



CITY OF PORT
LAVACA, TEXAS

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023

Prepared by:
Finance Department

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

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INTRODUCTORY SECTION

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April 8, 2024

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

The Annual Comprehensive Financial Report of the City of Port Lavaca, Texas, hereinafter referred to as the “City”, for the fiscal year ended September 30, 2023, is hereby submitted. It is published to provide to the City Council, to representatives of financial institutions, and to our citizens and other interested persons, detailed information concerning the financial condition of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial activities have been included.

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

City Overview and Governance

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

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

A full range of municipal services are provided by the City including public safety (police, fire protection, and animal control); public utilities (water and wastewater services); public improvements; repair and maintenance of infrastructure; economic and community development including planning and permitting; and general administrative services. This report includes all funds of the City government. The City does not have any component units to report.

The City also manages several quasi-governmental operations including a campground at Lighthouse Beach and the Nautical Landings Marina’s commercial office spaces. Additionally, the City manages and leases frontage property and dock space at its port and several harbors, which include City Harbor,

activities and business meetings. Finally, the City jointly runs the City Swimming Pool at Lighthouse Beach with the local YMCA. The City maintains the grounds and pays for pool equipment and maintenance supplies. The YMCA facilitates the operations of the facility, hiring, training and managing the pool staff.

The City supplies water for its citizens by purchasing raw water from the Guadalupe Blanco River Authority (GBRA) which is then treated at the Undine Wholesale Supply, LLC water treatment plant, under long-term contracts ending in the year 2035. Collection and disposal of solid waste has been privatized through an awarded contract to Republic Services, Inc.

Financial Management

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

Long Term Financial Planning

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

The City of Port Lavaca always looks for a more economical ways to provide services to our citizens. The City keeps in mind that the economy is still volatile and follows conservative budgeting practices. The City has made a full recovery from Hurricane Harvey, which occurred in August 2017. Due to extensive and ongoing mitigation projects, the City is well-positioned to recover quickly from the next natural disaster.

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

Economic Condition and Outlook

The City of Port Lavaca is currently home to about 11,262 residents and is located within Calhoun County, Texas. The City is a central hub between Houston, Corpus Christi and San Antonio. As the county seat of Calhoun County, the City’s economic base is a combination of manufacturing, oil and gas, agribusiness, seafood production, construction, transportation, and the visitor leisure industry. Several major facilities are in the City of Port Lavaca, including operations to transport liquid fertilizer and seafood processing and distribution facilities. Port Lavaca maintains a rail system originating from its Harbor of Refuge. Highway 87 parallels the rail line in an east-west direction and Highway 35 connecting Houston and Corpus Christi also runs through the City.

Calhoun County, a natural seaport on Lavaca Bay, serves as an attraction for commerce, industry and recreation. The Calhoun County area is a major industrial hub on the Texas Gulf Coast serving as a well-

developed regional network of interconnecting transportation systems. Industrial sites are served by the Gulf Intracoastal Waterway and branch channels including the Victoria Barge Canal and the Port in Point

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

The City continues to utilize Hotel Occupancy Tax (HOT) dollars to promote tourism to our beautiful coastal community. With the addition of the Hampton Inn in 2023, the City's hotel/motel count is 18, with interest being shown in developing an additional motel in the near future. Additionally, the City is working to ensure HOT taxes are collected from the numerous short-term rental properties in and around the City's extraterritorial jurisdiction (ETJ).

We are excited to partner with Calhoun County and the Victoria Economic Development Council Regional Partnership to leverage our presence in the market throughout the region. Much discussion has been occurring with the Calhoun Port Authority and other entities regarding the proposed deepening and widening project of the Matagorda Bay Ship Channel, which when approved, will provide for repair and rebuilding of the jetties which will make the channel safer for vessels and reduce the risk of accidents which might put the environmental integrity of Matagorda Bay at risk. Additionally, Chester Island, which is home to various water birds, such as the brown pelican and roseate spoonbill, will greatly benefit from the dredge spoils of the project with planned coordination between local members of the National Audubon Society and the Army Corps of Engineers. The City, who is the closest to the Calhoun Port Authority, sees the potential to capitalize on the increase of fishing and cargo vessel traffic throughout the area by offering safe harbors and easy access to local accommodations and unique restaurants. Both the City of Port Lavaca and Calhoun County have passed resolutions in favor of the deepening and widening project of the Matagorda Bay Ship Channel.

Sales tax revenues increased from \$3,490,839 in FY 2020-22 to \$3,540,534 in FY 2022-23 (1.4% increase). While cognizant of the delicate global economy, the City remains conservative with future growth projections. Property tax revenue levied for general purpose for the City increased by 5% in FY 2022-23. According to figures released by the Calhoun County Appraisal District, the average market value of homesteads in Port Lavaca increased by 18.9% in 2023 and the taxable value of homesteads increased by 9.3%. New value added to the tax roll in the amount of \$7,915,658 was also a contributor for property revenue increase along with adopting a tax rate that exceeded the No New Revenue tax rate. This additional revenue stream was needed to maintain service levels and to cover the cost of increased repair and maintenance costs, and rising health insurance premiums for employees.

The City's financial condition is very strong with fund balance reserves at levels that allow for capital projects to be addressed without borrowing money. The City Council has continued the policy that reserve levels should be maintained at a minimum of 4 months of operating expenditures in the General Fund to provide for operating liquidity and contingency funding for non-specific, unscheduled expenditures including natural disasters. The City maintains a minimum of a 90-day working capital position along with a budget designed to cover depreciation expense in each of the City's enterprise funds.

Accomplishments

The effects of the COVID pandemic continue to be a challenge with supply chain disruptions and labor pool deficiencies. While the City has seen minimal impact, we also were fiscally sound to withstand the economic impacts brought by the pandemic, while still maintaining a healthy reserve to weather future storms.

Our accomplishments, however, far exceed our challenges as we progressed through several significant capital improvement projects including a \$6.7M street and drainage improvement project in the original townsite subdivision, paid for with a CDBG-Disaster Recovery grant supplemented with excess fund balance reserves, to avoid having to reduce the project scope due to increased construction costs. We continued with our long-range plans to upgrade our wastewater collection system with the reconstruction of a second wastewater lift station. Working to improve and enhance quality of life for our citizens, we completed a Downtown Waterfront Masterplan that will be used to plan and apply for funding to construct improvements and amenities along our greatest asset being our waterfront location. To improve communications with our community, we launched a YouTube channel where video recordings of all public council and board meetings are posted.

The City has been extremely fortunate to continue to receive multiple grants that will leverage the taxpayer's investment in sustaining the community for years to come. The City has received funding for critical projects which will be taking place over the next few years. Through the Texas Parks and Wildlife, we were awarded a \$500,000 grant toward reconstruction of the breakwater to protect our Nautical Landings Marina. Through the Texas Commission on Environmental Quality (TCEQ) we were awarded a \$500,000 grant to remove deteriorated barges from Smith Harbor that the City acquired a few years ago. The Matagorda Bay Mitigation Fund awarded the City a \$400,000 grant to be used toward construction of improved public access to our Downtown waterfront. The City received its second tranche of American Rescue Plan funds in fiscal year 2023. These ARPA funds will be used to address water and wastewater infrastructure projects that are necessary to meet TCEQ requirements and strengthen the City's water distribution and wastewater treatment processes.

Financial Information

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

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

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

Independent Audit

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

Certificate of Achievement for Excellence in Financial Reporting


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Lavaca for the fiscal year ended September 30, 2022. This was the twelfth time since 1999. The City hopes to continue to receive this highest form of recognition for excellence in state and local government financial reporting.

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

Acknowledgments

The preparation of this report is a joint effort of the City's Finance Department and the City's independent audit firm, Pattillo, Brown & Hill, LLP. We would also like to thank the Mayor and Members of City Council for their interest and support in planning and conducting the financial operations of the City in a proactive and responsible manner.

Respectfully,



JoAnna P. Weaver, P.E.
Interim City Manager



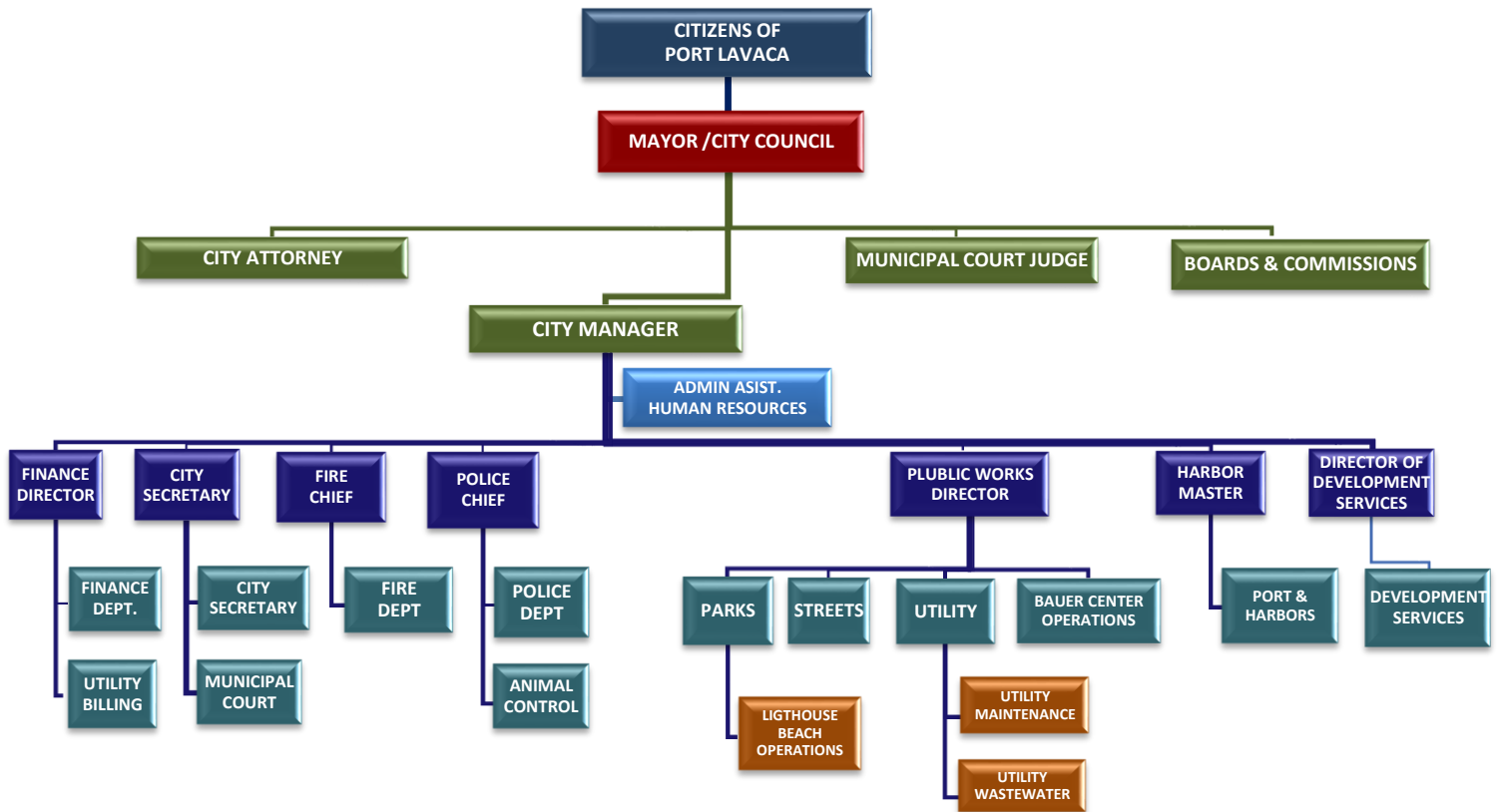
Brittney Hogan,
Acting Director of Finance

CITY OF PORT LAVACA, TEXAS
DIRECTORY OF PRINCIPAL OFFICIALS
September 30, 2023

<u>City Officials</u>	<u>Elective Position</u>
Jack Whitlow	Mayor
Ken Barr	Council Member
Daniel Aguirre	Council Member
W. Allen Tippit, Jr.	Council Member
Jim Ward	Council Member
Tim Dent	Council Member
Rosie Padron	Mayor Pro-Tem

<u>Key Staff</u>	<u>Appointive Position</u>
JoAnna P. Weaver	Interim City Manager
Susan Lang	Finance Director
Mandy Grant	City Secretary
Joe Reyes, Jr.	Fire Chief
Colin Rangnow	Police Chief
Wayne Shaffer	Director of Public Works
Derrick Smith	Director of Development Services

City Wide Organizational Structure





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Port Lavaca
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently known information that may raise substantial doubt shortly thereafter.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary 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 supplemental schedules as listed in the table of contents and the schedule of expenditures of federal awards, 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*, presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 supplemental schedules 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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2024, 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 solely 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 effectiveness of 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.

Patillo, Brown & Hill, L.L.P.

Waco, Texas
April 8, 2024

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of The City of Port Lavaca, Texas, we offer readers of The City of Port Lavaca's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Port Lavaca exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$82,379,983 (*net position*) compared to \$79,492,326 for the prior year. Of this amount, \$13,379,255 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,887,657. The City's operations increased the governmental activities by \$3,622,393 and decreased the business-type activities by \$734,736.
- As of the close of the current fiscal year, the City of Port Lavaca's governmental funds reported combined ending fund balances of \$16,077,861 compared to \$10,692,148 for the prior year. \$6,714,252 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,479,005, or 69% of total General Fund expenditures, or 250 days or 8 months of operating revenues.

Overview of the Financial Statements

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

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., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, public safety, public works, and parks and recreation. The business-type activities of the City include public utilities, port revenue, and beach operations.

The government-wide financial statements can be found immediately following this management's discussion and analysis.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Hurricane Harvey, ARPA/CLFRF Grant, Street Construction, and CDBG Grant Funds, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on page 17-22 of this report.

Proprietary funds. The City maintains one type of proprietary fund. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public utilities, port revenue, and beach operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Public Utilities, Port Revenue, and Beach Operating Funds, which are considered major funds.

The basic proprietary fund financial statements can be found on pages 23-27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-49 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 50-56 of this report.

The combining and individual nonmajor governmental funds are presented immediately following the required supplementary information. These statements can be found on pages 57-60 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. In the case of the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$82,379,983 as of September 30, 2023.

The largest portion of the City's net position (83%) reflects its investment in capital assets (e.g. land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$13,379,255 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Below are summaries of the City's Statement of Net Position and Changes in Net Position.

City of Port Lavaca's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 21,736,073	\$ 15,972,166	\$ 6,100,061	\$ 8,465,239	\$ 27,836,134	\$ 24,437,405
Capital assets	40,329,063	34,884,368	33,537,677	33,548,896	73,866,740	68,433,264
Total assets	62,065,136	50,856,534	39,637,738	42,014,135	101,702,874	92,870,669
Deferred outflows of resources	1,227,408	283,474	136,378	31,498	1,363,786	314,972
Long-term liabilities	9,511,483	1,258,218	4,068,146	4,661,775	13,579,629	5,919,993
Other liabilities	5,076,485	4,125,969	807,460	1,602,467	5,883,945	5,728,436
Total liabilities	14,587,968	5,384,187	4,875,606	6,264,242	19,463,574	11,648,429
Deferred inflows of resources	122,291	795,929	1,100,812	1,248,957	1,223,103	2,044,886
Net position:						
Net investment in capital assets	38,401,727	34,463,945	29,675,929	28,941,132	68,077,656	63,405,077
Restricted	923,072	736,922	-	-	923,072	736,922
Unrestricted	9,257,486	9,759,025	4,121,769	5,591,302	13,379,255	15,350,327
Total net position	\$ 48,582,285	\$ 44,959,892	\$ 33,797,698	\$ 34,532,434	\$ 82,379,983	\$ 79,492,326

City of Port Lavaca's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 538,599	\$ 491,585	\$ 7,632,422	\$ 6,100,165	\$ 8,171,021	\$ 6,591,750
Operating grants and contributions	937,567	609,798	-	-	937,567	609,798
Capital grants and contributions	2,563,889	1,824,340	13,123	1,345,581	2,577,012	3,169,921
General revenues:						
Property taxes	5,058,543	4,846,803	-	-	5,058,543	4,846,803
Sales taxes	3,554,946	3,504,110	-	-	3,554,946	3,504,110
Franchise taxes	592,885	590,101	-	-	592,885	590,101
Hotel occupancy taxes	619,910	490,600	-	-	619,910	490,600
Investment earnings	851,723	84,060	181,223	59,323	1,032,946	143,383
Other revenue	47,675	75,609	78,430	206,060	126,105	281,669
Total revenues	14,765,737	12,517,006	7,905,198	7,711,129	22,670,935	20,228,135
Expenses:						
General government	2,896,482	2,492,123	-	-	2,896,482	2,492,123
Public safety	4,941,909	4,158,956	-	-	4,941,909	4,158,956
Public works	2,003,531	2,275,913	-	-	2,003,531	2,275,913
Culture and recreational	1,227,015	1,016,236	-	-	1,227,015	1,016,236
Interest and fiscal charges	470,944	52,061	-	-	470,944	52,061
Public utilities	-	-	7,267,149	6,130,673	7,267,149	6,130,673
Port revenue	-	-	311,518	245,542	311,518	245,542
Beach operations	-	-	664,730	700,500	664,730	700,500
Total expenses	11,539,881	9,995,289	8,243,397	7,076,715	19,783,278	17,072,004
Increase (decrease) in net position before transfers	3,225,856	2,521,717	(338,199)	634,414	2,887,657	3,156,131
Transfers	396,537	(681,183)	(396,537)	681,183	-	-
Increase (decrease) in net position	3,622,393	1,840,534	(734,736)	1,315,597	2,887,657	3,156,131
Net position, beginning	44,959,892	43,119,358	34,532,434	33,216,837	79,492,326	76,336,195
Net position, ending	\$ 48,582,285	\$ 44,959,892	\$ 33,797,698	\$ 34,532,434	\$ 82,379,983	\$ 79,492,326

Governmental Activities. Governmental activities increased the City's net position by \$3,622,393 in the current year compared with an increase of \$1,840,534 in the prior year.

Total governmental activities revenues increased \$2,248,731 (18%) to \$14,765,737. Key elements of this change are as follows:

- Capital grants and contributions increased \$739,549 due to more capital grants in the current year, mostly related to CDBG funding.
- Property taxes increased \$211,740 due to an increase in appraised property values.

Total governmental activities expenses increased \$1,544,592 (15%) to \$11,539,881. Key changes are as follows.

- General government expenses increased \$404,359 (16%) primarily due to increases in personnel costs and contracted services costs.
- Public safety expenses increased \$782,953 (19%) primarily due to increases in police and fire personnel costs.

Business-type activities. Business-type activities decreased the City's net position by \$734,736 in the current year compared to an increase in net position of \$1,315,597 in the prior year.

Total revenues increased \$194,069 (3%) to \$7,905,198. The primary reason for the increase was charges for services increased \$1,532,257 due to revenue related to the City's water sales and sewer services.

Total expenses increased \$1,166,682 (16%) to \$8,243,397. This occurred mainly as a result of meter replacement expenditures and increased personnel costs.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of \$16,077,861. \$6,714,252 (42%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been restricted or committed for projects and debt service.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,479,005. 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 69% of the total General Fund expenditures. Fund balance of the General Fund decreased by \$1,389,106, largely as a result of approximately \$1.7 million in capital outlay expenditures during the year.

The Hurricane Harvey Fund increased by \$48,343 as a result of reimbursements received for disaster grant expenditures incurred during prior years.

The ARPA/CLFRF Grant Fund increased fund balance by \$45,555 due to unearned grant revenue being recognized as revenue during the current year.

The Street Construction Fund decreased fund balance by \$60,654 during the year as a result of capital outlay expenditures for various capital projects.

The CDBG Grant Fund increased fund balance by \$1,152,605 due to grant revenue received during the current year.

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

The City’s Public Utility, Port Revenue, and Beach Operating Funds are enterprise funds that comprise the City’s proprietary funds. Unrestricted net position for each fund at the end of the year amounted to \$2,683,941, \$583,266 and \$854,562 respectively. The total change in net position for the three funds was \$821,331, \$15,806 and \$70,789, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

The budget was amended several times during the year. Expenditures were increased \$584,650.

During the year, actual revenues were \$1,559,625 greater than budgeted due to numerous factors. Property tax revenue increased due to values under review at time of certification. Sales tax revenue increased due to recovery of delinquent tax along with new businesses opening sooner than anticipated. The final phase of the Bayfront Park grant and subsequent reimbursements were completed, increasing revenue. In addition, investment earnings increased due to unanticipated increase in interest rates on pooled investments. Actual expenditures were \$1,328,930 lower than budget due to delayed capital projects. The police department also had savings in personnel costs due to turnovers. There was a delay in street rehabilitation projects, creating savings in Public Works.

Capital Assets

The City’s investment in capital assets for its governmental and business type activities as of September 30, 2023, amounts to \$73,866,740 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and wastewater systems, land improvements, machinery and equipment, vehicles, roads, and bridges.

Major capital asset events during the current fiscal year included CDBG street and drainage projects totaling \$3.8 million.

City of Port Lavaca Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,844,144	\$ 1,844,144	\$ 2,316,718	\$ 2,316,718	\$ 4,160,862	\$ 4,160,862
Construction in progress	9,123,810	4,503,809	5,596,668	4,003,020	14,720,478	8,506,829
Buildings and improvements	6,733,461	6,755,481	2,053,101	2,489,697	8,786,562	9,245,178
Machinery and equipment	1,762,936	1,682,795	607,566	566,447	2,370,502	2,249,242
Infrastructure	<u>20,864,712</u>	<u>20,098,139</u>	<u>22,963,624</u>	<u>24,173,014</u>	<u>43,828,336</u>	<u>44,271,153</u>
Total	<u>\$ 40,329,063</u>	<u>\$ 34,884,368</u>	<u>\$ 33,537,677</u>	<u>\$ 33,548,896</u>	<u>\$ 73,866,740</u>	<u>\$ 68,433,264</u>

Additional information on the City’s capital assets can be found in the notes to the financial statements.

Long-Term Debt

At year-end the City had \$11,734,658 in debt outstanding, an increase of \$6,181,629 from the prior year. \$60,000 are General Obligation Bonds that are backed by the full faith and credit of the City, \$8,815,000 are Certificates of Obligation secured by surplus revenues of the Public Utility Fund and ad valorem taxes, and \$100,000 are Sales Tax Revenue Bonds.

City of Port Lavaca's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue Bonds	\$ -	\$ -	\$ 100,000	\$ 200,000	\$ 100,000	\$ 200,000
General Obligation Bonds	60,000	380,000	-	-	60,000	380,000
Certificates of Obligation	7,070,000	-	1,745,000	1,925,000	8,815,000	1,925,000
Financing arrangements	264,944	406,450	1,940,881	2,400,000	2,205,825	2,806,450
Compensated absences	153,428	141,500	21,901	17,315	175,329	158,815
Premiums	302,637	-	75,867	82,764	378,504	82,764
Total	\$ 7,851,009	\$ 927,950	\$ 3,883,649	\$ 4,625,079	\$ 11,734,658	\$ 5,553,029

More detailed information about the City's debt can be found in the notes to the financial statements, pages 39-41.

Economic factors and the Next Year's Budgets and Rates

General Fund

The COVID pandemic continues to be a major challenge with supply chain disruptions and labor pool deficiencies. While the City has seen minimal impact we also were fiscally sound to withstand the economic impacts brought by the pandemic, while still maintaining a healthy reserve to weather future storms.

Our accomplishments, however, far exceed our challenges as we progressed through several significant capital improvement projects including a \$6.7M street and drainage improvement project in the original townsite subdivision, paid for with a CDBG-Disaster Recovery grant supplemented with excess fund balance reserves, to avoid having to reduce the project scope due to increased construction costs. Working to improve and enhance quality of life for our citizens, we completed a Downtown Waterfront Masterplan that will be used to fund improvements and amenities across our greatest asset being our waterfront location. Additionally, the City has almost completed upgrades to our Animal Control Building, and has begun security upgrades to our City Hall. The City completed two major street & drainage improvements with two more beginning this coming year to continue to focus on infrastructure needs within the city.

The Matagorda Bay Mitigation Fund awarded \$400,000 to help the construction of improved access towards our downtown waterfront. The City was also awarded \$500,000 to remove deteriorated barges from Smith Harbor that the City acquired a few years ago from the Texas Commission on Environmental Quality (TCEQ).

Public Utility Fund

The City received its second tranche of American Rescue Plan Act funds in fiscal year 2023 of \$1.44 million. These funds will be used to address water and wastewater infrastructure projects that are necessary to meet TCEQ requirements and strengthen the City's water distribution and wastewater treatment processes. In addition the City will be applying for a Texas Water Development Board loan to expand on our wastewater improvements in the coming year.

Furthermore, we completed our mass water meter swap project towards the end of this fiscal year. We continue to monitor the major recovery in lost water revenue due to failing water meters through this coming fiscal year. We would like to thank the efforts of numerous staff members who have put many hours of effort into this project.

Hotel Occupancy Tax Fund

The City continues to utilize Hotel Occupancy Tax (HOT) dollars to promote tourism to our beautiful coastal community. With the addition of the Hampton Inn in 2023 the City's hotel/motel count is 18. Additionally, the City is working to ensure HOT taxes are collected from the numerous short-term rental properties in and around the City's extraterritorial jurisdiction (ETJ).
All Major Funds

We are excited to partner with the Victoria Economic Development Council in order to leverage our presence in the market throughout Calhoun County. Additionally, with the expansion of the Port of Calhoun, which will widen the Matagorda ship channel, the City sees the potential to capitalize on the increase of fishing and cargo vessel traffic throughout the area by offering safe harbors and easy access to local accommodations and unique restaurants.

Planned draw-downs of the City's unreserved fund balance, in excess of the required reserves, will be utilized to facilitate one-time purchases of software upgrades to combine an operating platform with Calhoun County which will integrate the operations of 911, security renovations to City Hall, new equipment for public safety, and major improvements to streets and city facilities.

Request 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 information should be addressed to the Finance Department, 202 North Virginia, Port Lavaca, Texas 77979.

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**BASIC
FINANCIAL STATEMENTS**

CITY OF PORT LAVACA, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 17,437,907	\$ 4,079,473	\$ 21,517,380
Receivables, net	988,869	2,201,954	3,190,823
Interfund balances	510,173	(510,173)	-
Due from other governments	2,578,860	221,221	2,800,081
Prepaid items	220,264	74,708	294,972
Inventories	-	32,878	32,878
Capital assets:			
Nondepreciable	10,967,954	7,913,386	18,881,340
Depreciable, net	29,361,109	25,624,291	54,985,400
Total capital assets	<u>40,329,063</u>	<u>33,537,677</u>	<u>73,866,740</u>
Total assets	<u>62,065,136</u>	<u>39,637,738</u>	<u>101,702,874</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	1,179,065	131,006	1,310,071
Related to OPEB	48,343	5,372	53,715
Total deferred outflows of resources	<u>1,227,408</u>	<u>136,378</u>	<u>1,363,786</u>

CITY OF PORT LAVACA, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 1,897,987	\$ 517,812	\$ 2,415,799
Payroll related liabilities	111,881	5,089	116,970
Due to other governments	3	9,213	9,216
Accrued interest payable	23,577	13,270	36,847
Unearned revenue	3,000,634	58,976	3,059,610
Customer deposits	42,403	203,100	245,503
Noncurrent liabilities:			
Due within one year			
Long-term debt	473,120	762,793	1,235,913
Due in more than one year			
Long-term debt	7,377,889	3,120,856	10,498,745
Net pension liability	1,427,031	158,559	1,585,590
Total OPEB liability	<u>233,443</u>	<u>25,938</u>	<u>259,381</u>
Total liabilities	<u>14,587,968</u>	<u>4,875,606</u>	<u>19,463,574</u>
DEFERRED INFLOWS OF RESOURCES			
Related to leases	-	1,087,224	1,087,224
Related to pensions	15,210	1,690	16,900
Related to OPEB	<u>107,081</u>	<u>11,898</u>	<u>118,979</u>
Total deferred inflows of resources	<u>122,291</u>	<u>1,100,812</u>	<u>1,223,103</u>
NET POSITION			
Net investment in capital assets	38,401,727	29,675,929	68,077,656
Restricted for:			
Debt service	306,022	-	306,022
Economic development, tourism and conventions	526,275	-	526,275
Public safety	19,808	-	19,808
Municipal court	70,967	-	70,967
Unrestricted	<u>9,257,486</u>	<u>4,121,769</u>	<u>13,379,255</u>
Total net position	<u>\$ 48,582,285</u>	<u>\$ 33,797,698</u>	<u>\$ 82,379,983</u>

CITY OF PORT LAVACA, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,896,482	\$ 445,044	\$ 305,724	\$ -
Public safety	4,941,909	20,440	361,497	-
Public works	2,003,531	-	-	2,563,889
Parks and recreation	1,227,015	73,115	270,346	-
Interest on long-term debt	470,944	-	-	-
Total governmental activities	<u>11,539,881</u>	<u>538,599</u>	<u>937,567</u>	<u>2,563,889</u>
Business-type activities:				
Public utilities	7,267,149	6,747,961	-	13,123
Port revenue	664,730	708,010	-	-
Beach operation	311,518	176,451	-	-
Total business-type activities	<u>8,243,397</u>	<u>7,632,422</u>	<u>-</u>	<u>13,123</u>
Total primary government	<u>\$ 19,783,278</u>	<u>\$ 8,171,021</u>	<u>\$ 937,567</u>	<u>\$ 2,577,012</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Sales and use				
Franchise				
Other taxes				
Investment earnings				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (2,145,714)	\$ -	\$ (2,145,714)
(4,559,972)	-	(4,559,972)
560,358	-	560,358
(883,554)	-	(883,554)
<u>(470,944)</u>	<u>-</u>	<u>(470,944)</u>
<u>(7,499,826)</u>	<u>-</u>	<u>(7,499,826)</u>
-	(506,065)	(506,065)
-	43,280	43,280
<u>-</u>	<u>(135,067)</u>	<u>(135,067)</u>
<u>-</u>	<u>(597,852)</u>	<u>(597,852)</u>
<u>(7,499,826)</u>	<u>(597,852)</u>	<u>(8,097,678)</u>
4,656,664	-	4,656,664
401,879	-	401,879
3,554,946	-	3,554,946
592,885	-	592,885
619,910	-	619,910
851,723	181,223	1,032,946
47,675	78,430	126,105
<u>396,537</u>	<u>(396,537)</u>	<u>-</u>
<u>11,122,219</u>	<u>(136,884)</u>	<u>10,985,335</u>
<u>3,622,393</u>	<u>(734,736)</u>	<u>2,887,657</u>
<u>44,959,892</u>	<u>34,532,434</u>	<u>79,492,326</u>
<u>\$ 48,582,285</u>	<u>\$ 33,797,698</u>	<u>\$ 82,379,983</u>

CITY OF PORT LAVACA, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	<u>General</u>	<u>Hurricane Harvey</u>	<u>ARPA/CLFRF Grant</u>
ASSETS			
Cash and cash equivalents	\$ 7,373,954	\$ -	\$ 2,966,609
Receivables, net	782,948	-	-
Due from other governments	663,318	-	-
Due from other funds	1,657,773	-	-
Prepaid items	<u>213,614</u>	-	-
Total assets	<u>10,691,607</u>	<u>-</u>	<u>2,966,609</u>
LIABILITIES			
Accounts payable	911,371	-	-
Payroll related payables	111,874	-	-
Due to other governments	3	-	-
Due to other funds	-	740,527	-
Customer and other deposits	23,577	-	-
Unearned revenue	<u>79,580</u>	-	<u>2,921,054</u>
Total liabilities	<u>1,126,405</u>	<u>740,527</u>	<u>2,921,054</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>568,510</u>	-	-
Total deferred inflows of resources	<u>568,510</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Prepays	213,614	-	-
Restricted			
Debt service	-	-	-
Capital projects	-	-	-
Tourism and conventions	-	-	-
Economic development	-	-	45,555
Public safety	-	-	-
Municipal court	-	-	-
Committed			
Capital asset replacement	1,304,073	-	-
Capital projects	-	-	-
Unassigned	<u>7,479,005</u>	<u>(740,527)</u>	<u>-</u>
Total fund balances	<u>8,996,692</u>	<u>(740,527)</u>	<u>45,555</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,691,607</u>	<u>\$ -</u>	<u>\$ 2,966,609</u>

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

2022 Certificates of Obligation	Street Construction	CDBG Grant	Other Governmental Funds	Total Governmental Funds
\$ 5,464,872	\$ 337,533	\$ 189,209	\$ 1,105,730	\$ 17,437,907
-	-	-	205,921	988,869
-	-	1,909,079	6,463	2,578,860
-	-	-	-	1,657,773
-	-	-	6,650	220,264
<u>5,464,872</u>	<u>337,533</u>	<u>2,098,288</u>	<u>1,324,764</u>	<u>22,883,673</u>
-	32,160	945,683	8,773	1,897,987
-	-	-	7	111,881
-	-	-	-	3
-	-	-	407,073	1,147,600
-	-	-	-	23,577
-	-	-	-	3,000,634
<u>-</u>	<u>32,160</u>	<u>945,683</u>	<u>415,853</u>	<u>6,181,682</u>
-	-	-	55,620	624,130
<u>-</u>	<u>-</u>	<u>-</u>	<u>55,620</u>	<u>624,130</u>
-	-	-	-	213,614
-	-	-	306,022	306,022
5,464,872	305,373	-	-	5,770,245
-	-	-	424,592	424,592
-	-	-	56,128	101,683
-	-	-	19,808	19,808
-	-	-	70,967	70,967
-	-	-	-	1,304,073
-	-	1,152,605	-	1,152,605
-	-	-	(24,226)	6,714,252
<u>5,464,872</u>	<u>305,373</u>	<u>1,152,605</u>	<u>853,291</u>	<u>16,077,861</u>
\$ 5,464,872	\$ 337,533	\$ 2,098,288	\$ 1,324,764	\$ 22,883,673

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CITY OF PORT LAVACA, TEXAS

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

SEPTEMBER 30, 2023

Total fund balances - governmental funds balance sheet	\$ 16,077,861
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Capital assets - non-depriciable	10,967,954
Capital assets - net depreciable	29,361,109
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	
Property taxes	537,481
Code enforcement	17,183
Grants	69,466
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.	
Related to pensions	1,179,065
Related to OPEB	48,343
Deferred inflows of resources, represents and acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.	
Related to pensions	(15,210)
Related to OPEB	(107,081)
Some assets and liabilities, including bonds payable and compensated absences, are not reported as assets or liabilities in the governmental funds.	
Net pension liability	(1,427,031)
OPEB liability	(233,443)
Accrued interest	(42,403)
Compensated absences	(153,428)
Non-current liabilities due in one year	(442,434)
Non-current liabilities due in more than one year	<u>(7,255,147)</u>
Total net position - governmental activities	<u>\$ 48,582,285</u>

CITY OF PORT LAVACA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>General</u>	<u>Hurricane Harvey</u>	<u>ARPA/CLFRF Grant</u>
REVENUES			
Taxes:			
Property	\$ 4,635,860	\$ -	\$ -
Sales	3,554,946	-	-
Other	621,501	-	-
Fines, fees, and forfeitures	362,679	-	-
Intergovernmental	583,500	48,343	-
Licenses and permits	158,513	-	-
Investment earnings	452,870	-	45,555
Rental	71,250	-	-
Charges for services	2,589	-	-
Miscellaneous	47,100	-	-
Total revenues	<u>10,490,808</u>	<u>48,343</u>	<u>45,555</u>
EXPENDITURES			
Current:			
General government	2,282,969	-	-
Public safety	4,510,209	-	-
Public works	1,326,675	-	-
Parks and recreation	889,282	-	-
Capital outlay	1,722,052	-	-
Debt service:			
Principal	141,504	-	-
Interest and fiscal charges	11,337	-	-
Total expenditures	<u>10,884,028</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(393,220)</u>	<u>48,343</u>	<u>45,555</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt	-	-	-
Premium on long-term debt	-	-	-
Transfers in	910,624	-	-
Transfers out	(1,906,510)	-	-
Total other financing sources and uses	<u>(995,886)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(1,389,106)</u>	<u>48,343</u>	<u>45,555</u>
FUND BALANCES, BEGINNING	<u>10,385,798</u>	<u>(788,870)</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 8,996,692</u>	<u>\$ (740,527)</u>	<u>\$ 45,555</u>

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

2022 Certificates of Obligation	Street Construction	CDBG Grant	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 401,879	\$ 5,037,739
-	-	-	-	3,554,946
-	-	-	591,294	1,212,795
-	-	-	6,571	369,250
-	-	2,537,462	305,724	3,475,029
-	-	-	-	158,513
311,912	11,318	-	30,068	851,723
-	-	-	-	71,250
-	-	-	-	2,589
-	-	-	575	47,675
<u>311,912</u>	<u>11,318</u>	<u>2,537,462</u>	<u>1,336,111</u>	<u>14,781,509</u>
-	-	-	395,530	2,678,499
-	-	-	13,287	4,523,496
-	-	-	-	1,326,675
-	-	-	-	889,282
994,751	71,972	3,798,026	264,960	6,851,761
-	-	-	585,002	726,506
153,565	-	-	284,777	449,679
<u>1,148,316</u>	<u>71,972</u>	<u>3,798,026</u>	<u>1,543,556</u>	<u>17,445,898</u>
<u>(836,404)</u>	<u>(60,654)</u>	<u>(1,260,564)</u>	<u>(207,445)</u>	<u>(2,664,389)</u>
7,335,000	-	-	-	7,335,000
318,565	-	-	-	318,565
-	-	2,413,169	611,308	3,935,101
(1,352,289)	-	-	(279,765)	(3,538,564)
<u>6,301,276</u>	<u>-</u>	<u>2,413,169</u>	<u>331,543</u>	<u>8,050,102</u>
<u>5,464,872</u>	<u>(60,654)</u>	<u>1,152,605</u>	<u>124,098</u>	<u>5,385,713</u>
<u>-</u>	<u>366,027</u>	<u>-</u>	<u>729,193</u>	<u>10,692,148</u>
<u>\$ 5,464,872</u>	<u>\$ 305,373</u>	<u>\$ 1,152,605</u>	<u>\$ 853,291</u>	<u>\$ 16,077,861</u>

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CITY OF PORT LAVACA, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds:	\$ 5,385,713
Amounts reported for governmental activities in the Statement of Activities are different	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost and accumulated depreciation of those assets is allocated over their estimated useful lives as depreciation expense. Other transactions involving capital assets include disposals.	
Capital outlay	6,731,354
Depreciation expense	(1,286,659)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	20,804
Court fines	(63,003)
Grants	26,427
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Payment on bonds	585,000
Payments on financing arrangements	141,506
Amortization of premium on bond issuance	15,928
Issuances of bonds	(7,653,565)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(11,928)
Accrued interest	(37,193)
Net pension liability	(234,757)
Total OPEB liability	<u>2,766</u>
Change in net position of governmental activities	<u>\$ 3,622,393</u>

CITY OF PORT LAVACA, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,666,410	\$ 553,832	\$ 859,231	\$ 4,079,473
Receivables, net	1,044,769	1,156,734	451	2,201,954
Due from other governments	221,221	-	-	221,221
Prepaid items	56,018	13,810	4,880	74,708
Inventory	32,878	-	-	32,878
Total current assets	<u>4,021,296</u>	<u>1,724,376</u>	<u>864,562</u>	<u>6,610,234</u>
Capital assets				
Nondepreciable	4,816,825	2,822,748	273,813	7,913,386
Depreciable, net of accumulated depreciation	15,942,574	5,877,858	3,803,859	25,624,291
Total noncurrent assets	<u>20,759,399</u>	<u>8,700,606</u>	<u>4,077,672</u>	<u>33,537,677</u>
Total assets	<u>24,780,695</u>	<u>10,424,982</u>	<u>4,942,234</u>	<u>40,147,911</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	131,006	-	-	131,006
Related to OPEBs	5,372	-	-	5,372
Total deferred outflows of resources	<u>136,378</u>	<u>-</u>	<u>-</u>	<u>136,378</u>
LIABILITIES				
Current liabilities				
Accounts payable	480,670	29,216	7,926	517,812
Payroll related liabilities	4,820	46	223	5,089
Accrued interest payable	2,378	10,892	-	13,270
Due to other governments	9,213	-	-	9,213
Due to other funds	509,197	161	815	510,173
Unearned revenue	50,901	8,075	-	58,976
Customer deposits	201,931	269	900	203,100
Compensated absences	2,452	1,011	-	3,463
Current portion of long-term liabilities	569,330	190,000	-	759,330
Total current liabilities	<u>1,830,892</u>	<u>239,670</u>	<u>9,864</u>	<u>2,080,426</u>
Noncurrent liabilities				
Compensated absences	14,086	4,216	136	18,438
Net pension liability	158,559	-	-	158,559
Total OPEB liability	25,938	-	-	25,938
Bonds payable	1,471,551	1,630,867	-	3,102,418
Total noncurrent liabilities	<u>1,670,134</u>	<u>1,635,083</u>	<u>136</u>	<u>3,305,353</u>
Total liabilities	<u>3,501,026</u>	<u>1,874,753</u>	<u>10,000</u>	<u>5,385,779</u>
DEFERRED INFLOWS OF RESOURCES				
Related to leases	-	1,087,224	-	1,087,224
Related to pensions	1,690	-	-	1,690
Related to OPEB	11,898	-	-	11,898
Total deferred inflows of resources	<u>13,588</u>	<u>1,087,224</u>	<u>-</u>	<u>1,100,812</u>
NET POSITION				
Net investment in capital assets	18,718,518	6,879,739	4,077,672	29,675,929
Unrestricted	2,683,941	583,266	854,562	4,121,769
Total net position	<u>\$ 21,402,459</u>	<u>\$ 7,463,005</u>	<u>\$ 4,932,234</u>	<u>\$ 33,797,698</u>

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

CITY OF PORT LAVACA, TEXAS

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
OPERATING REVENUES				
Charges for services:				
Water sales	\$ 2,900,671	\$ -	\$ -	\$ 2,900,671
Sewer services	2,238,954	-	-	2,238,954
Waste collection	989,413	-	-	989,413
Tap and service fees	576,665	-	-	576,665
Gate fees	-	-	2,868	2,868
Leases and rentals	-	572,971	173,583	746,554
Port tariffs	-	130,401	-	130,401
Penalties	42,258	4,638	-	46,896
Miscellaneous	72,064	3,472	2,894	78,430
Total operating revenues	<u>6,820,025</u>	<u>711,482</u>	<u>179,345</u>	<u>7,710,852</u>
OPERATING EXPENSES				
Personnel services	955,452	100,114	64,973	1,120,539
Materials and supplies	78,695	14,489	770	93,954
Services	2,870,865	171,803	65,732	3,108,400
Water purchases	1,639,895	-	-	1,639,895
Maintenance and repairs	602,556	25,830	18,116	646,502
Depreciation	1,063,135	283,102	161,927	1,508,164
Total operating expenses	<u>7,210,598</u>	<u>595,338</u>	<u>311,518</u>	<u>8,117,454</u>
OPERATING INCOME (LOSS)	<u>(390,573)</u>	<u>116,144</u>	<u>(132,173)</u>	<u>(406,602)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	127,763	24,437	29,023	181,223
Interest and fiscal charges	(56,551)	(69,392)	-	(125,943)
Total nonoperating revenues (expenses)	<u>71,212</u>	<u>(44,955)</u>	<u>29,023</u>	<u>55,280</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(319,361)</u>	<u>71,189</u>	<u>(103,150)</u>	<u>(351,322)</u>
Capital contributions	13,123	-	-	13,123
Transfers in	47,881	9,738	176,703	234,322
Transfers out	(562,974)	(65,121)	(2,764)	(630,859)
CHANGE IN NET POSITION	<u>(821,331)</u>	<u>15,806</u>	<u>70,789</u>	<u>(734,736)</u>
NET POSITION, BEGINNING	<u>22,223,790</u>	<u>7,447,199</u>	<u>4,861,445</u>	<u>34,532,434</u>
NET POSITION, ENDING	<u>\$ 21,402,459</u>	<u>\$ 7,463,005</u>	<u>\$ 4,932,234</u>	<u>\$ 33,797,698</u>

CITY OF PORT LAVACA, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,456,572	\$ 816,110	\$ 179,345	\$ 7,452,027
Cash paid to employees	(928,384)	(99,685)	(64,831)	(1,092,900)
Cash paid to suppliers and service providers	(5,498,045)	(207,945)	(87,944)	(5,793,934)
Net cash provided (used) by operating activities	<u>30,143</u>	<u>508,480</u>	<u>26,570</u>	<u>565,193</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	47,881	9,738	176,703	234,322
Transfers to other funds	(562,974)	(65,121)	(2,764)	(630,859)
Net cash provided (used) by noncapital financing activities	<u>(515,093)</u>	<u>(55,383)</u>	<u>173,939</u>	<u>(396,537)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	381,708	181,616	-	563,324
Acquisition and construction of capital assets	(1,678,561)	-	-	(1,678,561)
Principal payment on long-term debt	(559,119)	(180,000)	-	(739,119)
Interest paid on long-term debt	(56,551)	(76,289)	-	(132,840)
Net cash provided (used) by capital and related financing activities	<u>(1,912,523)</u>	<u>(74,673)</u>	<u>-</u>	<u>(1,987,196)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>127,763</u>	<u>24,437</u>	<u>29,023</u>	<u>181,223</u>
Net cash provided (used) by investing activities	<u>127,763</u>	<u>24,437</u>	<u>29,023</u>	<u>181,223</u>
NET INCREASE (DECREASE) IN CASH	<u>(2,269,710)</u>	<u>402,861</u>	<u>229,532</u>	<u>(1,637,317)</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>4,936,120</u>	<u>150,971</u>	<u>629,699</u>	<u>5,716,790</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>2,666,410</u></u>	<u><u>553,832</u></u>	<u><u>859,231</u></u>	<u><u>4,079,473</u></u>

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

CITY OF PORT LAVACA, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (390,573)	\$ 116,144	\$ (132,173)	\$ (406,602)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,063,135	283,102	161,927	1,508,164
(Increase) decrease in:				
Accounts receivable	(378,507)	170,714	-	(207,793)
Prepays	(1,507)	3,510	4,257	6,260
Inventory	5,929	-	-	5,929
Due from other funds	-	-	1,023	1,023
Increase (decrease) in:				
Accounts payable	(806,714)	4,438	(8,606)	(810,882)
Payroll related liabilities	552	(11)	6	547
Due to other funds	496,412	(261)	-	496,151
Compensated absences	4,279	171	136	4,586
Net pension liability	26,085	-	-	26,085
Total OPEB liability	(307)	-	-	(307)
Deferred leases	-	(73,296)	-	(73,296)
Unearned revenue	(3,541)	3,700	-	159
Customer deposits	15,054	269	-	15,323
Due to other governments	(154)	-	-	(154)
Net cash provided (used) by operating activities	<u>\$ 30,143</u>	<u>\$ 508,480</u>	<u>\$ 26,570</u>	<u>\$ 565,193</u>

CITY OF PORT LAVACA, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

SEPTEMBER 30, 2023

	<u>Fireman's Relief and Retirement Fund</u>	<u>Police Seized Nonforfeiture Fund</u>
ASSETS		
Cash and investments	\$ -	\$ 38,345
Due from other governments	-	8,051
Total assets	<u>-</u>	<u>46,396</u>
NET POSITION		
Restricted for individuals	-	46,396
Total net position	<u>\$ -</u>	<u>\$ 46,396</u>

CITY OF PORT LAVACA, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Fireman's Relief and Retirement Fund</u>	<u>Police Seized Nonforfeiture Fund</u>
ADDITIONS		
Employer contributions	\$ 1,325	\$ -
Seizure collections	<u>-</u>	<u>1,880</u>
Total additions	<u>1,325</u>	<u>1,880</u>
DEDUCTIONS		
Benefits paid	<u>1,400</u>	<u>-</u>
Total deductions	<u>1,400</u>	<u>-</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u>(75)</u>	<u>1,880</u>
NET POSITION, BEGINNING	<u>75</u>	<u>44,516</u>
NET POSITION, ENDING	<u>\$ -</u>	<u>\$ 46,396</u>

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CITY OF PORT LAVACA, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Port Lavaca, Texas (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

A. Reporting Entity

The City was incorporated November 1, 1919, and adopted a home rule charter January 31, 1956. The City is governed by an elected six-member council and mayor. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. As of September 30, 2023, no entities met the criteria to be considered a component unit of the City.

B. Description of governmental-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The governmental activities and business-type activities together constitute the primary government.

C. Basis of Presentation - Government-Wide and Fund Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The government reports the following major governmental funds:

General Fund

The general fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and parks and recreation.

Hurricane Harvey Fund

This fund accounts for revenues and expenditures related to disaster grants received by the City after Hurricane Harvey.

ARPA/CLFRF Fund

This fund accounts for revenues and expenditures related to the City’s federal grant received under the American Rescue Plan Act for the COVID-19 pandemic.

Street Construction

The street construction fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

CDBG Grant

Accounts for funds received through the City’s Community Development Block Grant for street and drainage infrastructure.

The government reports the following major proprietary funds:

Public Utility Fund

Accounts for the City’s provision of water, wastewater, and sanitation services.

Port Revenue Fund

Accounts for the activities of the City’s port and harbor.

Beach Operating Fund

Accounts for the operation of the City’s Lighthouse Beach and adjacent RV park.

Additionally, the government reports the following fund types:

Debt Service Fund

The City’s debt service fund is the 2012 General Obligation Refunding Bonds Fund, which accounts for resources restricted to, or designated for, payment of principal and interest on the bonds.

Pension Trust Fund

The Firemen’s Relief and Retirement Fund accounts for the payment of benefits to the City’s eligible retired volunteer fire fighters.

Custodial Fund

The Police Seized Nonforfeiture Fund accounts for assets seized by the City’s police department which are awaiting disposition by a court order.

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

Investments for the City are reported at fair value, except for the position in investment pools. The City's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Statewide investment pools

2. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Years
Vehicles	5
Machinery and equipment	5-10
Infrastructure	20-75
Buildings and improvements	5-50

5. Lease

The City is a lessor in an arrangement allowing for the use of dock and harbor space owned by the City. In both the government-wide financial statements and the proprietary fund financial statements, the City initially measured the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, and deferred amounts related to pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The deferred charge on refunding resulted from the differences between the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate differences between the estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, court fines, code enforcement and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In both the governmental funds and government-wide financial statements deferred amounts are reported related to leases, and in the government-wide financial statements the government reports deferred amounts related to pension and OPEB.

7. Net Position Flow Assumption

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

8. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

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

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

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

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 nonspecific 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.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

11. Pensions

For purposes of measuring the net pension asset, 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.

12. Other Postemployment Benefits ("OPEB")

The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary.

13. Estimates

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

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

Legislation was passed in 1979, and amended in 1981 and 2019, by the Texas Legislature which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislature creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operation in January 1980. The appraisal of property within the City is the responsibility of the Calhoun County Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment rations. The value of real property within the Appraisal District must be reviewed at least every four years. The City, at its own expense, may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. However, if the proposed tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements and revaluation, exceeds the voter-approved tax rate, qualified voters of the City have an automatic election to determine whether to limit the tax rate to no more than 3.5 percent above the no new revenue rate.

3. Compensated Absences

The City's policies permit employees to accumulate earned but unused vacation and sick pay benefits. Unused vacation benefits are reported in the accompanying financial statements as a long-term liability. No liability is recorded for unused sick pay benefits as they are not disbursed to employees when they separate from service with the City.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utility fund, port revenue fund, and beach operating fund 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 of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance

As of September 30, 2023, the Hurricane Harvey, Bulletproof Vest Grant, and Reflex Traffic System had reported deficit fund balances of \$720,407, \$20,917, and \$3,309 respectively. These were the result of timing differences between the grant expenditures and the recognition of revenue and are expected to reverse in future fiscal years.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The primary government may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposits, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987.

Interest rate risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its 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. The weighted average maturity for the City's investment in external investment pools is less than 60 days.

Credit risk: The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

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. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2022, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

At September 30, 2023, the City held the following investments:

Investment	Credit Rating	Weighted Average Maturity	Percentage of Total Investments	Reported Value
Investment in Logic	AAAm	42 days	100%	\$ 17,557,798
Total investments				\$ 17,557,798

B. Receivables

The following comprise receivable balances of the government at year end:

	General	Nonmajor Governmental	Public Utility	Port Revenue	Beach Operating	Totals
Property tax	\$ 746,602	\$ 51,744	\$ -	\$ -	\$ -	\$ 798,346
Court fines	140,006	-	-	-	-	140,006
Franchise tax	97,648	-	-	-	-	97,648
Other	500	156,764	-	-	451	157,715
Lease	-	-	-	1,087,224	-	1,087,224
Accounts	171,833	-	1,220,519	84,085	-	1,476,437
Allowance	(373,641)	(2,587)	(175,750)	(14,575)	-	(566,553)
Totals	\$ 782,948	\$ 205,921	\$ 1,044,769	\$ 1,156,734	\$ 451	\$ 3,190,823

C. Property Tax

The City's property tax is levied (assessed) each October 1, on the value listed as of the prior January 1, for all real property and personal property located in the City. Such assessed value for 2021 was computed based on 100% of appraised value. The government may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The combined tax rate to finance general governmental service and debt service for the period ended September 30, 2023, was \$0.7944 per \$100 of assessed valuation. Taxes are billed and due on October 1 of each year. The last date for payment without penalty is the following January 31. Delinquent penalties are added on February 1 with additional attorney fees being added on July 1. Lien attaches to properties on the January 1 following levy date. Calhoun County bills and collects the general property taxes for the City. During the fiscal year, the City collected approximately 98% of the 2022 tax levy.

In the governmental funds the City's property tax revenues are recognized when levied to the extent that they result in current receivables available for financing current operations. The remaining receivables are reflected in deferred inflows.

D. Deferred Inflows of Resources

At the end of the fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

Property taxes	\$ 537,481
Code enforcement	17,183
Grants	<u>69,466</u>
Total	<u>\$ 624,130</u>

E. Interfund Transfers and Balances

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2023 is as follows:

Transfer To	Transfer From	Amount	Purpose
General	Nonmajor Governmental	\$ 279,765	Administrative costs
General	Port Revenue	65,121	Administrative costs
General	Beach Operating	2,764	Administrative costs
General	Public Utility	328,652	Administrative costs
Public Utility	General Fund	47,881	Administrative costs
Port Revenue	General Fund	9,738	Administrative costs
Beach Operating	General Fund	176,703	Administrative costs
CDBG	2022 Certificates of Obligation	1,352,289	Project costs
CDBG	General Fund	1,060,880	Project costs
Nonmajor Governmental	General Fund	529,150	Debt service payments
Nonmajor Governmental	General Fund	<u>82,158</u>	Project costs
Total		<u>\$ 3,935,101</u>	

Interfund balances as of September 30, 2023 are as follows:

Due To	Due From	Amount	Purpose
General	Nonmajor Governmental	\$ 1,147,600	Short-term cash loan
General	Public Utility	509,197	Short-term cash loan
Beach Operating	General	815	Short-term cash loan
General	Port Revenue	<u>161</u>	Short-term cash loan
Total		<u>\$ 1,657,773</u>	

F. Capital Assets

Capital asset activity for the year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,844,144	\$ -	\$ -	\$ 1,844,144
Construction in progress	<u>4,503,809</u>	<u>5,924,166</u>	<u>(1,304,164)</u>	<u>9,123,811</u>
Total assets not being depreciated	<u>6,347,953</u>	<u>5,924,166</u>	<u>(1,304,164)</u>	<u>10,967,955</u>
Capital assets, being depreciated:				
Building and improvements	11,429,380	374,566	-	11,803,946
Machinery and equipment	5,068,522	381,278	-	5,449,800
Infrastructure	<u>37,628,737</u>	<u>1,355,508</u>	<u>-</u>	<u>38,984,245</u>
Total capital assets being depreciated	<u>54,126,639</u>	<u>2,111,352</u>	<u>-</u>	<u>56,237,991</u>
Less accumulated depreciation:				
Building and improvements	(4,673,900)	(396,585)	-	(5,070,485)
Machinery and equipment	(3,385,727)	(301,137)	-	(3,686,864)
Infrastructure	<u>(17,530,597)</u>	<u>(588,937)</u>	<u>-</u>	<u>(18,119,534)</u>
Total accumulated depreciation	<u>(25,590,224)</u>	<u>(1,286,659)</u>	<u>-</u>	<u>(26,876,883)</u>
Total capital assets being depreciated, net	<u>28,536,415</u>	<u>824,693</u>	<u>-</u>	<u>29,361,108</u>
Governmental activities capital assets, net	<u>\$ 34,884,368</u>	<u>\$ 6,748,859</u>	<u>\$ (1,304,164)</u>	<u>\$ 40,329,063</u>
	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,316,718	\$ -	\$ -	\$ 2,316,718
Construction in progress	<u>4,003,020</u>	<u>1,689,418</u>	<u>(95,770)</u>	<u>5,596,668</u>
Total assets not being depreciated	<u>6,319,738</u>	<u>1,689,418</u>	<u>(95,770)</u>	<u>7,913,386</u>
Capital assets, being depreciated:				
Building and improvements	6,488,764	95,770	(355,421)	6,229,113
Machinery and equipment	1,435,990	127,406	-	1,563,396
Infrastructure	<u>51,289,041</u>	<u>-</u>	<u>-</u>	<u>51,289,041</u>
Total capital assets being depreciated	<u>59,213,795</u>	<u>223,176</u>	<u>(355,421)</u>	<u>59,081,550</u>
Less accumulated depreciation:				
Building and improvements	(3,999,067)	(212,487)	35,542	(4,176,012)
Machinery and equipment	(869,543)	(86,287)	-	(955,830)
Infrastructure	<u>(27,116,027)</u>	<u>(1,209,390)</u>	<u>-</u>	<u>(28,325,417)</u>
Total accumulated depreciation	<u>(31,984,637)</u>	<u>(1,508,164)</u>	<u>35,542</u>	<u>(33,457,259)</u>
Total capital assets being depreciated, net	<u>27,229,158</u>	<u>(1,284,988)</u>	<u>(319,879)</u>	<u>25,624,291</u>
Business-type activities capital assets, net	<u>\$ 33,548,896</u>	<u>\$ 404,430</u>	<u>\$ (415,649)</u>	<u>\$ 33,537,677</u>

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

Governmental activities:	
General government	\$ 41,487
Public safety	267,619
Public works	660,727
Parks and recreation	<u>316,826</u>
Total depreciation expense - governmental activities	<u>\$ 1,286,659</u>
Business-type activities:	
Public Utility	\$ 1,063,135
Port Commission	283,102
Beach Operating	<u>161,927</u>
Total depreciation expense - business-type activities	<u>\$ 1,508,164</u>

G. Long-Term Liabilities

1. Bonds Payable

The City issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds are direct obligations and pledge the full faith and credit of the government. All of the City's General Obligation bonds and Contractual Obligation-Private Placement are direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law. The City's Certificates of Obligation issues are direct obligations of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's utility system. General Obligation Bonds and Certificates of Obligation outstanding are as follows:

Purpose	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
Series 2012 GO Refunding Bonds	2024	2.03%	\$ 2,945,000	\$ 60,000
Series 2022 Certificate of Obligation	2042	5%	<u>7,335,000</u>	<u>7,070,000</u>
Total governmental activities			<u>\$ 10,280,000</u>	<u>\$ 7,130,000</u>
Series 2016 GO Refunding Bonds	2024	1.1 - 5.0%	\$ 3,810,000	\$ 100,000
Series 2008 Combination Tax & Revenue CO's	2028	3.93%	1,700,000	575,000
Series 2018 Combination Tax & Revenue CO's	2034	3.5 - 5.0%	<u>1,475,000</u>	<u>1,170,000</u>
Total business-type activities			<u>\$ 6,985,000</u>	<u>\$ 1,845,000</u>

The annual debt service requirements to maturity for General Obligation Bonds and Certificates of Obligation Bonds outstanding as of September 30, 2023, are as follows:

Fiscal Year	Governmental Activities			Certificates of Obligation		
	General Obligation			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 60,000	\$ 609	\$ 60,609	\$ 235,000	\$ 314,275	\$ 549,275
2025	-	-	-	245,000	302,275	547,275
2026	-	-	-	255,000	289,775	544,775
2027	-	-	-	270,000	276,650	546,650
2028	-	-	-	285,000	262,775	547,775
2029-2033	-	-	-	1,655,000	1,089,375	2,744,375
2034-2038	-	-	-	2,105,000	629,500	2,734,500
2039-2042	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,020,000</u>	<u>165,600</u>	<u>2,185,600</u>
Total	<u>\$ 60,000</u>	<u>\$ 609</u>	<u>\$ 60,609</u>	<u>\$ 7,070,000</u>	<u>\$ 3,330,225</u>	<u>\$ 10,400,225</u>

Fiscal Year	Business-Type Activities					
	General Obligation			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 100,000	\$ 1,025	\$ 101,025	\$ 190,000	\$ 67,561	\$ 257,561
2025	-	-	-	200,000	59,836	259,836
2026	-	-	-	210,000	51,239	261,239
2027	-	-	-	220,000	40,546	260,546
2028	-	-	-	225,000	31,932	256,932
2029-2033	-	-	-	575,000	66,470	641,470
2034	-	-	-	125,000	2,188	127,188
Total	<u>\$ 100,000</u>	<u>\$ 1,025</u>	<u>\$ 101,025</u>	<u>\$ 1,745,000</u>	<u>\$ 319,772</u>	<u>\$ 2,064,772</u>

2. Financing Arrangements

The City has acquired certain capital assets for governmental and business-type activities through the issuance of financing arrangements. The City's direct borrowings (financing arrangements) related to governmental and business-type activities are secured with equipment as collateral.

Financing arrangements are comprised of the following issue at September 30, 2023:

Purpose	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
Pierce Pumper Loan	2024	2.25%	\$ 372,386	\$ 129,632
SECO Loan	2030	2.00%	187,825	135,314
Total governmental activities			<u>560,211</u>	<u>264,946</u>
Water Meter Loan	2027	2.22%	2,400,000	1,940,881
Total business-type activities			<u>\$ 2,400,000</u>	<u>\$ 1,940,881</u>

The future minimum debt service payments to maturity for the financing arrangements as of September 30, 2023, were as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 147,434	\$ 5,408	\$ 152,842	\$ 469,330	\$ 43,165	\$ 512,495
2025	20,946	2,140	23,086	479,768	32,727	512,495
2026	21,372	1,717	23,089	490,438	22,057	512,495
2027	21,799	1,286	23,085	501,345	11,150	512,495
2028	22,238	847	23,085	-	-	-
2029-2030	31,157	428	31,585	-	-	-
Total	<u>\$ 264,946</u>	<u>\$ 11,826</u>	<u>\$ 276,772</u>	<u>\$ 1,940,881</u>	<u>\$ 109,099</u>	<u>\$ 2,049,980</u>

3. Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2023 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 380,000	\$ -	\$ 320,000	\$ 60,000	\$ 60,000
Certificates of obligation	-	7,335,000	265,000	7,070,000	235,000
Premium on bonds	-	318,565	15,928	302,637	-
Financing arrangements	406,450	-	141,506	264,944	147,434
Compensated absences	141,500	214,799	202,871	153,428	30,686
Total long-term liabilities	\$ 927,950	\$ 7,868,364	\$ 945,305	\$ 7,851,009	\$ 473,120
Business-type activities:					
General obligation bonds	\$ 200,000	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
Certificates of obligation	1,925,000	-	180,000	1,745,000	190,000
Premium on bonds	82,764	-	6,897	75,867	-
Financing arrangements	2,400,000	-	459,119	1,940,881	469,330
Compensated absences	17,315	30,661	26,075	21,901	3,463
Total long-term liabilities	\$ 4,625,079	\$ 30,661	\$ 772,091	\$ 3,883,649	\$ 762,793

Compensated absences of the governmental activities and business-type activities are paid by the General Fund and Public Utility and Port Revenue Funds, respectively.

G. Risk Management

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City's general liability, automobile and property insurance is underwritten through a self-insurance fund for Texas political subdivisions. Premiums are paid to the carrier, and they administer all claims. The City is also insured for workers' compensation claims through a self-insurance fund for Texas political subdivisions. Rates are determined by the state, and the pool assigns discount rates to premiums based upon the City's claims history. The City retains, as a risk, only the deductible amount of each policy.

The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with no reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

H. Volunteer Firefighter's 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, 2023, there were 7 individuals receiving benefits under the plan. Benefit payments for the year totaled \$1,550.

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, 2023.

I. 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 at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The City's responsibility is to transmit employee contributions to the third-party plan administrator for deposit to the credit of the individual participant accounts. The City does not have significant administrative involvement for the assets of the plan and does not perform the investment function for the plan.

J. Defined Benefit Pension Plan

1. Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

2. 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 member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

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

Employee deposit rate	5%
Matching ratio (city to employee)	1.5 to 1
Years required for vesting	5
Retirement eligibility (age/service)	60/5, 0/25
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefits	72
Inactive employees entitled to but not yet received benefits	140
Active employees	<u>90</u>
Total	<u>302</u>

3. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the City matching ratios are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.11% and 5.85% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$263,678, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members 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 to 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 Rates (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.

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. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	<u>10.0%</u>	10.00%
Total	<u>100.0%</u>	

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 members. 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 12,925,492	\$ 13,502,555	\$ (577,063)
Changes for the year:			
Service cost	487,642	-	487,642
Interest	867,315	-	867,315
Difference between expected and actual experience	367,640	-	367,640
Contributions - employer	-	289,254	(289,254)
Contributions - employee	-	252,402	(252,402)
Net investment income	-	(983,361)	983,361
Benefits payments, including refunds of employee contributions	(640,392)	(640,392)	-
Administrative expense	-	(8,529)	8,529
Other change	-	10,178	(10,178)
Net changes	<u>1,082,205</u>	<u>(1,080,448)</u>	<u>2,162,653</u>
Balance at 12/31/2022	<u>\$ 14,007,697</u>	<u>\$ 12,422,107</u>	<u>\$ 1,585,590</u>

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

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

	1% Decrease in in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in in Discount Rate (7.75%)
City's net pension liability/(asset)	\$ 3,628,065	\$ 1,585,590	\$ (63,496)
<i>Pension Plan Fiduciary Net Position</i>			

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

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

For the year ended September 30, 2023, the City recognized pension expense in the governmental and business-type activities in the amounts of \$234,757 and \$26,085 respectively.

At September 30, 2023, 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	\$ 225,144	\$ 16,900
Difference between projected and actual investment earnings	847,872	-
Contributions subsequent to the measurement date	<u>237,055</u>	<u>-</u>
Totals	<u>\$ 1,310,071</u>	<u>\$ 16,900</u>

\$237,055 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2024	\$ 158,323
2025	291,268
2026	227,569
2027	378,957

K. Postemployment Benefits Other Than Pensions (OPEB)

1. Plan Description

The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

2. Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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 post-employment benefit and is a fixed amount of \$7,500.

3. Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>90</u>
Total	<u>147</u>

4. Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.38% for 2022 and 0.40% for 2023, of which 0.28% and 0.20%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2023 were \$20,841 representing contributions for both active and retiree coverage, which equaled the required contributions each year.

5. Total OPEB Liability

The City’s total OPEB liability of \$259,381 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

The Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	4.05% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational bases 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.

6. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.05%) in measuring the Total OPEB Liability.

	<u>1% Decrease in</u> <u>Discount Rate (3.05%)</u>	<u>Discount Rate (4.05%)</u>	<u>1% Increase in</u> <u>Discount Rate (5.05%)</u>
Total OPEB Liability	\$ 304,916	\$ 259,381	\$ 223,713

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

For the year ended September 30, 2023, the City recognized OPEB expense in the governmental and business-type activities in the amounts of \$2,766 and \$307, respectively. Aggregate OPEB expense for both OPEB plans is \$3,073. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

8. Changes in the OPEB Liability

	Total OPEB Liability
Balance at 12/31/2021	\$ 366,964
Changes for the year:	
Service cost	17,668
Interest	6,785
Difference between expected and actual experience	1,695
Changes of assumptions and other inputs	(119,596)
Benefit payments**	<u>(14,135)</u>
Net changes	<u>(107,583)</u>
Balance at 12/31/2022	<u>\$ 259,381</u>

*Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc).

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources relate to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,596	\$ 20,210
Changes in actuarial assumptions	35,910	98,769
Contributions subsequent to the measurement date	<u>16,209</u>	<u>-</u>
Totals	<u>\$ 53,715</u>	<u>\$ 118,979</u>

\$16,209 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2024	\$ (13,642)
2025	(16,152)
2026	(24,520)
2027	(22,843)
2028	(4,316)

M. Contingent Liabilities

Contingencies

The City is exposed to various claims and litigation. The outcome of events are not presently determinable and the amount of the City's potential liability cannot be reasonably estimated at this time.

Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency. These programs are governed by various statutory rules and regulations of grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required. As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

N. Contracts and Commitments

Water Contract

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. This contract was sold to Undine, LLC in December 2022.

Construction Commitments

The City had the following commitments outstanding for construction projects as of September 30, 2023:

		Costs Incurred To Date	Estimated Remaining Costs
<u>Governmental Activities:</u>			
Veteran's Memorial	Park Improvement	\$ 89,689	\$ -
2020 Capital Improvements	Street & Drainage	2,233,307	461,496
City Hall Master Plan	Building Improvements	31,230	-
Train Depot Renovation	Building Improvements	276,573	-
Animal Control Building	Building Improvements	14,803	136,001
Skate Park	Park Improvement	378,224	-
5th St. Drainage Project	Infrastructure	41,500	53,400
Pierce Enforcer Fire Truck	Equipment	8,236	767,958
Ezzel St. Reconstruction	Infrastructure	666,340	14,606
George St. Reconstruction	Infrastructure	698,538	7,862
Corp. Ditch Rehab Austin	Infrastructure	73,606	36,155
	Totals	<u>\$ 4,512,046</u>	<u>\$ 1,477,478</u>
<u>Business-type Activities:</u>			
Ezzel St. Sewer	Infrastructure	\$ 132,840	\$ 627,160
2021 Capital Improvements	Water-Sewer Line Improv.	836,681	37,963
Generators for Lift Stations	Equipment	847,824	6,666
NL Breakwater	Infrastructure	10,000	-
Brooks WW Lift Station	Equipment	30,082	5,532
Lynn's Bayou Improvements	Infrastructure	22,005	1,465,489
Ezzel Sewer Replacement	Infrastructure	132,840	-
Mass Meter Swap	Infrastructure	1,323,167	824,248
Living Shoreline	Infrastructure	795,652	12,704,349
NL Building Repair	Building Improvements	4,770	90,230
	Totals	<u>\$ 4,135,861</u>	<u>\$ 15,761,636</u>

O. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 99, Omnibus 2022 – The objective of this Statement is to correct practice issues identified during implementation and application of certain GASB Statements and financial reporting for financial guarantees. There are various effective dates 1.) upon issuance 2.) fiscal years beginning after June 15, 2022 and 3.) fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF PORT LAVACA, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 4,185,106	\$ 4,185,106	\$ 4,635,860	\$ 450,754
Sales and use	3,134,772	3,134,772	3,554,946	420,174
Other	638,000	638,000	621,501	(16,499)
Fines and forfeitures	279,000	279,000	362,679	83,679
Licenses and permits	174,010	174,010	158,513	(15,497)
Intergovernmental	296,845	296,845	583,500	286,655
Charges for services	2,500	2,500	2,589	89
Investment earnings	90,000	90,000	452,870	362,870
Rental	80,000	80,000	71,250	(8,750)
Miscellaneous	50,950	50,950	47,100	(3,850)
Total revenues	<u>8,931,183</u>	<u>8,931,183</u>	<u>10,490,808</u>	<u>1,559,625</u>
EXPENDITURES				
Current:				
General government	2,582,169	3,110,344	2,282,969	827,375
Public safety	4,795,938	4,795,938	4,510,209	285,729
Public works	1,899,239	1,899,239	1,326,675	572,564
Parks and recreation	929,971	929,971	889,282	40,689
Capital outlay	1,268,150	1,324,625	1,722,052	(397,427)
Debt Service				
Principal	141,504	141,504	141,504	-
Interest and fiscal charges	11,337	11,337	11,337	-
Total expenditures	<u>11,628,308</u>	<u>12,212,958</u>	<u>10,884,028</u>	<u>1,328,930</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,697,125)</u>	<u>(3,281,775)</u>	<u>(393,220)</u>	<u>2,888,555</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,442,470	1,442,470	910,624	(531,846)
Transfers out	(82,158)	(82,158)	(1,906,510)	(1,824,352)
Total other financing sources and uses	<u>1,360,312</u>	<u>1,360,312</u>	<u>(995,886)</u>	<u>(2,356,198)</u>
NET CHANGE IN FUND BALANCE	<u>(1,336,813)</u>	<u>(1,921,463)</u>	<u>(1,389,106)</u>	<u>532,357</u>
FUND BALANCE, BEGINNING	<u>10,385,798</u>	<u>10,385,798</u>	<u>10,385,798</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 9,048,985</u>	<u>\$ 8,464,335</u>	<u>\$ 8,996,692</u>	<u>\$ 532,357</u>

The accompanying notes are an integral part of this schedule.

CITY OF PORT LAVACA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Measurement Date December 31,	2014	2015
A. Total pension liability		
Service cost	\$ 314,835	\$ 358,107
Interest (on the Total Pension Liability)	670,913	688,461
Changes of benefit terms		
Difference between expected and actual experience	(250,547)	(139,223)
Change of assumptions		88,376
Benefit payments, including refunds of employee contributions	<u>(546,714)</u>	<u>(465,578)</u>
Net change in total pension liability	<u>188,487</u>	<u>530,143</u>
Total pension liability - beginning	<u>9,700,410</u>	<u>9,888,897</u>
Total pension liability - ending (a)	<u>\$ 9,888,897</u>	<u>\$ 10,419,040</u>
B. Plan fiduciary net position		
Contributions - employer	\$ 197,075	\$ 241,857
Contributions - employee	176,910	195,047
Net investment income	515,111	13,784
Benefit payments, including refunds of employee contributions	(546,714)	(465,578)
Administrative expenses	(5,379)	(8,396)
Other	<u>(442)</u>	<u>(415)</u>
Net change in plan fiduciary net position	<u>336,561</u>	<u>(23,701)</u>
Plan fiduciary net position - beginning	<u>9,005,394</u>	<u>9,341,955</u>
Plan fiduciary net position - ending (b)	<u>\$ 9,341,955</u>	<u>\$ 9,318,254</u>
C. Net pension liability/(asset) - ending (a) - (b)	\$ 546,942	\$ 1,100,786
D. Plan fiduciary net position as a percentage of total pension liability	94.47%	89.43%
E. Covered payroll	\$ 3,538,200	\$ 3,900,944
F. Net position liability as a percentage of covered payroll	15.46%	28.22%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

	2016	2017	2018	2019	2020	2021	2022
\$	365,217	\$ 348,599	\$ 340,363	\$ 366,719	\$ 378,215	\$ 438,548	\$ 487,642
	696,229	726,299	741,373	761,419	789,013	828,696	867,315
	14,276	(125,070)	(92,649)	(74,875)	44,412	(78,357)	367,640
				270			
	<u>(574,303)</u>	<u>(669,541)</u>	<u>(775,245)</u>	<u>(635,339)</u>	<u>(665,615)</u>	<u>(642,202)</u>	<u>(640,392)</u>
	<u>501,419</u>	<u>280,287</u>	<u>213,842</u>	<u>418,194</u>	<u>546,025</u>	<u>546,685</u>	<u>1,082,205</u>
	<u>10,419,040</u>	<u>10,920,459</u>	<u>11,200,746</u>	<u>11,414,588</u>	<u>11,832,782</u>	<u>12,378,807</u>	<u>12,925,492</u>
\$	<u>10,920,459</u>	<u>\$ 11,200,746</u>	<u>\$ 11,414,588</u>	<u>\$ 11,832,782</u>	<u>\$ 12,378,807</u>	<u>\$ 12,925,492</u>	<u>\$ 14,007,697</u>
\$	213,193	\$ 219,660	\$ 213,037	\$ 221,708	\$ 231,808	\$ 263,678	\$ 289,254
	187,676	182,513	177,828	190,800	196,782	228,887	252,402
	629,604	1,353,359	(324,704)	1,563,243	868,360	1,572,789	(983,361)
	(574,303)	(669,541)	(775,245)	(635,339)	(665,615)	(642,202)	(640,392)
	(7,112)	(7,015)	(6,279)	(8,849)	(5,629)	(7,291)	(8,529)
	<u>(383)</u>	<u>(356)</u>	<u>(327)</u>	<u>(265)</u>	<u>(220)</u>	<u>51</u>	<u>10,178</u>
	<u>448,675</u>	<u>1,078,620</u>	<u>(715,690)</u>	<u>1,331,298</u>	<u>625,486</u>	<u>1,415,912</u>	<u>(1,080,448)</u>
	<u>9,318,254</u>	<u>9,766,929</u>	<u>10,845,549</u>	<u>10,129,859</u>	<u>11,461,157</u>	<u>12,086,643</u>	<u>13,502,555</u>
\$	<u>9,766,929</u>	<u>\$ 10,845,549</u>	<u>\$ 10,129,859</u>	<u>\$ 11,461,157</u>	<u>\$ 12,086,643</u>	<u>\$ 13,502,555</u>	<u>\$ 12,422,107</u>
\$	1,153,530	\$ 355,197	\$ 1,284,729	\$ 371,625	\$ 292,164	\$ (577,063)	\$ 1,585,590
	89.44%	96.83%	88.74%	96.86%	97.64%	104.46%	88.68%
\$	3,753,514	\$ 3,650,253	\$ 3,556,564	\$ 3,816,010	\$ 3,935,641	\$ 4,577,749	\$ 5,048,052
	30.73%	9.73%	36.12%	9.74%	7.42%	-12.61%	31.41%

CITY OF PORT LAVACA, TEXAS

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Fiscal Year Ended September 30,	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarial determined contribution	\$ 225,696	\$ 222,531	\$ 211,938
Contributions in relation to the actuarially determined contribution	<u>(234,844)</u>	<u>(232,147)</u>	<u>(220,357)</u>
Contribution deficiency (excess)	(9,148)	(9,616)	(8,419)
Covered payroll	3,728,430	3,822,573	3,575,417
Contributions as a percentage of covered payroll	6.30%	6.07%	6.16%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
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 table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information: There were no benefit changes during the year.

Note: This schedule is required to have 10 years of information, but the information prior to 2015 is not available.

2018	2019	2020	2021	2022	2023
\$ 216,287	\$ 220,661	\$ 225,701	\$ 253,961	\$ 263,678	\$ 289,254
<u>(224,324)</u>	<u>(229,502)</u>	<u>(235,336)</u>	<u>(270,116)</u>	<u>(315,997)</u>	<u>(311,533)</u>
(8,037)	(8,841)	(9,635)	(16,155)	(52,319)	(22,279)
3,605,556	3,767,059	3,846,134	4,383,413	4,577,749	5,271,179
6.22%	6.09%	6.12%	6.16%	6.90%	5.91%

CITY OF PORT LAVACA, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Measurement Date December 31,	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
A. Total OPEB liability				
Service Cost	\$ 8,761	\$ 9,603	\$ 9,540	\$ 20,072
Interest on the total OPEB liability	8,383	8,424	9,460	8,560
Changes in benefit terms				
Difference between expected and actual experience	-	1,671	(10,459)	(13,467)
Changes of assumptions and other inputs	17,855	(16,237)	45,970	44,333
Benefit payments	<u>(2,555)</u>	<u>(2,845)</u>	<u>(3,053)</u>	<u>(3,936)</u>
Net change in Total OPEB liability	<u>32,444</u>	<u>616</u>	<u>51,458</u>	<u>55,562</u>
Total OPEB liability - beginning	<u>218,673</u>	<u>251,117</u>	<u>251,733</u>	<u>303,191</u>
Total OPEB liability - ending	<u>\$ 251,117</u>	<u>\$ 251,733</u>	<u>\$ 303,191</u>	<u>\$ 358,753</u>
B. Covered-employee payroll	\$ 3,650,253	\$ 3,556,564	\$ 3,816,010	\$ 3,935,641
C. Total OPEB liability as a percentage of covered-employee payroll	6.88%	7.08%	7.95%	9.12%

Notes to Schedule:

- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

<u>2021</u>	<u>2022</u>
\$ 23,804	\$ 17,668
7,276	6,785
(20,257)	1,695
11,121	(119,596)
(13,733)	(14,135)
8,211	(107,583)
358,753	366,964
<u>\$ 366,964</u>	<u>\$ 259,381</u>
\$ 4,577,749	\$ 5,048,052
8.02%	5.14%

CITY OF PORT LAVACA, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2023

Summary of Significant Accounting Policies

A. Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General and the Debt Service Fund. The budgets for these funds are prepared in accordance with generally accepted accounting principles (GAAP). The Hurricane Harvey, ARPA/CLFRF Grant, Street Construction, and CDBG Grant Funds do not have legally adopted annual budgets. All appropriations lapse at year end.

The City Council follows these procedures in establishing budgetary data reflected in the financial statements.

1. Prior to the beginning of the fiscal year, the City Manager submits to the City Council proposed operating budgets for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and the means of financing them for the general and certain special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized by the City Council to make adjustments to budgeted amounts between departments within an operating fund or line items within a single fund as well as transfer appropriations between departments. However, the City Council must approve any transfer of unencumbered appropriation balances or portions thereof from one fund to another as well as any increases in fund appropriations after a public hearing conducted in compliance with the Texas Open Meetings Act.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2022, individual amendments were not material in relation to the original appropriations for expenditures. All budget appropriations automatically lapse at year-end.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. All encumbrances lapse at the fiscal year-end.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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 Funds - Account for fees collected on conviction of certain municipal court offenses and funds are intended to enhance these specific areas.

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

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.

TDHCA HOME Program Fund - Accounts for the City's participation and matching funds as administrator in the HOME reservation system in cooperation with the Texas Department of Housing and Community Affairs (TDHCA) as funded through the U.S. Department of Housing and Urban Development.

DEBT SERVICE FUND

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

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2023

	Special Revenue Funds			
	Hotel Occupancy Tax	Police Forfeitures	Building Security	Economic Development
ASSETS				
Cash and investments	\$ 269,185	\$ 19,808	\$ 44,666	\$ 11,978
Receivables, net	156,764	-	-	-
Due from other governments	-	-	-	-
Prepaid items	6,650	-	-	-
Total assets	432,599	19,808	44,666	11,978
LIABILITIES				
Accounts payable	8,007	-	766	-
Payroll related payables	-	-	7	-
Due to other funds	-	-	18	-
Total liabilities	8,007	-	791	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted				
Debt service	-	-	-	-
Tourism and conventions	424,592	-	-	-
Economic development	-	-	-	11,978
Public safety	-	19,808	-	-
Municipal court	-	-	43,875	-
Unassigned	-	-	-	-
Total fund balances	424,592	19,808	43,875	11,978
Total liabilities, deferred inflows and fund balances	\$ 432,599	\$ 19,808	\$ 44,666	\$ 11,978

Special Revenue Funds

Bulletproof Vest Grant	Redflex Traffic System	Court Technology Fund	TDHCA HOME Program	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 27,092	\$ 44,150	\$ 688,851	\$ 1,105,730
-	-	-	-	49,157	205,921
6,463	-	-	-	-	6,463
-	-	-	-	-	6,650
<u>6,463</u>	<u>-</u>	<u>27,092</u>	<u>44,150</u>	<u>738,008</u>	<u>1,324,764</u>
-	-	-	-	-	8,773
-	-	-	-	-	7
<u>20,917</u>	<u>3,309</u>	<u>-</u>	<u>-</u>	<u>382,829</u>	<u>407,073</u>
<u>20,917</u>	<u>3,309</u>	<u>-</u>	<u>-</u>	<u>382,829</u>	<u>415,853</u>
-	-	-	-	-	-
6,463	-	-	-	49,157	55,620
<u>6,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,157</u>	<u>55,620</u>
-	-	-	-	306,022	306,022
-	-	-	-	-	424,592
-	-	-	44,150	-	56,128
-	-	-	-	-	19,808
-	-	27,092	-	-	70,967
<u>(20,917)</u>	<u>(3,309)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,226)</u>
<u>(20,917)</u>	<u>(3,309)</u>	<u>27,092</u>	<u>44,150</u>	<u>306,022</u>	<u>853,291</u>
<u>\$ 6,463</u>	<u>\$ -</u>	<u>\$ 27,092</u>	<u>\$ 44,150</u>	<u>\$ 738,008</u>	<u>\$ 1,324,764</u>

CITY OF PORT LAVACA, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue Funds			
	Hotel Occupancy Tax	Police Forfeitures	Building Security	Economic Development
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Other	591,294	-	-	-
Fines, fees, and forfeitures	-	1,128	3,542	-
Intergovernmental	-	-	-	-
Investment earnings	14,722	639	1,330	341
Miscellaneous	575	-	-	-
Total revenues	606,591	1,767	4,872	341
EXPENDITURES				
Current:				
General government	355,140	-	5,792	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	355,140	-	5,792	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	251,451	1,767	(920)	341
OTHER FINANCING SOURCES (USES)				
Transfers in	80,158	-	-	-
Transfers out	(279,765)	-	-	-
Total other financing sources (uses)	(199,607)	-	-	-
NET CHANGE IN FUND BALANCES	51,844	1,767	(920)	341
FUND BALANCES, BEGINNING	372,748	18,041	44,795	11,637
FUND BALANCES, ENDING	\$ 424,592	\$ 19,808	\$ 43,875	\$ 11,978

Special Revenue Funds

<u>Bulletproof Vest Grant</u>	<u>Redflex Traffic System</u>	<u>Court Technology Fund</u>	<u>TDHCA HOME Program</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 401,879	\$ 401,879
-	-	-	-	-	591,294
-	-	1,901	-	-	6,571
-	-	-	305,724	-	305,724
-	-	840	-	12,196	30,068
-	-	-	-	-	575
<u>-</u>	<u>-</u>	<u>2,741</u>	<u>305,724</u>	<u>414,075</u>	<u>1,336,111</u>
-	-	-	34,598	-	395,530
13,287	-	-	-	-	13,287
-	-	-	264,960	-	264,960
-	-	-	-	585,002	585,002
-	-	-	-	284,777	284,777
<u>13,287</u>	<u>-</u>	<u>-</u>	<u>299,558</u>	<u>869,779</u>	<u>1,543,556</u>
(13,287)	-	2,741	6,166	(455,704)	(207,445)
2,000	-	-	-	529,150	611,308
-	-	-	-	-	(279,765)
<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>529,150</u>	<u>331,543</u>
(11,287)	-	2,741	6,166	73,446	124,098
(9,630)	(3,309)	24,351	37,984	232,576	729,193
<u>\$(20,917)</u>	<u>\$(3,309)</u>	<u>\$ 27,092</u>	<u>\$ 44,150</u>	<u>\$ 306,022</u>	<u>\$ 853,291</u>

CITY OF PORT LAVACA, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 361,626	\$ 361,626	\$ 401,879	\$ 40,253
Investment earnings	475	475	12,196	11,721
Total revenues	<u>362,101</u>	<u>362,101</u>	<u>414,075</u>	<u>51,974</u>
EXPENDITURES				
Debt Service				
Principal	320,000	320,000	585,002	(265,002)
Interest and fiscal charges	<u>4,716</u>	<u>4,716</u>	<u>284,777</u>	<u>(280,061)</u>
Total expenditures	<u>324,716</u>	<u>324,716</u>	<u>869,779</u>	<u>(545,063)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>37,385</u>	<u>37,385</u>	<u>(455,704)</u>	<u>(493,089)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	529,150	529,150
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>529,150</u>	<u>529,150</u>
NET CHANGE IN FUND BALANCE	<u>37,385</u>	<u>37,385</u>	<u>73,446</u>	<u>36,061</u>
FUND BALANCE, BEGINNING	<u>232,576</u>	<u>232,576</u>	<u>232,576</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 269,961</u>	<u>\$ 269,961</u>	<u>\$ 306,022</u>	<u>\$ 36,061</u>

STATISTICAL SECTION

CITY OF PORT LAVACA, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(UNAUDITED)

	2014	2015	2016	2017
Governmental activities:				
Net investment in capital assets	\$ 19,170,337	\$ 20,724,855	\$ 20,549,966	\$ 21,310,618
Restricted	1,175,154	1,330,800	1,321,980	1,545,313
Unrestricted	<u>7,942,352</u>	<u>8,118,735</u>	<u>9,368,639</u>	<u>10,301,123</u>
Total governmental activities net position	<u>28,287,843</u>	<u>30,174,390</u>	<u>31,240,585</u>	<u>33,157,054</u>
Business-type activities:				
Net investment in capital assets	16,550,105	17,592,876	17,986,418	18,489,664
Unrestricted	<u>6,402,372</u>	<u>5,622,584</u>	<u>6,247,533</u>	<u>7,262,774</u>
Total business-type activities net position	<u>22,952,477</u>	<u>23,215,460</u>	<u>24,233,951</u>	<u>25,752,438</u>
Primary government:				
Net investment in capital assets	35,720,442	38,317,731	38,536,384	39,800,282
Restricted	1,175,154	1,330,800	1,321,980	1,545,313
Unrestricted	<u>14,344,724</u>	<u>13,741,319</u>	<u>15,616,172</u>	<u>17,563,897</u>
Total primary government net position	<u>\$ 51,240,320</u>	<u>\$ 53,389,850</u>	<u>\$ 55,474,536</u>	<u>\$ 58,909,492</u>

TABLE 1

2018	2019	2020	2021	2022	2023
\$ 22,482,158	\$ 23,390,026	\$ 26,755,385	\$ 28,656,325	\$ 34,463,945	\$ 38,401,727
1,765,338	990,959	1,065,732	1,112,272	736,922	923,072
<u>9,843,388</u>	<u>12,460,165</u>	<u>13,366,444</u>	<u>13,350,761</u>	<u>9,759,025</u>	<u>9,257,486</u>
<u>34,090,884</u>	<u>36,841,150</u>	<u>41,187,561</u>	<u>43,119,358</u>	<u>44,959,892</u>	<u>48,582,285</u>
18,732,930	21,173,355	23,856,570	27,712,054	28,941,132	29,675,929
<u>8,326,831</u>	<u>8,955,810</u>	<u>6,981,221</u>	<u>5,504,783</u>	<u>5,591,302</u>	<u>4,121,769</u>
<u>27,059,761</u>	<u>30,129,165</u>	<u>30,837,791</u>	<u>33,216,837</u>	<u>34,532,434</u>	<u>33,797,698</u>
41,215,088	44,563,381	50,611,955	56,368,379	63,405,077	68,077,656
1,765,338	990,959	1,065,732	1,112,272	736,922	923,072
<u>18,170,219</u>	<u>21,415,975</u>	<u>20,347,665</u>	<u>18,855,544</u>	<u>15,350,327</u>	<u>13,379,255</u>
<u>\$ 61,150,645</u>	<u>\$ 66,970,315</u>	<u>\$ 72,025,352</u>	<u>\$ 76,336,195</u>	<u>\$ 79,492,326</u>	<u>\$ 82,379,983</u>

CITY OF PORT LAVACA, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(UNAUDITED)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
EXPENSES				
Governmental activities:				
General government	\$ 2,632,811	\$ 2,405,720	\$ 2,417,076	\$ 2,615,056
Public safety	3,232,531	3,292,483	3,200,259	3,460,733
Public works	1,379,978	1,374,483	1,592,784	1,423,250
Parks and recreation	629,640	685,084	697,230	748,171
Interest on long-term de	67,300	60,841	53,809	51,373
Total governmental activities expenses	<u>7,942,260</u>	<u>7,818,611</u>	<u>7,961,158</u>	<u>8,298,583</u>
Business-type activities:				
Public utilities	4,252,370	4,614,845	4,452,538	4,313,837
Port revenue	456,212	447,151	396,088	340,846
Beach operations	261,309	344,669	272,436	267,756
Total business-type activities	<u>4,969,891</u>	<u>5,406,665</u>	<u>5,121,062</u>	<u>4,922,439</u>
Total primary government program expenses	<u>12,912,151</u>	<u>13,225,276</u>	<u>13,082,220</u>	<u>13,221,022</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	321,396	270,479	337,865	451,257
Public safety	215,491	246,251	183,232	194,305
Parks and recreation	76,290	87,084	87,130	76,020
Operating grants and contributions	687,201	364,996	273,077	741,691
Capital grants and contributions	142,843	32,894	-	21,410
Total governmental activities program revenues	<u>1,443,221</u>	<u>1,001,704</u>	<u>881,304</u>	<u>1,484,683</u>
Business-type activities:				
Charges for services:				
Public utilities	5,288,188	5,828,910	5,586,184	5,702,881
Port commission	490,770	423,933	425,986	453,062
Beach operations	302,118	305,800	310,472	302,124
Operating grants and contributions	-	-	2,000	2,000
Capital grants and contributions	248,350	37,000	45,625	181,111
Total business-type activities program revenues	<u>6,329,426</u>	<u>6,595,643</u>	<u>6,370,267</u>	<u>6,641,178</u>
Total primary government program revenues	<u>7,772,647</u>	<u>7,597,347</u>	<u>7,251,571</u>	<u>8,125,861</u>

TABLE 2

	2018	2019	2020	2021	2022	2023
\$	4,221,921	\$ 3,318,934	\$ 2,053,858	\$ 2,236,695	\$ 2,492,123	\$ 2,896,482
	3,411,589	3,355,541	3,533,380	3,577,687	4,158,956	4,941,909
	1,653,462	1,658,704	1,521,470	1,659,726	2,275,913	2,003,531
	758,143	790,807	716,662	796,615	1,016,236	1,227,015
	45,858	40,061	33,969	32,659	52,061	470,944
	<u>10,090,973</u>	<u>9,164,047</u>	<u>7,859,339</u>	<u>8,303,382</u>	<u>9,995,289</u>	<u>11,539,881</u>
	4,414,433	4,262,430	4,555,046	6,229,273	6,130,673	7,267,149
	347,709	595,580	555,137	872,257	700,500	664,730
	244,200	305,831	189,276	217,457	245,542	311,518
	<u>5,006,342</u>	<u>5,163,841</u>	<u>5,299,459</u>	<u>7,318,987</u>	<u>7,076,715</u>	<u>8,243,397</u>
	<u>15,097,315</u>	<u>14,327,888</u>	<u>13,158,798</u>	<u>15,622,369</u>	<u>17,072,004</u>	<u>19,783,278</u>
	348,096	293,452	272,534	286,162	395,339	445,044
	35,072	12,758	8,874	10,165	29,446	20,440
	10,800	51,785	30,345	59,655	66,800	73,115
	1,291,888	1,533,401	1,895,078	3,270,145	609,798	937,567
	-	-	336,700	172,848	1,824,340	2,563,889
	<u>1,685,856</u>	<u>1,891,396</u>	<u>2,543,531</u>	<u>3,798,975</u>	<u>2,925,723</u>	<u>4,040,055</u>
	5,770,068	5,824,260	5,629,845	5,414,992	5,345,804	6,747,961
	483,334	628,762	579,343	721,804	665,213	708,010
	221,127	324,004	272,788	204,457	89,148	176,451
	-	-	-	-	-	-
	<u>2,500</u>	<u>1,531,801</u>	<u>474,503</u>	<u>209,193</u>	<u>1,345,581</u>	<u>13,123</u>
	<u>6,477,029</u>	<u>8,308,827</u>	<u>6,956,479</u>	<u>6,550,446</u>	<u>7,445,746</u>	<u>7,645,545</u>
	<u>8,162,885</u>	<u>10,200,223</u>	<u>9,500,010</u>	<u>10,349,421</u>	<u>10,371,469</u>	<u>11,685,600</u>

CITY OF PORT LAVACA, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(UNAUDITED)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
NET (EXPENSE) REVENUES				
Governmental activities	\$ (6,499,039)	\$ (6,816,907)	\$ (7,079,854)	\$ (6,813,900)
Business-type activities	<u>1,359,535</u>	<u>1,188,978</u>	<u>1,249,205</u>	<u>1,718,739</u>
Total primary government net expense	<u>(5,139,504)</u>	<u>(5,627,929)</u>	<u>(5,830,649)</u>	<u>(5,095,161)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	3,971,992	4,071,091	4,054,264	4,159,200
Sales	2,500,013	2,809,977	2,510,153	2,693,583
Franchise	615,184	615,800	587,153	583,034
Other taxes	576,001	538,290	427,960	615,385
Investment earnings	14,445	29,459	42,964	104,812
Miscellaneous	191,564	245,554	254,054	306,855
Transfers	<u>251,168</u>	<u>864,500</u>	<u>269,501</u>	<u>267,500</u>
Total governmental activities	<u>8,120,367</u>	<u>9,174,671</u>	<u>8,146,049</u>	<u>8,730,369</u>
Business-type activities:				
Investment earnings	13,023	13,563	38,787	67,248
Transfers	(251,168)	(864,500)	(269,501)	(267,500)
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>(238,145)</u>	<u>(850,937)</u>	<u>(230,714)</u>	<u>(200,252)</u>
Total primary government	<u>7,882,222</u>	<u>8,323,734</u>	<u>7,915,335</u>	<u>8,530,117</u>
CHANGE IN NET POSITION				
Governmental activities	1,621,328	2,357,764	1,066,195	1,916,469
Business-type activities	<u>1,121,390</u>	<u>338,041</u>	<u>1,018,491</u>	<u>1,518,487</u>
Total primary government	<u>\$ 2,742,718</u>	<u>\$ 2,695,805</u>	<u>\$ 2,084,686</u>	<u>\$ 3,434,956</u>

TABLE 2

2018	2019	2020	2021	2022	2023
\$ (8,405,117)	\$ (7,272,651)	\$ (5,315,808)	\$ (4,504,407)	\$ (7,069,566)	\$ (7,499,826)
<u>1,470,687</u>	<u>3,144,986</u>	<u>1,657,020</u>	<u>(768,541)</u>	<u>369,031</u>	<u>(597,852)</u>
<u>(6,934,430)</u>	<u>(4,127,665)</u>	<u>(3,658,788)</u>	<u>(5,272,948)</u>	<u>(6,700,535)</u>	<u>(8,097,678)</u>
4,217,842	4,310,870	4,517,719	4,646,594	4,846,803	5,058,543
3,138,929	3,562,168	3,287,441	3,566,918	3,504,110	3,554,946
588,803	584,078	569,268	582,631	590,101	592,885
692,232	685,682	560,236	561,956	490,600	619,910
199,214	329,183	127,105	7,760	84,060	851,723
415,208	276,301	320,406	212,081	75,609	47,675
267,500	274,635	280,044	(3,141,736)	(681,183)	396,537
<u>9,519,728</u>	<u>10,022,917</u>	<u>9,662,219</u>	<u>6,436,204</u>	<u>8,910,100</u>	<u>11,122,219</u>
136,038	199,053	85,575	5,851	59,323	181,223
(267,500)	(274,635)	(280,044)	3,141,736	681,183	(396,537)
-	-	-	-	206,060	78,430
<u>(131,462)</u>	<u>(75,582)</u>	<u>(194,469)</u>	<u>3,147,587</u>	<u>946,566</u>	<u>(136,884)</u>
<u>9,388,266</u>	<u>9,947,335</u>	<u>9,467,750</u>	<u>9,583,791</u>	<u>9,856,666</u>	<u>10,985,335</u>
1,114,611	2,750,266	4,346,411	1,931,797	1,840,534	3,622,393
<u>1,339,225</u>	<u>3,069,404</u>	<u>1,462,551</u>	<u>2,379,046</u>	<u>1,315,597</u>	<u>(734,736)</u>
<u>\$ 2,453,836</u>	<u>\$ 5,819,670</u>	<u>\$ 5,808,962</u>	<u>\$ 4,310,843</u>	<u>\$ 3,156,131</u>	<u>\$ 2,887,657</u>

CITY OF PORT LAVACA, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(UNAUDITED)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund:				
Nonspendable	\$ 51,193	\$ 47,218	\$ 45,717	\$ 42,147
Committed	3,440,775	3,679,520	3,534,329	3,373,832
Unassigned	<u>3,183,423</u>	<u>4,076,496</u>	<u>4,922,293</u>	<u>6,687,299</u>
Total general fund	<u>\$ 6,675,391</u>	<u>\$ 7,803,234</u>	<u>\$ 8,502,339</u>	<u>\$ 10,103,278</u>
All other governmental funds				
Restricted	\$ 1,150,840	\$ 1,326,421	\$ 2,259,195	\$ 1,907,218
Committed	-	-	-	-
Unassigned	<u>1,008,386</u>	<u>478,412</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 2,159,226</u>	<u>\$ 1,804,833</u>	<u>\$ 2,259,195</u>	<u>\$ 1,907,218</u>

TABLE 3

2018	2019	2020	2021	2022	2023
\$ 46,702	\$ 53,633	\$ 47,524	\$ 536,126	\$ 165,179	\$ 213,614
2,548,794	2,630,824	2,911,895	2,963,681	1,458,495	1,304,073
<u>8,508,563</u>	<u>11,137,483</u>	<u>10,714,713</u>	<u>9,368,362</u>	<u>8,762,124</u>	<u>7,479,005</u>
\$ <u>11,104,059</u>	\$ <u>13,821,940</u>	\$ <u>13,674,132</u>	\$ <u>12,868,169</u>	\$ <u>10,385,798</u>	\$ <u>8,996,692</u>
\$ 1,748,089	\$ 969,522	\$ 1,635,030	\$ 2,668,258	\$ 1,108,159	\$ 6,693,317
-	-	-	-	-	1,152,605
(908,694)	(1,584,412)	(1,181,122)	(1,296,200)	(801,809)	(764,753)
\$ <u>839,395</u>	\$ <u>(614,890)</u>	\$ <u>453,908</u>	\$ <u>1,372,058</u>	\$ <u>306,350</u>	\$ <u>7,081,169</u>

CITY OF PORT LAVACA, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(UNAUDITED)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
REVENUES				
Taxes	\$ 7,653,598	\$ 8,059,337	\$ 7,556,970	\$ 8,040,235
Fines and fees	512,461	518,363	508,347	524,683
Licenses and permits	131,291	105,245	109,637	231,321
Charges for services	2,901	3,667	2,744	2,176
Intergovernmental	830,044	372,153	273,077	763,101
Investment earnings	14,445	29,459	42,964	104,812
Rental	76,290	87,084	87,130	76,020
Miscellaneous	<u>143,274</u>	<u>157,627</u>	<u>163,060</u>	<u>192,809</u>
Total revenues	<u>9,364,304</u>	<u>9,332,935</u>	<u>8,743,929</u>	<u>9,935,157</u>
EXPENDITURES				
General government	2,604,645	2,374,117	2,430,712	2,597,561
Public safety	3,336,053	3,198,927	3,088,008	3,309,471
Public works	983,253	1,344,897	1,190,259	1,275,343
Parks and recreation	469,422	1,004,617	738,490	614,018
Capital outlay	412,833	1,215,917	88,715	830,641
Debt service				
Principal	265,000	275,000	280,000	285,000
Interest and fiscal charges	<u>60,386</u>	<u>53,571</u>	<u>47,396</u>	<u>41,661</u>
Total expenditures	<u>8,131,592</u>	<u>9,467,046</u>	<u>7,863,580</u>	<u>8,953,695</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 1,232,712</u>	<u>\$ (134,111)</u>	<u>\$ 880,349</u>	<u>\$ 981,462</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital asset	-	43,061	3,617	-
Transfers in	1,228,814	1,813,565	1,126,774	498,161
Transfers out	(969,044)	(949,065)	(857,273)	(230,661)
Premium on debt	-	-	-	-
Issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>259,770</u>	<u>907,561</u>	<u>273,118</u>	<u>267,500</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,492,482</u>	<u>\$ 773,450</u>	<u>\$ 1,153,467</u>	<u>\$ 1,248,962</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>4.44%</u>	<u>4.52%</u>	<u>4.41%</u>	<u>4.30%</u>

TABLE 4

	2018	2019	2020	2021	2022	2023
\$	8,639,785	\$ 9,114,573	\$ 8,864,777	\$ 9,362,338	\$ 9,431,614	\$ 9,805,480
	347,588	301,226	226,907	260,280	240,058	369,250
	154,056	120,897	168,367	161,772	181,583	158,513
	4,079	12,897	14,708	10,127	3,744	2,589
	1,291,888	864,617	2,181,264	3,918,483	2,634,908	3,475,029
	199,214	329,183	127,105	7,760	84,060	851,723
	10,800	51,785	30,345	59,655	66,200	71,250
	<u>315,222</u>	<u>175,642</u>	<u>177,608</u>	<u>69,389</u>	<u>75,609</u>	<u>47,675</u>
	<u>10,962,632</u>	<u>10,970,820</u>	<u>11,791,081</u>	<u>13,849,804</u>	<u>12,717,776</u>	<u>14,781,509</u>
	4,198,251	3,265,874	2,000,288	2,237,772	2,436,691	2,678,499
	3,396,134	3,287,595	3,618,499	3,677,212	4,210,570	4,523,496
	1,217,296	1,240,009	1,129,316	1,152,387	1,688,607	1,326,675
	642,491	624,107	557,569	743,956	834,691	889,282
	1,517,027	1,234,437	3,708,542	5,142,930	5,930,010	6,851,761
	290,000	300,000	300,000	317,655	461,106	726,506
	<u>35,975</u>	<u>29,837</u>	<u>23,746</u>	<u>22,265</u>	<u>22,997</u>	<u>449,679</u>
	<u>11,297,174</u>	<u>9,981,859</u>	<u>11,337,960</u>	<u>13,294,177</u>	<u>15,584,672</u>	<u>17,445,898</u>
\$	<u>(334,542)</u>	<u>988,961</u>	<u>453,121</u>	<u>555,627</u>	<u>(2,866,896)</u>	<u>(2,664,389)</u>
	-	-	-	-	-	-
	1,588,152	2,052,702	2,270,994	3,038,740	348,474	3,935,101
	<u>(1,320,652)</u>	<u>(1,778,067)</u>	<u>(1,990,950)</u>	<u>(3,482,180)</u>	<u>(1,029,657)</u>	<u>(3,538,564)</u>
	-	-	-	-	-	318,565
	-	-	<u>187,825</u>	-	-	<u>7,335,000</u>
	<u>267,500</u>	<u>274,635</u>	<u>467,869</u>	<u>(443,440)</u>	<u>(681,183)</u>	<u>8,050,102</u>
\$	<u>(67,042)</u>	<u>1,263,596</u>	<u>920,990</u>	<u>112,187</u>	<u>(3,548,079)</u>	<u>5,385,713</u>
	<u>3.42%</u>	<u>3.90%</u>	<u>4.49%</u>	<u>3.26%</u>	<u>4.78%</u>	<u>6.74%</u>

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TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS (1)

LAST TEN FISCAL YEARS

Fiscal Year	Ad Valorem	Sales	Franchise	Hotel/Motel	Beverage	Total
2014	3,962,400	2,500,013	615,184	557,841	18,160	7,653,598
2015	4,095,270	2,809,977	615,800	515,635	22,655	8,059,337
2016	4,031,704	2,510,153	587,153	403,714	24,246	7,556,970
2017	4,148,233	2,693,583	583,034	585,491	29,894	8,040,235
2018	4,219,821	3,138,929	588,803	656,156	36,076	8,639,785
2019	4,282,645	3,562,168	584,078	650,174	35,508	9,114,573
2020	4,447,832	3,287,441	569,268	531,123	29,113	8,864,777
2021	4,650,833	3,566,918	582,631	528,147	33,809	9,362,338
2022	4,846,803	3,504,110	590,101	457,975	32,625	9,431,614
2023	5,037,739	3,554,946	592,885	591,294	28,616	9,805,480

(1) Modified accrual basis of accounting

NOTES: Fiscal years 2014 thru 2017 had an increase in revenue due to the hotel/motel audit performed and the payment of back taxes owed.

CITY OF PORT LAVACA, TEXAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Tax Roll	Real Property			Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value Before Freeze
		Residential Property	Non-Residential Property				
2014	2013	262,539,992	238,108,943	104,598,314	90,882,927	514,364,322	
2015	2014	266,971,427	245,595,854	111,134,071	96,145,972	527,555,380	
2016	2015	273,143,803	252,372,733	100,428,715	99,607,928	526,337,323	
2017	2016	282,739,771	260,500,871	102,055,513	103,951,981	541,344,174	
2018	2017	293,607,619	263,417,728	92,256,010	104,333,461	544,947,896	
2019	2018	295,325,973	266,692,835	98,370,030	103,782,635	556,606,203	
2020	2019	322,582,797	283,500,144	95,603,880	114,985,855	586,700,966	
2021	2020	339,679,410	303,827,759	97,480,380	143,503,319	597,484,230	
2022	2021	358,077,799	323,563,158	102,321,220	150,978,321	632,683,856	
2023	2022	388,354,296	330,840,788	110,936,910	163,970,096	666,161,898	

(1) Includes tax-exempt property

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

SOURCE Calhoun County Appraisal District

TABLE 6

Total Freeze Taxable	Freeze Adjusted Taxable	Total Direct Tax Rate	Estimated Tax Value Before Freeze Ceiling	Freeze Ceiling	Estimated Tax Value Including Freeze Ceiling	Assessed Value (1) as a Percentage of Actual Value
(71,687,194)	442,677,128	0.7900	3,950,383	453,234	4,403,617	100.00%
(73,217,883)	454,337,497	0.7900	4,061,002	471,736	4,532,738	100.00%
(72,637,802)	453,699,521	0.7900	4,049,095	464,869	4,513,964	100.00%
(75,865,635)	465,478,539	0.7900	4,154,852	477,572	4,632,424	100.00%
(77,851,764)	467,096,132	0.7944	3,710,612	489,316	4,199,928	100.00%
(78,616,548)	477,989,655	0.7944	3,797,150	498,326	4,295,476	100.00%
(85,258,876)	501,441,090	0.7944	3,983,448	518,351	4,501,799	100.00%
(79,517,061)	517,967,159	0.7944	4,114,731	517,024	4,631,755	100.00%
(84,587,681)	548,096,175	0.7944	4,354,076	535,355	4,889,431	100.00%
(91,392,517)	574,769,381	0.7944	4,565,968	549,875	5,115,843	100.00%

CITY OF PORT LAVACA, TEXAS

TABLE 7

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUE**

LAST TEN FISCAL YEARS

Fiscal Year	Tax Roll	City Direct Rates			Overlapping Rates				
		Debt Service	General Fund	Total	School District	Calhoun County	Port Authority	Groundwater Conservation District	Total
2014	2013	0.0791	0.7109	0.7900	1.1151	0.4900	0.0031	N/A	1.6082
2015	2014	0.0805	0.7095	0.7900	1.2769	0.4900	0.0030	0.0100	1.7799
2016	2015	0.0777	0.7123	0.7900	1.2936	0.4900	0.0025	0.0100	1.7961
2017	2016	0.0746	0.7154	0.7900	1.2936	0.4900	0.0010	0.0100	1.7946
2018	2017	0.0744	0.7200	0.7944	1.2936	0.4900	0.0010	0.0100	1.7946
2019	2018	0.0731	0.7213	0.7944	1.2936	0.4900	0.0010	0.0098	1.7944
2020	2019	0.0676	0.7268	0.7944	1.1936	0.5572	0.0010	0.0095	1.7613
2021	2020	0.0660	0.7284	0.7944	1.1649	0.5872	0.0009	0.0083	1.7613
2022	2021	0.0636	0.7308	0.7944	1.0963	0.6101	0.0009	0.0080	1.7153
2023	2022	0.0637	0.7307	0.7944	0.9567	0.5970	0.0008	0.0072	1.5617

NOTE: N/A denotes information not available

SOURCE: Calhoun County Appraisal District

CITY OF PORT LAVACA, TEXAS

TABLE 8

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago
(UNAUDITED)

2023		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Helena Agri-Enterprises LLC	\$16,098,810	2.80%
Rexco Inc	13,010,050	2.26%
BKCK LTD	10,299,780	1.79%
118 Trinity Shores Dr LLC	9,756,240	1.70%
AEP Texas Central Company	9,440,710	1.64%
Stateline Holdings Lavaca LLC	7,774,570	1.35%
Momentum Rental & Sales , Inc.	7,740,000	1.35%
Wal-Mart Real Estate Business Trust	7,581,200	1.32%
Maxim Crane Works LP	7,312,190	1.27%
Bay Hospitality	<u>6,832,280</u>	1.19%
	<u>\$ 95,845,830</u>	<u>16.67%</u>

2014		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Orion Marine Construction	\$ 16,004,382	3.62%
Rexco, Inc.	11,177,370	2.52%
Port Lavaca Dodge	8,660,740	1.96%
Wal-Mart Real Estate Business Trust	8,039,840	1.82%
Momentum Rental & Sales , Inc.	5,955,690	1.35%
Wal-Mart Stores Texas, LP	5,667,770	1.28%
AEP Texas Central Company	5,374,922	1.21%
H E Butt Grocery Company	5,270,960	1.19%
Helena Chemicals	5,027,680	1.14%
BKCK LTD	<u>4,673,500</u>	1.06%
	<u>\$ 75,852,854</u>	<u>17.15%</u>

SOURCE: Calhoun County Appraisal District

CITY OF PORT LAVACA, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
					<u>Amount</u>	<u>Percentage of Levy</u>
2014	2013	3,956,897	(1,303)	3,955,594	3,836,830	97.00%
2015	2014	4,071,887	733	4,072,620	3,975,129	97.61%
2016	2015	4,065,656	(10,885)	4,054,771	3,947,621	97.36%
2017	2016	4,166,147	(3,352)	4,162,795	4,046,380	97.20%
2018	2017	4,209,792	2,553	4,212,345	4,112,004	97.62%
2019	2018	4,308,690	(1,515)	4,307,175	4,182,712	97.11%
2020	2019	4,521,222	(6,560)	4,514,662	4,345,956	96.26%
2021	2020	4,562,185	84,797	4,646,982	4,536,162	97.62%
2022	2021	4,738,962	162,578	4,901,540	4,762,523	97.16%
2023	2022	5,090,650	35,356	5,126,006	4,892,265	95.44%

SOURCE: Calhoun County Appraisal District

TABLE 9

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
106,869	3,943,699	99.70%
87,397	4,062,526	99.75%
95,590	4,043,211	99.71%
99,746	4,146,126	99.60%
74,637	4,186,641	99.39%
77,123	4,259,835	98.90%
94,077	4,440,033	98.35%
19,570	4,555,732	98.04%
78,573	4,841,096	98.77%
-	4,892,265	95.44%

CITY OF PORT LAVACA, TEXAS

WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gallons of GBRA Water Purchased</u>	<u>Gallons of Metered Consumption</u>	<u>Gallons of Unmetered Consumption</u>	<u>Gallons of Water Unaccounted</u>	<u>Average Percent Unaccounted</u>	<u>Gallons of Wastewater Treated</u>
2014	467,309,000	374,281,000	14,077	93,013,923	20%	305,012,000
2015	564,410,500	435,402,000	29,458	128,979,042	23%	337,739,000
2016	495,589,000	394,292,000	21,430	101,275,570	20%	406,730,000
2017	436,727,000	402,621,000	20,467	34,085,533	8%	372,684,556
2018	461,979,000	409,691,000	52,288	52,235,712	11%	460,402,000
2019	464,765,000	402,201,333	31,395	62,532,272	13%	413,272,185
2020	502,519,000	404,175,000	250,000	98,094,000	20%	680,340,000
2021	479,533,000	401,351,000	175,000	78,007,000	16%	504,450,000
2022	504,801,000	276,318,000	2,445,000	226,038,000	45%	591,460,000
2023	824,895,000	357,429,000	2,500,000	464,966,000	56%	559,510,000

NOTES: The City purchases water from the Guadalupe-Blanco River Authority. Water and Sewer Usage Rates shown are for 5,000 gallons usage. N/A denotes information not available. Unmetered consumption is an estimation (Water Main Breaks, Fire Drills, Line flushing, etc.)

SOURCE: City of Port Lavaca Utility Department

TABLE 10

Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
16.00	14.25	15.00	15.54
16.00	14.25	15.00	15.54
16.00	14.25	15.00	15.54
16.50	14.25	15.50	15.87
16.50	14.25	15.50	15.87
16.50	14.25	15.50	15.87
17.00	14.34	16.00	16.20
17.00	14.34	16.00	16.20
17.00	14.34	16.00	16.20
24.68	14.34	25.27	16.20

CITY OF PORT LAVACA, TEXAS

WATER AND SEWER RATES

LAST TEN FISCAL YEARS

	2014		2015		2016	
	Res.	Comm.	Res.	Comm.	Res.	Comm.
Water Rates						
Base Rate (includes 2,000 gallons)						
Base Rate by Meter Size						
3/4" to 5/8"	\$ 16.00	\$ 18.50	\$ 16.00	\$ 18.50	\$ 16.00	\$ 18.50
1"	16.00	18.50	16.00	18.50	16.00	18.50
1 1/2"	16.00	18.50	16.00	18.50	16.00	18.50
2"	16.00	36.00	16.00	36.00	16.00	36.00
3"	16.00	36.00	16.00	36.00	16.00	36.00
4"	16.00	36.00	16.00	36.00	16.00	36.00
6"	16.00	36.00	16.00	36.00	16.00	36.00
Per 1,000 gallons over base charge	4.75	4.95	4.75	4.95	4.75	4.95
Conservation Rate Tiers for water						
Per 1,000 gallons 2,001 - 5,000	4.75	4.95	4.75	4.95	4.75	4.95
Per 1,000 gallons 5,001 - 25,000	5.03	5.03	5.03	5.03	5.03	5.03
Per 1,000 gallons Over 25,000	5.71	5.71	5.71	5.71	5.71	5.71
Sewer Rates						
Base Rate (includes 2,000 gallons)	15.00	16.75	15.00	16.75	15.00	16.75
Per 1,000 gallons over base charge	5.18	5.18	5.18	5.18	5.18	5.18

NOTES: Increases in water and sewer rates are approved by the City Council. Sewer consumption rates for residential customers are based on the average of the last three-month period of December, January, and February that preceded the billing date. Customers outside City limits are charged a rate of 1.5 times the inside City limit rates.

The City changed the rate classification in "Res." - Residential
"Comm." - Commercial

The City changed to a tiered conservation rate in 2013.

TABLE 11

2017		2018		2019		2020		2021	
Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.
\$ 16.50	\$ 19.00	\$ 16.50	\$ 19.00	\$ 17.00	\$ 19.50	\$ 17.00	\$ 19.50	\$ 17.00	\$ 19.50
16.50	19.00	16.50	19.00	17.00	19.50	17.00	19.50	17.00	19.50
16.50	19.00	16.50	19.00	17.00	19.50	17.00	19.50	17.00	19.50
16.50	36.50	16.50	36.50	17.00	37.00	17.00	37.00	17.00	37.00
16.50	36.50	16.50	36.50	17.00	37.00	17.00	37.00	17.00	37.00
16.50	36.50	16.50	36.50	17.00	37.00	17.00	37.00	17.00	37.00
16.50	36.50	16.50	36.50	17.00	37.00	17.00	37.00	17.00	37.00
4.75	4.95	4.75	4.95	4.75	4.95	4.78	4.95	4.78	4.95
4.75	4.95	4.75	4.95	4.75	4.95	4.78	4.95	4.78	4.95
5.14	5.14	5.14	5.14	5.14	5.14	5.26	5.14	5.26	5.26
5.14	5.14	5.14	5.14	5.14	5.14	5.97	5.14	5.97	5.97
15.50	17.25	15.50	17.25	16.00	17.75	16.00	17.75	16.00	17.75
5.29	5.29	5.29	5.29	5.29	5.29	5.40	5.40	5.40	5.40

WATER AND SEWER RATES

LAST TEN FISCAL YEARS

	2022		2023	
	Res.	Comm.	Res.	Comm.
Water Rates				
Base Rate (includes 2,000 gallons)				
Base Rate by Meter Size				
3/4" to 5/8"	\$ 17.00	\$ 19.50	\$ 24.68	\$ 27.18
1"	17.00	19.50	24.68	27.18
1 1/2"	17.00	19.50	24.68	27.18
2"	17.00	37.00	24.68	44.68
3"	17.00	37.00	24.68	44.68
4"	17.00	37.00	24.68	44.68
6"	17.00	37.00	24.68	44.68
Per 1,000 gallons over base charge	4.78	4.95	4.78	4.95
Conservation Rate Tiers for water				
Per 1,000 gallons 2,001 - 5,000	4.78	4.95	4.78	4.95
Per 1,000 gallons 5,001 - 25,000	5.26	5.26	5.26	5.26
Per 1,000 gallons Over 25,000	5.97	5.97	5.97	5.97
Sewer Rates				
Base Rate (includes 2,000 gallons)	16.00	17.75	25.27	27.02
Per 1,000 gallons over base charge	5.40	5.40	5.40	5.40

NOTES: Increases in water and sewer rates are approved by the City Council. Sewer consumption rates for residential customers are based on the average of the last three-month period of December, January, and February that preceded the billing date. Customers outside City limits are charged a rate of 1.5 times the inside City limit rates.

The City changed the rate classification in 2008.

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

The City changed to a tiered conservation rate in 2013.

CITY OF PORT LAVACA, TEXAS

TABLE 12

TEN LARGEST WATER CUSTOMERS

(UNAUDITED)

Current Year and Nine Years Ago

2023			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
VIVA PROPERTIES (Q-3)	Apartment Complex	5,025	1.41%
SEA BREEZE VILLAGE APT	Apartment Complex	5,526	1.55%
CALHOUN COUNY ADULT DETENTION CENTER	County Jail	4,232	1.18%
MEMORIAL MEMORIAL CENTER	Hospital	3,877	1.08%
REGENCY NUSRING & REHAB CENTER	Senior Citizen Home	3,186	0.89%
CCISD HIGH SCHOOL	School	4,686	1.31%
VIVA Properties (Crane)	Apartment Complex	3,557	1.00%
COLONIEL ARMS APARTMENTS	Apartment Complex	2,613	0.73%
BETHANY SENIOR LIVING	Senior Citizen Home	2,877	0.80%
CLVR ACQUISITIONS LTD - VILLAGE APTS	Apartment Complex	2,721	0.76%
2014			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
City of Port Lavaca	City Government	16,332	4.36%
Calhoun County I.S.D	School District	11,195	2.99%
Hillman Shrimp & Oyster	Fishing Industry	10,467	2.80%
Memorial Medican Center	Hospital	6,208	1.66%
Bordeaux Apartment	Apartment Complex	6,176	1.65%
Regency Nursing & Rehab Center	Senior Citizen Center	5,397	1.44%
Calhoun County	County Government	4,246	1.13%
Lighthosue Seafood	Commercial Oyster House	3,289	0.88%
Splash & Dash	Commercial Car Wash	3,039	0.81%
CLVR Acquisitions, LTD	Apartment Complex	2,641	0.71%

SOURCE: City of Port Lavaca Website - ACFR (for the oldest year)

CITY OF PORT LAVACA, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities		
	Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premium	Financing Arrangements	Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premium
2014	55,000	2,680,000	-	172,640	3,725,000	3,175,000	-
2015	-	2,460,000	-	132,094	3,355,000	3,000,000	-
2016	-	2,180,000	-	89,837	2,965,000	2,820,000	-
2017	-	1,895,000	-	45,830	3,975,000	1,125,000	-
2018	-	1,605,000	-	-	3,255,000	1,040,000	-
2019	-	1,305,000	-	-	2,510,000	2,430,000	99,436
2020	-	1,005,000	-	187,825	2,270,000	1,750,000	94,717
2021	-	700,000	-	175,170	2,100,000	980,000	89,661
2022	-	380,000	-	406,450	1,925,000	200,000	82,764
2023	7,070,000	60,000	302,637	264,946	1,745,000	100,000	75,867

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

N/A denotes information not available

TABLE 13

<u>Business-type Activities</u>		<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
<u>Less: Issuance Discount</u>	<u>Financing Arrangements</u>			
(29,101)	-	9,778,539	2%	790
(28,460)	-	8,918,634	2%	719
(27,774)	-	8,027,063	2%	647
-	-	7,040,830	N/A	568
-	-	5,900,000	1%	483
-	-	6,344,436	1%	510
-	-	5,307,542	1%	459
-	-	4,044,831	0%	357
-	2,400,000	5,394,214	0%	476
-	1,940,881	11,559,331	1%	1,026

CITY OF PORT LAVACA, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding				Debt Service Monies Available (1)	Debt Payable from Enterprise Funds
	Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premium	Total		
2014	3,780,000	5,855,000	-	9,635,000	225,771	3,175,000
2015	3,355,000	5,460,000	-	8,815,000	146,887	3,000,000
2016	2,965,000	5,000,000	-	7,965,000	153,522	2,820,000
2017	3,975,000	3,020,000	-	6,995,000	165,276	1,125,000
2018	3,255,000	2,645,000	-	5,900,000	159,232	1,040,000
2019	2,510,000	3,735,000	99,436	6,344,436	166,022	2,529,436
2020	2,270,000	2,755,000	94,717	5,119,717	167,687	1,844,717
2021	2,100,000	1,680,000	89,661	3,869,661	176,757	1,069,661
2022	1,925,000	580,000	82,764	2,587,764	227,366	282,764
2023	8,815,000	160,000	378,504	9,353,504	306,022	-

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

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

TABLE 14

<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
6,234,229	1.21%	503.82
5,668,113	1.07%	457.14
4,991,478	0.95%	402.54
5,704,724	1.05%	459.87
4,700,768	0.86%	384.93
3,648,978	0.66%	293.49
3,107,313	0.53%	268.87
2,623,243	0.44%	231.37
2,077,634	0.33%	183.25
9,047,482	1.36%	803.36

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

(UNAUDITED)
September 30, 2023

		Gross Debt Outstanding		Percentage	Amount
	Date		Amount	Applicable	Applicable
				to City	to City
Direct Debt:					
City of Port Lavaca	9/30/2023	\$	<u>11,559,329</u>	100.00%	\$ <u>11,559,329</u>
Overlapping Debt:					
Calhoun County	9/30/2023		508,000	14.28%	72,542
Calhoun Independent School District	9/30/2023		8,184,750	13.74%	1,124,585
Calhoun Port Authority	9/30/2023		<u>-</u>	22.33%	<u>-</u>
Total Overlapping Debt			<u>8,692,750</u>		<u>1,197,127</u>
Total		\$	<u>20,252,079</u>		\$ <u>12,756,456</u>

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

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

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

CITY OF PORT LAVACA, TEXAS

TABLE 16

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Average Debt Service Requirements</u>	<u>Times Debt Coverage</u>
2014	5,296,396	3,519,390	1,777,006	1,049,797	1.69
2015	5,838,937	3,874,837	1,964,100	1,122,295	1.75
2016	5,586,184	3,632,004	1,954,180	672,207	2.91
2017	5,702,881	3,505,491	2,197,390	583,944	3.76
2018	5,872,960	3,686,896	2,186,064	564,106	3.88
2019	5,959,149	3,565,859	2,393,290	517,925	4.62
2020	6,016,140	4,191,799	1,824,341	447,774	4.07
2021	5,419,799	5,094,926	324,873	331,820	0.98
2022	5,598,268	5,010,433	587,835	136,033	4.32
2023	6,947,788	6,147,463	800,325	136,033	5.88

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

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

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Personal Income (Calhoun County)	(3) School Enrollment	(4) Unemployment Rate
2014	12,374	443,706,892	35,858	4,242	3.9%
2015	12,399	483,722,187	39,013	4,122	3.7%
2016	12,400	450,516,800	36,332	4,022	5.60%
2017	12,405	N/A	N/A	3,802	N/A
2018	12,212	795,537,000	36,587	3,805	5.80%
2019	12,433	833,716,000	38,668	3,748	4.10%
2020	11,557	983,763,000	46,208	3,840	3.20%
2021	11,338	1,095,838,000	52,180	3,681	5.80%
2022	11,338	1,195,244,000	60,589	3,576	4.90%
2023	11,262	1,310,970,000	66,526	3,530	3.70%

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

N/A denotes information not available.

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

(2) Bureau of Economic Analysis

(3) Calhoun Independent School District

(4) Texas Workforce Commission

PRINCIPAL EMPLOYERS
(UNAUDITED)
Current Year and Nine Years Ago

2023		
Employer	Employees	Percentage of Total County Employment
Formosa	2,716	27.99%
Dow Chemical	1,200	12.37%
Orion Marine Construction	300	3.09%
Testengeer, Inc	275	2.83%
Turner Industries	265	2.73%
Walmart Super Center	250	2.58%
Clark Construction	190	1.96%
Calhoun High School	122	1.26%
Port Lavaca Nursing and Rehabilitation Center	120	1.24%
Lester Contracting, Inc.	100	1.03%
	5,538	57.08%
2014		
Employer	Employees	Percentage of Total County Employment
Formos Plastics	2,400	24.69%
Inteplast Group	2,300	23.66%
Calhoun County I.S.D.	594	6.11%
Alcoa	650	6.69%
Dow Chemical	575	5.92%
Orion Marine Group, Inc.	407	4.19%
Calhoun County	210	2.16%
Seadrift Coke	152	1.56%
Memorial Medical Center	247	2.54%
INEOS Nitriles Formerly BP	123	1.27%
	7,658	78.79%

NOTES: Information is for the City and Calhoun County.

SOURCE: Texas Workforce Commission-Victoria Office

CITY OF PORT LAVACA, TEXAS

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

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2014	2015	2016	2017	2018
General government					
City manager	2.0	2.0	2.0	2.0	2.0
City secretary	1.0	1.0	2.0	2.0	2.0
Human resources	1.0	1.0	-	-	-
Economic development	1.0	2.0	1.0	1.0	1.0
Finance	3.0	3.0	3.0	3.0	3.0
Municipal court	3.0	3.0	3.0	3.0	3.0
Technology (Contract)	-	-	-	-	-
City Hall - custodial services	-	-	1.0	1.0	1.0
Public safety					
Police	20.0	20.0	20.0	20.0	20.0
Communications	6.0	6.0	6.0	6.0	6.0
Fire	17.0	17.0	17.0	17.0	17.0
Development Services	3.0	3.0	3.0	3.0	3.0
Animal control	2.0	2.0	2.0	2.0	2.0
Public works					
Public works	-	-	-	-	-
Streets/maintenance	15.0	15.0	15.0	15.0	15.0
Water/Wastewater					
Customer service	3.0	3.0	3.0	3.0	3.0
Meter readers	2.0	2.0	2.0	2.0	2.0
Water and sewer	14.0	14.0	14.0	14.0	14.0
Parks and recreation	6.0	6.0	6.0	6.0	6.0
Bauer Center	2.0	2.0	2.0	2.0	2.0
Port Revenue	1.5	1.0	-	1.0	1.0
Beach Operating Fund	-	-	-	-	-
Total	<u>102.5</u>	<u>103.0</u>	<u>102.0</u>	<u>103.0</u>	<u>103.0</u>

SOURCE: Various City of Port Lavaca Departments

TABLE 19

Fiscal Year				
<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
2.0	2.0	2.0	2.0	2.0
2.0	2.0	2.0	2.0	2.0
-	-	-	-	-
1.0	1.0	1.0	-	-
3.0	4.0	4.0	4.0	4.0
3.0	3.0	3.0	3.0	5.0
-	-	-	-	-
1.0	0.5	0.5	0.25	1
20.0	21.0	22.0	23.0	33.0
6.0	4.45	4.45	4.68	5.00
17.0	16.25	19.25	19.25	31.00
3.0	2.0	2.25	3.25	3.00
2.0	2.0	2.0	2.5	3.0
-	-	-	-	-
15.0	11.15	11.15	11.15	13.00
3.0	3.0	3.0	3.0	3.0
1.0	1.0	2.0	2.0	2.0
14.0	13.0	13.0	13.0	14.0
6.0	5.23	6.23	5.23	7.00
2.0	2.0	2.0	2.0	4.0
1.0	1.0	1.0	1.0	1.0
-	-	-	<u>1.0</u>	<u>1.0</u>
<u>102.0</u>	<u>94.58</u>	<u>100.83</u>	<u>102.31</u>	<u>134.00</u>

CITY OF PORT LAVACA, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2014	2015	2016	2017
General government				
Building permits issued	266	195	782	965
Building inspections conducted	689	411	538	741
Public safety				
Police				
Physical arrests	961	970	1,064	790
Traffic violations	2,366	3,353	4,584	2,075
Fire				
Fire calls	591	632	664	881
Public works				
Streets (miles)	50	50	50	50
Culture and recreation				
Parks and recreation				
Bauer Center rentals	212	218	215	190
Lighthouse beach park Pavillion	43	41	41	42
Water and wastewater				
Water				
Water customers	4,416	4,624	4,630	4,590
Water taps	10	10	21	28
Average daily consumption	1.33 mgd	1.13 mgd	1.24 mgd	1.21 mgd
Peak daily consumption	2.44 mgd	2.83 mgd	1.71 mgd	2.36 mgd
Wastewater				
Sewer customers	4,332	4,337	4,335	4,318
Sewer taps	7	7	13	13
Average daily sewage treatment	0.98 mgd	1.12 mgd	1.11 mgd	1.08 mgd

NOTES: Bauer Center was closed for most of fiscal year 2018 due to damages from Hurricane Harvey. Police and parks and recreation activity decreased in FY19 and FY20 due to the effects of COVID-19.

SOURCE: Various City of Port Lavaca departments

TABLE 20

Fiscal Year					
2018	2019	2020	2021	2022	2023
890	879	1,028	1,014	910	1,149
512	597	591	893	1,584	1,869
927	901	436	357	469	257
5,480	4,046	4,182	4,046	962	2,319
862	802	898	589	747	704
50	50	50	60	86	86
11	139	119	157	126	213
11	31	1	1	-	18
4,773	4,582	4,688	4,736	4,642	4,635
7	10	28	30	22	33
1.121 mgd	1.19 mgd	1.07 mgd	1.1 mgd	.757 mgd	.979 mgd
1.833 mgd	1.967 mgd	2.238 mgd	2.715 mgd	2.284 mgd	2.584 mgd
4,450	4,319	4,338	4,397	4,323	4,321
7	11	7	8	13	8
0.933 mgd	1.041 mgd	0.835 mgd	0.77 mgd	0.638 mgd	0.651 mgd

CITY OF PORT LAVACA, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	2014	2015	2016	2017	2018
Function/Program					
Public safety					
Police					
Stations	1	1	1	1	1
Patrol units	7	7	7	7	7
Fire stations	2	2	2	2	2
Highways and streets					
Streets (miles)	50.1	50	50	50.2	50.2
Streetlights	678	685	685	685	685
Parks and recreation					
Acreage	150	150	153	152.5	152.5
Parks	7	7	7	7	7
Baseball/softball diamonds	2	4	4	4	4
Community centers	1	1	1	1	1
Swimming pools	1	1	1	1	1
Water and wastewater					
Water					
Water mains (miles)	70.2	70	71	70.9	70.9
Fire hydrants	268	273	279	279	279
Storage capacity	1 mg	1 mg	1 mg	1 mg	1 mg
Wastewater					
Sanitary sewers (miles)	58.2	58	59	58.9	58.9
Treatment capacity	2 mgd	2 mgd	2 mgd	2 mgd	2 mgd

SOURCE: Various City of Port Lavaca departments

TABLE 21

2019	2020	2021	2022	2023
1	1	1	1	1
7	7	7	7	7
2	2	2	2	2
50.2	60.09	85.5	86	86
685	685	685	696	696
152.5	152.5	152.5	154	154
7	7	7	8	8
4	4	4	4	4
1	1	1	1	1
1	1	1	1	1
70.9	87	88	90	90
279	279	289	469	469
1 mg	1 mg	1 mg	1 mg	1 mg
58.9	61	65	65	65
2 mgd	2 mgd	2 mgd	2 mgd	2 mgd

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SINGLE AUDIT SECTION

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INDEPENDENT AUDITOR'S 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 8, 2024.

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

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Waco, Texas
April 8, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE***

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Port Lavaca, Texas' (the "City") compliance with the types of compliance requirements identified as subject to audit in the 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, 2023. 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.

In our opinion, the City complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

Waco, Texas
April 8, 2024

CITY OF PORT LAVACA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing	Pass-through Entity Identifying Number	Federal Expenditures	Pass-through Expenditures
<u>U. S. Department of Housing and Urban Development:</u>				
Passed through the Texas General Land Office:				
Community Development Block Grant	14.228	20-065-071-C198	\$ 2,500,243	\$ -
Community Development Block Grant	14.228	MIT 22-087-001-D226	<u>37,219</u>	<u>-</u>
Total Assistance Listing Number 14.228			<u>2,537,462</u>	<u>-</u>
Total Texas General Land Office			<u>2,537,462</u>	<u>-</u>
Passed through the Texas Department of Housing and Community Affairs:				
Home Investment Partnerships Program	14.239	2022-0011	<u>305,724</u>	<u>-</u>
Total Texas Department of Housing and Community Affairs			<u>305,724</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>2,843,186</u>	<u>-</u>
<u>U. S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership	16.607	N/A	<u>13,286</u>	<u>-</u>
Total Direct Programs			<u>13,286</u>	<u>-</u>
Total U. S. Department of Justice			<u>13,286</u>	<u>-</u>
<u>U. S. Federal Highway Administration</u>				
Passed through the Texas Parks and Wildlife Department:				
Bayfront Park Trail Recreation Grant - COVID-19	20.219	RT-19015	<u>200,000</u>	<u>-</u>
Total Texas Parks and Wildlife Department			<u>200,000</u>	<u>-</u>
Total U. S. Federal Highway Administration			<u>200,000</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>				
Passed through the Texas Division of Emergency Management:				
Hazard Mitigation Grant Program	97.039	4332-341-TX	<u>13,123</u>	<u>-</u>
Total Texas Division of Emergency Management			<u>13,123</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>13,123</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,069,595</u>	<u>\$ -</u>

CITY OF PORT LAVACA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of the City. The City's reporting entity is defined in Note I of the basic financial statements. Federal awards received directly from federal agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Indirect Costs

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

CITY OF PORT LAVACA, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered a material weakness?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered a material weakness?	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 100.516(a) None

Identification of major programs:

Assistance Listing Number(s): 14.228	Name of Program or Cluster: Community Development Block Grant
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Dollar threshold used to distinguish between type A
and type B federal programs. \$750,000

Auditee qualified as low-risk auditee
for federal single audit? Yes

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

None

Findings and Questioned Costs for Federal Awards

None

CITY OF PORT LAVACA, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

None

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

www.portlavaca.org

