

	2020			2019
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 3,899,100	\$ 4,124,204	\$ 225,104	\$ 3,949,853
Sales	2,700,000	3,287,441	587,441	3,562,168
Franchise	570,500	569,268	(1,232)	584,078
Beverage	25,000	29,113	4,113	35,508
Total taxes	7,194,600	8,010,026	815,426	8,131,607
Fines and forfeitures				
Municipal court	177,000	103,166	(73,834)	170,236
Tax penalties and fees	110,000	116,956	6,956	122,046
Total fines and forfeitures	287,000	220,122	(66,878)	292,282
Intergovernmental				
Reimbursements	256,000	271,187	15,187	267,993
Grants and allocations	1,800	96,025	94,225	1,938
Total intergovernmental	257,800	367,212	109,412	269,931
Licenses and permits				
Licenses				
Building/electrical	5,000	10,200	5,200	10,500
Animal	2,500	140	(2,360)	1,480
Alcoholic beverage	2,500	4,230	1,730	3,870
Permits				
Building	40,000	56,264	16,264	61,775
Electrical	7,500	12,826	5,326	9,855
Plumbing	7,500	10,780	3,280	11,019
Mechanical	10,000	12,000	2,000	15,092
Miscellaneous	21,500	61,927	40,427	7,306
Total licenses and permits	96,500	168,367	71,867	120,897
Investment	60,000	116,706	56,706	295,613
Rental	60,000	30,345	(29,655)	51,785
Charges for services				
Police service fees	1,500	2,089	589	3,814
Other	6,000	12,619	6,619	9,083
Total charges for services	7,500	14,708	7,208	12,897

**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, 2020**With comparative totals for the year ended September 30, 2019*

	2020			2019
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES - (Continued)</b>				
Miscellaneous				
Reimbursements and refunds	\$ 38,772	\$ 34,703	\$ (4,069)	\$ 48,341
Other	59,533	140,349	80,816	33,252
Total miscellaneous	98,305	175,052	76,747	81,593
 Total revenues	 8,061,705	 9,102,538	 1,040,833	 9,256,605
<b>OTHER FINANCING SOURCES</b>				
Debt issued	-	187,825	187,825	-
Transfers in	472,994	472,994	-	1,385,717
Total other financing sources	472,994	660,819	187,825	1,385,717
 <b>Total revenues and other financing sources</b>	 <b>\$ 8,534,699</b>	 <b>\$ 9,763,357</b>	 <b>\$ 1,228,658</b>	 <b>\$ 10,642,322</b>

**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, 2020

With comparative totals for the year ended September 30, 2019

	2020		Variance	2019
	Final Budget	Actual	Positive (Negative)	Actual
<b>EXPENDITURES</b>				
Current				
General government				
City council				
Personnel services	\$ 31,110	\$ 31,410	\$ (300)	\$ 31,079
Materials and supplies	500	558	(58)	441
Services	1,750	700	1,050	1,749
Total city council	33,360	32,668	692	33,269
City manager				
Personnel services	204,150	186,748	17,402	195,797
Materials and supplies	700	329	371	466
Services	9,750	45,565	(35,815)	9,541
Total city manager	214,600	232,642	(18,042)	205,804
City secretary				
Personnel services	169,980	156,748	13,232	163,288
Materials and supplies	1,500	1,122	378	1,673
Services	23,500	12,676	10,824	4,831
Maintenance	-	788	(788)	-
Total city secretary	194,980	171,334	23,646	169,792
Human resources				
Materials and supplies	3,675	2,779	896	604
Services	13,500	16,882	(3,382)	10,717
Total human resources	17,175	19,661	(2,486)	11,321
Municipal court				
Personnel services	137,160	115,266	21,894	127,702
Materials and supplies	1,500	1,340	160	1,873
Services	19,000	13,155	5,845	20,500
Sundry	-	4,424	(4,424)	52
Total municipal court	157,660	134,185	23,475	150,127
Economic development				
Personnel services	109,185	108,253	932	101,737
Materials and supplies	2,500	340	2,160	382
Services	9,500	24,912	(15,412)	3,544
Sundry	40,000	10,890	29,110	2,000
Total economic development	161,185	144,395	16,790	107,663



**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, 2020

With comparative totals for the year ended September 30, 2019

	2020		Variance	2019
	Final Budget	Actual	Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
General government - (Continued)				
Finance				
Personnel services	\$ 238,025	\$ 241,920	\$ (3,895)	\$ 173,438
Materials and supplies	9,000	8,190	810	7,783
Services	9,700	14,729	(5,029)	6,389
Maintenance	1,000	1,166	(166)	248
Total finance	<u>257,725</u>	<u>266,005</u>	<u>(8,280)</u>	<u>187,858</u>
City hall				
Personnel services	5,916	3,016	2,900	3,812
Materials and supplies	12,000	15,752	(3,752)	13,007
Services	57,450	39,807	17,643	41,743
Maintenance	12,541	11,309	1,232	10,749
Capital outlay	70,000	-	70,000	-
Total city hall	<u>157,907</u>	<u>69,884</u>	<u>88,023</u>	<u>69,311</u>
Non-departmental				
Personnel services	28,875	13,353	15,522	30,101
Materials and supplies	-	12,430	(12,430)	-
Services	426,637	421,467	5,170	398,930
Maintenance	158,127	163,843	(5,716)	158,068
Sundry	55,400	73,503	(18,103)	22,627
Total non-departmental	<u>669,039</u>	<u>684,596</u>	<u>(15,557)</u>	<u>609,726</u>
Total general government	<u>1,863,631</u>	<u>1,755,370</u>	<u>108,261</u>	<u>1,544,871</u>
Public safety				
Police				
Personnel services	1,979,100	1,677,298	301,802	1,666,442
Materials and supplies	73,921	114,011	(40,090)	81,641
Services	77,670	55,816	21,854	67,495
Maintenance	75,879	66,161	9,718	49,914
Capital outlay	112,113	122,308	(10,195)	84,690
Total police	<u>2,318,683</u>	<u>2,035,594</u>	<u>283,089</u>	<u>1,950,182</u>
Fire				
Personnel services	1,121,100	1,073,543	47,557	956,651
Materials and supplies	58,908	47,266	11,642	67,065
Services	64,900	48,011	16,889	59,895
Maintenance	63,357	76,548	(13,191)	45,385
Capital outlay	138,199	138,196	3	63,721
Total fire	<u>1,446,464</u>	<u>1,383,564</u>	<u>62,900</u>	<u>1,192,717</u>

(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, 2020

With comparative totals for the year ended September 30, 2019

	2020			2019
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
Public safety - (Continued)				
Animal control				
Personnel services	\$ 89,275	\$ 87,896	\$ 1,379	\$ 86,324
Materials and supplies	9,150	8,445	705	10,905
Services	11,750	10,210	1,540	16,863
Maintenance	13,650	22,709	(9,059)	11,005
Capital outlay	-	-	-	11,100
Total animal control	123,825	129,260	(5,435)	136,197
Total public safety	3,888,972	3,548,418	340,554	3,279,096
Public works				
Code enforcement/inspections				
Personnel services	186,900	84,879	102,021	160,133
Materials and supplies	6,150	5,526	624	9,365
Services	23,800	69,157	(45,357)	26,170
Maintenance	500	845	(345)	814
Total code enforcement/inspections	217,350	160,407	56,943	196,482
Streets				
Personnel services	728,850	467,121	261,729	518,549
Materials and supplies	32,000	26,681	5,319	27,969
Services	252,800	182,863	69,937	172,298
Maintenance	295,500	200,244	95,256	196,635
Capital outlay	50,000	92,000	(42,000)	128,076
Total streets	1,359,150	968,909	390,241	1,043,527
Total public works	1,576,500	1,129,316	447,184	1,240,009
Parks and recreation				
Parks				
Personnel services	233,525	202,725	30,800	199,211
Materials and supplies	43,250	40,815	2,435	27,374
Services	49,700	39,493	10,207	46,880
Maintenance	54,000	59,804	(5,804)	66,869
Capital outlay	-	3,873	(3,873)	3,553
Total parks	380,475	346,710	33,765	343,887

**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, 2020**With comparative totals for the year ended September 30, 2019*

	<u>2020</u>			<u>2019</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
Parks and recreation - (Continued)				
Convention/visitors bureau				
Personnel services	\$ 103,400	\$ 92,835	\$ 10,565	\$ 83,260
Materials and supplies	7,900	9,926	(2,026)	9,364
Services	114,600	80,957	33,643	93,407
Maintenance	30,950	27,141	3,809	94,189
Total convention/visitors bureau	<u>256,850</u>	<u>210,859</u>	<u>45,991</u>	<u>280,220</u>
Total parks and recreation	<u>637,325</u>	<u>557,569</u>	<u>79,756</u>	<u>624,107</u>
Total current	<u>7,966,428</u>	<u>6,990,673</u>	<u>975,755</u>	<u>6,688,083</u>
Capital outlay	<u>448,836</u>	<u>1,122,492</u>	<u>(673,656)</u>	<u>575,308</u>
Total expenditures	<u>8,415,264</u>	<u>8,113,165</u>	<u>302,099</u>	<u>7,263,391</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>2,403,000</u>	<u>1,798,000</u>	<u>605,000</u>	<u>661,050</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 10,818,264</u>	<u>\$ 9,911,165</u>	<u>\$ 907,099</u>	<u>\$ 7,924,441</u>

(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, 2020

With comparative totals for the year ended September 30, 2019

	2020			2019
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 323,747	\$ 323,628	\$ (119)	\$ 332,792
Investment	-	1,783	1,783	3,835
<b>Total revenues</b>	<u>323,747</u>	<u>325,411</u>	<u>1,664</u>	<u>336,627</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	300,000	300,000	-	300,000
Interest and fiscal charges	<u>23,747</u>	<u>23,746</u>	<u>1</u>	<u>29,837</u>
<b>Total expenditures</b>	<u>323,747</u>	<u>323,746</u>	<u>1</u>	<u>329,837</u>
Excess (deficiency) of revenues over expenditures	-	1,665	1,665	6,790
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	1,665	1,665	6,790
Fund balances at beginning of year	<u>166,022</u>	<u>166,022</u>	<u>-</u>	<u>159,232</u>
<b>Fund balances at end of year</b>	<u>\$ 166,022</u>	<u>\$ 167,687</u>	<u>\$ 1,665</u>	<u>\$ 166,022</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, 2020*

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	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>POLICE SEIZED NONFORFEITURE FUND</b>				
Assets				
Cash and cash equivalents	<u>\$ 25,993</u>	<u>\$ 3,482</u>	<u>\$ 2,399</u>	<u>\$ 27,076</u>
Total assets	<u>\$ 25,993</u>	<u>\$ 3,482</u>	<u>\$ 2,399</u>	<u>\$ 27,076</u>
Liabilities				
Due to others	<u>\$ 25,993</u>	<u>\$ 3,482</u>	<u>\$ 2,399</u>	<u>\$ 27,076</u>
Total liabilities	<u>\$ 25,993</u>	<u>\$ 3,482</u>	<u>\$ 2,399</u>	<u>\$ 27,076</u>

## **SINGLE AUDIT SECTION**





CERTIFIED PUBLIC ACCOUNTANTS  
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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2021.

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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as 2020-1 and 2020-2 to be significant deficiencies.

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

November 30, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Port Lavaca, Texas (the "City") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

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

#### Report on Internal Control Over Compliance

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

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

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

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



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

November 30, 2021

**CITY OF PORT LAVAVA, TEXAS****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***For the year ended September 30, 2020*

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Other Award Number</u>
<b>FEDERAL EXPENDITURES</b>		
<b>U. S. Department of Housing and Urban Development</b>		
<i>Passed Through the Texas Department of Agriculture - Office of Rural Affairs</i>		
Community Development Block Grant	14.228	7218379
<i>Passed Through the Texas General Land Office</i>		
Community Development Block Grant Disaster Recovery	14.228	20-065-071-C198
Total U.S. Department of Housing and Urban Development		
<b>U. S. Department of Commerce</b>		
Economic Adjustment Assistance - 2018 Disaster Supplemental	11.307	08-79-05248
Total U.S. Department of Commerce		
<b>U. S. Department of Homeland Security</b>		
<i>Passed Through the Texas A&amp;M University System - Division of Emergency Management</i>		
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	4332-DR-TX
<i>Passed Through Office of the Texas Governor</i>		
Interoperable Emergency Communications	97.055	3804501
Total U.S. Department of Homeland Security		
<b>TOTAL FEDERAL EXPENDITURES</b>		

See accompanying notes to schedule of expenditures of federal awards.

Expenditures			Passed through to Subrecipients	Name of Cluster (if applicable)	Note
From Pass-Through Awards	From Direct Awards	Total			
\$ 68,352	\$ -	\$ 68,352	\$ -	CDBG-Entitlement Grants Cluster	
242,582	-	242,582	-	CDBG-Entitlement Grants Cluster	
310,934	-	310,934	-		
-	16,699	16,699	-	Economic Development Cluster	
-	16,699	16,699	-		
1,912,346	-	1,912,346	-		4
94,118	-	94,118	-		
2,006,464	-	2,006,464	-		
\$ 2,317,398	\$ 16,699	\$ 2,334,097	\$ -		

## **CITY OF PORT LAVACA, TEXAS**

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

*For the year ended September 30, 2020*

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#### **NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City, under programs of the federal government for the year ended September 30, 2020 in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable; except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

#### **NOTE 3: INDIRECT COST RATE**

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **NOTE 4: FEMA DISASTER ASSISTANCE - CFDA 97.036**

In accordance with the Uniform Guidance, expenditures of federal Disaster Grants (CFDA 97.036) must be recorded as expenditures on the SEFA when: (1) FEMA has approved the entity's Project Worksheet (PW), and (2) the entity has incurred the eligible expenditures. Expenditures reported on the accompanying schedule of expenditures of federal awards that were incurred in a prior fiscal year total \$558,714.

**CITY OF PORT LAVACA, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended September 30, 2020

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

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

☐ yes ☒ no

*Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

☐ yes ☒ no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Major Programs or Cluster</i>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

**Section II - Financial Statement Findings**

**Finding 2020-1**

**Condition:** Various general ledger accounts were not completely reconciled on a regular basis.

**Criteria:** Controls should be in place to ensure the general ledger accurately reflects all of the transactions of the City at the proper amounts, in the proper funds and in the proper period. General ledger control accounts should also be reconciled on a regular basis to subsidiary records.

**Effect:** Material adjustments were needed in multiple funds of the City to accurately reflect the activity for the year in compliance with GAAP. A significant amount of the issues were due to the data loss from the security breach.



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## **Section II - Financial Statement Findings - (Continued)**

### **Finding 2020-1 - (Continued)**

**Recommendation:** The City should place into effect procedures that will ensure general ledger accounts are reconciled on a regular basis.

### **Finding 2020-2**

**Condition:** The City did not submit the required Single Audit package to the Federal Audit Clearinghouse in the required time period.

**Criteria:** The delay was a result of Finding 2020-1 in which the controls over the general ledger were not functioning properly.

**Effect:** The effect of filing the Single Audit package late could cause a delay in the award and funding of future grant programs.

**Recommendation:** In future years all Single Audit filing should be completed within the allotted time period.

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

None noted.

**CITY OF PORT LAVACA, TEXAS**  
**CORRECTIVE ACTION PLAN**  
*For the year ended September 30, 2020*

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The City will implement procedures to ensure that all general ledger accounts are reconciled on a regular basis in order to provide management with accurate financial data. As a result of timely general ledger account reconciliations, future submissions to the Single Audit Clearinghouse will be timely.

**CITY OF PORT LAVACA, TEXAS**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*For the year ended September 30, 2020*

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None were reported.

**CITY OF PORT LAVACA**  
**202 N. VIRGINIA ST**  
**PORT LAVACA, TX 77979**

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

