



CITY OF PORT LAVACA, TEXAS
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2015

CITY OF PORT LAVACA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2015

Scotty Jones
Director of Finance

Bob Turner
City Manager

Issued By:
Finance Department

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INTRODUCTORY SECTION



CITY OF PORT LAVACA

202 N. Virginia, Port Lavaca, Texas 77979, Phone: 361-552-9793 Fax: 361-552-6062, www.portlavaca.org

April 6, 2016

City Manager
Ext. 222

City Secretary
Ext. 230

Code Enforcement
Ext. 229

Finance
Ext. 234

Inspections/Permits
Ext. 229

Municipal Court
Ext. 226

Personnel
Ext. 224

Utility Billing
Ext. 238

Animal Control
361-552-5726

Bauer Center
361-552-1234

Fire Station
361-552-3241

Public Works Director
361-552-3347

Parks & Recreation
361-552-1234

Police
361-552-3788

Streets
361-552-3347

Utilities Operation
361-552-3347

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

The Comprehensive Annual Financial Report of the City of Port Lavaca, Texas, hereinafter referred to as the "City", for the fiscal year ended September 30, 2015, is hereby submitted. It is published to provide to the City Council, to representatives of financial institutions, and to our citizens and other interested persons, detailed information concerning the financial condition of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

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

City Overview and Governance

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

The City Council appoints many residents, who have volunteered 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 is provided by the City including public safety (police, fire protection, and animal control); water and wastewater services; public improvements; repair and maintenance of infrastructure; planning; and general administrative services. This report includes all funds of the City government.

The City supplies water for its citizens by purchasing treated water from the Guadalupe-Blanco River Authority (GBRA) under a long-term contract ending in the year 2016. Collection and disposal of solid waste has been privatized through a recently awarded contract through Allied Waste, Inc.

Financial Management

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

Long Term Financial Planning

The City's Financial Management and Budgetary Policy document speaks to long term goals to not only improve bond ratings, but to maintain a healthy financial position. The City prepares a five-year capital plan that is reviewed and adopted annually. Methodologies are reviewed for revenue projections and proper level of reserves each year.

The City of Port Lavaca always looks for a more economical way to provide service to our citizens. The City keeps in mind that the economy is still volatile and follows conservative budgeting practices. 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.

Economic Condition and Outlook

The City of Port Lavaca is currently home to about 12,200 residents and is located within Calhoun County, Texas. The City is the central hub between Houston, Corpus Christi and San Antonio. As the county seat of Calhoun County, the City's economic base is a combination of manufacturing, oil and gas, agribusiness, seafood production, construction, transportation, and the visitor leisure industry. Several major facilities are located in the City of Port Lavaca, including operations to transport liquid fertilizer. Calhoun County, a natural seaport on Matagorda Bay, serves as an attraction for commerce, industry and recreation. The Calhoun County area is a major industrial hub on the Texas Gulf Coast; serving as a well-developed regional network of interconnecting transportation systems. Industrial sites are served by the Gulf Intracoastal Waterway and branch channels including the Victoria Barge Canal. Calhoun County is located in the middle of the world's largest concentration of petrochemical plants - an area which stretches along the Texas Coast from Corpus Christi to Port Arthur. The strong County industry has helped Port Lavaca maintain a stable revenue growth especially during this time of economic uncertainty.

Sales tax revenues increased from \$2,500,013 in 2014 to \$2,809,977 in 2015 (12% increase). Since 2010, sales tax revenue continues its growth streak in Port Lavaca, however the City continues to budget sales tax conservatively until further signs of economic recovery are indicated. Property tax revenue levied for general purpose for the City increased by 2.87. New value added to the tax roll was a contributor for property revenue increase along with adopting a tax rate that exceeded the effective tax rate. This additional revenue stream was needed to maintain service levels and to cover the cost of increased health claims that the City has been experiencing over the last several years.

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

Major Initiatives

In the 2014-2015 fiscal year, the City's capital improvement program was focused to rebuild critical infrastructure and to add amenities to improve the quality of life for our citizens.

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

- Constructed new sidewalks in downtown
- Partnered with County to Rehabilitate County Road 101
- Added a new restroom facility at Bay Front Park
- Installed new playground at Lighthouse Beach Park
- Installed a 50' T-Head at the end of the fishing pier at Lighthouse Beach Park
- Replaced sewer lines in Alamo Heights and along Tommy Drive
- Completed Automated Meter Reading Project (replaced aged meters)

The City's capital program strategy for infrastructure improvements replaces water and/or sewer lines prior to any street improvements. This has become part of the capital improvement program strategy rolling forward each year. Over the next five years, the City will invest in drainage, streets, parks, and wastewater projects through its capital improvements program. Listed below short and long term objectives:

Replace/Maintain Infrastructure

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

Enhance City Parks & Downtown

- Improve Wilson Park and Bay Front Park for enhanced recreational activities
- Add additional RV hookups at Light House Beach
- Demolish abandoned pier at Light House Beach Park
- Replace sidewalks downtown

Environmental Code Improvement

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

Financial Information

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

Internal accounting controls are established by management to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition. As well, 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.

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

Financial Information- (Continued)

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

Independent Audit

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

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Lavaca for the fiscal year ended September 30, 2014. This was the fifth consecutive time since 1999. The City hopes to continue to receive this highest form of recognition for excellence in state and local government financial reporting.

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

Acknowledgments

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

Respectfully,



Bob Turner, City Manager



Scotty Jones, Director of Finance



Government Finance Officers Association

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

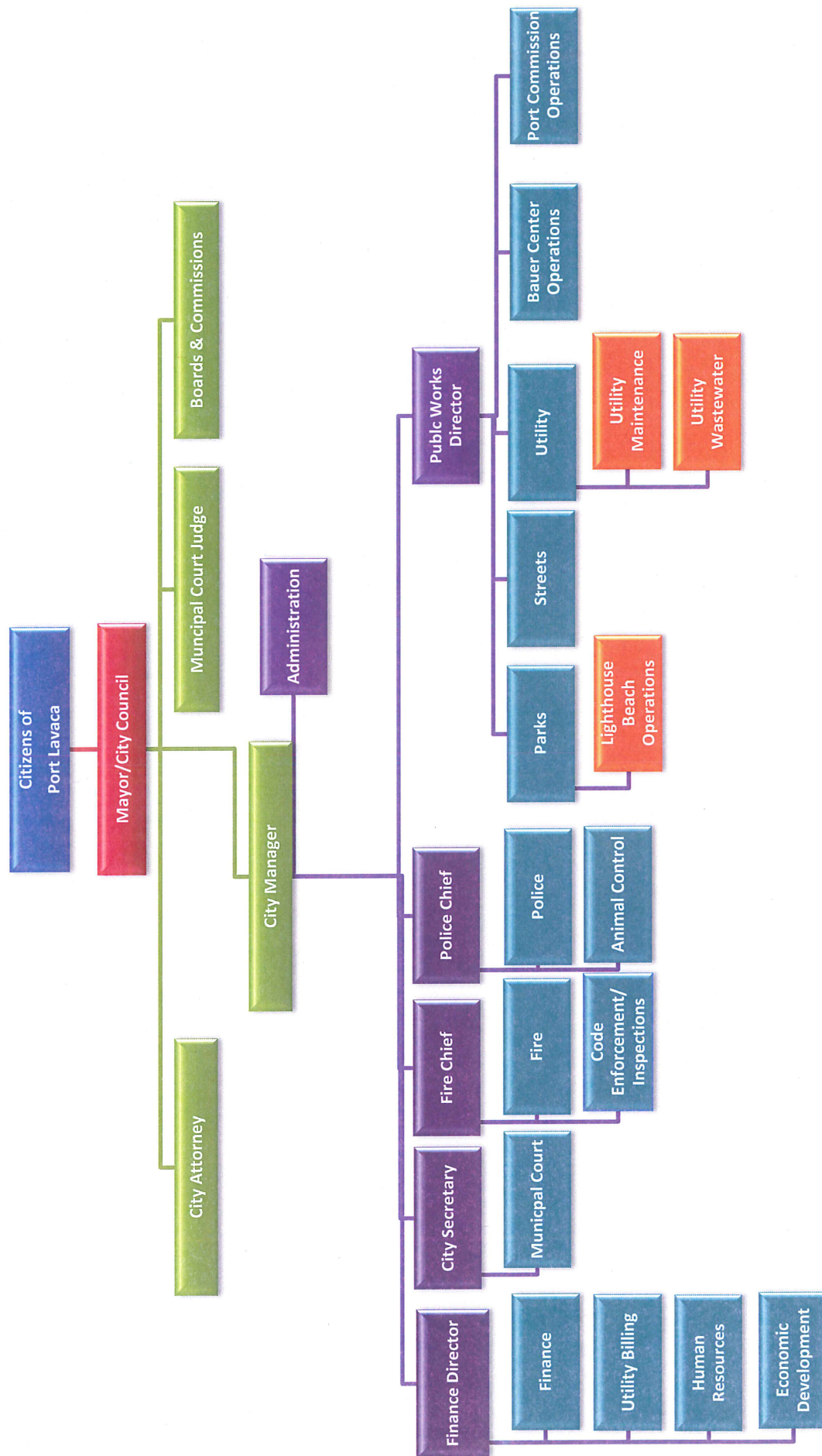
Presented to

**City of Port Lavaca
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO



CITY OF PORT LAVACA, TEXAS
DIRECTORY OF PRINCIPAL OFFICIALS
September 30, 2015

City Officials

Jack Whitlow

Ken Barr

Jerry Smith

Lee Rivera

Rosie Padron

Tim Dent

Jim Ward

Elective Position

Mayor

Mayor Pro-Tem

Council Member

Council Member

Council Member

Council Member

Council Member

Key Staff

Bob Turner

Scotty Jones

Mandy Grant

Cleve Calagna

James Martinez

Darren Gurley

Appointive Position

City Manager

Director of Finance

City Secretary

Director of Public Safety

Chief of Police

Director of Public Works

FINANCIAL SECTION



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

STEPHEN W. VAN MANEN, CPA
DENNIS C. CIHAL, CPA
ERIC L. KUCERA, CPA
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Lavaca, Texas (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

March 28, 2016

CITY OF PORT LAVACA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2015

As management of the City of Port Lavaca, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2015.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$53,389,850 (net position). Of this amount, \$13,741,319 (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 \$2,695,805 over the prior year, as restated.

Governmental Activities

- Net position grew from \$27,816,626 in 2014, as restated, to \$30,174,390 (an increase of 8%) as of September 30, 2015.

Business-type Activities

- Net position grew from \$22,877,419 in 2014, as restated, to \$23,215,460 (an increase of 1%) as of September 30, 2015.

Governmental Funds

- As of September 30, 2015, the City's governmental funds reported an ending fund balance of \$9,608,067, an increase of \$773,450 (9%) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$4,076,496 or 55% of total General Fund expenditures.
- The committed portion of the General Fund's fund balance totaled \$3,679,520. These monies were committed by the Council to pay health insurance claims, capital asset replacement, and to be ready financially in the event of a disaster.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information

Independent Auditors' Report

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

Management's Discussion and Analysis

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

Pages 4 to 12

Government-wide Financial Statements

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

Pages 13 to 16

Fund Financial Statements

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

Pages 17 to 26

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 27 to 53

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

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

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

The government-wide financial statements present functions and programs of the City that are provided for various funding sources. The government-wide financial statements can be found on pages 13-16 of this report.

Fund Financial Statements

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

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 17-20 of this report.

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Notes to Financial Statements

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

Other Information

The combining and individual fund statements and schedules provide additional information pertaining to the City's nonmajor governmental funds and the General Fund's budgetary performance. This other information can be found on pages 58-76 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$53,389,850 as of September 30, 2015.

The largest portion of the City's net position (72%) reflects its investment in capital assets (e.g. land, buildings, vehicles, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending. The second largest portion of the City's net position (26%) represents unrestricted financial resources available for future operations. Additionally, a portion of the City's net position (2%) represents resources that are subject to restrictions on how they may be used.

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

City of Port Lavaca, Texas						
Net Position						
	Governmental Activities		Business-type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
Current and other assets	\$ 10,775,046	\$ 9,851,013	\$ 6,375,726	\$ 7,198,359	\$ 17,150,772	\$ 17,049,372
Capital assets, net	23,226,824	21,979,792	23,796,805	23,295,633	47,023,629	45,275,425
Total assets	34,001,870	31,830,805	30,172,531	30,493,992	64,174,401	62,324,797
Total deferred out-flows of resources	322,661	226,489	159,651	145,808	482,312	372,297
Current and other liabilities	1,130,497	953,347	1,252,815	1,334,087	2,383,312	2,287,434
Noncurrent liabilities	2,868,392	3,287,321	5,839,815	6,428,294	8,708,207	9,715,615
Total liabilities	3,998,889	4,240,668	7,092,630	7,762,381	11,091,519	12,003,049
Total deferred in-flows of resources	151,252	-	24,092	-	175,344	-
Net Position:						
Net investment in capital assets	20,724,855	19,170,337	17,592,876	16,550,105	38,317,731	35,720,442
Restricted	1,330,800	1,175,154	-	-	1,330,800	1,175,154
Unrestricted	8,118,735	7,471,135	5,622,584	6,327,314	13,741,319	13,798,449
Total net position	\$ 30,174,390	\$ 27,816,626	\$ 23,215,460	\$ 22,877,419	\$ 53,389,850	\$ 50,694,045

*2014 net position has been restated. See Note 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Net position of the City increased by \$2,695,805. Key elements of this increase are due primarily because of an increase in tax revenues and a decrease in expenses for the governmental activities and an increase in charges for services for the business-type activities.

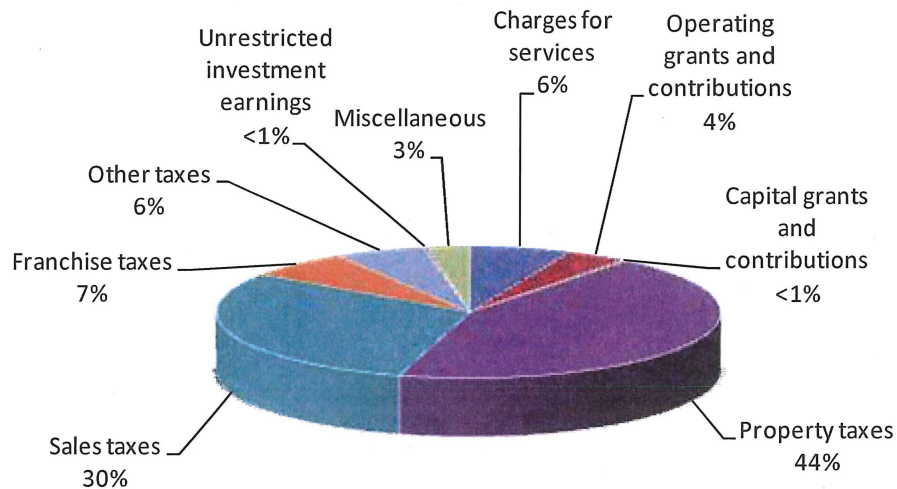
City of Port Lavaca, Texas						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
REVENUES						
Program revenues:						
Charges for services	\$ 603,814	\$ 613,177	\$ 6,558,643	\$ 6,081,076	\$ 7,162,457	\$ 6,694,253
Operating grants and contributions	364,996	687,201	-	-	364,996	687,201
Capital grants and contributions	32,894	142,843	37,000	248,350	69,894	391,193
General revenues:						
Property taxes	4,071,091	3,971,992	-	-	4,071,091	3,971,992
Sales taxes	2,809,977	2,500,013	-	-	2,809,977	2,500,013
Franchise taxes	615,800	615,184	-	-	615,800	615,184
Other taxes	538,290	576,001	-	-	538,290	576,001
Unrestricted investment earnings	29,459	14,445	13,563	13,023	43,022	27,468
Miscellaneous	245,554	191,564	-	-	245,554	191,564
Total revenues	9,311,875	9,312,420	6,609,206	6,342,449	15,921,081	15,654,869
EXPENSES						
General government	2,405,720	2,632,811	-	-	2,405,720	2,632,811
Public safety	3,292,483	3,232,531	-	-	3,292,483	3,232,531
Public works	1,374,483	1,379,978	-	-	1,374,483	1,379,978
Parks and recreation	685,084	629,640	-	-	685,084	629,640
Interest on long-term debt	60,841	67,300	-	-	60,841	67,300
Public utilities	-	-	4,614,845	4,252,370	4,614,845	4,252,370
Port commission	-	-	447,151	456,212	447,151	456,212
Beach operations	-	-	344,669	261,309	344,669	261,309
Total expenses	7,818,611	7,942,260	5,406,665	4,969,891	13,225,276	12,912,151
Change in net position before transfers	1,493,264	1,370,160	1,202,541	1,372,558	2,695,805	2,742,718
Transfers	864,500	251,168	(864,500)	(251,168)	-	-
Change in net position	2,357,764	1,621,328	338,041	1,121,390	2,695,805	2,742,718
Net position - October 1	27,816,626	26,666,515	22,877,419	21,831,087	50,694,045	48,497,602
Impact of change in acctg. principle	-	(471,217)	-	(75,058)	-	(546,275)
Net position - September 30	\$ 30,174,390	\$ 27,816,626	\$ 23,215,460	\$ 22,877,419	\$ 53,389,850	\$ 50,694,045

*2014 net position has been restated. See Note 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

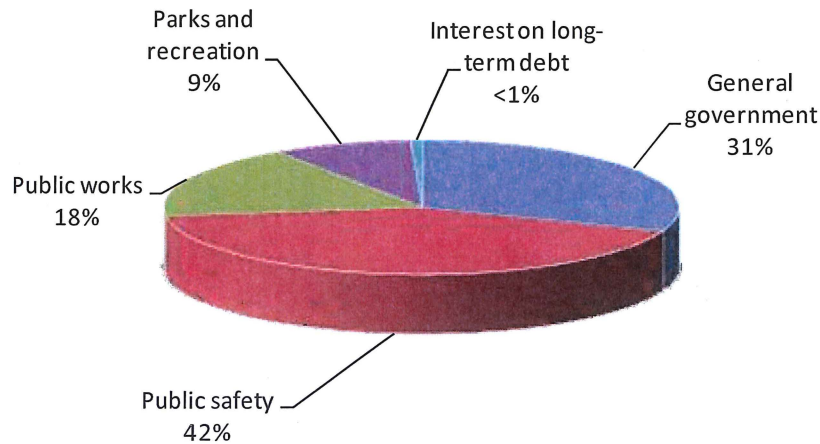
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

Governmental Revenues



For the fiscal year ended September 30, 2015, revenues from governmental activities totaled \$9.3 million. Sales tax revenues increased \$309,964 or 12% from fiscal year 2014.

Governmental Functional Expenses



For the fiscal year ended September 30, 2015, expenses for governmental activities totaled \$7.8 million. This is a decrease of \$123,649 or 2% from fiscal year 2014.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type activities increased the City's net position by \$338,041. The key elements of this increase relate to the Public Utility Fund. The Public Utility Fund had an operating income for fiscal year 2015 of \$1,406,142.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of September 30, 2015, the City's governmental funds, which consist of the General Fund, two debt service funds, one capital projects fund, and twelve special revenue funds, reported an ending fund balance of \$9,608,067, which is an increase of \$773,450 from last year's total of \$8,834,617.

The General Fund is the chief operating fund of the City. Its fund balance increased by \$1,127,843 during the fiscal year due mainly to revenue exceeding budget expectations and expenditures coming in less than expected. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 55% of total General Fund expenditures as compared to 47% in the prior year. The main reason for the increase in percentage is due to the same reasons explained above for the increase in overall fund balance.

Proprietary Funds

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

Unrestricted net position of the Public Utility Fund at the end of the fiscal year amounted to \$4,234,310. The increase in total net position for the year was \$734,092. Net positions of the Port Commission Fund and the Beach Operating Fund both decreased during the 2015 fiscal year by \$387,347 and \$8,704, respectively.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues earned were \$590,659 greater than budgeted expectations, with tax revenues making up \$478,650 or 81% of the positive variance. Sales tax made up 57% of the variance while property tax contributed to the 32% of the variance. Total intergovernmental revenue decreased 44% from prior year.

Total actual expenditures were under budgeted expenditures by \$973,356. Conservative budgetary practices resulted in positive budget variances as it relates to general government, public safety, parks and recreation, public works (including streets) departments.

GENERAL FUND BUDGETARY HIGHLIGHTS - (Continued)

Differences between the General Fund's original budget and final amended budget were a net increase of \$566,750 to expenditures. Included in the increase to budgeted expenditures was an increase of \$250,000 to cover a land purchase located on the waterfront adjacent to the City's Bayfront Park. In addition, \$200,000 was needed to cover the increased cost of health claims (\$100,000) and increased cost of for the newly adopted compensation plan (\$100,000). Other factors included delayed projects that crossed fiscal years. The additional revenue stream from taxes supported this high health claim year, the ability to cover project change orders, and supported the purchase for a new vehicle for code enforcement.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of September 30, 2015, amounts to \$47,023,629 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, and infrastructure.

City of Port Lavaca, Texas						
Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Non-Depreciable Assets						
Land	\$ 1,263,497	\$ 1,013,552	\$ 1,501,012	\$ 1,501,012	\$ 2,764,509	\$ 2,514,564
Construction in progress	1,544,000	733,955	355,573	1,616,235	1,899,573	2,350,190
Other Capital Assets						
Machinery and equipment	3,252,201	3,434,218	875,578	848,555	4,127,779	4,282,773
Buildings and structures	6,331,403	6,000,634	4,907,532	4,933,980	11,238,935	10,934,614
Infrastructure	30,261,710	29,617,434	41,227,774	38,723,172	71,489,484	68,340,606
Accumulated depreciation on other capital assets	(19,425,987)	(18,820,001)	(25,070,664)	(24,327,321)	(44,496,651)	(43,147,322)
Total	\$ 23,226,824	\$ 21,979,792	\$ 23,796,805	\$ 23,295,633	\$ 47,023,629	\$ 45,275,425

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

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

At the end of the current fiscal year, the City had total bonds, certificates of obligation, and capital lease obligations outstanding of \$8.9 million. The following table details the nature of this debt and other debt obligations of the City.

City of Port Lavaca, Texas						
Long-term Debt						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue bonds	\$ -	\$ -	\$ 3,355,000	\$ 3,725,000	\$ 3,355,000	\$ 3,725,000
General obligation bonds	2,460,000	2,680,000	-	-	2,460,000	2,680,000
Certificates of obligation	-	55,000	3,000,000	3,175,000	3,000,000	3,230,000
Issuance discount	-	-	(28,460)	(29,101)	(28,460)	(29,101)
Capital leases	132,094	172,640	-	-	132,094	172,640
Compensated absences	171,185	140,560	13,331	12,678	184,516	153,238
Safety pay	25,619	26,052	4,380	3,660	29,999	29,712
Net pension liability	471,792	599,521	75,150	95,495	546,942	695,016
Total	\$ 3,260,690	\$ 3,673,773	\$ 6,419,401	\$ 6,982,732	\$ 9,680,091	\$ 10,656,505

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

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

Sales tax revenues increased from \$2,500,013 in 2014 to \$2,809,977 (12%). The City has been experiencing a sales tax growth trend since 2010. Even with that trend over the prior years, the City continues to budget sales tax conservatively until further signs of economic recovery are indicated. Property values remained relatively flat over prior year. The increase in the property revenue was a result of new property added to the tax roll.

The City approved a Five-Year Capital Plan focusing on streets and parks with a "pay as you go" philosophy. The City recently built a new Public Works Service Center and completed numerous public improvements at two City Parks - notably the newly constructed Veteran's Memorial at Bayfront Peninsula Park. The City plans to focus on improvements at Bayfront Peninsula Park and Wilson Field Sports Complex. Currently, the City is working on the baseball fields and parking lots at Wilson Park. This is all part of the budget plan to emphasize the City's desire to improve the quality of life for its current and future residents.

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

Utility Fund

The City has recently completed a water and wastewater rate study to help plan for future infrastructure needs. The consultant provided the City with various rate structure solutions. The study determined that the City needed to change the rate structure and increase the rates. The City Council approved the first rate increase since 2008 in October 2013. The City plans to adjust rates every three years. This increase ensures debt service coverage for utility infrastructure repairs and replacements. Weather continues to be a factor for the Public Utility Fund. Forecasts of dry conditions will increase the demand for water this year, but is too early to project year end. Current water and sewer sales are on budget target.

Future plans include continuation of infrastructure replacement. The City has replaced many antiquated water lines by means of grants and Texas Water Development Board loans. Plans are to replace water lines and valves to increase water pressure, provide cleaner water, decrease water loss percentage, and reduce outages due to very old infrastructure. The City was recently awarded a Texas Community Development Program (TCDP) block grant of \$250,000 with a City match of \$50,000 to continue sewer line replacement in low income areas. This grant will be used to complete the sewer rehabilitation project in the Bonorden Subdivision. Other City projects include replacing waterlines on Smith Road and sewer lines on Commerce Street.

Beach Fund

The City has added new playground equipment at the Lighthouse Beach Park. The City also installed a 50' T-Head at the end of the fishing pier through a grant that was awarded by the General Land Office. This completed the fishing pier expansion project which brought the pier length to approximately 900'. The City plans to seek a grant to remove the abandoned pier that was recently replaced and add more trailer spaces at the City owned RV Park.

Port Commission

Helena Chemicals has increased the size of its operation at the Harbor of Refuge and is currently using rail transportation at this location. Equalizer Inc. expanded their operations to meet the oil transportation needs of the Eagle Ford Shale operation. Equalizer uses the City's bulkhead to offload product by barge, as well as trucks to move their product.

Future improvements include dredging and bulkhead improvements at the Harbor of Refuge to aid existing industry in transporting oil or other products.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

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

September 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,584,639	\$ 5,537,086	\$ 13,121,725
Investments	500,000	1,499,355	1,999,355
Receivables (net)	702,444	784,477	1,486,921
Due from other governments	450,585	-	450,585
Internal balances	1,490,160	(1,490,160)	-
Prepaid items	47,218	17,263	64,481
Inventory	-	27,705	27,705
Total current assets	<u>10,775,046</u>	<u>6,375,726</u>	<u>17,150,772</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	2,807,497	1,856,585	4,664,082
Assets being depreciated (net)	<u>20,419,327</u>	<u>21,940,220</u>	<u>42,359,547</u>
Total noncurrent assets	<u>23,226,824</u>	<u>23,796,805</u>	<u>47,023,629</u>
Total assets	<u>34,001,870</u>	<u>30,172,531</u>	<u>64,174,401</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to TMRS	232,536	37,040	269,576
Deferred amount on refunding	<u>90,125</u>	<u>122,611</u>	<u>212,736</u>
Total deferred outflows of resources	<u>322,661</u>	<u>159,651</u>	<u>482,312</u>

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$ 482,170	\$ 360,906	\$ 843,076
Payroll related liabilities	108,268	18,918	127,186
Accrued interest payable	9,422	29,713	39,135
Other payables	34,998	11,326	46,324
Due to other governments	17,714	4,240	21,954
Accrued compensated absences	44,438	5,206	49,644
Accrued safety pay	25,619	4,380	29,999
Unearned revenue	64,041	27,392	91,433
Customer deposits	21,586	220,734	242,320
Current portion of long-term obligations	322,241	570,000	892,241
Total current liabilities	<u>1,130,497</u>	<u>1,252,815</u>	<u>2,383,312</u>
Noncurrent liabilities			
Accrued compensated absences	126,747	8,125	134,872
Net pension liability	471,792	75,150	546,942
Noncurrent portion of long-term obligations	<u>2,269,853</u>	<u>5,756,540</u>	<u>8,026,393</u>
Total noncurrent liabilities	<u>2,868,392</u>	<u>5,839,815</u>	<u>8,708,207</u>
Total liabilities	<u>3,998,889</u>	<u>7,092,630</u>	<u>11,091,519</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS	<u>151,252</u>	<u>24,092</u>	<u>175,344</u>
NET POSITION			
Net investment in capital assets	20,724,855	17,592,876	38,317,731
Restricted for:			
Debt service	146,887	-	146,887
Capital and maintenance projects	56,126	-	56,126
Economic development, tourism and conventions	1,014,489	-	1,014,489
Public safety	89,916	-	89,916
Municipal court	23,382	-	23,382
Unrestricted	<u>8,118,735</u>	<u>5,622,584</u>	<u>13,741,319</u>
Total net position	<u>\$ 30,174,390</u>	<u>\$ 23,215,460</u>	<u>\$ 53,389,850</u>

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2015

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 2,405,720	\$ 270,479	\$ 93,682	\$ -
Public safety	3,292,483	246,251	271,314	1,520
Public works	1,374,483	-	-	31,374
Parks and recreation	685,084	87,084	-	-
Interest on long-term debt	60,841	-	-	-
Total governmental activities	<u>7,818,611</u>	<u>603,814</u>	<u>364,996</u>	<u>32,894</u>
Business-type activities				
Public utilities	4,614,845	5,828,910	-	-
Port commission	447,151	423,933	-	-
Beach operations	344,669	305,800	-	37,000
Total business-type activities	<u>5,406,665</u>	<u>6,558,643</u>	<u>-</u>	<u>37,000</u>
Total government	<u>\$ 13,225,276</u>	<u>\$ 7,162,457</u>	<u>\$ 364,996</u>	<u>\$ 69,894</u>

General revenues:

Taxes:

 Property taxes, levied for general purposes

 Property taxes, levied for debt service

 Sales taxes

 Franchise taxes

 Other taxes

 Unrestricted investment earnings

 Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated (See Note 20)

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business- type Activities	Total
\$ (2,041,559)	\$ -	\$ (2,041,559)
(2,773,398)	-	(2,773,398)
(1,343,109)	-	(1,343,109)
(598,000)	-	(598,000)
(60,841)	-	(60,841)
<u>(6,816,907)</u>	<u>-</u>	<u>(6,816,907)</u>
-	1,214,065	1,214,065
-	(23,218)	(23,218)
-	(1,869)	(1,869)
<u>-</u>	<u>1,188,978</u>	<u>1,188,978</u>
<u>(6,816,907)</u>	<u>1,188,978</u>	<u>(5,627,929)</u>
3,748,906	-	3,748,906
322,185	-	322,185
2,809,977	-	2,809,977
615,800	-	615,800
538,290	-	538,290
29,459	13,563	43,022
245,554	-	245,554
864,500	(864,500)	-
<u>9,174,671</u>	<u>(850,937)</u>	<u>8,323,734</u>
2,357,764	338,041	2,695,805
<u>27,816,626</u>	<u>22,877,419</u>	<u>50,694,045</u>
<u>\$ 30,174,390</u>	<u>\$ 23,215,460</u>	<u>\$ 53,389,850</u>

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

September 30, 2015

	<u>General</u>	<u>Street Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,674,979	\$ 697,365	\$ 1,212,295	\$ 7,584,639
Investments	500,000	-	-	500,000
Receivables (net)	524,649	-	177,795	702,444
Due from other governments	450,170	-	415	450,585
Due from other funds	1,522,854	-	-	1,522,854
Prepaid items	47,218	-	-	47,218
Total assets	<u>\$ 8,719,870</u>	<u>\$ 697,365</u>	<u>\$ 1,390,505</u>	<u>\$ 10,807,740</u>
LIABILITIES				
Accounts payable	\$ 246,148	\$ 218,953	\$ 17,069	\$ 482,170
Payroll related payables	107,748	-	520	108,268
Other payables	34,998	-	-	34,998
Due to other governments	17,714	-	-	17,714
Due to other funds	-	-	32,694	32,694
Customer and other deposits	21,586	-	-	21,586
Unearned revenue	64,041	-	-	64,041
Total liabilities	<u>492,235</u>	<u>218,953</u>	<u>50,283</u>	<u>761,471</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	424,401	-	13,801	438,202
Total deferred inflows of resources	<u>424,401</u>	<u>-</u>	<u>13,801</u>	<u>438,202</u>
FUND BALANCES				
Nonspendable	47,218	-	-	47,218
Restricted	-	-	1,326,421	1,326,421
Committed	3,679,520	478,412	-	4,157,932
Unassigned	4,076,496	-	-	4,076,496
Total fund balances	<u>7,803,234</u>	<u>478,412</u>	<u>1,326,421</u>	<u>9,608,067</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,719,870</u>	<u>\$ 697,365</u>	<u>\$ 1,390,505</u>	<u>\$ 10,807,740</u>

The accompanying notes are an integral part of this statement.

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

September 30, 2015

Total governmental fund balances		\$ 9,608,067
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Amounts reported for governmental activities in the statement of net position are different because:

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.

371,936

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.

66,266

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 42,652,811	
Accumulated depreciation of governmental capital assets	<u>(19,425,987)</u>	23,226,824

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

Deferred amount on refunding	90,125	
Pension contributions after measurement date	152,992	
Difference in projected and actual earnings on pension assets	<u>79,544</u>	322,661

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds and certificates payable	(2,460,000)	
Capital leases payable	(132,094)	
Accrued interest payable	(9,422)	
Compensated absences	(171,185)	
Safety pay	(25,619)	
Net pension liability	<u>(471,792)</u>	(3,270,112)

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

Difference in expected and actual pension experience		<u>(151,252)</u>
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Net position of governmental activities		\$ <u>30,174,390</u>
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The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS***For the year ended September 30, 2015*

	<u>General</u>	<u>Street Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes				
Ad valorem	\$ 3,768,918	\$ -	\$ 326,352	\$ 4,095,270
Sales	2,809,977	-	-	2,809,977
Other	638,455	-	515,635	1,154,090
Fines, fees, and forfeitures	274,479	-	243,884	518,363
Intergovernmental	267,997	-	104,156	372,153
Licenses and permits	105,245	-	-	105,245
Investment	25,388	1,709	2,362	29,459
Rental	87,084	-	-	87,084
Charges for services	3,667	-	-	3,667
Miscellaneous	79,699	-	77,928	157,627
Total revenues	<u>8,060,909</u>	<u>1,709</u>	<u>1,270,317</u>	<u>9,332,935</u>
EXPENDITURES				
Current				
General government	2,114,748	-	259,369	2,374,117
Public safety	2,942,132	-	256,795	3,198,927
Public works	1,344,897	-	-	1,344,897
Parks and recreation	1,004,617	-	-	1,004,617
Capital outlay	-	1,131,683	84,234	1,215,917
Debt service				
Principal retirement	-	-	275,000	275,000
Interest and fiscal charges	-	-	53,571	53,571
Total expenditures	<u>7,406,394</u>	<u>1,131,683</u>	<u>928,969</u>	<u>9,467,046</u>
Excess (deficiency) of revenues over expenditures	654,515	(1,129,974)	341,348	(134,111)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,121,916	600,000	91,649	1,813,565
Transfers out	(691,649)	-	(257,416)	(949,065)
Sale of capital assets	43,061	-	-	43,061
Total other financing sources (uses)	<u>473,328</u>	<u>600,000</u>	<u>(165,767)</u>	<u>907,561</u>
Net change in fund balances	1,127,843	(529,974)	175,581	773,450
Fund balances at beginning of year	<u>6,675,391</u>	<u>1,008,386</u>	<u>1,150,840</u>	<u>8,834,617</u>
Fund balances at end of year	<u>\$ 7,803,234</u>	<u>\$ 478,412</u>	<u>\$ 1,326,421</u>	<u>\$ 9,608,067</u>

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended September 30, 2015

Total net change in fund balances - governmental funds	\$	773,450
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Amounts reported for governmental activities in the statement of activities are different because:

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

Increase in capital assets	\$ 2,191,975	
Depreciation expense	<u>(902,333)</u>	1,289,642

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, transfers, and contributions) is to increase (decrease) net position.	(42,608)
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Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:

Bond and certificate principal retirement	275,000	
Capital lease principal retirement	<u>40,546</u>	315,546

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

Property taxes	(31,217)	
Other revenues	<u>9,703</u>	(21,514)

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

Increase in compensated absences	(30,624)	
Decrease in loss on bond refunding	(8,060)	
Decrease in safety pay	433	
Decrease in accrued interest	790	
Net pension costs	<u>80,709</u>	<u>43,248</u>

Change in net position of governmental activities	\$	<u>2,357,764</u>
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The accompanying notes are an integral part of this statement.

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

September 30, 2015

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,591,568	\$ 650,490	\$ 295,028	\$ 5,537,086
Investments	1,499,355	-	-	1,499,355
Receivables (net)	771,653	12,375	449	784,477
Due from other funds	-	251,074	223,584	474,658
Prepaid items	10,038	5,402	1,823	17,263
Inventory	27,705	-	-	27,705
Total current assets	<u>6,900,319</u>	<u>919,341</u>	<u>520,884</u>	<u>8,340,544</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	479,138	1,103,634	273,813	1,856,585
Assets being depreciated (net)	<u>16,340,513</u>	<u>3,726,193</u>	<u>1,873,514</u>	<u>21,940,220</u>
Net noncurrent assets	<u>16,819,651</u>	<u>4,829,827</u>	<u>2,147,327</u>	<u>23,796,805</u>
Total assets	<u>23,719,970</u>	<u>5,749,168</u>	<u>2,668,211</u>	<u>32,137,349</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to TMRS	37,040	-	-	37,040
Deferred amount on refunding	<u>122,611</u>	-	-	<u>122,611</u>
Total deferred outflows of resources	<u>159,651</u>	-	-	<u>159,651</u>
LIABILITIES				
Current liabilities				
Accounts payable	328,482	10,411	22,013	360,906
Payroll related liabilities	18,182	736	-	18,918
Accrued interest payable	23,356	6,357	-	29,713
Other payables	9,803	1,523	-	11,326
Due to other governments	4,240	-	-	4,240
Due to other funds	1,964,818	-	-	1,964,818
Accrued compensated absences	5,206	-	-	5,206
Accrued safety pay	4,380	-	-	4,380
Unearned revenue	17,681	9,711	-	27,392
Customer deposits	219,534	600	600	220,734
Current portion of noncurrent liabilities				
Bonds and certificates	<u>495,000</u>	<u>75,000</u>	-	<u>570,000</u>
Total current liabilities	<u>3,090,682</u>	<u>104,338</u>	<u>22,613</u>	<u>3,217,633</u>
Long-term liabilities, net of current portion				
Accrued compensated absences	8,125	-	-	8,125
Net pension liability	75,150	-	-	75,150
Bonds and certificates (net of unamortized deferred amounts)	<u>4,551,540</u>	<u>1,205,000</u>	-	<u>5,756,540</u>
Total long-term liabilities	<u>4,634,815</u>	<u>1,205,000</u>	-	<u>5,839,815</u>
Total liabilities	<u>7,725,497</u>	<u>1,309,338</u>	<u>22,613</u>	<u>9,057,448</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to TMRS	<u>24,092</u>	-	-	<u>24,092</u>
NET POSITION				
Net investment in capital assets	11,895,722	3,549,827	2,147,327	17,592,876
Unrestricted	<u>4,234,310</u>	<u>890,003</u>	<u>498,271</u>	<u>5,622,584</u>
Total net position	<u>\$ 16,130,032</u>	<u>\$ 4,439,830</u>	<u>\$ 2,645,598</u>	<u>\$ 23,215,460</u>

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****PROPRIETARY FUNDS***For the year ended September 30, 2015*

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
OPERATING REVENUES				
Charges for services				
Water sales	\$ 2,671,098	\$ -	\$ -	\$ 2,671,098
Sewer services	2,102,407	-	-	2,102,407
Waste collection	775,075	-	-	775,075
Tap and service fees	76,817	-	-	76,817
Gate fees	-	-	55,073	55,073
Leases and rentals	-	423,140	248,250	671,390
Penalties	96,228	624	-	96,852
Miscellaneous	107,285	169	2,477	109,931
Total operating revenues	<u>5,828,910</u>	<u>423,933</u>	<u>305,800</u>	<u>6,558,643</u>
OPERATING EXPENSES				
Personnel services	861,267	58,058	568	919,893
Materials and supplies	70,619	2,683	8,552	81,854
Services	1,211,619	76,635	144,813	1,433,067
Water purchases	1,408,553	-	-	1,408,553
Maintenance and repairs	273,103	23,217	51,125	347,445
Depreciation and amortization	547,931	235,153	108,129	891,213
Miscellaneous	49,676	-	31,482	81,158
Total operating expenses	<u>4,422,768</u>	<u>395,746</u>	<u>344,669</u>	<u>5,163,183</u>
Operating income (loss)	1,406,142	28,187	(38,869)	1,395,460
NONOPERATING REVENUES (EXPENSES)				
Investment income	10,027	2,371	1,165	13,563
Interest expense	(192,077)	(51,405)	-	(243,482)
Net nonoperating revenues	<u>(182,050)</u>	<u>(49,034)</u>	<u>1,165</u>	<u>(229,919)</u>
Income before capital contributions and transfers	1,224,092	(20,847)	(37,704)	1,165,541
Capital grants and contributions	-	-	37,000	37,000
Transfers out	<u>(490,000)</u>	<u>(366,500)</u>	<u>(8,000)</u>	<u>(864,500)</u>
Change in net position	734,092	(387,347)	(8,704)	338,041
Total net position at beginning of year, as previously reported	15,470,998	4,827,177	2,654,302	22,952,477
Impact of change in accounting principle	(75,058)	-	-	(75,058)
Total net position at beginning of year, as restated	<u>15,395,940</u>	<u>4,827,177</u>	<u>2,654,302</u>	<u>22,877,419</u>
Total net position at end of year	<u>\$ 16,130,032</u>	<u>\$ 4,439,830</u>	<u>\$ 2,645,598</u>	<u>\$ 23,215,460</u>

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2015

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 5,587,824	\$ 430,987	\$ 307,353	\$ 6,326,164
Cash payments to suppliers for goods and services	(3,097,367)	(106,626)	(261,746)	(3,465,739)
Cash payments to employees for services	(869,435)	(57,951)	(1,523)	(928,909)
Net cash provided (used) by operating activities	<u>1,621,022</u>	<u>266,410</u>	<u>44,084</u>	<u>1,931,516</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Borrowings from other funds	1,670,599	-	70,635	1,741,234
Borrowings to other funds	-	(201,836)	-	(201,836)
Transfers to other funds	(490,000)	(366,500)	(8,000)	(864,500)
Net cash provided (used) by noncapital financing activities	<u>1,180,599</u>	<u>(568,336)</u>	<u>62,635</u>	<u>674,898</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Acquisition of capital assets	(1,174,672)	-	(239,284)	(1,413,956)
Receipts from capital grants and contributions	2,830	2,001	54,250	59,081
Proceeds from sale of capital assets	-	-	24,972	24,972
Principal paid on capital debt	(470,000)	(75,000)	-	(545,000)
Interest paid on capital debt	(193,890)	(51,778)	-	(245,668)
Net cash provided (used) by capital financing activities	<u>(1,835,732)</u>	<u>(124,777)</u>	<u>(160,062)</u>	<u>(2,120,571)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(1,500,000)	-	-	(1,500,000)
Proceeds from sales and maturities of investments	528,697	264,084	-	792,781
Investment income	10,142	2,371	1,165	13,678
Net cash provided (used) by investing activities	<u>(961,161)</u>	<u>266,455</u>	<u>1,165</u>	<u>(693,541)</u>
Net increase (decrease) in cash and cash equivalents	4,728	(160,248)	(52,178)	(207,698)
Cash and cash equivalents at beginning of year	<u>4,586,840</u>	<u>810,738</u>	<u>347,206</u>	<u>5,744,784</u>
Cash and cash equivalents at end of year	<u>\$ 4,591,568</u>	<u>\$ 650,490</u>	<u>\$ 295,028</u>	<u>\$ 5,537,086</u>

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 1,406,142	\$ 28,187	\$ (38,869)	\$ 1,395,460
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	547,931	235,153	108,129	891,213
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(248,603)	4,250	1,000	(243,353)
(Increase) decrease in prepaid expense	359	145	49	553
(Increase) decrease in inventory	3,360	-	-	3,360
(Increase) decrease in deferred outflow related to TMRS	(16,603)	-	-	(16,603)
Increase (decrease) in accounts and other payables	(87,526)	(4,236)	(25,823)	(117,585)
Increase (decrease) in payroll related liabilities	2,743	679	(955)	2,467
Increase (decrease) in due to other governments	10	-	-	10
Increase (decrease) in compensated absences	1,225	(572)	-	653
Increase (decrease) in safety pay	720	-	-	720
Increase (decrease) in net pension liability	(20,345)	-	-	(20,345)
Increase (decrease) in unearned revenue	1,153	2,604	-	3,757
Increase (decrease) in customer deposits	6,364	200	553	7,117
Increase (decrease) in deferred inflow related to TMRS	24,092	-	-	24,092
Net cash provided (used) by operating activities	<u>\$ 1,621,022</u>	<u>\$ 266,410</u>	<u>\$ 44,084</u>	<u>\$ 1,931,516</u>

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2015

	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
ASSETS		
Cash and cash equivalents	\$ -	\$ 79,622
Total assets	-	<u>\$ 79,622</u>
LIABILITIES		
Due to others	-	\$ 79,622
Total liabilities	-	<u>\$ 79,622</u>
NET POSITION		
Restricted for payment of pension benefits	-	
Total net position	<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUND***For the year ended September 30, 2015*

	Fireman's Relief and Retirement Fund
ADDITIONS	
Employer contributions	\$ 3,100
DEDUCTIONS	
Benefits	3,100
Change in net position	-
Net position at beginning of year	-
Net position at end of year	\$ -

The accompanying notes are an integral part of this statement.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units. No legally separate organizations met the necessary criteria for inclusion as component units for the year ended September 30, 2015.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)**

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

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

The City reports the following major governmental funds:

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

The Capital Project Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The City has one Capital Project Fund and is reported as a major fund. The Street Construction Fund accounts for the funding of street improvements by the use of bond proceeds or by funds from other governmental funds.

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

E. Deposits and Investments

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**F. Receivables and Payables**

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

All receivables are reported net of an applicable allowance for uncollectibles. Allowance accounts related to trade accounts receivable are based upon management estimates. The property tax receivable allowance is equal to 5% of outstanding property taxes at September 30, 2015.

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

G. Inventories and Prepaid Items

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

H. Capital Assets

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

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

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

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

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

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

I. Compensated Absences

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

J. Long-term Obligations

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

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

K. Deferred Outflows/Inflows of Resources

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

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

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

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

M. Fund Balance Policies

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**N. Net Position Flow Assumptions**

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

O. Minimum Fund Balance Policy

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

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

P. Use of Estimates

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

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

There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2014-2015.

<u>Fund Name- Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
City council	\$ 28,600	\$ 29,066	\$ 466
Municipal court	107,925	108,559	634
Transfers out	260,000	691,649	431,649
2005 C.O. Fund			
Transfers out	-	57,416	57,416

These over expenditures were funded by available fund balance in the General and Debt Service Funds.

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2015, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pools		
L.O.G.I.C. Pool	\$ 8,778,747	37
TexSTAR Pool	1,378,257	46
Government Securities	<u>2,000,000</u>	851
	<u>\$ 12,157,004</u>	

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

A. Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to less than one year from the time of purchase. The maximum weighted average maturity for the investment pools, according to their investment policies, is 60 days.

B. Credit Risk

It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent. Both investment pools operate in full compliance with the Public Funds Investment Act and are rated AAAM by Standard & Poor's.

C. Concentration of Credit Risk

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

D. Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)**E. Custodial Credit Risk - Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2015, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

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

	<u>General</u>	<u>Public Utility</u>	<u>Port Commission</u>	<u>Beach Operating</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Ad valorem taxes	\$ 469,139	\$ -	\$ -	\$ -	\$ 14,527	\$ 483,666
Franchise taxes	84,169	-	-	-	-	84,169
Municipal court fines	91,598	-	-	-	-	91,598
Charges for services	70,874	809,109	10,129	-	-	890,112
Occupancy taxes	-	-	-	-	163,994	163,994
Miscellaneous	<u>16,079</u>	<u>3,964</u>	<u>4,061</u>	<u>449</u>	<u>-</u>	<u>24,553</u>
Gross receivables	731,859	813,073	14,190	449	178,521	1,738,092
Less: Allowance for uncollectibles	<u>(207,210)</u>	<u>(41,420)</u>	<u>(1,815)</u>	<u>-</u>	<u>(726)</u>	<u>(251,171)</u>
Net total receivables	<u>\$ 524,649</u>	<u>\$ 771,653</u>	<u>\$ 12,375</u>	<u>\$ 449</u>	<u>\$ 177,795</u>	<u>\$ 1,486,921</u>

The City is permitted by a local charter to levy taxes up to limits set by the Constitution and laws of the State of Texas. Currently, the State of Texas does not set limits on the rate at which ad valorem taxes may be assessed. The combined tax rate for the year ended September 30, 2015, was \$0.75 per \$100 of assessed valuation. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by the following January 31, which comprises the collection dates for the current tax roll. The Calhoun County Appraisal District bills, collects, and remits daily all ad valorem taxes.

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 358,135	\$ -	\$ 358,135
Charges for services	17,719	64,041	81,760
Municipal court fines	48,547	-	48,547
Nonmajor Funds			
Ad valorem taxes	<u>13,801</u>	<u>-</u>	<u>13,801</u>
	<u>\$ 438,202</u>	<u>\$ 64,041</u>	<u>\$ 502,243</u>

NOTE 5: DUE FROM OTHER GOVERNMENTS

Various funds of the City reported amounts due from other governments as of the end of the current fiscal year. These amounts are comprised of the following at September 30, 2015:

	General Fund	Nonmajor Funds	Total
Sales taxes	\$ 431,684	\$ -	\$ 431,684
Property taxes	6,894	415	7,309
Reimbursement for services	800	-	800
Grant reimbursements	10,792	-	10,792
	<u>\$ 450,170</u>	<u>\$ 415</u>	<u>\$ 450,585</u>

NOTE 6: CAPITAL ASSETS

The capital asset activity of the City was as follows for the year ended September 30, 2015:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,013,552	\$ 249,945	\$ -	\$ 1,263,497
Construction in progress	733,955	1,472,996	(662,951)	1,544,000
Total capital assets not being depreciated	<u>1,747,507</u>	<u>1,722,941</u>	<u>(662,951)</u>	<u>2,807,497</u>
Capital assets, being depreciated:				
Machinery and equipment	3,434,218	84,027	(266,044)	3,252,201
Buildings and structures	6,000,634	429,417	(98,648)	6,331,403
Infrastructure	29,617,434	644,276	-	30,261,710
Total capital assets being depreciated	<u>39,052,286</u>	<u>1,157,720</u>	<u>(364,692)</u>	<u>39,845,314</u>
Less accumulated depreciation for:				
Machinery and equipment	(2,158,000)	(285,876)	212,596	(2,231,280)
Buildings and structures	(3,085,608)	(164,100)	83,751	(3,165,957)
Infrastructure	(13,576,393)	(452,357)	-	(14,028,750)
Total accumulated depreciation	<u>(18,820,001)</u>	<u>(902,333)</u>	<u>296,347</u>	<u>(19,425,987)</u>
Total capital assets being depreciated, net	<u>20,232,285</u>	<u>255,387</u>	<u>(68,345)</u>	<u>20,419,327</u>
Governmental activities capital assets, net	<u>\$ 21,979,792</u>	<u>\$ 1,978,328</u>	<u>\$ (731,296)</u>	<u>\$ 23,226,824</u>

NOTE 6: CAPITAL ASSETS - (Continued)

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 1,501,012	\$ -	\$ -	\$ 1,501,012
Construction in progress	<u>1,616,235</u>	<u>327,414</u>	<u>(1,588,076)</u>	<u>355,573</u>
Total capital assets not being depreciated	<u>3,117,247</u>	<u>327,414</u>	<u>(1,588,076)</u>	<u>1,856,585</u>
Capital assets, being depreciated:				
Machinery and equipment	848,555	85,015	(57,992)	875,578
Buildings and structures	4,933,980	85,000	(111,448)	4,907,532
Infrastructure	<u>38,723,172</u>	<u>2,504,602</u>	<u>-</u>	<u>41,227,774</u>
Total capital assets being depreciated	<u>44,505,707</u>	<u>2,674,617</u>	<u>(169,440)</u>	<u>47,010,884</u>
Less accumulated depreciation for:				
Machinery and equipment	(548,510)	(88,228)	57,992	(578,746)
Buildings and structures	(2,898,341)	(135,986)	86,478	(2,947,849)
Infrastructure	<u>(20,880,470)</u>	<u>(663,599)</u>	<u>-</u>	<u>(21,544,069)</u>
Total accumulated depreciation	<u>(24,327,321)</u>	<u>(887,813)</u>	<u>144,470</u>	<u>(25,070,664)</u>
Total capital assets being depreciated, net	<u>20,178,386</u>	<u>1,786,804</u>	<u>(24,970)</u>	<u>21,940,220</u>
Business-type activities capital assets, net	<u>\$ 23,295,633</u>	<u>\$ 2,114,218</u>	<u>\$ (1,613,046)</u>	<u>\$ 23,796,805</u>

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

Governmental activities:

General government	\$ 26,880
Public safety	222,454
Public works	497,604
Parks and recreation	<u>155,395</u>
Total depreciation expense - governmental activities	<u>\$ 902,333</u>

Business-type activities:

Public Utility	\$ 544,531
Port Commission	235,153
Beach Operating	<u>108,129</u>
Total depreciation expense - business-type activities	<u>\$ 887,813</u>

NOTE 7: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**A. Interfund Receivables and Payables**

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2015, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Public Utility	\$ 1,490,160
	Nonmajor Special Revenue	32,694
Port Commission	Public Utility	251,074
Beach Operating	Public Utility	223,584
		<u>\$ 1,997,512</u>

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. Besides planned operating transfers from the Public Utility Fund to the General Fund, the most significant transfers were from the General Fund to the Street Construction Fund, a major capital projects fund, in the amount of \$600,000. Also in fiscal year 2015, the Hotel Occupancy Tax Fund, a nonmajor special revenue fund, and the Port Commission Fund, a major enterprise fund, made transfers to the General Fund in the amounts of \$200,000 and \$366,500, respectively, and were made to cover the continued costs of the City. During the current fiscal year, transfers between funds consisted of the following:

	<u>Transfers In</u>			
	<u>General</u>	<u>Street Const.</u>	<u>Nonmajor</u>	<u>Total</u>
Transfers out				
General	\$ -	\$ 600,000	\$ 91,649	\$ 691,649
Public Utility	490,000	-	-	490,000
Port Commission	366,500	-	-	366,500
Beach Operating	8,000	-	-	8,000
Nonmajor	257,416	-	-	257,416
	<u>\$ 1,121,916</u>	<u>\$ 600,000</u>	<u>\$ 91,649</u>	<u>\$ 1,813,565</u>

NOTE 8: LEASE OBLIGATIONS**A. Capital Lease**

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and equipment	
Other equipment	\$ 309,776
	309,776
Less: Accumulated depreciation	(134,237)
	<u>\$ 175,539</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2016	\$ 47,763
2017	47,762
2018	47,762
Total minimum lease payments	143,287
Less: Amount representing interest	(11,193)
Present value of minimum lease payments	<u>\$ 132,094</u>

B. Operating Lease

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

<u>Year Ending September 30</u>	
2016	\$ 292,200
2017	292,200
2018	97,400
	<u>\$ 681,800</u>

Rental expenditures in 2015 were \$222,553. The City does not have the option to purchase the leased system at the expiration of the lease terms.

NOTE 9: LESSOR AGREEMENTS

The Port Commission Fund leases dock frontage and harbor rights to various unrelated third parties. Substantially all of the Fund's capital assets are leased to third parties. Following is an analysis of minimum future rentals due the Port Commission Fund under noncancelable lease agreements as of September 30, 2015:

Year Ending September 30	
2016	\$ 337,561
2017	310,601
2018	204,985
2019	48,779
2020	18,000
	919,926
Thereafter	41,500
	<u>\$ 961,426</u>

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

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds and certificates payable:					
General obligation bonds	\$ 2,680,000	\$ -	\$ 220,000	\$ 2,460,000	\$ 280,000
Certificates	55,000	-	55,000	-	-
Net bonds and certificates	2,735,000	-	275,000	2,460,000	280,000
Capital leases	172,640	-	40,546	132,094	42,241
Compensated absences	140,560	134,734	104,109	171,185	44,438
Safety pay	26,052	25,619	26,052	25,619	-
Net pension liability	599,521	-	127,729	471,792	-
Total governmental activity long-term liabilities	<u>\$ 3,673,773</u>	<u>\$ 160,353</u>	<u>\$ 573,436</u>	<u>\$ 3,260,690</u>	<u>\$ 366,679</u>
Business-type activities					
Bonds and certificates payable:					
Revenue bonds	\$ 3,725,000	\$ -	\$ 370,000	\$ 3,355,000	\$ 390,000
Certificates	3,175,000	-	175,000	3,000,000	180,000
Less deferred amounts:					
Issuance discounts	(29,101)	-	(641)	(28,460)	-
Net bonds and certificates	6,870,899	-	544,359	6,326,540	570,000
Compensated absences	12,678	15,295	14,642	13,331	5,206
Safety pay	3,660	4,380	3,660	4,380	-
Net pension liability	95,495	-	20,345	75,150	-
Total business-type activity long-term liabilities	<u>\$ 6,982,732</u>	<u>\$ 19,675</u>	<u>\$ 583,006</u>	<u>\$ 6,419,401</u>	<u>\$ 575,206</u>

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

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

B. General Obligation Bonds

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

General obligation bonds at September 30, 2015, was comprised of the following individual issue:

\$2,945,000 Series 2012 General Obligation Refunding Bonds due in annual installments ranging from \$280,000 to \$320,000 through February 15, 2024; interest fixed at 2.03%.	<u>\$ 2,460,000</u>
Total Bonds	<u>\$ 2,460,000</u>

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

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 280,000	\$ 47,096	\$ 327,096
2017	285,000	41,361	326,361
2018	290,000	35,525	325,525
2019	300,000	29,537	329,537
2020	300,000	23,447	323,447
2021-2025	1,005,000	33,343	1,038,343
	<u>\$ 2,460,000</u>	<u>\$ 210,309</u>	<u>\$ 2,670,309</u>

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

Revenue bonds and certificates payable were comprised of the following individual issues at September 30, 2015:

\$2,265,000 Series 2011 General Obligation Refunding Bonds due in annual installments ranging from \$335,000 to \$350,000 through February 15, 2018; interest rates varying of 2.83%.	\$ 1,030,000
\$1,535,000 Series 2004 Certificates of Obligation, issued through the Texas Water Development Board, due in annual installments ranging from \$85,000 to \$125,000 through February 15, 2024; interest rates varying between 2.00% and 3.55%.	935,000
\$2,680,000 Series 2007 General Obligation Refunding Bonds due in annual installments ranging from \$55,000 to \$555,000 through February 15, 2022; interest rates varying between 4.00% and 4.50%.	2,325,000
\$925,000 Series 2007 Combination Tax and Revenue Certificates of Obligation due in annual installments ranging from \$20,000 to \$140,000 through February 15, 2022; interest rate of 4.00%.	785,000
\$1,700,000 Series 2008 Combination Tax and Surplus Harbor System Revenue Certificates of Obligation due in annual installments ranging from \$75,000 to \$125,000 through February 15, 2028; interest rate of 3.93%.	<u>1,280,000</u>
Total Revenue Bonds and Certificates	<u>\$ 6,355,000</u>

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

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2016	\$ 570,000	\$ 226,037	\$ 796,037
2017	735,000	204,538	939,538
2018	755,000	179,525	934,525
2019	795,000	151,485	946,485
2020	830,000	119,864	949,864
2021-2025	2,310,000	209,630	2,519,630
2026-2028	<u>360,000</u>	<u>21,615</u>	<u>381,615</u>
	<u>\$ 6,355,000</u>	<u>\$ 1,112,694</u>	<u>\$ 7,467,694</u>

The revenues of the Public Utility Fund and the Port Commission Fund are pledged for the repayment of debt reported by those funds. The City complied in all material respects with the various covenants applicable to its long-term debt agreements for the year ending September 30, 2015.

As of September 30, 2015, the \$6,355,000 balance on the revenue bonds and certificates is detailed as follows according to the purpose of their issuance: \$3,489,063 or 55% water system improvements, \$1,585,937 or 25% wastewater system improvements, and \$1,280,000 or 20% harbor system improvements.

NOTE 11: PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain revenue and refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2015, \$5,645,000 of bonds outstanding was considered defeased.

NOTE 12: PROPRIETARY FUND NET POSITION

Management has committed for operating reserves \$1,276,211 of the Public Utility Fund's \$4,234,310 unrestricted net position. Management has also committed \$203,413 of the Port Commission Fund's \$890,003 unrestricted net position for operating reserves and \$88,167 of the Beach Operating Fund's \$498,271 unrestricted net position for operating reserves. The committed amounts represent approximately 90 days of operating expenses, including interest expense and transfers to other funds. The Public Utility Fund, the Port Commission Fund, and the Beach Operating Fund had \$2,958,099, \$686,590, and \$410,104, respectively, of unrestricted, uncommitted net position as of September 30, 2015.

NOTE 13: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2015, the City purchased insurance through the Texas Municipal League (TML) to cover its risk of loss in these areas. Substantially all risk of loss for events occurring during the current year has been transferred to TML by the payment of insurance premiums. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

In the health insurance area, the City assumes all risk up to \$45,000 of eligible medical claims per participant, per year. A re-insurance policy has been purchased through the TML Intergovernmental Employee Benefits Pool that pays any additional claims in excess of this individual stop-loss amount. The City's total medical claim risk exposure is also limited by an aggregate stop-loss amount that is determined by the re-insurance carrier on an annual basis. Premiums paid by the City during the year for the individual and aggregate stop-loss coverage totaled \$235,956.

Paid health-related claims totaled \$850,506 during the current fiscal year. The insurance carrier estimated that \$46,325 in claims had been incurred but not reported as of the fiscal year-end. These estimated claims as well as known payables are included in the claim liability reported by various funds in the accompanying financial statements.

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

	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
Fiscal Year 2011	\$ 25,153	\$ 428,306	\$ 420,250	\$ 33,209
Fiscal Year 2012	33,209	837,116	840,430	29,895
Fiscal Year 2013	29,895	673,238	645,271	57,862
Fiscal Year 2014	57,862	826,576	826,398	58,040
Fiscal Year 2015	58,040	838,791	850,506	46,325

NOTE 14: CONTINGENCIES AND COMMITMENTS**A. Litigation**

The City was not involved in any litigation as of September 30, 2015, and management was not aware of any threatened litigation or unasserted claims as of that date.

B. Grant Programs

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any monies received may be required, and the collectability of any related receivables at September 30, 2015, may be impaired. In the opinion of the administration of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the City's various grant programs.

C. Water Purchase Commitment

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

D. Construction Commitments

As of September 30, 2015, the following construction projects were in progress:

<u>Project Description</u>	<u>Costs Incurred To Date</u>	<u>Estimated Remaining Costs</u>	<u>Source of Funds</u>
Governmental activities:			
Street improvements	\$ 1,076,379	\$ 523,621	City
Public Works Service Center	<u>425,323</u>	<u>74,677</u>	City
	<u>1,501,702</u>	<u>598,298</u>	
Business-type activities:			
Hospital waterline - phase II	<u>26,600</u>	<u>273,400</u>	City
	<u>26,600</u>	<u>273,400</u>	
	<u>\$ 1,528,302</u>	<u>\$ 871,698</u>	

NOTE 15: DEFINED BENEFIT PENSION PLAN**Plan Description**

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in TMRS.

Benefits Provided

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

Benefits Provided - (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2015 were as follows:

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

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	76
Active employees	<u>91</u>
	<u>223</u>

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

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.57% and 6.20% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$225,696, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31 st
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	3.00%
Overall Payroll Growth	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

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

The long-term expected rate of return on pension plan investments is 7.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	<u>5.00%</u>	8.50%
Total	<u>100.00%</u>	

NOTE 15: DEFINED BENEFIT PENSION PLAN - (Continued)**Net Pension Liability - (Continued)***Discount Rate*

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 9,700,410	\$ 9,005,394	\$ 695,016
Changes for the year:			
Service cost	314,835	-	314,835
Interest	670,913	-	670,913
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(250,547)	-	(250,547)
Change of assumptions	-	-	-
Contributions - Employer	-	197,075	(197,075)
Contributions - Employee	-	176,910	(176,910)
Net investment income	-	515,111	(515,111)
Benefit payments, including refunds of employee contributions	(546,714)	(546,714)	-
Administrative expense	-	(5,379)	5,379
Other changes	-	(442)	442
Net changes	188,487	336,561	(148,074)
Balance at 12/31/2014	<u>\$ 9,888,897</u>	<u>\$ 9,341,955</u>	<u>\$ 546,942</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 7.0%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1.0% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1.0% Increase in Discount Rate (8.0%)
City's Net Pension Liability:	\$1,942,490	\$546,942	\$(584,696)

NOTE 15: DEFINED BENEFIT PENSION PLAN - (Continued)**Net Pension Liability - (Continued)*****Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

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

For the year ended September 30, 2015 the City recognized pension expense of \$132,131.

At September 30, 2015, 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	\$ -	\$ 175,344
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	92,214	-
Contributions subsequent to the measurement date	177,362	-
Total	\$ 269,576	\$ 175,344

\$177,362 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2015	\$ (52,150)
2016	(52,150)
2017	(1,885)
2018	23,055
2019	-
Thereafter	-

NOTE 16: SUPPLEMENTAL DEATH BENEFIT PLAN

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014, and 2013 were \$2,983, \$2,440, and \$2,454, respectively, which equaled the required contributions each year.

NOTE 17: VOLUNTEER FIREFIGHTERS' PENSION BENEFIT PLAN

The City provides a pension benefit for all retired volunteer firemen who qualify under the provisions of the Texas Local Fire Fighters Retirement Act. To be eligible, individuals must have completed at least 20 years of service and be at least 55 years old. Monthly payments of \$25 are made to qualifying individuals until their death, at which time the surviving spouse, if any, is entitled to receive payments of \$17 per month until death. As of September 30, 2015, there were 11 individuals receiving benefits under the plan. Benefit payments for the year totaled \$3,100.

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, 2015.

NOTE 18: DEFERRED COMPENSATION PLAN

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

The assets of this plan, which totaled \$753,666 as of September 30, 2015, are held in trust for the exclusive benefit of participants and their beneficiaries. As such, no amounts related to these assets are included in the accompanying financial statements.

NOTE 19: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2015:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid items	\$ 47,218	\$ -	\$ -	\$ -	\$ 47,218
Operating reserves	-	-	2,468,798	-	2,468,798
Health insurance claims	-	-	924,846	-	924,846
Capital asset replacement	-	-	285,876	-	285,876
Unassigned	-	-	-	4,076,496	4,076,496
Street Construction					
Various capital projects	-	-	478,412	-	478,412
Nonmajor Governmental					
Retirement of long-term debt	-	142,508	-	-	142,508
Tourism and conventions	-	1,004,401	-	-	1,004,401
Economic development	-	10,088	-	-	10,088
Public safety	-	89,916	-	-	89,916
Municipal court	-	23,382	-	-	23,382
Bayfront Park pier	-	56,126	-	-	56,126
	<u>\$ 47,218</u>	<u>\$ 1,326,421</u>	<u>\$ 4,157,932</u>	<u>\$ 4,076,496</u>	<u>\$ 9,608,067</u>

NOTE 20: NEW AND FUTURE FINANCIAL REPORTING REQUIREMENTS

The GASB has issued the following statement which became effective for fiscal year 2015:

Statement No. 68, "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27.*" – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of GASB No. 68 resulted restatement of beginning net position for the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying this change results in the adjustment below:

	<u>Government-wide Statement of Activities</u>		<u>Fund Level Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Public Utility</u>
Net position at September 30, 2014, as previously reported	\$ 28,287,843	\$ 22,952,477	\$ 15,470,998
Recording of net pension liability as of September 30, 2014	(599,521)	(95,495)	(95,495)
Deferral for pension contributions made after the measurement date	<u>128,304</u>	<u>20,437</u>	<u>20,437</u>
Net position at September 30, 2014, as restated	<u>\$ 27,816,626</u>	<u>\$ 22,877,419</u>	<u>\$ 15,395,940</u>

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

Required Supplementary Information

CITY OF PORT LAVACA, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES					
Taxes	\$ 6,200,600	\$ 6,738,700	\$ 7,217,350	\$ 478,650	\$ 6,776,782
Fines and forfeitures	319,000	319,000	274,479	(44,521)	301,371
Intergovernmental	253,000	253,000	267,997	14,997	406,401
Licenses and permits	83,900	83,900	105,245	21,345	131,291
Investment	8,000	8,000	25,388	17,388	10,380
Rental	45,000	45,000	87,084	42,084	76,290
Charges for services	2,000	2,000	3,667	1,667	2,901
Miscellaneous	14,000	20,650	79,699	59,049	109,561
Total revenues	<u>6,925,500</u>	<u>7,470,250</u>	<u>8,060,909</u>	<u>590,659</u>	<u>7,814,977</u>
EXPENDITURES					
Current					
General government	2,164,578	2,347,478	2,114,748	232,730	2,286,735
Public safety	2,900,613	2,976,263	2,942,132	34,131	2,969,549
Public works	1,973,209	2,031,409	1,344,897	686,512	983,253
Parks and recreation	774,600	1,024,600	1,004,617	19,983	469,422
Total expenditures	<u>7,813,000</u>	<u>8,379,750</u>	<u>7,406,394</u>	<u>973,356</u>	<u>6,708,959</u>
Excess (deficiency) of revenues over expenditures	(887,500)	(909,500)	654,515	1,564,015	1,106,018
OTHER FINANCING SOURCES (USES)					
Transfers in	1,064,500	1,064,500	1,121,916	57,416	449,770
Transfers out	(260,000)	(260,000)	(691,649)	(431,649)	(779,044)
Sale of capital assets	5,000	5,000	43,061	38,061	-
Net other financing sources (uses)	<u>809,500</u>	<u>809,500</u>	<u>473,328</u>	<u>(336,172)</u>	<u>(329,274)</u>
Net change in fund balance	(78,000)	(100,000)	1,127,843	1,227,843	776,744
Fund balance at beginning of year	<u>6,675,391</u>	<u>6,675,391</u>	<u>6,675,391</u>	<u>-</u>	<u>5,898,647</u>
Fund balance at end of year	<u>\$ 6,597,391</u>	<u>\$ 6,575,391</u>	<u>\$ 7,803,234</u>	<u>\$ 1,227,843</u>	<u>\$ 6,675,391</u>

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

CITY OF PORT LAVACA, TEXAS**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS***Last ten years*

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 314,835
Interest (on the total pension liability)	670,913
Changes of benefit terms	-
Difference between expected and actual experience	(250,547)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(546,714)</u>
Net Change in Total Pension Liability	188,487
Total Pension Liability - Beginning	<u>9,700,410</u>
Total Pension Liability - Ending (a)	<u><u>\$ 9,888,897</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 197,075
Contributions - Employee	176,910
Net investment income	515,111
Benefit payments, including refunds of employee contributions	(546,714)
Administrative expense	(5,379)
Other	<u>(442)</u>
Net Change in Plan Fiduciary Net Position	336,561
Plan Fiduciary Net Position - Beginning	<u>9,005,394</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 9,341,955</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 546,942</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.47%
Covered Employee Payroll	\$ 3,538,200
Net Pension Liability as a Percentage of Covered Employee Payroll	15.46%

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

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

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

	<u>2015</u>
Actuarially Determined Contribution	\$ 225,696
Contribution in relation to the actuarially determined contribution	<u>(234,844)</u>
Contribution deficiency (excess)	<u>\$ (9,148)</u>
Covered employee payroll	\$ 3,728,430
Contributions as a percentage of covered employee payroll	6.30%

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

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

CITY OF PORT LAVACA, TEXAS**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**September 30, 2015

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

NOTE 2: BUDGETARY LEGAL COMPLIANCE

For the year ended September 30, 2015, the City complied with budgetary restrictions at all departmental levels except the following:

<u>Fund Name- Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
City council	\$ 28,600	\$ 29,066	\$ 466
Municipal court	107,925	108,559	634
Transfers out	260,000	691,649	431,649

NOTE 3: TEXAS MUNICIPAL RETIREMENT SYSTEM**Valuation Date**

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	3.00%
Overall Payroll Growth	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Combining and Individual Fund Statements and Schedules

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds

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

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

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

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

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

Bicycle Patrol Grant - Accounts for funds received from the Office of the Governor-Criminal Justice Division and used to purchase equipment needed to support the newly implemented bicycle patrol program. The purpose of this grant is to prevent and control crime.

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS - (Continued)

Nonmajor Debt Service Funds

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

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

2005 Certificates of Obligation Fund - To accumulate monies for payment of the City's 2005 Certificates of Obligation.

CITY OF PORT LAVACA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2015

	Special Revenue					
	Hotel Occupancy Tax	Police Forfeitures	Juvenile Case Manager	Building Security	Economic Development	Bicycle Patrol Grant
ASSETS						
Current assets						
Cash and cash equivalents	\$ 856,908	\$ 9,013	\$ 520	\$ 23,382	\$ 10,088	\$ 189
Receivables (net)	163,994	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Total assets	<u>\$ 1,020,902</u>	<u>\$ 9,013</u>	<u>\$ 520</u>	<u>\$ 23,382</u>	<u>\$ 10,088</u>	<u>\$ 189</u>
LIABILITIES						
Liabilities						
Accounts payable	\$ 16,501	\$ 568	\$ -	\$ -	\$ -	\$ -
Payroll related payables	-	-	520	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>16,501</u>	<u>568</u>	<u>520</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE						
Restricted						
Retirement of long-term debt	-	-	-	-	-	-
Tourism and conventions	1,004,401	-	-	-	-	-
Economic development	-	-	-	-	10,088	-
Public safety	-	8,445	-	-	-	189
Municipal court	-	-	-	23,382	-	-
Bayfront Park pier	-	-	-	-	-	-
Total fund balance	<u>1,004,401</u>	<u>8,445</u>	<u>-</u>	<u>23,382</u>	<u>10,088</u>	<u>189</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,020,902</u>	<u>\$ 9,013</u>	<u>\$ 520</u>	<u>\$ 23,382</u>	<u>\$ 10,088</u>	<u>\$ 189</u>

Special Revenue				Debt Service		Total Nonmajor Governmental Funds
Redflex Traffic System	Court Technology Fund	Bayfront Peninsula Pier	Total	2012 General Obligation Refunding Bonds	Total	
\$ 81,282	\$ 32,694	\$ 56,126	\$ 1,070,202	\$ 142,093	\$ 142,093	\$ 1,212,295
-	-	-	163,994	13,801	13,801	177,795
-	-	-	-	415	415	415
<u>\$ 81,282</u>	<u>\$ 32,694</u>	<u>\$ 56,126</u>	<u>\$ 1,234,196</u>	<u>\$ 156,309</u>	<u>\$ 156,309</u>	<u>\$ 1,390,505</u>
\$ -	\$ -	\$ -	\$ 17,069	\$ -	\$ -	\$ 17,069
-	-	-	520	-	-	520
-	32,694	-	32,694	-	-	32,694
<u>-</u>	<u>32,694</u>	<u>-</u>	<u>50,283</u>	<u>-</u>	<u>-</u>	<u>50,283</u>
-	-	-	-	13,801	13,801	13,801
-	-	-	-	13,801	13,801	13,801
-	-	-	-	142,508	142,508	142,508
-	-	-	1,004,401	-	-	1,004,401
-	-	-	10,088	-	-	10,088
81,282	-	-	89,916	-	-	89,916
-	-	-	23,382	-	-	23,382
-	-	56,126	56,126	-	-	56,126
<u>81,282</u>	<u>-</u>	<u>56,126</u>	<u>1,183,913</u>	<u>142,508</u>	<u>142,508</u>	<u>1,326,421</u>
<u>\$ 81,282</u>	<u>\$ 32,694</u>	<u>\$ 56,126</u>	<u>\$ 1,234,196</u>	<u>\$ 156,309</u>	<u>\$ 156,309</u>	<u>\$ 1,390,505</u>

CITY OF PORT LAVACA, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS***For the year ended September 30, 2015*

	Special Revenue					
	Hotel Occupancy Tax	Police Forfeitures	Juvenile Case Manager	Building Security	Economic Development	Bicycle Patrol Grant
REVENUES						
Taxes	\$ 515,635	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, fees, and forfeitures	-	10,046	4,926	2,697	-	-
Intergovernmental	-	-	-	-	-	246
Investment	1,053	238	-	58	31	3
Miscellaneous	77,735	-	193	-	-	-
Total revenues	<u>594,423</u>	<u>10,284</u>	<u>5,119</u>	<u>2,755</u>	<u>31</u>	<u>249</u>
EXPENDITURES						
Current						
General government	164,205	-	-	-	-	-
Public safety	-	5,218	15,138	-	-	60
Capital outlay	-	-	-	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>164,205</u>	<u>5,218</u>	<u>15,138</u>	<u>-</u>	<u>-</u>	<u>60</u>
Excess (deficiency) of revenues over expenditures	430,218	5,066	(10,019)	2,755	31	189
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	10,019	-	-	-
Transfers out	(200,000)	-	-	-	-	-
Total other financing sources (uses)	<u>(200,000)</u>	<u>-</u>	<u>10,019</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	230,218	5,066	-	2,755	31	189
Fund balances at beginning of year	<u>774,183</u>	<u>3,379</u>	<u>-</u>	<u>20,627</u>	<u>10,057</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,004,401</u>	<u>\$ 8,445</u>	<u>\$ -</u>	<u>\$ 23,382</u>	<u>\$ 10,088</u>	<u>\$ 189</u>

Special Revenue						
HOME Program	Texas Capital Fund	Bullet Proof Vest Grant	Redflex Traffic System	Court Technology Fund	Bayfront Peninsula Pier	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 515,635
-	-	-	222,553	3,662	-	243,884
93,682	7,157	3,071	-	-	-	104,156
-	-	-	233	21	39	1,676
-	-	-	-	-	-	77,928
<u>93,682</u>	<u>7,157</u>	<u>3,071</u>	<u>222,786</u>	<u>3,683</u>	<u>39</u>	<u>943,279</u>
95,164	-	-	-	-	-	259,369
-	-	6,142	226,554	3,683	-	256,795
-	84,234	-	-	-	-	84,234
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>95,164</u>	<u>84,234</u>	<u>6,142</u>	<u>226,554</u>	<u>3,683</u>	<u>-</u>	<u>600,398</u>
(1,482)	(77,077)	(3,071)	(3,768)	-	39	342,881
1,482	77,077	3,071	-	-	-	91,649
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
<u>1,482</u>	<u>77,077</u>	<u>3,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,351)</u>
-	-	-	(3,768)	-	39	234,530
-	-	-	85,050	-	56,087	949,383
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,282</u>	<u>\$ -</u>	<u>\$ 56,126</u>	<u>\$ 1,183,913</u>

(continued)

CITY OF PORT LAVACA, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS***For the year ended September 30, 2015*

	Debt Service			Total
	2012 General Obligation Refunding Bonds	2005 Certificates of Obligation	Total	Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 270,748	\$ 55,604	\$ 326,352	\$ 841,987
Fines, fees, and forfeitures	-	-	-	243,884
Intergovernmental	-	-	-	104,156
Investment	453	233	686	2,362
Miscellaneous	-	-	-	77,928
Total revenues	<u>271,201</u>	<u>55,837</u>	<u>327,038</u>	<u>1,270,317</u>
EXPENDITURES				
Current				
General government	-	-	-	259,369
Public safety	-	-	-	256,795
Capital outlay	-	-	-	84,234
Debt service				
Principal retirement	220,000	55,000	275,000	275,000
Interest and fiscal charges	52,471	1,100	53,571	53,571
Total expenditures	<u>272,471</u>	<u>56,100</u>	<u>328,571</u>	<u>928,969</u>
Excess (deficiency) of revenues over expenditures	(1,270)	(263)	(1,533)	341,348
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	91,649
Transfers out	-	(57,416)	(57,416)	(257,416)
Total other financing sources (uses)	<u>-</u>	<u>(57,416)</u>	<u>(57,416)</u>	<u>(165,767)</u>
Net change in fund balances	(1,270)	(57,679)	(58,949)	175,581
Fund balances at beginning of year	143,778	57,679	201,457	1,150,840
Fund balances at end of year	<u>\$ 142,508</u>	<u>\$ -</u>	<u>\$ 142,508</u>	<u>\$ 1,326,421</u>

(concluded)

GENERAL FUND

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

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

September 30, 2015

With comparative totals for September 30, 2014

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 5,674,979	\$ 4,333,168
Investments	500,000	2,142,152
Receivables, net		
Taxes	447,522	456,342
Fines	48,547	38,844
Other	28,580	55,883
Due from other governments	450,170	426,126
Due from other funds	1,522,854	-
Prepaid items	47,218	51,193
Total assets	\$ 8,719,870	\$ 7,503,708
LIABILITIES		
Accounts payable	\$ 246,148	\$ 174,091
Payroll related payables	107,748	80,777
Other payables	34,998	53,931
Due to other governments	17,714	12,914
Customer and other deposits	21,586	15,167
Unearned revenue	64,041	63,223
Total liabilities	492,235	400,103
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	424,401	428,214
Total deferred inflows of resources	424,401	428,214
FUND BALANCE		
Nonspendable		
Prepaid items	47,218	51,193
Committed		
Operating reserves	2,468,798	2,236,320
Health insurance claims	924,846	929,210
Capital asset replacement	285,876	275,245
Unassigned	4,076,496	3,183,423
Total fund balance	7,803,234	6,675,391
Total liabilities, deferred inflows and fund balance	\$ 8,719,870	\$ 7,503,708

CITY OF PORT LAVACA, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 3,615,000	\$ 3,768,918	\$ 153,918	\$ 3,643,425
Sales	2,538,100	2,809,977	271,877	2,500,013
Franchise	576,100	615,800	39,700	615,184
Beverage	9,500	22,655	13,155	18,160
Total taxes	6,738,700	7,217,350	478,650	6,776,782
Fines and forfeitures				
Municipal court	194,000	154,231	(39,769)	177,287
Tax penalties and fees	125,000	120,248	(4,752)	124,084
Total fines and forfeitures	319,000	274,479	(44,521)	301,371
Intergovernmental				
Reimbursements	253,000	255,347	2,347	402,044
Grants and allocations	-	12,650	12,650	4,357
Total intergovernmental	253,000	267,997	14,997	406,401
Licenses and permits				
Licenses				
Building/electrical	7,000	9,431	2,431	9,250
Animal	2,000	7,570	5,570	6,744
Alcoholic beverage	4,000	5,135	1,135	4,720
Permits				
Building	30,000	34,689	4,689	38,906
Electrical	6,000	8,857	2,857	6,812
Plumbing	8,000	10,753	2,753	10,808
Mechanical	3,500	7,015	3,515	3,365
Miscellaneous	23,400	21,795	(1,605)	50,686
Total licenses and permits	83,900	105,245	21,345	131,291
Investment	8,000	25,388	17,388	10,380
Rental	45,000	87,084	42,084	76,290
Charges for services				
Police service fees	2,000	2,367	367	2,901
Other	-	1,300	1,300	-
Total charges for services	2,000	3,667	1,667	2,901

CITY OF PORT LAVACA, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES****BUDGET (GAAP BASIS) AND ACTUAL***For the year ended September 30, 2015**With comparative totals for the year ended September 30, 2014*

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES - (Continued)				
Miscellaneous				
Reimbursements and refunds	\$ 7,000	\$ 9,838	\$ 2,838	\$ 10,185
Other	13,650	69,861	56,211	99,376
Total miscellaneous	<u>20,650</u>	<u>79,699</u>	<u>59,049</u>	<u>109,561</u>
 Total revenues	 <u>7,470,250</u>	 <u>8,060,909</u>	 <u>590,659</u>	 <u>7,814,977</u>
 OTHER FINANCING SOURCES				
Transfers in	1,064,500	1,121,916	57,416	449,770
Sale of capital assets	5,000	43,061	38,061	-
Total other financing sources	<u>1,069,500</u>	<u>1,164,977</u>	<u>95,477</u>	<u>449,770</u>
 Total revenues and other financing sources	 <u>\$ 8,539,750</u>	 <u>\$ 9,225,886</u>	 <u>\$ 686,136</u>	 <u>\$ 8,264,747</u>

CITY OF PORT LAVACA, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES				
Current				
General government				
City council				
Personnel services	\$ 27,180	\$ 27,612	\$ (432)	\$ 26,195
Materials and supplies	-	429	(429)	4,249
Services	950	1,025	(75)	1,009
Maintenance	470	-	470	-
Total city council	28,600	29,066	(466)	31,453
City manager				
Personnel services	192,850	193,624	(774)	187,666
Materials and supplies	900	410	490	1,388
Services	6,750	5,987	763	6,552
Total city manager	200,500	200,021	479	195,606
City secretary				
Personnel services	72,000	72,402	(402)	66,916
Materials and supplies	1,000	1,171	(171)	501
Services	23,000	20,916	2,084	27,654
Maintenance	-	-	-	45
Total city secretary	96,000	94,489	1,511	95,116
Human resources				
Personnel services	51,875	53,409	(1,534)	49,957
Materials and supplies	4,400	1,726	2,674	4,007
Services	18,700	19,375	(675)	9,250
Maintenance	2,025	-	2,025	-
Total human resources	77,000	74,510	2,490	63,214
Municipal court				
Personnel services	80,675	80,162	513	79,520
Materials and supplies	1,300	1,541	(241)	1,375
Services	25,950	23,471	2,479	10,896
Maintenance	-	3,385	(3,385)	3,034
Total municipal court	107,925	108,559	(634)	94,825
Economic development				
Personnel services	70,700	70,320	380	-
Materials and supplies	5,500	5,718	(218)	-
Services	10,500	10,844	(344)	-
Maintenance	4,000	3,629	371	-
Total economic development	90,700	90,511	189	-

CITY OF PORT LAVACA, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES****BUDGET (GAAP BASIS) AND ACTUAL***For the year ended September 30, 2015**With comparative totals for the year ended September 30, 2014*

	2015		Variance	2014
	Final Budget	Actual	Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
General government - (Continued)				
Finance				
Personnel services	\$ 197,550	\$ 198,111	\$ (561)	\$ 185,336
Materials and supplies	9,800	8,691	1,109	8,837
Services	11,900	12,134	(234)	9,888
Maintenance	500	508	(8)	62
Total finance	219,750	219,444	306	204,123
City hall				
Materials and supplies	8,200	7,575	625	16,708
Services	80,225	81,609	(1,384)	79,236
Maintenance	32,000	27,476	4,524	35,445
Total city hall	120,425	116,660	3,765	131,389
Non-departmental				
Personnel services	764,000	654,805	109,195	912,823
Services	504,678	434,965	69,713	470,465
Maintenance	75,000	66,780	8,220	64,819
Sundry	62,900	24,938	37,962	22,902
Total non-departmental	1,406,578	1,181,488	225,090	1,471,009
Total general government	2,347,478	2,114,748	232,730	2,286,735
Public safety				
Police				
Personnel services	1,365,000	1,354,478	10,522	1,269,169
Materials and supplies	73,000	64,449	8,551	80,481
Services	95,150	77,771	17,379	79,764
Maintenance	95,800	125,670	(29,870)	92,778
Capital outlay	46,000	44,641	1,359	79,509
Total police	1,674,950	1,667,009	7,941	1,601,701
Fire				
Personnel services	969,200	947,901	21,299	909,013
Materials and supplies	76,500	77,765	(1,265)	68,015
Services	53,700	53,550	150	49,215
Maintenance	41,400	35,808	5,592	29,553
Debt service	47,763	47,762	1	47,763
Capital outlay	-	-	-	149,981
Total fire	1,188,563	1,162,786	25,777	1,253,540
Animal control				
Personnel services	82,200	85,027	(2,827)	82,972
Materials and supplies	13,350	8,111	5,239	12,243
Services	11,200	11,909	(709)	11,637
Maintenance	6,000	7,290	(1,290)	7,456
Total animal control	112,750	112,337	413	114,308
Total public safety	2,976,263	2,942,132	34,131	2,969,549

CITY OF PORT LAVACA, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
Public works				
Code enforcement/inspections				
Personnel services	\$ 165,300	\$ 121,314	\$ 43,986	\$ 127,193
Materials and supplies	8,000	5,772	2,228	5,807
Services	14,100	9,996	4,104	3,796
Maintenance	3,800	2,351	1,449	2,133
Capital outlay	22,000	21,965	35	-
Total code enforcement/inspections	213,200	161,398	51,802	138,929
Streets				
Personnel services	435,000	415,225	19,775	380,430
Materials and supplies	48,400	33,974	14,426	40,107
Services	152,750	138,934	13,816	133,735
Maintenance	332,059	170,043	162,016	201,492
Capital outlay	850,000	425,323	424,677	88,560
Total streets	1,818,209	1,183,499	634,710	844,324
Total public works	2,031,409	1,344,897	686,512	983,253
Parks and recreation				
Parks				
Personnel services	167,800	156,676	11,124	159,135
Materials and supplies	25,600	24,650	950	24,494
Services	46,700	58,166	(11,466)	61,809
Maintenance	62,000	78,690	(16,690)	48,232
Capital outlay	509,000	476,986	32,014	9,228
Total parks	811,100	795,168	15,932	302,898
Convention/visitors bureau				
Personnel services	61,000	60,665	335	50,384
Materials and supplies	9,050	5,020	4,030	8,723
Services	98,900	113,203	(14,303)	85,429
Maintenance	44,550	30,561	13,989	21,988
Total convention/visitors bureau	213,500	209,449	4,051	166,524
Total parks and recreation	1,024,600	1,004,617	19,983	469,422
Total current	8,379,750	7,406,394	973,356	6,708,959
Total expenditures	8,379,750	7,406,394	973,356	6,708,959
OTHER FINANCING USES				
Transfers out	260,000	691,649	(431,649)	779,044
Total expenditures and other financing uses	<u>\$ 8,639,750</u>	<u>\$ 8,098,043</u>	<u>\$ 541,707</u>	<u>\$ 7,488,003</u>

NONMAJOR DEBT SERVICE FUNDS

CITY OF PORT LAVACA, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - 2012 GENERAL OBLIGATION REFUNDING BONDS FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 272,200	\$ 270,748	\$ (1,452)	\$ 268,011
Investment	300	453	153	425
Total revenues	<u>272,500</u>	<u>271,201</u>	<u>(1,299)</u>	<u>268,436</u>
EXPENDITURES				
Debt service				
Principal retirement	220,000	220,000	-	215,000
Interest and fiscal charges	52,500	52,471	29	56,886
Total expenditures	<u>272,500</u>	<u>272,471</u>	<u>29</u>	<u>271,886</u>
Excess (deficiency) of revenues over expenditures	-	(1,270)	(1,270)	(3,450)
OTHER FINANCING SOURCES (USES)	-	-	-	-
Net change in fund balances	-	(1,270)	(1,270)	(3,450)
Fund balances at beginning of year	<u>143,778</u>	<u>143,778</u>	<u>-</u>	<u>147,228</u>
Fund balances at end of year	<u>\$ 143,778</u>	<u>\$ 142,508</u>	<u>\$ (1,270)</u>	<u>\$ 143,778</u>

CITY OF PORT LAVACA, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - 2005 CERTIFICATES OF OBLIGATION FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 56,300	\$ 55,604	\$ (696)	\$ 50,964
Investment	100	233	133	265
Total revenues	<u>56,400</u>	<u>55,837</u>	<u>(563)</u>	<u>51,229</u>
EXPENDITURES				
Debt service				
Principal retirement	55,000	55,000	-	50,000
Interest and fiscal charges	<u>1,400</u>	<u>1,100</u>	<u>300</u>	<u>3,500</u>
Total expenditures	<u>56,400</u>	<u>56,100</u>	<u>300</u>	<u>53,500</u>
Excess (deficiency) of revenues over expenditures	-	(263)	(263)	(2,271)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(57,416)	(57,416)	-
Total other financing sources (uses)	-	(57,416)	(57,416)	-
Net change in fund balances	-	(57,679)	(57,679)	(2,271)
Fund balances at beginning of year	<u>57,679</u>	<u>57,679</u>	-	<u>59,950</u>
Fund balances at end of year	<u>\$ 57,679</u>	<u>\$ -</u>	<u>\$ (57,679)</u>	<u>\$ 57,679</u>

AGENCY FUND

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

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

CITY OF PORT LAVACA, TEXAS**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****AGENCY FUND***For the year ended September 30, 2015*

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
POLICE SEIZED NONFORFEITURE FUND				
Assets				
Cash and cash equivalents	<u>\$ 29,017</u>	<u>\$ 60,135</u>	<u>\$ 9,530</u>	<u>\$ 79,622</u>
Total assets	<u>\$ 29,017</u>	<u>\$ 60,135</u>	<u>\$ 9,530</u>	<u>\$ 79,622</u>
Liabilities				
Due to others	<u>\$ 29,017</u>	<u>\$ 60,135</u>	<u>\$ 9,530</u>	<u>\$ 79,622</u>
Total liabilities	<u>\$ 29,017</u>	<u>\$ 60,135</u>	<u>\$ 9,530</u>	<u>\$ 79,622</u>

STATISTICAL SECTION

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

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

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

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 12,509,383	\$ 13,105,824	\$ 13,815,306	\$ 15,787,249
Restricted	199,381	221,392	848,885	876,554
Unrestricted	<u>5,022,591</u>	<u>6,556,521</u>	<u>7,374,943</u>	<u>6,394,379</u>
Total governmental activities net position	<u>\$ 17,731,355</u>	<u>\$ 19,883,737</u>	<u>\$ 22,039,134</u>	<u>\$ 23,058,182</u>
Business-type activities				
Net investment in capital assets	\$ 10,460,620	\$ 11,569,600	\$ 11,052,199	\$ 11,334,652
Restricted	13,887	129,592	12,681	233,544
Unrestricted	<u>4,353,647</u>	<u>4,022,664</u>	<u>4,953,062</u>	<u>5,642,701</u>
Total business-type activities net position	<u>\$ 14,828,154</u>	<u>\$ 15,721,856</u>	<u>\$ 16,017,942</u>	<u>\$ 17,210,897</u>
Primary government				
Net investment in capital assets	\$ 22,970,003	\$ 24,675,424	\$ 24,867,505	\$ 27,121,901
Restricted	213,268	350,984	861,566	1,110,098
Unrestricted	<u>9,376,238</u>	<u>10,579,185</u>	<u>12,328,005</u>	<u>12,037,080</u>
Total primary government activities net position	<u>\$ 32,559,509</u>	<u>\$ 35,605,593</u>	<u>\$ 38,057,076</u>	<u>\$ 40,269,079</u>

(1) Accrual basis of accounting

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

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 18,383,147	\$ 18,380,797	\$ 19,174,209	\$ 21,750,587	\$ 19,170,337	\$ 20,724,855
784,798	1,049,987	1,027,384	1,463,189	1,175,154	1,330,800
4,732,493	5,231,769	5,544,238	3,452,739	7,942,352	8,118,735
<u>\$ 23,900,438</u>	<u>\$ 24,662,553</u>	<u>\$ 25,745,831</u>	<u>\$ 26,666,515</u>	<u>\$ 28,287,843</u>	<u>\$ 30,174,390</u>
\$ 11,536,833	\$ 13,321,583	\$ 13,756,393	\$ 14,059,066	\$ 16,550,105	\$ 17,592,876
51,469	-	-	-	-	-
6,841,071	6,892,206	7,449,406	7,772,021	6,402,372	5,622,584
<u>\$ 18,429,373</u>	<u>\$ 20,213,789</u>	<u>\$ 21,205,799</u>	<u>\$ 21,831,087</u>	<u>\$ 22,952,477</u>	<u>\$ 23,215,460</u>
\$ 29,919,980	\$ 31,702,380	\$ 32,930,602	\$ 35,809,653	\$ 35,720,442	\$ 38,317,731
836,267	1,049,987	1,027,384	1,463,189	1,175,154	1,330,800
11,573,564	12,123,975	12,993,644	11,224,760	14,344,724	13,741,319
<u>\$ 42,329,811</u>	<u>\$ 44,876,342</u>	<u>\$ 46,951,630</u>	<u>\$ 48,497,602</u>	<u>\$ 51,240,320</u>	<u>\$ 53,389,850</u>

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

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Program expenses				
General government	\$ 1,265,792	\$ 1,300,514	\$ 1,499,965	\$ 1,847,859
Public safety	2,254,482	2,204,124	2,490,358	2,598,507
Public works	1,469,315	1,352,679	1,974,638	1,615,002
Parks and recreation	526,995	522,218	167,594	547,013
Interest on long-term debt	195,885	180,891	-	154,696
Total expenses	<u>5,712,469</u>	<u>5,560,426</u>	<u>6,132,555</u>	<u>6,763,077</u>
Program revenues				
Charges for services	679,279	703,077	412,420	484,632
Operating grants and contributions	100,558	3,903	269,784	378,324
Capital grants and contributions	517,067	335,671	407,223	51,589
Total program revenues	<u>1,296,904</u>	<u>1,042,651</u>	<u>1,089,427</u>	<u>914,545</u>
Total governmental activities net program expense	(4,415,565)	(4,517,775)	(5,043,128)	(5,848,532)
General revenues and other changes in net position				
Taxes				
Property taxes	2,530,094	2,887,459	2,894,987	3,214,039
Sales taxes	1,823,450	2,328,103	2,439,957	2,170,959
Franchise taxes	598,795	597,082	623,987	613,509
Other taxes	173,856	197,276	277,757	235,571
Unrestricted investment earnings	266,681	325,364	258,739	123,127
Miscellaneous	41,739	43,049	338,701	235,375
Transfers	140,472	252,449	364,397	275,000
Special item - litigation settlement	-	-	-	-
Total general revenues and other changes in net position	<u>5,575,087</u>	<u>6,630,782</u>	<u>7,198,525</u>	<u>6,867,580</u>
Total governmental activities change in net position	<u>\$ 1,159,522</u>	<u>\$ 2,113,007</u>	<u>\$ 2,155,397</u>	<u>\$ 1,019,048</u>

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 1,886,794	\$ 1,952,643	\$ 2,150,599	\$ 2,140,960	\$ 2,632,811	\$ 2,405,720
3,191,293	3,112,422	3,088,940	3,199,920	3,232,531	3,292,483
1,406,502	1,539,354	1,629,726	1,629,165	1,379,978	1,374,483
686,747	701,325	637,689	689,022	629,640	685,084
147,266	140,373	132,374	113,201	67,300	60,841
<u>7,318,602</u>	<u>7,446,117</u>	<u>7,639,328</u>	<u>7,772,268</u>	<u>7,942,260</u>	<u>7,818,611</u>
804,307	612,209	586,394	711,117	613,177	603,814
322,510	293,947	322,478	252,056	687,201	364,996
125,279	35,500	259,835	-	142,843	32,894
<u>1,252,096</u>	<u>941,656</u>	<u>1,168,707</u>	<u>963,173</u>	<u>1,443,221</u>	<u>1,001,704</u>
(6,066,506)	(6,504,461)	(6,470,621)	(6,809,095)	(6,499,039)	(6,816,907)
3,414,317	3,513,386	3,754,272	3,808,571	3,971,992	4,071,091
2,295,492	2,313,247	2,364,076	2,445,393	2,500,013	2,809,977
620,247	586,575	593,255	587,534	615,184	615,800
271,287	339,366	345,381	389,564	576,001	538,290
54,319	38,045	29,877	12,995	14,445	29,459
277,928	246,642	232,217	302,881	191,564	245,554
182,943	229,315	234,821	224,000	251,168	864,500
(185,000)	-	-	-	-	-
<u>6,931,533</u>	<u>7,266,576</u>	<u>7,553,899</u>	<u>7,770,938</u>	<u>8,120,367</u>	<u>9,174,671</u>
\$ <u>865,027</u>	\$ <u>762,115</u>	\$ <u>1,083,278</u>	\$ <u>961,843</u>	\$ <u>1,621,328</u>	\$ <u>2,357,764</u>

(continued)

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

	Fiscal Year			
	2006	2007	2008	2009
Business-type activities				
Expenses				
Public utilities	\$ 3,344,382	\$ 3,835,279	\$ 3,913,016	\$ 4,288,109
Port commission	310,482	345,062	328,525	379,371
Beach operations	171,037	129,800	150,828	162,064
Total expenses	<u>3,825,901</u>	<u>4,310,141</u>	<u>4,392,369</u>	<u>4,829,544</u>
Program revenues				
Charges for services	4,948,781	5,088,403	5,612,806	5,966,101
Operating grants and contributions	16,887	3,000	2,000	2,000
Capital grants and contributions	227,284	178,859	153,218	236,338
Total program revenues	<u>5,192,952</u>	<u>5,270,262</u>	<u>5,768,024</u>	<u>6,204,439</u>
Total business-type activities net program expense	1,367,051	960,121	1,375,655	1,374,895
General revenues and other changes in net position				
Unrestricted investment earnings	166,310	234,879	176,704	75,060
Miscellaneous	7,475	-	-	18,000
Special item - GBRA clearwell	-	-	(891,876)	-
Transfers	<u>(140,472)</u>	<u>(252,449)</u>	<u>(364,397)</u>	<u>(275,000)</u>
Total general revenues and other changes in net position	<u>33,313</u>	<u>(17,570)</u>	<u>(1,079,569)</u>	<u>(181,940)</u>
Total business-type activities change in net position	<u>\$ 1,400,364</u>	<u>\$ 942,551</u>	<u>\$ 296,086</u>	<u>\$ 1,192,955</u>
Total primary government change in net position	<u>\$ 2,559,886</u>	<u>\$ 3,055,558</u>	<u>\$ 2,451,483</u>	<u>\$ 2,212,003</u>

(1) Accrual basis of accounting

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

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 4,283,432	\$ 4,123,809	\$ 4,244,884	\$ 4,360,184	\$ 4,252,370	\$ 4,614,845
395,332	382,570	444,081	464,556	456,212	447,151
218,240	309,838	225,381	253,315	261,309	344,669
<u>4,897,004</u>	<u>4,816,217</u>	<u>4,914,346</u>	<u>5,078,055</u>	<u>4,969,891</u>	<u>5,406,665</u>
5,893,741	6,303,875	5,913,131	6,163,237	6,081,076	6,558,643
2,000	175,303	22,340	2,000	-	-
374,396	330,595	117,620	49,217	248,350	37,000
<u>6,270,137</u>	<u>6,809,773</u>	<u>6,053,091</u>	<u>6,214,454</u>	<u>6,329,426</u>	<u>6,595,643</u>
1,373,133	1,993,556	1,138,745	1,136,399	1,359,535	1,188,978
28,286	20,175	20,024	17,507	13,023	13,563
-	-	68,062	-	-	-
-	-	-	-	-	-
<u>(182,943)</u>	<u>(229,315)</u>	<u>(234,821)</u>	<u>(224,000)</u>	<u>(251,168)</u>	<u>(864,500)</u>
<u>(154,657)</u>	<u>(209,140)</u>	<u>(146,735)</u>	<u>(206,493)</u>	<u>(238,145)</u>	<u>(850,937)</u>
\$ <u>1,218,476</u>	\$ <u>1,784,416</u>	\$ <u>992,010</u>	\$ <u>929,906</u>	\$ <u>1,121,390</u>	\$ <u>338,041</u>
\$ <u>2,083,503</u>	\$ <u>2,546,531</u>	\$ <u>2,075,288</u>	\$ <u>1,891,749</u>	\$ <u>2,742,718</u>	\$ <u>2,695,805</u>

(concluded)

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

	Fiscal Year			
	2006	2007	2008	2009
General Fund				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Committed				
Operating reserves	-	-	-	-
Health insurance claims	-	-	-	-
Capital asset replacement	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Prepaid items	25,800	28,755	25,929	37,078
Unreserved, designated				
Operating reserves	2,529,900	2,762,226	2,908,981	3,107,978
Health insurance claims	500,000	500,000	500,000	500,000
Street improvements	300,000	149,500	-	-
Capital asset replacement	250,000	250,000	340,946	250,000
Unreserved, undesignated	<u>574,072</u>	<u>1,576,413</u>	<u>2,543,671</u>	<u>2,534,443</u>
Total general fund	<u>\$ 4,179,772</u>	<u>\$ 5,266,894</u>	<u>\$ 6,319,527</u>	<u>\$ 6,429,499</u>
All Other Governmental Funds				
Restricted				
Retirement of long-term debt	-	-	-	-
Various capital projects	-	-	-	-
Tourism and conventions	-	-	-	-
Economic development	-	-	-	-
Public safety	-	-	-	-
Municipal court	-	-	-	-
Bayfront park pier	-	-	-	-
Committed				
Various capital projects	-	-	-	-
Unreserved, undesignated reported in				
Special revenue funds	379,336	767,415	711,057	707,885
Debt service fund	118,931	148,960	159,271	159,657
Capital project funds	<u>664,705</u>	<u>13,811</u>	<u>574,045</u>	<u>(505,092)</u>
Total all other governmental funds	<u>\$ 1,162,972</u>	<u>\$ 930,186</u>	<u>\$ 1,444,373</u>	<u>\$ 362,450</u>

(1) Modified accrual basis of accounting

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

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ -	\$ 52,478	\$ 49,954	\$ 64,938	\$ 51,193	\$ 47,218
-	2,306,152	2,408,598	2,286,604	2,236,320	2,468,798
-	504,848	676,542	728,602	929,210	924,846
-	382,265	273,122	282,298	275,245	285,876
-	1,539,331	1,728,695	2,536,205	3,183,423	4,076,496
50,017	-	-	-	-	-
2,063,977	-	-	-	-	-
500,000	-	-	-	-	-
-	-	-	-	-	-
250,000	-	-	-	-	-
1,750,753	-	-	-	-	-
<u>\$ 4,614,747</u>	<u>\$ 4,785,074</u>	<u>\$ 5,136,911</u>	<u>\$ 5,898,647</u>	<u>\$ 6,675,391</u>	<u>\$ 7,803,234</u>
-	177,224	183,391	207,178	201,457	142,508
-	114,799	133,106	508,824	-	-
-	551,491	497,372	517,606	774,183	1,004,401
-	-	10,001	10,024	10,057	10,088
-	112,456	114,723	125,936	88,429	89,916
-	20,247	18,328	17,857	20,627	23,382
-	55,943	56,004	56,063	56,087	56,126
-	-	-	-	1,008,386	478,412
704,036	-	-	-	-	-
161,177	-	-	-	-	-
(281,044)	-	-	-	-	-
<u>\$ 584,169</u>	<u>\$ 1,032,160</u>	<u>\$ 1,012,925</u>	<u>\$ 1,443,488</u>	<u>\$ 2,159,226</u>	<u>\$ 1,804,833</u>

CITY OF PORT LAVACA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2006	2007	2008	2009
Revenues				
Taxes	\$ 5,158,276	\$ 5,927,214	\$ 6,298,996	\$ 6,198,734
Licenses and permits	118,146	94,271	98,076	96,535
Fines and forfeitures	369,567	409,948	402,550	501,345
Charges for services	13,206	5,120	11,080	5,332
Intergovernmental	209,081	514,747	262,384	429,913
Grants and contributions	55,424	-	-	-
Investment	266,681	325,364	258,739	123,127
Rental	43,360	47,582	36,535	37,390
Miscellaneous	24,640	43,049	267,720	96,453
Total revenues	<u>6,258,381</u>	<u>7,367,295</u>	<u>7,636,080</u>	<u>7,488,829</u>
Expenditures				
Current				
General government	1,273,434	1,310,596	1,588,358	1,846,671
Public safety	2,315,618	2,389,811	2,565,946	2,742,639
Public works	226,067	200,936	1,301,846	1,422,306
Streets and highways	1,323,173	924,048	-	-
Parks and recreation	506,380	408,748	447,281	440,345
Capital outlay	724,162	1,142,459	454,855	1,947,494
Debt service				
Principal retirement	216,538	568,939	180,000	195,000
Interest and fiscal charges	203,243	174,400	161,865	155,465
Issuance costs	-	-	-	-
Total expenditures	<u>6,788,615</u>	<u>7,119,937</u>	<u>6,700,151</u>	<u>8,749,920</u>
Excess (deficiency) of revenues over expenditures	(530,234)	247,358	935,929	(1,261,091)
Other financing sources (uses)				
Transfers in	693,606	662,379	1,053,450	1,019,558
Transfers out	(553,134)	(409,930)	(689,053)	(744,558)
Debt issued	515,055	295,392	257,054	-
Payment to escrow	-	-	-	-
Sale of capital assets	17,099	19,762	9,439	14,141
Total other financing sources (uses)	<u>672,626</u>	<u>567,603</u>	<u>630,890</u>	<u>289,141</u>
Change in fund balances	<u>\$ 142,392</u>	<u>\$ 814,961</u>	<u>\$ 1,566,819</u>	<u>\$ (971,950)</u>
Debt service as a percentage of noncapital expenditures	<u>7.81%</u>	<u>13.47%</u>	<u>5.76%</u>	<u>5.49%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 6,609,092	\$ 6,747,620	\$ 7,097,425	\$ 7,290,483	\$ 7,653,598	\$ 8,059,337
97,740	108,266	109,347	158,721	131,291	105,245
769,529	687,791	566,325	626,677	512,461	518,363
5,956	7,525	5,170	6,820	2,901	3,667
447,789	329,447	322,478	252,056	830,044	372,153
-	-	-	-	-	-
54,319	38,045	29,877	12,995	14,445	29,459
22,737	30,780	46,432	67,615	76,290	87,084
135,191	91,311	84,151	181,263	143,274	157,627
<u>8,142,353</u>	<u>8,040,785</u>	<u>8,261,205</u>	<u>8,596,630</u>	<u>9,364,304</u>	<u>9,332,935</u>
1,859,894	2,136,142	2,132,974	2,096,778	2,604,645	2,374,117
3,213,266	3,330,945	3,221,180	3,089,627	3,336,053	3,198,927
1,016,111	1,220,156	1,176,781	1,174,528	983,253	1,344,897
-	-	-	-	-	-
579,783	670,771	504,457	932,950	469,422	1,004,617
2,922,769	235,268	787,921	16,000	412,833	1,215,917
200,000	205,000	215,000	270,000	265,000	275,000
148,599	141,658	134,067	53,061	60,386	53,571
-	-	-	67,106	-	-
<u>9,940,422</u>	<u>7,939,940</u>	<u>8,172,380</u>	<u>7,700,050</u>	<u>8,131,592</u>	<u>9,467,046</u>
(1,798,069)	100,845	88,825	896,580	1,232,712	(134,111)
3,271,834	924,047	613,632	825,428	1,228,814	1,813,565
(3,071,834)	(696,612)	(378,811)	(601,428)	(969,044)	(949,065)
-	284,776	-	2,945,000	-	-
-	-	-	(2,877,894)	-	-
5,036	5,262	8,956	4,613	-	43,061
<u>205,036</u>	<u>517,473</u>	<u>243,777</u>	<u>295,719</u>	<u>259,770</u>	<u>907,561</u>
\$ <u>(1,593,033)</u>	\$ <u>618,318</u>	\$ <u>332,602</u>	\$ <u>1,192,299</u>	\$ <u>1,492,482</u>	\$ <u>773,450</u>
<u>5.10%</u>	<u>4.86%</u>	<u>4.84%</u>	<u>4.51%</u>	<u>4.44%</u>	<u>4.52%</u>

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

<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel/Motel</u>	<u>Beverage</u>	<u>Total</u>
2006	\$ 2,562,175	\$ 1,823,450	\$ 598,795	\$ 164,769	\$ 9,087	\$ 5,158,276
2007	2,804,753	2,328,103	598,044	189,479	6,835	5,927,214
2008	2,957,295	2,439,957	623,987	267,816	9,941	6,298,996
2009	3,178,695	2,170,959	613,509	226,054	9,517	6,198,734
2010	3,422,066	2,295,492	620,247	261,959	9,328	6,609,092
2011	3,508,432	2,313,247	586,575	328,114	11,252	6,747,620
2012	3,439,708	2,364,076	593,255	331,724	13,657	6,742,420
2013	3,867,992	2,445,393	587,534	372,677	16,887	7,290,483
2014	3,962,400	2,500,013	615,184	557,841	18,160	7,653,598
2015	4,095,270	2,809,977	615,800	515,635	22,655	8,059,337

(1) Modified accrual basis of accounting

NOTES: The increase in hotel/motel tax in fiscal year 2011 is due to the addition of new hotels in the City and the increase in tax revenue continued in fiscal year 2012 through 2015. Fiscal years 2014 and 2015 also had an increase in revenues due to the hotel/motel audit performed and the payment of back taxes owed.

The increase in ad valorem tax in fiscal year 2014-2015 is due to the increase in the appraised value on the existing roll.

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

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Real Property</u>		<u>Personal Property</u>	<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value Before Freeze</u>
		<u>Residential Property</u>	<u>Non-Residential Property</u>			
2006	2005	\$ 189,046,615	\$ 127,185,229	\$ 77,502,348	\$ 39,920,977	\$ 353,813,215
2007	2006	194,093,974	138,630,022	86,459,061	40,041,353	379,141,704
2008	2007	206,232,783	141,359,770	83,588,536	41,119,764	390,061,325
2009	2008	231,441,796	154,694,954	95,630,537	51,553,761	430,213,526
2010	2009	263,328,770	163,153,617	98,027,813	62,279,300	462,230,900
2011	2010	266,000,516	182,017,744	97,590,700	58,619,346	486,989,614
2012	2011	258,864,339	211,167,691	121,729,513	75,510,553	516,250,990
2013	2012	261,801,587	224,611,352	109,068,664	89,763,499	505,718,104
2014	2013	262,539,992	238,108,943	104,598,314	90,882,927	514,364,322
2015	2014	266,971,427	245,595,854	111,134,071	96,145,972	527,555,380

(1) Includes tax-exempt property

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

SOURCE: Calhoun County Appraisal District

<u>Total Freeze Taxable</u>	<u>Freeze Adjusted Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Tax Value Before Freeze Ceiling</u>	<u>Freeze Ceiling</u>	<u>Estimated Tax Value Including Freeze Ceiling</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ -	\$ 353,813,215	\$ 0.7500	\$ 2,653,599	\$ -	\$ 2,653,599	100.00%
-	379,141,704	0.7500	2,843,563	-	2,843,563	100.00%
-	390,061,325	0.7500	2,925,460	-	2,925,460	100.00%
(57,591,363)	372,622,163	0.7500	2,794,666	399,258	3,193,924	100.00%
(63,229,126)	399,001,774	0.7500	2,992,513	403,976	3,396,489	100.00%
(68,945,245)	418,044,369	0.7500	3,135,333	423,648	3,558,981	100.00%
(69,858,766)	446,392,224	0.7450	3,325,622	431,261	3,756,883	100.00%
(71,958,318)	433,759,786	0.7568	3,282,694	446,159	3,728,853	100.00%
(71,687,194)	442,677,128	0.7900	3,950,383	453,234	4,403,617	100.00%
(73,217,883)	454,337,497	0.7900	4,061,002	471,736	4,532,738	100.00%

CITY OF PORT LAVACA, TEXAS**DIRECT AND OVERLAPPING PROPERTY TAX RATES****PER \$100 OF ASSESSED VALUE***Last ten fiscal years*

Fiscal Year	Tax Roll	City Direct Rates			Overlapping Rates				
		Debt Service	General Fund	Total	School District	Calhoun County	Port Authority	Groundwater Conservation District	Total
2006	2005	\$0.0864	\$0.6360	\$0.7200	\$1.4176	\$0.5210	\$0.0043	N/A	\$ 1.9429
2007	2006	0.0938	0.6562	0.7500	1.2969	0.4900	0.0041	N/A	1.7910
2008	2007	0.0878	0.6622	0.7500	1.0968	0.4900	0.0039	N/A	1.5907
2009	2008	0.0821	0.6679	0.7500	1.1100	0.4900	0.0039	N/A	1.6039
2010	2009	0.0770	0.6730	0.7500	1.1201	0.4900	0.0039	N/A	1.6140
2011	2010	0.0770	0.6730	0.7500	1.1331	0.4900	0.0039	N/A	1.6270
2012	2011	0.0697	0.6753	0.7450	1.1262	0.4900	0.0036	N/A	1.6198
2013	2012	0.0846	0.6722	0.7568	1.1201	0.4900	0.0032	N/A	1.6133
2014	2013	0.0791	0.7109	0.7900	1.1151	0.4900	0.0031	N/A	1.6082
2015	2014	0.0805	0.7095	0.7900	1.2769	0.4900	0.0030	\$ 0.0100	1.7799

SOURCE: Calhoun County Appraisal District

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

2015		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Rexco Inc	\$ 12,491,560	2.75%
Orion Marine Construction Inc	12,110,108	2.67%
Wal-Mart Real Estate Business Trust	7,763,040	1.71%
AEP Texas Central Company	6,705,141	1.48%
Port Lavaca Dodge	6,507,390	1.43%
Momentum Rental & Sales , Inc.	6,432,420	1.42%
Helena Chemicals	6,043,710	1.33%
Wal-Mart Stores Texas, LP	5,749,830	1.27%
BKCK LTD	5,837,560	1.28%
Butt H E Grocery Company	5,473,290	1.20%
	<u>\$ 75,114,049</u>	<u>16.54%</u>

2006		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
T W Laquay Dredging, Inc.	\$ 11,115,800	3.14%
Wal-Mart Real Estate Business Trust	7,912,639	2.24%
Wal-Mart Stores Texas LP	7,663,034	2.17%
Rexco Inc	7,576,080	2.14%
Rental Service Corporation #759	5,629,089	1.59%
Butt H E Grocery Company	5,618,566	1.59%
AEP Texas Central Company	4,833,540	1.37%
Helena Chemicals	3,977,803	1.12%
Verizon Southwest	3,725,030	1.05%
First National Bank	2,871,101	0.81%
	<u>\$ 60,922,682</u>	<u>17.22%</u>

SOURCE: Calhoun County Appraisal District

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
					<u>Amount</u>	<u>Percentage of Levy</u>
2006	2005	\$ 2,562,701	\$ (6,135)	\$ 2,556,566	\$ 2,443,880	95.59%
2007	2006	2,857,433	(11,114)	2,846,319	2,701,038	94.90%
2008	2007	2,940,204	(6,367)	2,933,837	2,771,551	94.47%
2009	2008	3,209,230	(10,808)	3,198,422	3,014,618	94.25%
2010	2009	3,451,515	(50,973)	3,400,542	3,242,033	95.34%
2011	2010	3,578,859	(15,589)	3,563,270	3,437,198	96.46%
2012	2011	3,760,572	(6,606)	3,753,966	3,644,449	97.08%
2013	2012	3,791,754	11,025	3,802,779	3,708,111	97.51%
2014	2013	3,956,897	(1,217)	3,955,680	3,836,828	97.00%
2015	2014	4,071,887	299	4,072,186	3,975,129	97.62%

SOURCE: Calhoun County Appraisal District

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 105,421	\$ 2,549,301	99.72%
137,415	2,838,453	99.72%
152,030	2,923,581	99.65%
172,961	3,187,579	99.66%
144,549	3,386,582	99.59%
112,527	3,549,725	99.62%
93,168	3,737,617	99.56%
67,364	3,775,475	97.51%
70,277	3,907,105	97.00%
-	3,975,129	97.62%

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

<u>Fiscal Year</u>	<u>Gallons of GBRA Water Purchased</u>	<u>Gallons of Metered Consumption</u>	<u>Gallons of Unmetered Consumption</u>	<u>Gallons of Water Unaccounted</u>	<u>Average Percent Unaccounted</u>
2006	470,830,000	399,093,000	N/A	71,737,000	15%
2007	430,287,000	370,762,000	N/A	59,525,000	14%
2008	489,864,000	405,585,000	N/A	84,279,000	17%
2009	496,619,000	455,031,000	N/A	41,588,000	8%
2010	459,847,000	377,310,000	10,304	82,526,696	18%
2011	559,150,000	462,107,000	11,188	97,031,812	17%
2012	489,614,000	414,492,000	19,130	75,102,870	15%
2013	459,908,000	390,984,000	18,243	68,905,757	15%
2014	467,309,000	374,281,000	14,077	93,013,923	20%
2015	564,410,500	435,402,000	29,458	128,979,042	23%

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

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

N/A denotes information not available.

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

SOURCE: City of Port Lavaca Utility Department

Gallons of Wastewater Treated	Total Direct Rate			
	Water		Sewer	
	Base Rate	Usage Rate	Base Rate	Usage Rate
417,390,000	\$ 13.96	\$ 13.35	\$ 11.75	\$ 13.17
498,810,000	13.96	13.95	12.25	14.67
382,770,000	15.00	14.25	14.00	14.70
368,120,000	15.00	14.25	14.00	14.70
435,540,000	15.00	14.25	14.00	14.70
368,780,000	15.00	14.25	14.00	14.70
403,940,000	15.00	14.25	14.00	14.70
345,530,000	15.00	14.25	14.00	14.70
305,012,000	16.00	14.25	15.00	15.54
337,739,000	16.00	14.25	15.00	15.54

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

	Fiscal Year							
	2006	2007	2008		2009		2010	
			Res.	Comm.	Res.	Comm.	Res.	Comm.
Water Rates								
Base Rate (includes 2,000 gallons)								
Base Rate by Meter Size								
3/4" to 5/8"	\$ 13.96	\$ 13.96	\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50
1"	15.34	15.34	15.00	17.50	15.00	17.50	15.00	17.50
1 1/2"	18.25	18.25	15.00	17.50	15.00	17.50	15.00	17.50
2"	21.16	21.16	15.00	35.00	15.00	35.00	15.00	35.00
3"	27.08	27.08	15.00	35.00	15.00	35.00	15.00	35.00
4"	32.78	32.78	15.00	35.00	15.00	35.00	15.00	35.00
6"	45.66	45.66	15.00	35.00	15.00	35.00	15.00	35.00
Per 1,000 gallons over base charge	4.45	4.65	4.75	4.95	4.75	4.95	4.75	4.95
Conservation Rate Tiers for water								
Per 1,000 gallons 2,001 - 5,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Per 1,000 gallons 5,001 - 25,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Per 1,000 gallons Over 25,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sewer Rates								
Base Rate (includes 2,000 gallons)	11.75	12.25	14.00	15.75	14.00	15.75	14.00	15.75
Per 1,000 gallons over base charge	4.39	4.89	4.90	4.95	4.90	4.95	4.90	4.95

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

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

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

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

The City changed to a tiered conservation rate in 2013.

SOURCE: City of Port Lavaca Utility I

Fiscal Year									
2011		2012		2013		2014		2015	
Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.
\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	16.00	18.50	16.00	18.50
15.00	17.50	15.00	17.50	15.00	17.50	16.00	18.50	16.00	18.50
15.00	17.50	15.00	17.50	15.00	17.50	16.00	18.50	16.00	18.50
15.00	35.00	15.00	35.00	15.00	35.00	16.00	36.00	16.00	36.00
15.00	35.00	15.00	35.00	15.00	35.00	16.00	36.00	16.00	36.00
15.00	35.00	15.00	35.00	15.00	35.00	16.00	36.00	16.00	36.00
15.00	35.00	15.00	35.00	15.00	35.00	16.00	36.00	16.00	36.00
4.75	4.95	4.75	4.95	4.75	4.95	4.75	4.95	4.75	4.95
N/A	N/A	N/A	N/A	N/A	N/A	4.75	4.95	4.75	4.95
N/A	N/A	N/A	N/A	N/A	N/A	5.03	5.03	5.03	5.03
N/A	N/A	N/A	N/A	N/A	N/A	5.71	5.71	5.71	5.71
14.00	15.75	14.00	15.75	14.00	15.75	15.00	16.75	15.00	16.75
4.90	4.95	4.90	4.95	4.90	4.95	5.18	5.18	5.18	5.18

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

2015			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
City of Port Lavaca	City Government	18,186	4.18%
Calhoun County I.S.D.	School District	13,093	3.01%
Hillman Shrimp & Oyster	Fishing Industry	11,729	2.69%
VIVA Properties	Apartment Complex	8,228	1.89%
Regency Nursing & Rehab Cntr	Senior Citizen Home	5,801	1.33%
Memorial Medical	Hospital	5,508	1.27%
Bordeaux Apartments	Apartment Complex	4,607	1.06%
Calhoun County	Government	4,167	0.96%
Splash & Dash	Commercial/Car Wash	3,700	0.85%
Villa on Independence	Apartment Complex	3,384	0.78%

2006			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
Memorial Medical	Hospital	10,994	2.75%
Orion Marine	Industrial/ Commercial	10,190	2.55%
City of Port Lavaca	Government	9,850	2.47%
Hillman Shrimp & Oyster	Industrial/Commercial	9,011	2.26%
Regency Nursing & Rehab	Senior Citizen Home	6,125	1.53%
HEB	Grocery Store	5,812	1.46%
Sea Breeze Apartments	Apartment Complex	3,544	0.89%
Days Inn	Hotel/Motel	3,404	0.85%
Calhoun County	Government	2,989	0.75%
Helena Chemical	Industrial/ Commercial	2,258	0.57%

SOURCE: City of Port Lavaca Utility Billing Department

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

Fiscal Year	Governmental Activities				Business-type Activities			
	Certificates of Obligation	General Obligation Bonds	Note Agreement	Capital Leases	Certificates of Obligation	Revenue Bonds	Less: Issuance Discount	Capital Leases
2006	\$ 4,250,000	\$ -	\$ 400,286	\$ 129,380	\$ 80,000	\$ 5,980,000	\$ -	\$ 49,238
2007	4,090,000	-	114,027	302,097	440,000	5,725,000	-	21,219
2008	3,910,000	-	-	423,954	4,035,000	5,595,000	(32,532)	288,374
2009	3,715,000	-	-	332,486	3,940,000	5,315,000	(31,983)	237,874
2010	3,515,000	-	-	261,340	3,800,000	5,025,000	(31,434)	193,957
2011	3,310,000	-	-	471,758	3,655,000	4,760,000	(30,839)	148,282
2012	3,095,000	-	-	248,917	3,500,000	4,425,000	(30,290)	100,780
2013	105,000	2,895,000	-	211,559	3,340,000	4,080,000	(29,696)	51,378
2014	55,000	2,680,000	-	172,640	3,175,000	3,725,000	(29,101)	-
2015	-	2,460,000	-	132,094	3,000,000	3,355,000	(28,460)	-

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

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 10,888,904	3.5%	\$ 949.25
10,692,343	2.4%	937.51
14,219,796	4.1%	1,240.28
13,508,377	3.7%	1,175.77
12,763,863	3.4%	1,060.56
12,314,201	3.1%	1,005.41
11,339,407	N/A	923.25
10,653,241	N/A	866.12
9,778,539	2.2%	790.25
8,918,634	1.8%	719.30

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

Fiscal Year	General Bonded Debt Outstanding			Debt Service Monies Available (1)	Debt Payable from Enterprise Funds
	Certificates of Obligation	General Obligation Bonds	Total		
2006	\$ 4,330,000	\$ -	\$ 4,330,000	\$ 118,931	\$ 80,000
2007	4,530,000	-	4,530,000	148,960	440,000
2008	7,945,000	-	7,945,000	159,271	4,035,000
2009	6,655,000	-	6,655,000	159,657	3,940,000
2010	7,315,000	-	7,315,000	161,177	3,800,000
2011	6,965,000	-	6,965,000	177,224	3,655,000
2012	6,595,000	-	6,595,000	183,391	3,500,000
2013	3,445,000	2,895,000	6,340,000	226,879	3,340,000
2014	3,230,000	2,680,000	5,910,000	225,771	3,175,000
2015	3,000,000	2,460,000	5,460,000	146,887	3,000,000

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

N/A denotes information not available.

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

<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 4,131,069	1.17%	\$ 360.13
3,941,040	1.04%	345.55
3,750,729	0.96%	327.15
2,555,343	0.59%	222.42
3,353,823	0.73%	278.67
3,132,776	0.64%	255.78
2,911,609	0.56%	237.06
2,773,121	0.55%	225.46
2,509,229	0.49%	202.78
2,313,113	0.44%	186.56

CITY OF PORT LAVACA, TEXAS**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)****September 30, 2015**

	<u>Gross Debt Outstanding</u>		Percentage	Amount
	<u>Date</u>	<u>Amount</u>	<u>Applicable</u>	<u>Applicable</u>
			<u>to City</u>	<u>to City</u>
Direct Debt:				
City of Port Lavaca	9/30/2015	<u>\$ 2,592,094</u>	100.00%	<u>\$ 2,592,094</u>
Overlapping Debt:				
Calhoun County	9/30/2015	8,125,000	14.66%	1,190,896
Calhoun Independent School District	9/30/2015	70,125,000	14.12%	9,900,703
Calhoun Port Authority	9/30/2015	<u>32,400,000</u>	22.74%	<u>7,367,677</u>
Total Overlapping Debt		<u>110,650,000</u>		<u>18,459,277</u>
Total		<u>\$ 113,242,094</u>		<u>\$ 21,051,371</u>

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

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

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

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

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Average Debt Service Requirements</u>	<u>Times Debt Coverage</u>
2006	\$ 4,529,981	\$ 2,819,506	\$ 1,710,475	\$ 541,496	3.16
2007	4,674,553	3,134,268	1,540,285	541,619	2.84
2008	5,127,853	3,186,879	1,940,974	861,629	2.25
2009	5,331,869	3,478,632	1,853,237	869,487	2.13
2010	5,194,828	3,470,112	1,724,716	867,219	1.99
2011	5,604,515	3,368,233	2,236,282	877,114	2.55
2012	5,312,772	3,458,504	1,854,268	953,379	1.94
2013	5,391,718	3,600,338	1,791,380	998,063	1.79
2014	5,296,396	3,519,390	1,777,006	1,049,797	1.69
2015	5,838,937	3,874,837	1,964,100	1,122,295	1.75

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

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

Fiscal Year	(1)		(2)	(3)	(4)
	Population	Personal Income	Per Capita Personal Income (Calhoun County)	School Enrollment	Unemployment Rate
2006	11,471	\$ 307,124,554	\$ 26,774	4,299	5.0%
2007	11,405	443,129,870	38,854	4,334	4.5%
2008	11,465	346,862,110	30,254	4,282	4.9%
2009	11,489	361,662,231	31,479	4,349	8.3%
2010	12,035	372,651,740	30,964	4,230	9.1%
2011	12,248	396,994,424	32,413	4,276	8.7%
2012	12,282	N/A	N/A	4,270	6.1%
2013	12,300	N/A	N/A	4,272	7.1%
2014	12,374	443,706,892	35,858	4,242	3.9%
2015	12,399	483,722,187	39,013	4,122	3.7%

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

N/A denotes information not available.

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

(2) Bureau of Economic Analysis

(3) Calhoun Independent School District

(4) Texas Workforce Commission

CITY OF PORT LAVACA, TEXAS**PRINCIPAL EMPLOYERS****(UNAUDITED)***Current Year and Two Years Ago*

2015		
Employer	Employees	Percentage of Total County Employment
Formosa Plastics	2,400	24.69%
Inteplast Group	2,300	23.66%
Calhoun County I.S.D.	595	6.12%
Alcoa	650	6.69%
Dow Chemical	575	5.92%
Orion Marine Group, Inc.	389	4.00%
Calhoun County	215	2.21%
Seadrift Coke	125	1.29%
Memorial Medical Center	275	2.83%
INEOS Nitriles Formerly BP	133	1.37%
	<u>7,657</u>	<u>78.78%</u>

2013		
Employer	Employees	Percentage of Total County Employment
Formosa Plastics	2,400	23.10%
Inteplast Group	2,300	22.14%
Calhoun County I.S.D.	579	5.57%
Alcoa	650	6.26%
Dow Chemical	575	5.54%
Orion Marine Group, Inc.	424	4.08%
Calhoun County	209	2.01%
Memorial Medical Center	141	1.36%
Seadrift Coke	140	1.35%
HEB Grocery	135	1.30%
INEOS Nitriles Formerly BP	135	1.30%
	<u>7,688</u>	<u>74.01%</u>

NOTES: Information is for the City and Calhoun County.

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			
	2006	2007	2008	2009
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	2.0	2.0	2.0	2.0
Human resources	-	-	-	-
Economic development	-	-	-	-
Finance	3.0	3.0	3.0	3.0
Municipal court	1.0	1.0	1.0	1.0
Technology	-	-	-	-
City Hall - custodial services	-	-	-	-
Public safety				
Police	19.0	18.0	19.0	18.0
Communications	6.0	6.0	6.0	6.0
Fire	16.0	17.0	17.0	17.0
Code enforcement	2.0	2.0	3.0	3.0
Animal control	1.0	1.0	1.0	1.0
Public works				
Public works	1.0	1.0	2.0	2.0
Streets/maintenance	9.0	9.0	9.0	9.0
Water/Wastewater				
Customer service	3.0	3.0	3.0	3.0
Meter readers	2.0	2.0	2.0	2.0
Water and sewer	13.0	13.0	12.0	12.0
Parks and recreation	5.0	5.0	5.0	5.0
Bauer Center	2.0	2.0	2.0	2.0
Port commission	-	-	-	-
Total	<u>87.0</u>	<u>87.0</u>	<u>89.0</u>	<u>88.0</u>

SOURCE: City of Port Lavaca Human Resource Department
City of Port Lavaca Budget Book

Fiscal Year					
2010	2011	2012	2013	2014	2015
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
-	-	-	-	1.0	2.0
3.0	3.0	3.0	3.0	3.0	3.0
1.0	1.5	2.0	2.0	3.0	3.0
1.0	-	-	-	-	-
1.0	1.0	-	-	-	-
20.0	17.0	19.0	18.0	20.0	20.0
6.0	6.0	7.0	6.0	6.0	6.0
17.0	17.0	14.0	16.0	17.0	17.0
3.0	3.0	3.0	3.0	3.0	3.0
2.0	2.0	2.0	2.0	2.0	2.0
2.0	2.0	2.0	2.0	-	-
9.0	8.0	9.0	9.0	15.0	15.0
3.0	3.0	3.0	3.0	3.0	3.0
2.0	2.0	2.0	2.0	2.0	2.0
12.0	11.0	9.0	10.0	14.0	14.0
5.0	5.0	3.0	4.0	6.0	6.0
2.0	2.0	3.0	2.0	2.0	2.0
-	-	1.0	1.0	1.5	1.0
<u>93.0</u>	<u>87.5</u>	<u>86.0</u>	<u>87.0</u>	<u>102.5</u>	<u>103.0</u>

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

Function/Program	Fiscal Year			
	2006	2007	2008	2009
General government				
Building permits issued	283	491	202	564
Building inspections conducted	499	456	436	564
Public safety				
Police				
Physical arrests	N/A	N/A	398	409
Traffic violations	N/A	N/A	431	450
Fire				
Fire calls	222	200	230	192
Public works				
Streets (miles)	49.3	50.1	50.1	50.1
Culture and recreation				
Parks and recreation				
Bauer Center rentals	73	65	88	71
Lighthouse beach park				
Pavillion	43	54	38	25
Water and wastewater				
Water				
Water customers	4,492	4,456	4,548	4,514
Water taps	8	10	13	19
Average daily consumption	1.29 mgd	1.18 mgd	1.34 mgd	1.38 mgd
Peak daily consumption	1.57 mgd	1.40 mgd	1.61 mgd	1.66 mgd
Wastewater				
Sewer customers	4,190	4,173	4,253	4,217
Sewer taps	7	8	7	2
Average daily sewage treatment	1.14 mgd	1.37 mgd	1.05 mgd	1.01 mgd

NOTE: N/A denotes information not available.

SOURCE: Various City departments

Fiscal Year					
2010	2011	2012	2013	2014	2015
548	801	784	357	266	195
732	822	1,187	627	689	411
336	807	796	1,129	1,503	1,749
422	1,642	836	1,525	839	843
175	568	650	685	591	632
50.1	50.1	50.1	50.1	50.1	50.2
65	63	59	47	212	218
42	39	47	36	43	41
4,552	4,544	4,556	4,606	4,416	4,624
11	11	15	21	10	10
1.27 mgd	1.53 mgd	1.272 mgd	1.07 mgd	1.33 mgd	1.13 mgd
1.49 mgd	5.65 mgd	2.10 mgd	2.74 mgd	2.44 mgd	2.83 mgd
4,267	4,258	4,276	4,317	4,332	4,337
7	9	7	12	7	7
1.19 mgd	1.01 mgd	1.11 mgd	1.08 mgd	0.98 mgd	1.12 mgd

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

	Fiscal Year			
	2006	2007	2008	2009
Function/Program				
Public safety				
Police				
Stations	1	1	1	1
Patrol units	7	7	7	7
Fire stations	2	2	2	2
Highways and streets				
Streets (miles)	49.3	50.1	50.1	50.1
Streetlights	680	686	686	684
Culture and recreation				
Acreage	150	150	150	150
Parks	7	7	7	7
Baseball/softball diamonds	2	2	2	2
Community centers	1	1	1	1
Swimming pools	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	68.5	68.5	68.5	69
Fire hydrants	250	250	250	259
Storage capacity	1	1	1 MG	1 MG
Wastewater				
Sanitary sewers (miles)	56	58	58	58
Treatment capacity	2.5	2.5	2.5	2.5

SOURCE: Various City departments

Fiscal Year					
2010	2011	2012	2013	2014	2015
1 7	1 6	1 7	1 7	1 7	1 7
2	2	2	2	2	2
50.1 686	50.1 686	50.1 686	50.1 678	50.1 678	50.2 685
150 7 2 1 1	150 7 2 1 1	150 7 2 1 1	150 7 2 1 1	150 7 2 1 1	150 7 4 1 1
69 259 1 MG	69 259 1 MG	69 259 1 MG	70 262 1 MG	70.2 268 1 MG	70.3 273 1 MG
58 2.5	58 2.5	58 2.5	58 2.5	58.2 2.5	58.3 2.5

**OVERALL COMPLIANCE AND INTERNAL
CONTROL SECTION**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Lavaca, Texas (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Harrison, Waldrop & Uherek, LLP

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

March 28, 2016

