

CITY OF PORT LAVACA



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

CITY OF PORT LAVACA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2014

Scotty Jones
Director of Finance

Bob Turner
City Manager

Issued By:
Finance Department

CITY OF PORT LAVACA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2014

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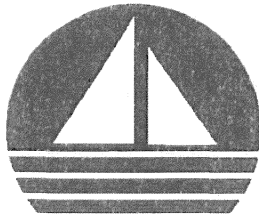
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INTRODUCTORY SECTION



**CITY OF
PORT
LAVACA**

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

March 25, 2015

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, 2014, 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.

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

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 \$2,445,393 in 2013 to \$2,500,013 in 2014 (2.2% 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 3.4%; however, properties on the tax roll last year actually remained flat due to a new depreciation model used this year by the Calhoun County Appraisal District (CCAD). 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.

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

Major Initiatives

In the 2013-2014 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:

- Reconstructed portions of George Street during this fiscal year
- Replaced all meters aged 7 years or greater in the utility system
- Implemented an automated meter reader system
- Added a splash pad at Lighthouse Beach Park
- Replaced sewer lines in Alamo Heights and Hospital area
- Replaced a sewer line in the Bonorden Subdivision

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, 2013. This was the fourth 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.

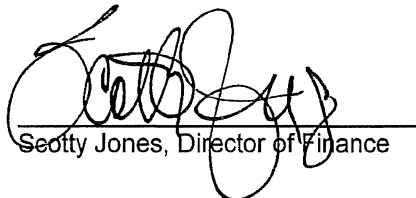
Acknowledgments

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**

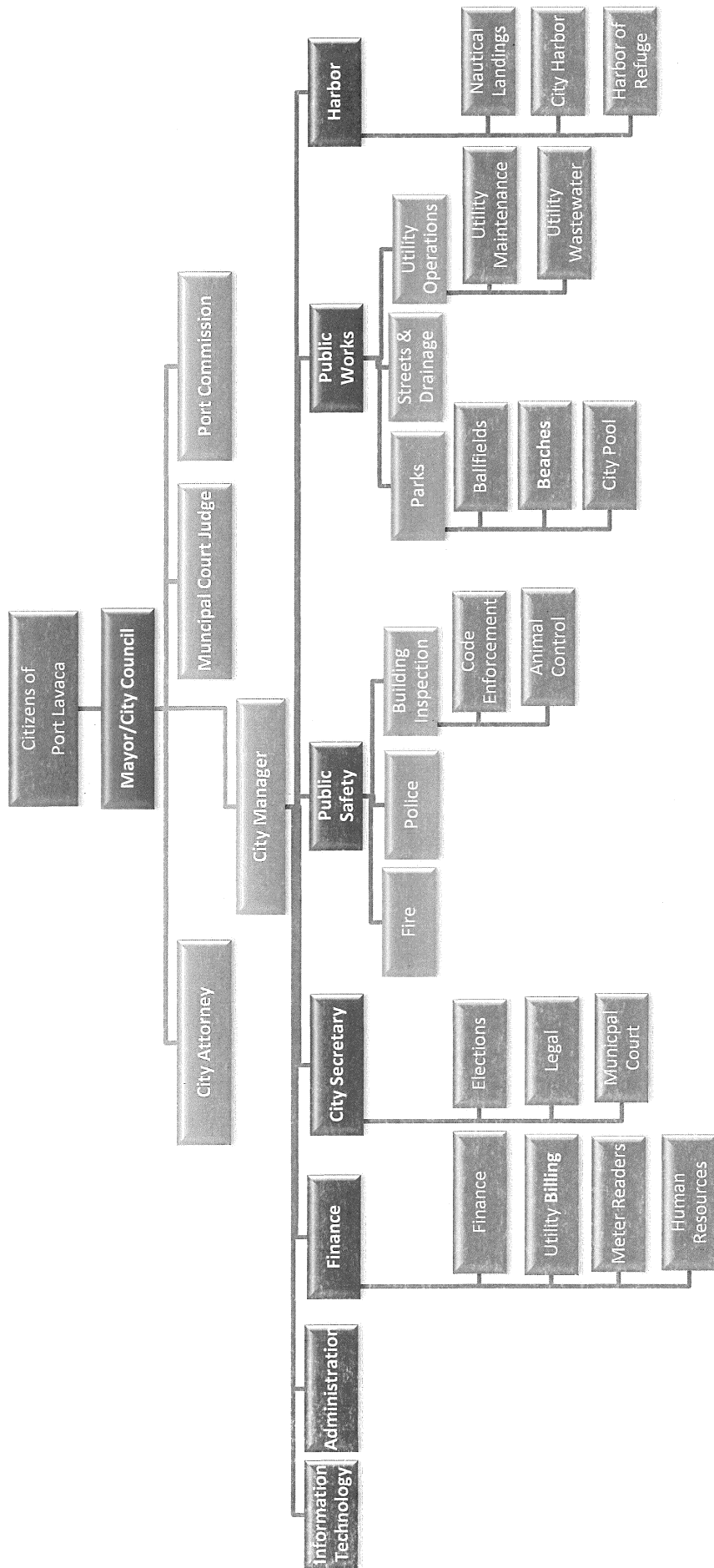
Presented to

**City of Port Lavaca
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



CITY OF PORT LAVACA, TEXAS
DIRECTORY OF PRINCIPAL OFFICIALS
September 30, 2014

City Officials

Jack Whitlow
Jim Ward
Jerry Smith
Lee Rivera
Rosie Padron
Raymond Perez
Ken Barr

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
CLAYTON P. VAN PELT, CPA
ROBERT W. SCHAAR, CPA
MELISSA M. TERRY, CPA

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Lavaca, Texas (the "City") as of and for the year ended September 30, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015, 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.

A handwritten signature in black ink that reads "Harrison, Waldrop & Uherek, LLP". The signature is written in a cursive, flowing style.

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

March 23, 2015

CITY OF PORT LAVACA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2014

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, 2014.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets and deferred outflows of the City exceeded its liabilities at the close of the most recent fiscal year by \$51,240,320 (net position). Of this amount, \$14,344,724 (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 \$2,742,718 over the prior year.

Governmental Activities

- Net position grew from \$26,666,515 in 2013 to \$28,287,843 (an increase of 6.08%) as of September 30, 2014.

Business-type Activities

- Net position grew from \$21,831,087 in 2013 to \$22,952,477 (an increase of 5.14%) as of September 30, 2014.

Governmental Funds

- As of September 30, 2014, the City's governmental funds reported an ending fund balance of \$8,834,617, an increase of \$1,492,482 (20.33%) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$3,183,424 or 47.45% of total General Fund expenditures.
- The committed portion of the General Fund's fund balance totaled \$3,440,774. 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 15

Fund Financial Statements

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

Pages 16 to 25

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 26 to 48

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 13-15 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 16-19 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 20-23 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 24-25 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 26-48 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 52-73 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 by \$51,240,320 as of September 30, 2014.

The largest portion of the City's net position (69.71%) 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 (27.99%) represents unrestricted financial resources available for future operations. Additionally, a portion of the City's net position (2.30%) 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 9,851,013	\$ 8,398,696	\$ 7,198,359	\$ 8,431,974	\$ 17,049,372	\$ 16,830,670
Capital assets, net	21,979,792	22,156,084	23,295,633	21,372,814	45,275,425	43,528,898
Total assets	31,830,805	30,554,780	30,493,992	29,804,788	62,324,797	60,359,568
Deferred amount on refunding	98,185	106,062	125,371	127,934	223,556	233,996
Total deferred outflows of resources	98,185	106,062	125,371	127,934	223,556	233,996
Current and other liabilities	953,347	1,004,734	1,334,087	1,223,413	2,287,434	2,228,147
Noncurrent liabilities	2,687,800	2,989,593	6,332,799	6,878,922	9,020,599	9,868,515
Total liabilities	3,641,147	3,994,327	7,666,886	8,102,335	11,308,033	12,096,662
Net Position:						
Net investment in capital assets	19,170,337	21,750,587	16,550,105	14,059,066	35,720,442	35,809,653
Restricted	1,175,154	1,463,189	-	-	1,175,154	1,463,189
Unrestricted	7,942,352	3,452,739	6,402,372	7,772,021	14,344,724	11,224,760
Total net position	\$ 28,287,843	\$ 26,666,515	\$ 22,952,477	\$ 21,831,087	\$ 51,240,320	\$ 48,497,602

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

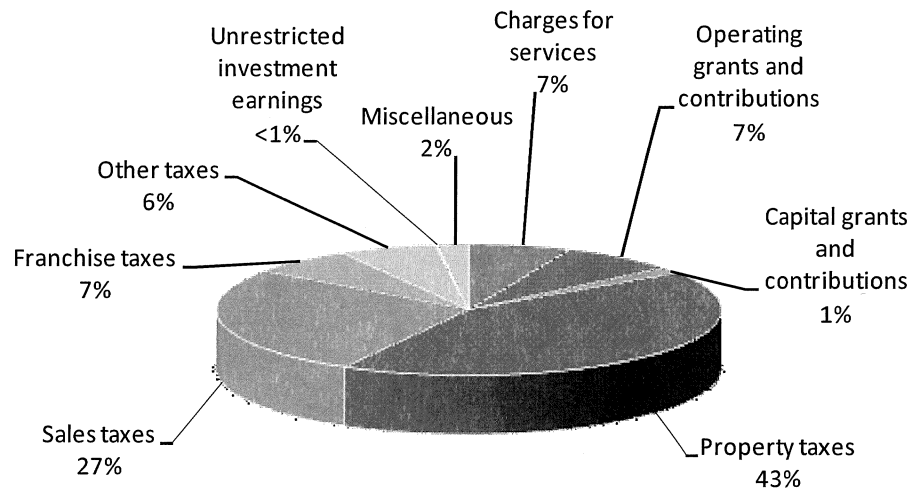
Net position of the City increased by \$2,742,718. Key elements of this increase are due primarily because of an increase in tax revenues and grants and contributions for the governmental activities and an increase in grants and contributions and a decrease in expenses for the business-type activities.

City of Port Lavaca, Texas						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues:						
Charges for services	\$ 613,177	\$ 711,117	\$ 6,081,076	\$ 6,163,237	\$ 6,694,253	\$ 6,874,354
Operating grants and contributions	687,201	252,056	-	2,000	687,201	254,056
Capital grants and contributions	142,843	-	248,350	49,217	391,193	49,217
General revenues:						
Property taxes	3,971,992	3,808,571	-	-	3,971,992	3,808,571
Sales taxes	2,500,013	2,445,393	-	-	2,500,013	2,445,393
Franchise taxes	615,184	587,534	-	-	615,184	587,534
Other taxes	576,001	389,564	-	-	576,001	389,564
Unrestricted investment earnings	14,445	12,995	13,023	17,507	27,468	30,502
Miscellaneous	191,564	302,881	-	-	191,564	302,881
Total revenues	9,312,420	8,510,111	6,342,449	6,231,961	15,654,869	14,742,072
EXPENSES						
General government	2,632,811	2,140,960	-	-	2,632,811	2,140,960
Public safety	3,232,531	3,199,920	-	-	3,232,531	3,199,920
Public works	1,379,978	1,629,165	-	-	1,379,978	1,629,165
Parks and recreation	629,640	689,022	-	-	629,640	689,022
Interest on long-term debt	67,300	113,201	-	-	67,300	113,201
Public utilities	-	-	4,252,370	4,360,184	4,252,370	4,360,184
Port commission	-	-	456,212	464,556	456,212	464,556
Beach operations	-	-	261,309	253,315	261,309	253,315
Total expenses	7,942,260	7,772,268	4,969,891	5,078,055	12,912,151	12,850,323
Change in net position before transfers	1,370,160	737,843	1,372,558	1,153,906	2,742,718	1,891,749
Transfers	251,168	224,000	(251,168)	(224,000)	-	-
Change in net position	1,621,328	961,843	1,121,390	929,906	2,742,718	1,891,749
Net position at beginning of year	26,666,515	25,704,672	21,831,087	20,901,181	48,497,602	46,605,853
Net position at end of year	\$ 28,287,843	\$ 26,666,515	\$ 22,952,477	\$ 21,831,087	\$ 51,240,320	\$ 48,497,602

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

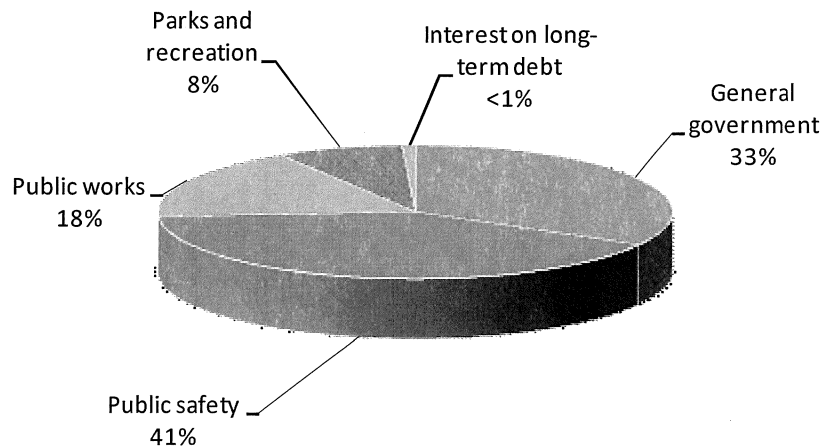
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

Governmental Revenues



For the fiscal year ended September 30, 2014, revenues from governmental activities totaled \$9.3 million. Property tax revenues increased \$163,421 or 4.29% from fiscal year 2013.

Governmental Functional Expenses



For the fiscal year ended September 30, 2014, expenses for governmental activities totaled \$7.9 million. This is an increase of \$169,992 or 2.19% from fiscal year 2013.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type activities increased the City's net position by \$1,121,390. The key elements of this increase relate to the Public Utility Fund. The Public Utility Fund had an operating income for fiscal year 2014 of \$1,243,870.

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, 2014, the City's governmental funds, which consist of the General Fund, two debt service funds, one capital projects fund, and thirteen special revenue funds, reported an ending fund balance of \$8,834,617, which is an increase of \$1,492,482 from last year's total of \$7,342,135.

The General Fund is the chief operating fund of the City. Its fund balance increased by \$776,744 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 47.45% of total General Fund expenditures as compared to 36.97% 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 \$4,672,017. The increase in total net position for the year was \$1,034,106. Net positions of the Port Commission Fund and the Beach Operating Fund also increased during the 2014 fiscal year by \$29,796 and \$57,488, 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 \$318,347 greater than budgeted expectations, with tax revenues making up \$286,182 or 89.97% of the positive variance. Property tax made up 74.71% of the variance while sales tax contributed to the remaining variance. Total franchise tax revenue increased 4.71% over prior year.

Total actual expenditures were under budgeted expenditures by \$596,497. 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 \$34,500 to expenditures. Included in the increase to budgeted expenditures was an increase of \$150,000 to cover the cost of a brush truck for the Fire Department funded by the County. In addition, \$365,000 was needed to cover the increased cost of health claims. 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 new equipment for the police. There was an increase of \$750,000 to transfers to other funds. These monies were transferred during the fiscal year to the Street Construction Fund to cover the reconstruction of George Street.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

The City's investment in capital assets as of September 30, 2014, amounts to \$45,275,425 (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	
	2014	2013	2014	2013	2014	2013
Non-Depreciable Assets						
Land	\$ 1,013,552	\$ 1,013,552	\$ 1,501,012	\$ 1,501,012	\$ 2,514,564	\$ 2,514,564
Construction in progress	733,955	327,935	1,616,235	229,467	2,350,190	557,402
Other Capital Assets						
Machinery and equipment	3,434,218	3,078,042	848,555	796,499	4,282,773	3,874,541
Buildings and structures	6,000,634	6,104,803	4,933,980	4,638,088	10,934,614	10,742,891
Infrastructure	29,617,434	29,617,434	38,723,172	37,682,529	68,340,606	67,299,963
Accumulated depreciation on other capital assets	<u>(18,820,001)</u>	<u>(17,985,682)</u>	<u>(24,327,321)</u>	<u>(23,474,781)</u>	<u>(43,147,322)</u>	<u>(41,460,463)</u>
Total	<u>\$ 21,979,792</u>	<u>\$ 22,156,084</u>	<u>\$ 23,295,633</u>	<u>\$ 21,372,814</u>	<u>\$ 45,275,425</u>	<u>\$ 43,528,898</u>

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 \$9.8 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	
	2014	2013	2014	2013	2014	2013
Revenue bonds	\$ -	\$ -	\$ 3,725,000	\$ 4,080,000	\$ 3,725,000	\$ 4,080,000
General obligation bonds	2,680,000	2,895,000	-	-	2,680,000	2,895,000
Certificates of obligation	55,000	105,000	3,175,000	3,340,000	3,230,000	3,445,000
Issuance discount	-	-	(29,101)	(29,696)	(29,101)	(29,696)
Capital leases	172,640	211,559	-	51,378	172,640	262,937
Compensated absences	140,560	127,775	12,678	14,082	153,238	141,857
Safety pay	26,052	25,489	3,660	4,326	29,712	29,815
Total	\$ 3,074,252	\$ 3,364,823	\$ 6,887,237	\$ 7,460,090	\$ 9,961,489	\$ 10,824,913

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

PENSIONS

Pensions continue to receive negative media attention as governments around the nation struggle to fund these commitments. The City is committed to providing programs in these areas that are fair to both employees and taxpayers and that can be sustained over the long term.

In prior years, the Texas Municipal Retirement System adopted significant changes to the plan, which resulted in an increase in the City's annual pension cost, as discussed in Note 15. While the overall affect should be positive in the long term, the City experienced a net reduction in funded status to 87.3% from 90.8%, compared to the December 31, 2012 valuation.

The City does not currently anticipate any changes in its pension strategy due to the issuance of GASB 68, Employer Accounting for Pensions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund

Sales tax revenues increased from \$2,445,393 in 2013 to \$2,500,013 (2.2%). 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 completed a portion of the downtown sidewalks. The City plans to focus on improvements at Bayfront Peninsula Park and Wilson Field Sports Complex. Currently, the City is working on the rehabilitation of George Street and the construction of a new Public Works Service Center. 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. This rate increase became effective October 1, 2013. 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 and along George Street. Other City projects include completing the automated meter reading system and replacing waterlines in Alamo Heights Subdivision.

Beach Fund

The City has added a splash pad at the Lighthouse Beach Park. The City was awarded a grant from the General Land Office to install a 50' T-Head at the end of the fishing pier. This will complete 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. The City recently added a new playground on the beach.

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.

The City recently expanded the breakwater at Nautical Landings Marina. 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, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 6,434,351	\$ 5,744,784	\$ 12,179,135
Investments	2,142,152	792,251	2,934,403
Receivables (net)	694,174	541,124	1,235,298
Due from other governments	578,381	22,081	600,462
Internal balances	(49,238)	49,238	-
Prepaid items	51,193	17,816	69,009
Inventory	-	31,065	31,065
Total current assets	<u>9,851,013</u>	<u>7,198,359</u>	<u>17,049,372</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	1,747,507	3,117,247	4,864,754
Assets being depreciated (net)	<u>20,232,285</u>	<u>20,178,386</u>	<u>40,410,671</u>
Total noncurrent assets	<u>21,979,792</u>	<u>23,295,633</u>	<u>45,275,425</u>
Total assets	<u>31,830,805</u>	<u>30,493,992</u>	<u>62,324,797</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	<u>98,185</u>	<u>125,371</u>	<u>223,556</u>
Total deferred outflows of resources	<u>98,185</u>	<u>125,371</u>	<u>223,556</u>
LIABILITIES			
Current liabilities			
Accounts payable	330,216	485,708	815,924
Payroll related liabilities	81,232	16,451	97,683
Accrued interest payable	10,212	31,899	42,111
Other payables	53,931	4,109	58,040
Due to other governments	12,914	4,230	17,144
Accrued compensated absences	44,854	5,778	50,632
Accrued safety pay	26,052	3,660	29,712
Unearned revenue	63,223	23,635	86,858
Customer deposits	15,167	213,617	228,784
Current portion of long-term obligations	<u>315,546</u>	<u>545,000</u>	<u>860,546</u>
Total current liabilities	<u>953,347</u>	<u>1,334,087</u>	<u>2,287,434</u>
Noncurrent liabilities			
Accrued compensated absences	95,706	6,900	102,606
Noncurrent portion of long-term obligations	<u>2,592,094</u>	<u>6,325,899</u>	<u>8,917,993</u>
Total noncurrent liabilities	<u>2,687,800</u>	<u>6,332,799</u>	<u>9,020,599</u>
Total liabilities	<u>3,641,147</u>	<u>7,666,886</u>	<u>11,308,033</u>
NET POSITION			
Net investment in capital assets	19,170,337	16,550,105	35,720,442
Restricted for:			
Debt service	225,771	-	225,771
Capital and maintenance projects	56,087	-	56,087
Economic development, tourism and conventions	784,240	-	784,240
Public safety	88,429	-	88,429
Municipal court	20,627	-	20,627
Unrestricted	<u>7,942,352</u>	<u>6,402,372</u>	<u>14,344,724</u>
Total net position	<u>\$ 28,287,843</u>	<u>\$ 22,952,477</u>	<u>\$ 51,240,320</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, 2014

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 2,632,811	\$ 321,396	\$ 172,516	\$ -
Public safety	3,232,531	215,491	514,685	-
Public works	1,379,978	-	-	142,843
Parks and recreation	629,640	76,290	-	-
Interest on long-term debt	67,300	-	-	-
Total governmental activities	<u>7,942,260</u>	<u>613,177</u>	<u>687,201</u>	<u>142,843</u>
Business-type activities				
Public utilities	4,252,370	5,288,188	-	225,350
Port commission	456,212	490,770	-	-
Beach operations	261,309	302,118	-	23,000
Total business-type activities	<u>4,969,891</u>	<u>6,081,076</u>	<u>-</u>	<u>248,350</u>
Total government	<u>\$ 12,912,151</u>	<u>\$ 6,694,253</u>	<u>\$ 687,201</u>	<u>\$ 391,193</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business- type Activities	Total
\$ (2,138,899)	\$ -	\$ (2,138,899)
(2,502,355)	-	(2,502,355)
(1,237,135)	-	(1,237,135)
(553,350)	-	(553,350)
(67,300)	-	(67,300)
<u>(6,499,039)</u>	<u>-</u>	<u>(6,499,039)</u>
-	1,261,168	1,261,168
-	34,558	34,558
-	63,809	63,809
<u>-</u>	<u>1,359,535</u>	<u>1,359,535</u>
<u>(6,499,039)</u>	<u>1,359,535</u>	<u>(5,139,504)</u>
3,652,706	-	3,652,706
319,286	-	319,286
2,500,013	-	2,500,013
615,184	-	615,184
576,001	-	576,001
14,445	13,023	27,468
191,564	-	191,564
251,168	(251,168)	-
<u>8,120,367</u>	<u>(238,145)</u>	<u>7,882,222</u>
1,621,328	1,121,390	2,742,718
<u>26,666,515</u>	<u>21,831,087</u>	<u>48,497,602</u>
<u>\$ 28,287,843</u>	<u>\$ 22,952,477</u>	<u>\$ 51,240,320</u>

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

September 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,333,168	\$ 2,101,183	\$ 6,434,351
Investments	2,142,152	-	2,142,152
Receivables (net)	551,069	143,105	694,174
Due from other governments	426,126	152,255	578,381
Prepaid items	51,193	-	51,193
Total assets	<u>\$ 7,503,708</u>	<u>\$ 2,396,543</u>	<u>\$ 9,900,251</u>
LIABILITIES			
Accounts payable	\$ 174,091	\$ 156,125	\$ 330,216
Payroll related payables	80,777	455	81,232
Other payables	53,931	-	53,931
Due to other governments	12,914	-	12,914
Due to other funds	-	49,238	49,238
Customer and other deposits	15,167	-	15,167
Unearned revenue	63,223	-	63,223
Total liabilities	<u>400,103</u>	<u>205,818</u>	<u>605,921</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	428,214	31,499	459,713
Total deferred inflows of resources	<u>428,214</u>	<u>31,499</u>	<u>459,713</u>
FUND BALANCES			
Nonspendable	51,193	-	51,193
Restricted	-	1,150,840	1,150,840
Committed	3,440,774	1,008,386	4,449,160
Unassigned	3,183,424	-	3,183,424
Total fund balances	<u>6,675,391</u>	<u>2,159,226</u>	<u>8,834,617</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,503,708</u>	<u>\$ 2,396,543</u>	<u>\$ 9,900,251</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, 2014*

Total governmental fund balances	\$ 8,834,617
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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.

403,150

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.

56,563

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

\$ 40,799,793

Accumulated depreciation of governmental capital assets

(18,820,001) 21,979,792

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

(2,735,000)

Loss on refunding

98,185

Capital leases payable

(172,640)

Accrued interest payable

(10,212)

Compensated absences

(140,560)

Safety pay

(26,052) (2,986,279)

Net position of governmental activities

\$ 28,287,843

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, 2014*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes			
Ad valorem	\$ 3,643,425	\$ 318,975	\$ 3,962,400
Sales	2,500,013	-	2,500,013
Other	633,344	557,841	1,191,185
Fines, fees, and forfeitures	301,371	211,090	512,461
Intergovernmental	406,401	423,643	830,044
Licenses and permits	131,291	-	131,291
Investment	10,380	4,065	14,445
Rental	76,290	-	76,290
Charges for services	2,901	-	2,901
Miscellaneous	109,561	33,713	143,274
Total revenues	<u>7,814,977</u>	<u>1,549,327</u>	<u>9,364,304</u>
EXPENDITURES			
Current			
General government	2,286,735	317,910	2,604,645
Public safety	2,969,549	366,504	3,336,053
Public works	983,253	-	983,253
Parks and recreation	469,422	-	469,422
Capital outlay	-	412,833	412,833
Debt service			
Principal retirement	-	265,000	265,000
Interest and fiscal charges	-	60,386	60,386
Total expenditures	<u>6,708,959</u>	<u>1,422,633</u>	<u>8,131,592</u>
Excess (deficiency) of revenues over expenditures	1,106,018	126,694	1,232,712
OTHER FINANCING SOURCES (USES)			
Transfers in	449,770	779,044	1,228,814
Transfers out	(779,044)	(190,000)	(969,044)
Total other financing sources (uses)	<u>(329,274)</u>	<u>589,044</u>	<u>259,770</u>
Net change in fund balances	776,744	715,738	1,492,482
Fund balances at beginning of year	<u>5,898,647</u>	<u>1,443,488</u>	<u>7,342,135</u>
Fund balances at end of year	<u>\$ 6,675,391</u>	<u>\$ 2,159,226</u>	<u>\$ 8,834,617</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, 2014

Total net change in fund balances - governmental funds	\$	1,492,482
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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	\$	795,194	
Depreciation expense		<u>(889,518)</u>	(94,324)

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, transfers, and contributions) is to increase (decrease) net position. **(81,971)**

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	265,000	
Capital lease principal retirement	<u>38,919</u>	303,919

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	8,666	
Other revenues	<u>12,818</u>	21,484

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	(12,785)	
Decrease in loss on bond refunding	(7,877)	
Increase in safety pay	(563)	
Decrease in accrued interest	<u>963</u>	<u>(20,262)</u>

Change in net position of governmental activities	\$	<u>1,621,328</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, 2014

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,586,840	\$ 810,738	\$ 347,206	\$ 5,744,784
Investments	528,167	264,084	-	792,251
Receivables (net)	523,050	16,625	1,449	541,124
Due from other governments	2,830	2,001	17,250	22,081
Due from other funds	-	49,238	294,219	343,457
Prepaid items	10,397	5,547	1,872	17,816
Inventory	31,065	-	-	31,065
Total current assets	5,682,349	1,148,233	661,996	7,492,578
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,716,800	1,103,634	296,813	3,117,247
Assets being depreciated (net)	14,472,709	3,961,346	1,744,331	20,178,386
Net noncurrent assets	16,189,509	5,064,980	2,041,144	23,295,633
Total assets	21,871,858	6,213,213	2,703,140	30,788,211
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	125,371	-	-	125,371
Total deferred outflows of resources	125,371	-	-	125,371
LIABILITIES				
Current liabilities				
Accounts payable	422,694	15,178	47,836	485,708
Payroll related liabilities	15,439	57	955	16,451
Accrued interest payable	25,169	6,730	-	31,899
Other payables	3,117	992	-	4,109
Due to other governments	4,230	-	-	4,230
Due to other funds	294,219	-	-	294,219
Accrued compensated absences	5,206	572	-	5,778
Accrued safety pay	3,660	-	-	3,660
Unearned revenue	16,528	7,107	-	23,635
Customer deposits	213,170	400	47	213,617
Current portion of noncurrent liabilities				
Bonds and certificates	470,000	75,000	-	545,000
Total current liabilities	1,473,432	106,036	48,838	1,628,306
Long-term liabilities, net of current portion				
Accrued compensated absences	6,900	-	-	6,900
Bonds and certificates (net of unamortized deferred amounts)	5,045,899	1,280,000	-	6,325,899
Total long-term liabilities	5,052,799	1,280,000	-	6,332,799
Total liabilities	6,526,231	1,386,036	48,838	7,961,105
NET POSITION				
Net investment in capital assets	10,798,981	3,709,980	2,041,144	16,550,105
Unrestricted	4,672,017	1,117,197	613,158	6,402,372
Total net position	\$ 15,470,998	\$ 4,827,177	\$ 2,654,302	\$ 22,952,477

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, 2014*

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
OPERATING REVENUES				
Charges for services				
Water sales	\$ 2,426,071	\$ -	\$ -	\$ 2,426,071
Sewer services	1,897,819	-	-	1,897,819
Waste collection	729,430	-	-	729,430
Tap and service fees	78,147	-	-	78,147
Gate fees	-	-	59,184	59,184
Leases and rentals	-	489,871	239,096	728,967
Penalties	92,706	855	-	93,561
Miscellaneous	64,015	44	3,838	67,897
Total operating revenues	<u>5,288,188</u>	<u>490,770</u>	<u>302,118</u>	<u>6,081,076</u>
OPERATING EXPENSES				
Personnel services	655,672	52,883	6,187	714,742
Materials and supplies	79,735	4,867	3,445	88,047
Services	1,165,930	92,232	133,863	1,392,025
Water purchases	1,266,129	-	-	1,266,129
Maintenance and repairs	307,813	13,179	18,915	339,907
Depreciation and amortization	524,928	238,771	93,830	857,529
Miscellaneous	44,111	-	5,069	49,180
Total operating expenses	<u>4,044,318</u>	<u>401,932</u>	<u>261,309</u>	<u>4,707,559</u>
Operating income (loss)	1,243,870	88,838	40,809	1,373,517
NONOPERATING REVENUES (EXPENSES)				
Investment income	8,208	3,136	1,679	13,023
Interest expense	(208,052)	(54,280)	-	(262,332)
Net nonoperating revenues	<u>(199,844)</u>	<u>(51,144)</u>	<u>1,679</u>	<u>(249,309)</u>
Income before capital contributions and transfers	1,044,026	37,694	42,488	1,124,208
Capital grants and contributions	225,350	8,602	23,000	256,952
Transfers out	<u>(235,270)</u>	<u>(16,500)</u>	<u>(8,000)</u>	<u>(259,770)</u>
Change in net position	1,034,106	29,796	57,488	1,121,390
Net position at beginning of year	<u>14,436,892</u>	<u>4,797,381</u>	<u>2,596,814</u>	<u>21,831,087</u>
Net position at end of year	<u>\$ 15,470,998</u>	<u>\$ 4,827,177</u>	<u>\$ 2,654,302</u>	<u>\$ 22,952,477</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, 2014

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 5,474,431	\$ 481,024	\$ 301,165	\$ 6,256,620
Cash payments to suppliers for goods and services	(2,758,641)	(102,641)	(135,535)	(2,996,817)
Cash payments to employees for services	(658,490)	(53,458)	(5,232)	(717,180)
Net cash provided (used) by operating activities	<u>2,057,300</u>	<u>324,925</u>	<u>160,398</u>	<u>2,542,623</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Borrowings from (to) other funds	768,339	(353,118)	(294,219)	121,002
Transfers to other funds	(235,270)	(16,500)	(8,000)	(259,770)
Net cash provided (used) by noncapital financing activities	<u>533,069</u>	<u>(369,618)</u>	<u>(302,219)</u>	<u>(138,768)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Acquisition of capital assets	(2,449,696)	-	(318,892)	(2,768,588)
Receipts from capital grants and contributions	238,521	69,452	5,750	313,723
Principal paid on capital debt	(501,378)	(70,000)	-	(571,378)
Interest paid on capital debt	(209,769)	(54,627)	-	(264,396)
Net cash provided (used) by capital financing activities	<u>(2,922,322)</u>	<u>(55,175)</u>	<u>(313,142)</u>	<u>(3,290,639)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	-	259,921	207,935	467,856
Investment income	6,099	1,500	1,215	8,814
Net cash provided (used) by investing activities	<u>6,099</u>	<u>261,421</u>	<u>209,150</u>	<u>476,670</u>
Net increase (decrease) in cash and cash equivalents	(325,854)	161,553	(245,813)	(410,114)
Cash and cash equivalents at beginning of year	<u>4,912,694</u>	<u>649,185</u>	<u>593,019</u>	<u>6,154,898</u>
Cash and cash equivalents at end of year	<u>\$ 4,586,840</u>	<u>\$ 810,738</u>	<u>\$ 347,206</u>	<u>\$ 5,744,784</u>

(continued)

CITY OF PORT LAVACA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2014

	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	\$ 1,243,870	\$ 88,838	\$ 40,809	\$ 1,373,517
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	524,928	238,771	93,830	857,529
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	169,453	(6,405)	(1,000)	162,048
(Increase) decrease in prepaid expense	2,392	1,440	486	4,318
(Increase) decrease in inventory	7,113	-	-	7,113
Increase (decrease) in accounts and other payables	95,474	6,197	26,226	127,897
Increase (decrease) in payroll related liabilities	(489)	(835)	-	(1,324)
Increase (decrease) in due to other governments	98	-	-	98
Increase (decrease) in compensated absences	(1,663)	260	-	(1,403)
Increase (decrease) in safety pay	(666)	-	-	(666)
Increase (decrease) in unearned revenue	9,825	(3,741)	-	6,084
Increase (decrease) in customer deposits	6,965	400	47	7,412
Net cash provided (used) by operating activities	\$ 2,057,300	\$ 324,925	\$ 160,398	\$ 2,542,623
Noncash capital and related financing activities				
Assets acquired from contributions	\$ -	\$ 8,602	\$ -	\$ 8,602

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2014

	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
ASSETS		
Cash and cash equivalents	\$ -	\$ 29,017
Total assets	-	<u>\$ 29,017</u>
LIABILITIES		
Due to others	-	\$ 29,017
Total liabilities	-	<u>\$ 29,017</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, 2014*

	Fireman's Relief and Retirement Fund
ADDITIONS	
Employer contributions	\$ 3,158
DEDUCTIONS	
Benefits	<u>3,158</u>
Change in net position	-
Net position at beginning of year	<u>-</u>
Net position at end of year	<u><u>\$ -</u></u>

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, 2014.

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 fund:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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, 2014.

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 only has one item that qualifies for reporting in this category. It 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.

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 one item that is considered a deferred inflow of resources. This item arises under a modified accrual basis of accounting, is *unavailable revenue* and 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. 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. 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.

M. Net Position Flow Assumptions

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

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

O. 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 2013-2014.

<u>Fund Name- Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
2013 G.O. Ref. Bds. Fund			
Debt service	\$ 271,800	\$ 271,886	\$ 86
2003 C.O. Fund			
Debt service	51,400	53,500	2,100

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

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2014, 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	\$ 8,769,266	57
TexSTAR Pool	1,377,288	50
Government Securities	545,050	360
Certificates of Deposits	2,389,353	117
	<u>\$ 13,080,957</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, 2014, 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:

	General	Public Utility	Port Commission	Beach Operating	Nonmajor Funds	Total
Receivables:						
Ad valorem taxes	\$ 490,032	\$ -	\$ -	\$ -	\$ 33,157	\$ 523,189
Franchise taxes	84,691	-	-	-	-	84,691
Municipal court fines	88,283	-	-	-	-	88,283
Charges for services	70,874	547,507	7,650	-	-	626,031
Occupancy taxes	-	-	-	-	107,696	107,696
Miscellaneous	38,163	-	8,975	1,449	3,910	52,497
Gross receivables	772,043	547,507	16,625	1,449	144,763	1,482,387
Less: Allowance for uncollectibles	(220,974)	(24,457)	-	-	(1,658)	(247,089)
Net total receivables	<u>\$ 551,069</u>	<u>\$ 523,050</u>	<u>\$ 16,625</u>	<u>\$ 1,449</u>	<u>\$ 143,105</u>	<u>\$ 1,235,298</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, 2014, 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:

	Unavailable	Unearned	Total
General Fund			
Ad valorem taxes	\$ 371,651	\$ -	\$ 371,651
Charges for services	17,719	63,223	80,942
Municipal court fines	38,844	-	38,844
Nonmajor Funds			
Ad valorem taxes	31,499	-	31,499
	<u>\$ 459,713</u>	<u>\$ 63,223</u>	<u>\$ 522,936</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, 2014:

	General Fund	Public Utility	Port Commission	Beach Operating	Nonmajor Funds	Total
Sales taxes	\$ 400,755	\$ -	\$ -	\$ -	\$ -	\$ 400,755
Property taxes	4,898	-	-	-	359	5,257
Reimbursement for services	6,300	-	-	-	-	6,300
Mixed beverage taxes	5,773	-	-	-	-	5,773
Grant reimbursements	8,400	2,830	2,001	17,250	151,896	182,377
	<u>\$ 426,126</u>	<u>\$ 2,830</u>	<u>\$ 2,001</u>	<u>\$ 17,250</u>	<u>\$ 152,255</u>	<u>\$ 600,462</u>

NOTE 6: CAPITAL ASSETS

The capital asset activity of the City was as follows for the year ended September 30, 2014:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,013,552	\$ -	\$ -	\$ 1,013,552
Construction in progress	327,935	406,020	-	733,955
Total capital assets not being depreciated	<u>1,341,487</u>	<u>406,020</u>	<u>-</u>	<u>1,747,507</u>
Capital assets, being depreciated:				
Machinery and equipment	3,078,042	402,338	(46,162)	3,434,218
Buildings and structures	6,104,803	-	(104,169)	6,000,634
Infrastructure	29,617,434	-	-	29,617,434
Total capital assets being depreciated	<u>38,800,279</u>	<u>402,338</u>	<u>(150,331)</u>	<u>39,052,286</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,897,517)	(286,908)	26,425	(2,158,000)
Buildings and structures	(2,957,966)	(168,078)	40,436	(3,085,608)
Infrastructure	(13,130,199)	(446,194)	-	(13,576,393)
Total accumulated depreciation	<u>(17,985,682)</u>	<u>(901,180)</u>	<u>66,861</u>	<u>(18,820,001)</u>
Total capital assets being depreciated, net	<u>20,814,597</u>	<u>(498,842)</u>	<u>(83,470)</u>	<u>20,232,285</u>
Governmental activities capital assets, net	<u>\$ 22,156,084</u>	<u>\$ (92,822)</u>	<u>\$ (83,470)</u>	<u>\$ 21,979,792</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	229,467	1,965,228	(578,460)	1,616,235
Total capital assets not being depreciated	<u>1,730,479</u>	<u>1,965,228</u>	<u>(578,460)</u>	<u>3,117,247</u>
Capital assets, being depreciated:				
Machinery and equipment	796,499	63,719	(11,663)	848,555
Buildings and structures	4,638,088	295,892	-	4,933,980
Infrastructure	<u>37,682,529</u>	<u>1,040,643</u>	<u>-</u>	<u>38,723,172</u>
Total capital assets being depreciated	<u>43,117,116</u>	<u>1,400,254</u>	<u>(11,663)</u>	<u>44,505,707</u>
Less accumulated depreciation for:				
Machinery and equipment	(471,137)	(89,036)	11,663	(548,510)
Buildings and structures	(2,771,315)	(127,026)	-	(2,898,341)
Infrastructure	<u>(20,232,329)</u>	<u>(648,141)</u>	<u>-</u>	<u>(20,880,470)</u>
Total accumulated depreciation	<u>(23,474,781)</u>	<u>(864,203)</u>	<u>11,663</u>	<u>(24,327,321)</u>
Total capital assets being depreciated, net	<u>19,642,335</u>	<u>536,051</u>	<u>-</u>	<u>20,178,386</u>
Business-type activities capital assets, net	<u>\$ 21,372,814</u>	<u>\$ 2,501,279</u>	<u>\$ (578,460)</u>	<u>\$ 23,295,633</u>

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

Governmental activities:

General government	\$ 26,880
Public safety	212,240
Public works	483,586
Parks and recreation	<u>166,812</u>
Total depreciation expense - governmental activities	<u>\$ 889,518</u>

Business-type activities:

Public Utility	\$ 521,770
Port Commission	238,771
Beach Operating	<u>93,830</u>
Total depreciation expense - business-type activities	<u>\$ 854,371</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, 2014, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Port Commission	Nonmajor Special Revenue	\$ 49,238
Beach Operating	Public Utility	294,219
		<u>\$ 343,457</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 nonmajor capital projects fund and the Hotel Occupancy Tax Fund, a nonmajor special revenue fund, to the General Fund. These transfers totaled \$750,000 and \$190,000, respectively, in fiscal year 2014 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>Nonmajor</u>	<u>Total</u>
Transfers out:			
General	\$ -	\$ 779,044	\$ 779,044
Public Utility	235,270	-	235,270
Port Commission	16,500	-	16,500
Beach Operating	8,000	-	8,000
Nonmajor	190,000	-	190,000
	<u>\$ 449,770</u>	<u>\$ 779,044</u>	<u>\$ 1,228,814</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	<u>\$ 309,776</u>
	309,776
Less: Accumulated depreciation	<u>(103,259)</u>
	<u>\$ 206,517</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2015	<u>\$ 47,763</u>
2016	47,763
2017	47,762
2018	<u>47,762</u>
Total minimum lease payments	191,050
Less: Amount representing interest	<u>(18,410)</u>
Present value of minimum lease payments	<u>\$ 172,640</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>	
2015	<u>\$ 292,200</u>
2016	292,200
2017	292,200
2018	<u>97,400</u>
	<u>\$ 974,000</u>

Rental expenditures in 2014 were \$195,933. 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, 2014:

Year Ending September 30	
2015	\$ 320,363
2016	301,201
2017	283,256
2018	199,650
2019	57,194
	<u>1,161,664</u>
Thereafter	59,500
	<u>\$ 1,221,164</u>

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

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds and certificates payable:					
General obligation bonds	\$ 2,895,000	\$ -	\$ 215,000	\$ 2,680,000	\$ 220,000
Certificates	105,000	-	50,000	55,000	55,000
Net bonds and certificates	3,000,000	-	265,000	2,735,000	275,000
Capital leases	211,559	-	38,919	172,640	40,546
Compensated absences	127,775	148,822	136,037	140,560	44,854
Safety pay	25,489	26,052	25,489	26,052	26,052
Total governmental activity long-term liabilities	<u>\$ 3,364,823</u>	<u>\$ 174,874</u>	<u>\$ 465,445</u>	<u>\$ 3,074,252</u>	<u>\$ 386,452</u>
Business-type activities					
Bonds and certificates payable:					
Revenue bonds	\$ 4,080,000	\$ -	\$ 355,000	\$ 3,725,000	\$ 370,000
Certificates	3,340,000	-	165,000	3,175,000	175,000
Less deferred amounts:					
Issuance discounts	(29,696)	-	(595)	(29,101)	-
Net bonds and certificates	7,390,304	-	519,405	6,870,899	545,000
Capital leases	51,378	-	51,378	-	-
Compensated absences	14,082	154,007	155,411	12,678	5,778
Safety pay	4,326	3,660	4,326	3,660	3,660
Total business-type activity long-term liabilities	<u>\$ 7,460,090</u>	<u>\$ 157,667</u>	<u>\$ 730,520</u>	<u>\$ 6,887,237</u>	<u>\$ 554,438</u>

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

NOTE 10: LONG-TERM DEBT - (Continued)**B. General Obligation Bonds and Certificates**

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 and certificates at September 30, 2014, were comprised of the following individual issues:

\$1,000,000 2005 Certificates of Obligation due in annual installments ranging from \$50,000 to \$55,000 through February 15, 2015; interest rates at 4.00% and 4.50%.	\$ 55,000
\$2,945,000 Series 2012 General Obligation Refunding Bonds due in annual installments ranging from \$60,000 to \$320,000 through February 15, 2024; interest fixed at 2.03%.	<u>2,680,000</u>
Total Bonds and Certificates	<u>\$ 2,735,000</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 275,000	\$ 53,271	\$ 328,271
2016	280,000	47,096	327,096
2017	285,000	41,361	326,361
2018	290,000	35,525	325,525
2019	290,000	29,537	319,537
2020-2024	<u>1,305,000</u>	<u>56,790</u>	<u>1,361,790</u>
	<u>\$ 2,725,000</u>	<u>\$ 263,580</u>	<u>\$ 2,988,580</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, 2014:

\$2,265,000 Series 2011 General Obligation Refunding Bonds due in annual installments ranging from \$310,000 to \$350,000 through February 15, 2018; interest rates varying of 2.83%.	\$ 1,350,000
\$1,535,000 Series 2004 Certificates of Obligation, issued through the Texas Water Development Board, due in annual installments ranging from \$75,000 to \$125,000 through February 15, 2024; interest rates varying between 2.00% and 3.55%.	1,015,000
\$2,680,000 Series 2007 General Obligation Refunding Bonds due in annual installments ranging from \$45,000 to \$555,000 through February 15, 2022; interest rates varying between 4.00% and 4.50%.	2,375,000
\$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%.	805,000
\$1,700,000 Series 2008 Combination Tax and Surplus Harbor System Revenue Certificates of Obligation due in annual installments ranging from \$70,000 to \$125,000 through February 15, 2028; interest rate of 3.93%.	<u>1,355,000</u>
Total Revenue Bonds and Certificates	<u>\$ 6,900,000</u>

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

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 545,000	\$ 243,768	\$ 788,768
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
2020-2024	3,030,000	313,184	3,343,184
2025-2028	<u>470,000</u>	<u>37,925</u>	<u>507,925</u>
	<u>\$ 6,900,000</u>	<u>\$ 1,356,462</u>	<u>\$ 8,256,462</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, 2014.

As of September 30, 2014, the \$6,900,000 balance on the revenue bonds and certificates is detailed as follows according to the purpose of their issuance: \$3,864,000 or 56% water system improvements, \$1,725,000 or 25% wastewater system improvements, and \$1,311,000 or 19% 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, 2014, \$6,195,000 of bonds outstanding was considered defeased.

NOTE 12: PROPRIETARY FUND NET POSITION

Management has committed for operating reserves \$1,121,910 of the Public Utility Fund's \$4,672,017 unrestricted net position. Management has also committed \$120,139 of the Port Commission Fund's \$1,117,197 unrestricted net position for operating reserves and \$65,329 of the Beach Operating Fund's \$613,158 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 \$3,550,107, \$997,058, and \$547,829, respectively, of unrestricted, uncommitted net position as of September 30, 2014.

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, 2014, 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 \$187,962.

Paid health-related claims totaled \$826,398 during the current fiscal year. The insurance carrier estimated that \$68,875 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:

	Current Year			
	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
Fiscal Year 2010	\$ 65,138	\$ 368,950	\$ 408,935	\$ 25,153
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

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

The City was not involved in any litigation as of September 30, 2014, 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, 2014, 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 through February 2016.

D. Construction Commitments

As of September 30, 2014, 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:			
Sidewalk improvements	\$ 480,806	\$ 28,629	City/Grant funds
Street improvements	252,820	1,322,180	City
Veteran's Memorial	328	85,610	City/Donations
	<u>733,954</u>	<u>1,436,419</u>	
Business-type activities:			
Alamo Heights - Sewer Imp.	40,016	359,984	City
Pier Rebuild (T-Head)	23,000	77,000	City/Grant funds
2014 Capital Improvements	28,159	261,841	City
Meter Reading Project	<u>1,525,059</u>	<u>62,332</u>	City
	<u>1,616,234</u>	<u>761,157</u>	
	<u>\$ 2,350,188</u>	<u>\$ 2,197,576</u>	

NOTE 15: EMPLOYEES' RETIREMENT PLAN**Plan Description**

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at www.TMRS.com.

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation (asset) are as follows:

Contributions Required and Contributions Made			
Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 205,508	100%	\$ -
2013	209,758	100%	-
2012	221,920	100%	-

NOTE 15: EMPLOYEES' RETIREMENT PLAN - (Continued)

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2012 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

	Actuarial Valuation Information		
	12/31/11	12/31/12	12/31/13
Actuarial cost method	projected unit credit	projected unit credit	Entry age normal
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	26.0 years; closed period	25.1 years; closed period	26.0 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Investment rate of return *	7.0%	7.0%	7.0%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress

The funded status as of December 31, 2013, under the two separate actuarial valuations is presented as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
12/31/13	\$ 8,465,945	\$ 9,700,410	87.3%	\$ 1,234,465	\$ 3,485,794	35.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

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 2014, 2013, and 2012 were \$2,440, \$2,454, and \$2,086, 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, 2014, there were 11 individuals receiving benefits under the plan. Benefit payments for the year totaled \$3,158.

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, 2014.

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 \$717,487 as of September 30, 2014, 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, 2014:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid items	\$ 51,193	\$ -	\$ -	\$ -	\$ 51,193
Operating reserves	-	-	2,236,320	-	2,236,320
Health insurance claims	-	-	929,210	-	929,210
Capital asset replacement	-	-	275,245	-	275,245
Unassigned	-	-	-	3,183,423	3,183,423
Nonmajor Governmental					
Retirement of long-term debt	-	201,457	-	-	201,457
Various capital projects	-	-	1,008,386	-	1,008,386
Tourism and conventions	-	774,183	-	-	774,183
Economic development	-	10,057	-	-	10,057
Public safety	-	88,429	-	-	88,429
Municipal court	-	20,627	-	-	20,627
Bayfront Park pier	-	56,087	-	-	56,087
	<u>\$ 51,193</u>	<u>\$ 1,150,840</u>	<u>\$ 4,449,161</u>	<u>\$ 3,183,423</u>	<u>\$ 8,834,617</u>

NOTE 20: FUTURE FINANCIAL REPORTING REQUIREMENTS

The GASB has issued the following statement which will become effective in future years:

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. This statement will become effective for the City in fiscal year 2015.

Management has not yet determined the effect of this statement on the financial statements; however, the impact is expected to be significant as they will now reflect a previously unrecorded liability. The City also expects the largest deferred inflows and outflows to be pension related.

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, 2014

With comparative totals for the year ended September 30, 2013

	2014				2013
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES					
Taxes	\$ 6,030,000	\$ 6,490,600	\$ 6,776,782	\$ 286,182	\$ 6,571,482
Fines and forfeitures	349,000	349,000	301,371	(47,629)	348,607
Intergovernmental	248,500	398,500	406,401	7,901	248,625
Licenses and permits	82,900	104,500	131,291	26,791	158,721
Investment	8,000	8,000	10,380	2,380	10,611
Rental	40,000	73,000	76,290	3,290	67,615
Charges for services	5,000	5,000	2,901	(2,099)	6,820
Miscellaneous	26,000	68,300	109,561	41,261	165,883
Total revenues	<u>6,789,400</u>	<u>7,496,900</u>	<u>7,814,977</u>	<u>318,077</u>	<u>7,578,364</u>
EXPENDITURES					
Current					
General government	1,925,304	2,343,504	2,286,735	56,769	1,937,120
Public safety	2,804,752	3,024,052	2,969,549	54,503	2,815,215
Public works	1,760,594	1,167,594	983,253	184,341	1,174,528
Parks and recreation	534,350	524,350	469,422	54,928	932,950
Total expenditures	<u>7,025,000</u>	<u>7,059,500</u>	<u>6,708,959</u>	<u>350,541</u>	<u>6,859,813</u>
Excess (deficiency) of revenues over expenditures	(235,600)	437,400	1,106,018	668,618	718,551
OTHER FINANCING SOURCES (USES)					
Transfers in	449,500	449,500	449,770	270	424,000
Transfers out	(275,000)	(1,025,000)	(779,044)	245,956	(385,428)
Sale of capital assets	-	-	-	-	4,613
Net other financing sources (uses)	<u>174,500</u>	<u>(575,500)</u>	<u>(329,274)</u>	<u>246,226</u>	<u>43,185</u>
Net change in fund balance	(61,100)	(138,100)	776,744	914,844	761,736
Fund balance at beginning of year	<u>5,898,647</u>	<u>5,898,647</u>	<u>5,898,647</u>	<u>-</u>	<u>5,136,911</u>
Fund balance at end of year	<u>\$ 5,837,547</u>	<u>\$ 5,760,547</u>	<u>\$ 6,675,391</u>	<u>\$ 914,844</u>	<u>\$ 5,898,647</u>

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

CITY OF PORT LAVACA, TEXAS**REQUIRED SUPPLEMENTARY INFORMATION****HISTORICAL PENSION BENEFITS INFORMATION**

September 30, 2014

TEXAS MUNICIPAL RETIREMENT SYSTEM

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/2013	\$ 8,465,945	\$ 9,700,410	\$ 1,234,465	87.3%	\$3,485,794	35.4%
12/31/2012	8,008,596	8,818,849	810,253	90.8%	3,505,147	23.1%
12/31/2011	7,633,592	8,630,832	997,240	88.5%	3,477,173	28.7%
12/31/2010	7,133,411	8,223,009	1,089,598	86.8%	3,246,341	33.6%
12/31/2009	4,439,359	6,024,888	1,585,529	73.7%	3,218,833	49.3%
12/31/2008	4,197,893	5,766,845	1,568,952	72.8%	3,071,235	51.1%
12/31/2007	3,983,301	5,491,801	1,508,500	72.5%	2,838,192	53.2%
12/31/2006	3,861,317	4,843,816	982,499	79.7%	2,564,346	38.3%
12/31/2005	3,859,964	4,725,863	865,899	81.7%	2,695,442	32.1%
12/31/2004	3,785,938	4,549,285	763,347	83.2%	2,482,661	30.7%

CITY OF PORT LAVACA, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2014

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, 2014, the City complied with budgetary restrictions at all departmental levels.

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.

Nonmajor Capital Project Funds

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

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

CITY OF PORT LAVACA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

	Special Revenue				
	Hotel Occupancy Tax	Police Forfeitures	Juvenile Case Manager	Building Security	Economic Development
ASSETS					
Current assets					
Cash and cash equivalents	\$ 670,068	\$ 5,450	\$ 727	\$ 20,627	\$ 10,057
Receivables (net)	107,696	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 777,764</u>	<u>\$ 5,450</u>	<u>\$ 727</u>	<u>\$ 20,627</u>	<u>\$ 10,057</u>
LIABILITIES					
Liabilities					
Accounts payable	\$ 3,581	\$ -	\$ 272	\$ -	\$ -
Payroll related payables	-	-	455	-	-
Due to other funds	-	2,071	-	-	-
Total liabilities	<u>3,581</u>	<u>2,071</u>	<u>727</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>
FUND BALANCE					
Restricted					
Retirement of long-term debt	-	-	-	-	-
Tourism and conventions	774,183	-	-	-	-
Economic development	-	-	-	-	10,057
Public safety	-	3,379	-	-	-
Municipal court	-	-	-	20,627	-
Bayfront Park pier	-	-	-	-	-
Committed					
Various capital projects	-	-	-	-	-
Total fund balance	<u>774,183</u>	<u>3,379</u>	<u>-</u>	<u>20,627</u>	<u>10,057</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 777,764</u>	<u>\$ 5,450</u>	<u>\$ 727</u>	<u>\$ 20,627</u>	<u>\$ 10,057</u>

Special Revenue

Bicycle Patrol Grant	HOME Program	Texas Capital Fund	Bullet Proof Vest Grant	Redflex Traffic System	Court Technology Fund	Bayfront Peninsula Pier
\$ -	\$ -	\$ 14,870	\$ -	\$ 85,012	\$ 32,673	\$ 56,087
-	-	-	-	38	-	-
12,042	2,696	135,843	1,315	-	-	-
<u>\$ 12,042</u>	<u>\$ 2,696</u>	<u>\$ 150,713</u>	<u>\$ 1,315</u>	<u>\$ 85,050</u>	<u>\$ 32,673</u>	<u>\$ 56,087</u>
\$ 1,559	\$ -	\$ 150,713	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
10,483	2,696	-	1,315	-	32,673	-
<u>12,042</u>	<u>2,696</u>	<u>150,713</u>	<u>1,315</u>	<u>-</u>	<u>32,673</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	85,050	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	56,087
-	-	-	-	-	-	-
-	-	-	-	85,050	-	56,087
<u>\$ 12,042</u>	<u>\$ 2,696</u>	<u>\$ 150,713</u>	<u>\$ 1,315</u>	<u>\$ 85,050</u>	<u>\$ 32,673</u>	<u>\$ 56,087</u>

(continued)

CITY OF PORT LAVACA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

	Special Revenue		Debt Service
	Homeland Security Grant	Total	2012 General Obligation Refunding Bonds
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 895,571	\$ 143,486
Receivables (net)	-	107,734	26,083
Due from other governments	-	151,896	292
Total assets	<u>\$ -</u>	<u>\$ 1,155,201</u>	<u>\$ 169,861</u>
LIABILITIES			
Liabilities			
Accounts payable	\$ -	\$ 156,125	\$ -
Payroll related payables	-	455	-
Due to other funds	-	49,238	-
Total liabilities	<u>-</u>	<u>205,818</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	26,083
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>26,083</u>
FUND BALANCE			
Restricted			
Retirement of long-term debt	-	-	143,778
Tourism and conventions	-	774,183	-
Economic development	-	10,057	-
Public safety	-	88,429	-
Municipal court	-	20,627	-
Bayfront Park pier	-	56,087	-
Committed			
Various capital projects	-	-	-
Total fund balance	<u>-</u>	<u>949,383</u>	<u>143,778</u>
Total liabilities, deferred inflows and fund balance	<u>\$ -</u>	<u>\$ 1,155,201</u>	<u>\$ 169,861</u>

Debt Service		Capital Projects		Total Nonmajor Governmental Funds
2005 Certificates of Obligation	Total	Street Construction	Total	
\$ 57,612	\$ 201,098	\$ 1,004,514	\$ 1,004,514	\$ 2,101,183
5,416	31,499	3,872	3,872	143,105
67	359	-	-	152,255
<u>\$ 63,095</u>	<u>\$ 232,956</u>	<u>\$ 1,008,386</u>	<u>\$ 1,008,386</u>	<u>\$ 2,396,543</u>
\$ -	\$ -	\$ -	\$ -	\$ 156,125
-	-	-	-	455
-	-	-	-	49,238
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,818</u>
5,416	31,499	-	-	31,499
<u>5,416</u>	<u>31,499</u>	<u>-</u>	<u>-</u>	<u>31,499</u>
57,679	201,457	-	-	201,457
-	-	-	-	774,183
-	-	-	-	10,057
-	-	-	-	88,429
-	-	-	-	20,627
-	-	-	-	56,087
-	-	1,008,386	1,008,386	1,008,386
<u>57,679</u>	<u>201,457</u>	<u>1,008,386</u>	<u>1,008,386</u>	<u>2,159,226</u>
<u>\$ 63,095</u>	<u>\$ 232,956</u>	<u>\$ 1,008,386</u>	<u>\$ 1,008,386</u>	<u>\$ 2,396,543</u>

(concluded)

CITY OF PORT LAVACA, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS***For the year ended September 30, 2014*

	Special Revenue				
	Hotel Occupancy Tax	Police Forfeitures	Juvenile Case Manager	Building Security	Economic Development
REVENUES					
Taxes	\$ 557,841	\$ -	\$ -	\$ -	\$ -
Fines, fees, and forfeitures	-	4,287	4,445	2,707	-
Intergovernmental	-	-	-	-	-
Investment	452	92	-	63	33
Miscellaneous	33,678	35	-	-	-
Total revenues	<u>591,971</u>	<u>4,414</u>	<u>4,445</u>	<u>2,770</u>	<u>33</u>
EXPENDITURES					
Current					
General government	145,394	-	-	-	-
Public safety	-	27,086	14,978	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>145,394</u>	<u>27,086</u>	<u>14,978</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	446,577	(22,672)	(10,533)	2,770	33
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	10,533	-	-
Transfers out	(190,000)	-	-	-	-
Total other financing sources (uses)	<u>(190,000)</u>	<u>-</u>	<u>10,533</u>	<u>-</u>	<u>-</u>
Net change in fund balances	256,577	(22,672)	-	2,770	33
Fund balances at beginning of year	<u>517,606</u>	<u>26,051</u>	<u>-</u>	<u>17,857</u>	<u>10,024</u>
Fund balances at end of year	<u>\$ 774,183</u>	<u>\$ 3,379</u>	<u>\$ -</u>	<u>\$ 20,627</u>	<u>\$ 10,057</u>

Special Revenue

Bicycle Patrol Grant	HOME Program	Texas Capital Fund	Bullet Proof Vest Grant	Redflex Traffic System	Court Technology Fund	Bayfront Peninsula Pier
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	195,933	3,718	-
72,096	172,516	142,843	1,289	-	-	-
-	-	-	-	318	11	24
-	-	-	-	-	-	-
<u>72,096</u>	<u>172,516</u>	<u>142,843</u>	<u>1,289</u>	<u>196,251</u>	<u>3,729</u>	<u>24</u>
-	172,516	-	-	-	-	-
72,096	-	-	2,630	211,086	3,729	-
-	-	160,013	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>72,096</u>	<u>172,516</u>	<u>160,013</u>	<u>2,630</u>	<u>211,086</u>	<u>3,729</u>	<u>-</u>
-	-	(17,170)	(1,341)	(14,835)	-	24
-	-	17,170	1,341	-	-	-
-	-	-	-	-	-	-
-	-	<u>17,170</u>	<u>1,341</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	(14,835)	-	24
-	-	-	-	99,885	-	56,063
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,050</u>	<u>\$ -</u>	<u>\$ 56,087</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, 2014*

	Special Revenue		Debt Service
	Homeland Security Grant	Total	2012 General Obligation Refunding Bonds
REVENUES			
Taxes	\$ -	\$ 557,841	\$ 268,011
Fines, fees, and forfeitures	-	211,090	-
Intergovernmental	34,899	423,643	-
Investment	-	993	425
Miscellaneous	-	33,713	-
Total revenues	<u>34,899</u>	<u>1,227,280</u>	<u>268,436</u>
EXPENDITURES			
Current			
General government	-	317,910	-
Public safety	34,899	366,504	-
Capital outlay	-	160,013	-
Debt service			
Principal retirement	-	-	215,000
Interest and fiscal charges	-	-	56,886
Total expenditures	<u>34,899</u>	<u>844,427</u>	<u>271,886</u>
Excess (deficiency) of revenues over expenditures	-	382,853	(3,450)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	29,044	-
Transfers out	-	(190,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(160,956)</u>	<u>-</u>
Net change in fund balances	-	221,897	(3,450)
Fund balances at beginning of year	-	727,486	147,228
Fund balances at end of year	<u>\$ -</u>	<u>\$ 949,383</u>	<u>\$ 143,778</u>

Debt Service		Capital Projects		Total
2005 Certificates of Obligation	Total	Street Construction	Total	Nonmajor Governmental Funds
\$ 50,964	\$ 318,975	\$ -	\$ -	\$ 876,816
-	-	-	-	211,090
-	-	-	-	423,643
265	690	2,382	2,382	4,065
-	-	-	-	33,713
<u>51,229</u>	<u>319,665</u>	<u>2,382</u>	<u>2,382</u>	<u>1,549,327</u>
-	-	-	-	317,910
-	-	-	-	366,504
-	-	252,820	252,820	412,833
50,000	265,000	-	-	265,000
3,500	60,386	-	-	60,386
<u>53,500</u>	<u>325,386</u>	<u>252,820</u>	<u>252,820</u>	<u>1,422,633</u>
(2,271)	(5,721)	(250,438)	(250,438)	126,694
-	-	750,000	750,000	779,044
-	-	-	-	(190,000)
-	-	<u>750,000</u>	<u>750,000</u>	<u>589,044</u>
(2,271)	(5,721)	499,562	499,562	715,738
<u>59,950</u>	<u>207,178</u>	<u>508,824</u>	<u>508,824</u>	<u>1,443,488</u>
<u>\$ 57,679</u>	<u>\$ 201,457</u>	<u>\$ 1,008,386</u>	<u>\$ 1,008,386</u>	<u>\$ 2,159,226</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, 2014

With comparative totals for September 30, 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 4,333,168	\$ 4,335,361
Investments	2,142,152	1,589,715
Receivables, net		
Taxes	456,342	455,568
Fines	38,844	25,051
Other	55,883	45,198
Due from other governments	426,126	405,697
Prepaid items	51,193	64,938
Total assets	\$ 7,503,708	\$ 6,921,528
LIABILITIES		
Accounts payable	\$ 174,091	\$ 397,281
Payroll related payables	80,777	71,449
Other payables	53,931	53,619
Due to other governments	12,914	19,697
Customer and other deposits	15,167	9,300
Unearned revenue	63,223	60,875
Total liabilities	400,103	612,221
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	428,214	410,660
Total deferred inflows of resources	428,214	410,660
FUND BALANCE		
Nonspendable		
Prepaid items	51,193	64,938
Committed		
Operating reserves	2,236,320	2,286,604
Health insurance claims	929,210	728,602
Capital asset replacement	275,245	282,298
Unassigned	3,183,423	2,536,205
Total fund balance	6,675,391	5,898,647
Total liabilities, deferred inflows and fund balance	\$ 7,503,708	\$ 6,921,528

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, 2014**With comparative totals for the year ended September 30, 2013*

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 3,405,600	\$ 3,643,425	\$ 237,825	\$ 3,521,668
Sales	2,500,000	2,500,013	13	2,445,393
Franchise	575,500	615,184	39,684	587,534
Beverage	9,500	18,160	8,660	16,887
Total taxes	6,490,600	6,776,782	286,182	6,571,482
Fines and forfeitures				
Municipal court	214,000	177,287	(36,713)	214,496
Tax penalties and fees	135,000	124,084	(10,916)	134,111
Total fines and forfeitures	349,000	301,371	(47,629)	348,607
Intergovernmental				
Reimbursements	398,500	402,044	3,544	248,625
Grants and allocations	-	4,357	4,357	-
Total intergovernmental	398,500	406,401	7,901	248,625
Licenses and permits				
Licenses				
Building/electrical	7,000	9,250	2,250	8,400
Animal	2,000	6,744	4,744	6,563
Alcoholic beverage	4,000	4,720	720	5,500
Permits				
Building	30,000	38,906	8,906	65,496
Electrical	6,000	6,812	812	7,786
Plumbing	8,000	10,808	2,808	12,756
Mechanical	3,000	3,365	365	6,669
Miscellaneous	44,500	50,686	6,186	45,551
Total licenses and permits	104,500	131,291	26,791	158,721
Investment	8,000	10,380	2,380	10,611
Rental	73,000	76,290	3,290	67,615
Charges for services				
Police service fees	5,000	2,901	(2,099)	6,220
Other	-	-	-	600
Total charges for services	5,000	2,901	(2,099)	6,820

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, 2014**With comparative totals for the year ended September 30, 2013*

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES - (Continued)				
Miscellaneous				
Reimbursements and refunds	\$ 10,000	\$ 10,185	\$ 185	\$ 24,795
Other	58,300	99,376	41,076	141,088
Total miscellaneous	68,300	109,561	41,261	165,883
 Total revenues	 7,496,900	 7,814,977	 318,077	 7,578,364
OTHER FINANCING SOURCES				
Transfers in	449,500	449,770	270	424,000
Sale of capital assets	-	-	-	4,613
Total other financing sources	449,500	449,770	270	428,613
 Total revenues and other financing sources	 \$ 7,946,400	 \$ 8,264,747	 \$ 318,347	 \$ 8,006,977

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, 2014

With comparative totals for the year ended September 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES				
Current				
General government				
City council				
Personnel services	\$ 27,180	\$ 26,195	\$ 985	\$ 24,590
Materials and supplies	3,650	4,249	(599)	1,417
Services	525	1,009	(484)	1,345
Maintenance	1,300	-	1,300	1,300
Total city council	32,655	31,453	1,202	28,652
City manager				
Personnel services	191,883	187,666	4,217	193,606
Materials and supplies	1,065	1,388	(323)	1,621
Services	9,150	6,552	2,598	10,475
Total city manager	202,098	195,606	6,492	205,702
City secretary				
Personnel services	67,411	66,916	495	65,735
Materials and supplies	1,500	501	999	1,789
Services	26,700	27,654	(954)	11,976
Maintenance	-	45	(45)	-
Total city secretary	95,611	95,116	495	79,500
Human resources				
Personnel services	49,958	49,957	1	48,625
Materials and supplies	3,850	4,007	(157)	838
Services	14,900	9,250	5,650	17,952
Maintenance	2,025	-	2,025	2,985
Total human resources	70,733	63,214	7,519	70,400
Municipal court				
Personnel services	77,395	79,520	(2,125)	74,956
Materials and supplies	1,200	1,375	(175)	2,750
Services	24,950	10,896	14,054	14,371
Maintenance	-	3,034	(3,034)	1,815
Total municipal court	103,545	94,825	8,720	93,892

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, 2014

With comparative totals for the year ended September 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
General government - (Continued)				
Finance				
Personnel services	\$ 182,335	\$ 185,336	\$ (3,001)	\$ 179,489
Materials and supplies	10,700	8,837	1,863	7,684
Services	10,500	9,888	612	6,935
Maintenance	1,000	62	938	5,892
Total finance	204,535	204,123	412	200,000
City hall				
Materials and supplies	18,700	16,708	1,992	10,412
Services	78,625	79,236	(611)	78,769
Maintenance	34,500	35,445	(945)	37,010
Total city hall	131,825	131,389	436	126,191
Non-departmental				
Personnel services	939,000	912,823	26,177	651,441
Services	442,502	470,465	(27,963)	418,128
Maintenance	63,500	64,819	(1,319)	48,854
Sundry	57,500	22,902	34,598	14,360
Total non-departmental	1,502,502	1,471,009	31,493	1,132,783
Total general government	2,343,504	2,286,735	56,769	1,937,120
Public safety				
Police				
Personnel services	1,271,000	1,269,169	1,831	1,250,859
Materials and supplies	76,900	80,481	(3,581)	94,800
Services	81,650	79,764	1,886	90,190
Maintenance	90,900	92,778	(1,878)	85,066
Capital outlay	85,100	79,509	5,591	55,053
Total police	1,605,550	1,601,701	3,849	1,575,968
Fire				
Personnel services	954,000	909,013	44,987	900,376
Materials and supplies	55,500	68,015	(12,515)	67,351
Services	56,700	49,215	7,485	51,924
Maintenance	36,400	29,553	6,847	44,559
Debt service	47,762	47,763	(1)	47,763
Capital outlay	150,000	149,981	19	24,022
Total fire	1,300,362	1,253,540	46,822	1,135,995
Animal control				
Personnel services	82,100	82,972	(872)	79,496
Materials and supplies	16,240	12,243	3,997	11,978
Services	11,300	11,637	(337)	7,745
Maintenance	8,500	7,456	1,044	4,033
Total animal control	118,140	114,308	3,832	103,252
Total public safety	3,024,052	2,969,549	54,503	2,815,215

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, 2014

With comparative totals for the year ended September 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
Public works				
Code enforcement/inspections				
Personnel services	\$ 128,819	\$ 127,193	\$ 1,626	\$ 124,116
Materials and supplies	7,900	5,807	2,093	5,698
Services	13,100	3,796	9,304	5,716
Maintenance	3,800	2,133	1,667	3,362
Total code enforcement/inspections	153,619	138,929	14,690	138,892
Streets				
Personnel services	461,100	380,430	80,670	506,063
Materials and supplies	48,400	40,107	8,293	54,124
Services	156,225	133,735	22,490	169,705
Maintenance	260,250	201,492	58,758	276,061
Capital outlay	88,000	88,560	(560)	29,683
Total streets	1,013,975	844,324	169,651	1,035,636
Total public works	1,167,594	983,253	184,341	1,174,528
Parks and recreation				
Parks				
Personnel services	162,500	159,135	3,365	143,289
Materials and supplies	25,600	24,494	1,106	26,996
Services	46,300	61,809	(15,509)	68,986
Maintenance	61,450	48,232	13,218	8,139
Capital outlay	9,000	9,228	(228)	401,581
Total parks	304,850	302,898	1,952	648,991
Convention/visitors bureau				
Personnel services	61,450	50,384	11,066	53,473
Materials and supplies	8,800	8,723	77	9,616
Services	104,900	85,429	19,471	120,419
Maintenance	44,350	21,988	22,362	60,896
Total convention/visitors bureau	219,500	166,524	52,976	244,404
Swimming pool				
Materials and supplies	-	-	-	6,890
Services	-	-	-	14,057
Maintenance	-	-	-	18,608
Total swimming pool	-	-	-	39,555
Total parks and recreation	524,350	469,422	54,928	932,950
Total current	7,059,500	6,708,959	350,541	6,859,813
Total expenditures	7,059,500	6,708,959	350,541	6,859,813
OTHER FINANCING USES				
Transfers out	1,025,000	779,044	245,956	385,428
Total expenditures and other financing uses	\$ 8,084,500	\$ 7,488,003	\$ 596,497	\$ 7,245,241

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, 2014

With comparative totals for the year ended September 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 271,600	\$ 268,011	\$ (3,589)	\$ 263,460
Investment	200	425	225	344
Total revenues	<u>271,800</u>	<u>268,436</u>	<u>(3,364)</u>	<u>263,804</u>
EXPENDITURES				
Debt service				
Principal retirement	215,000	215,000	-	220,000
Interest and fiscal charges	56,800	56,886	(86)	47,561
Issuance costs	-	-	-	67,106
Total expenditures	<u>271,800</u>	<u>271,886</u>	<u>(86)</u>	<u>334,667</u>
Excess (deficiency) of revenues over expenditures	-	(3,450)	(3,450)	(70,863)
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	-	2,945,000
Payment to escrow	-	-	-	(2,877,894)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,106</u>
Net change in fund balances	-	(3,450)	(3,450)	(3,757)
Fund balances at beginning of year	<u>147,228</u>	<u>147,228</u>	<u>-</u>	<u>150,985</u>
Fund balances at end of year	<u>\$ 147,228</u>	<u>\$ 143,778</u>	<u>\$ (3,450)</u>	<u>\$ 147,228</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, 2014**With comparative totals for the year ended September 30, 2013*

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 51,400	\$ 50,964	\$ (436)	\$ 82,864
Investment	-	265	265	180
Total revenues	<u>51,400</u>	<u>51,229</u>	<u>(171)</u>	<u>83,044</u>
EXPENDITURES				
Debt service				
Principal retirement	50,000	50,000	-	50,000
Interest and fiscal charges	<u>1,400</u>	<u>3,500</u>	<u>(2,100)</u>	<u>5,500</u>
Total expenditures	<u>51,400</u>	<u>53,500</u>	<u>(2,100)</u>	<u>55,500</u>
Excess (deficiency) of revenues over expenditures	-	(2,271)	(2,271)	27,544
OTHER FINANCING SOURCES (USES)	-	-	-	-
Net change in fund balances	-	(2,271)	(2,271)	27,544
Fund balances at beginning of year	<u>59,950</u>	<u>59,950</u>	-	<u>32,406</u>
Fund balances at end of year	<u>\$ 59,950</u>	<u>\$ 57,679</u>	<u>\$ (2,271)</u>	<u>\$ 59,950</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, 2014*

	<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>\$ 27,820</u>	<u>\$ 7,304</u>	<u>\$ 6,107</u>	<u>\$ 29,017</u>
Total assets	<u>\$ 27,820</u>	<u>\$ 7,304</u>	<u>\$ 6,107</u>	<u>\$ 29,017</u>
Liabilities				
Due to others	<u>\$ 27,820</u>	<u>\$ 7,304</u>	<u>\$ 6,107</u>	<u>\$ 29,017</u>
Total liabilities	<u>\$ 27,820</u>	<u>\$ 7,304</u>	<u>\$ 6,107</u>	<u>\$ 29,017</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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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time..... 75

Revenue Capacity

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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..... 97

Demographic and Economic Information

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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 105

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 17,965,142	\$ 12,509,383	\$ 13,105,824	\$ 13,815,306
Restricted	1,583,781	199,381	221,392	848,885
Unrestricted	<u>3,971,998</u>	<u>5,022,591</u>	<u>6,556,521</u>	<u>7,374,943</u>
Total governmental activities net position	<u>\$ 23,520,921</u>	<u>\$ 17,731,355</u>	<u>\$ 19,883,737</u>	<u>\$ 22,039,134</u>
Business-type activities				
Net investment in capital assets	\$ 13,735,139	\$ 10,460,620	\$ 11,569,600	\$ 11,052,199
Restricted	92,040	13,887	129,592	12,681
Unrestricted	<u>3,138,979</u>	<u>4,353,647</u>	<u>4,022,664</u>	<u>4,953,062</u>
Total business-type activities net position	<u>\$ 16,966,158</u>	<u>\$ 14,828,154</u>	<u>\$ 15,721,856</u>	<u>\$ 16,017,942</u>
Primary government				
Net investment in capital assets	\$ 31,700,281	\$ 22,970,003	\$ 24,675,424	\$ 24,867,505
Restricted	1,675,821	213,268	350,984	861,566
Unrestricted	<u>7,110,977</u>	<u>9,376,238</u>	<u>10,579,185</u>	<u>12,328,005</u>
Total primary government activities net position	<u>\$ 40,487,079</u>	<u>\$ 32,559,509</u>	<u>\$ 35,605,593</u>	<u>\$ 38,057,076</u>

(1) Accrual basis of accounting

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 15,787,249	\$ 18,383,147	\$ 18,380,797	\$ 19,174,209	\$ 21,750,587	\$ 19,170,337
876,554	784,798	1,049,987	1,027,384	1,463,189	1,175,154
<u>6,394,379</u>	<u>4,732,493</u>	<u>5,231,769</u>	<u>5,544,238</u>	<u>3,452,739</u>	<u>7,942,352</u>
<u>\$ 23,058,182</u>	<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>
\$ 11,334,652	\$ 11,536,833	\$ 13,321,583	\$ 13,756,393	\$ 14,059,066	\$ 16,550,105
233,544	51,469	-	-	-	-
<u>5,642,701</u>	<u>6,841,071</u>	<u>6,892,206</u>	<u>7,449,406</u>	<u>7,772,021</u>	<u>6,402,372</u>
<u>\$ 17,210,897</u>	<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>
\$ 27,121,901	\$ 29,919,980	\$ 31,702,380	\$ 32,930,602	\$ 35,809,653	\$ 35,720,442
1,110,098	836,267	1,049,987	1,027,384	1,463,189	1,175,154
<u>12,037,080</u>	<u>11,573,564</u>	<u>12,123,975</u>	<u>12,993,644</u>	<u>11,224,760</u>	<u>14,344,724</u>
<u>\$ 40,269,079</u>	<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>

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Program expenses				
General government	\$ 1,023,110	\$ 1,265,792	\$ 1,300,514	\$ 1,499,965
Public safety	2,309,363	2,254,482	2,204,124	2,490,358
Public works	1,488,133	1,469,315	1,352,679	1,974,638
Parks and recreation	520,865	526,995	522,218	167,594
Interest on long-term debt	167,922	195,885	180,891	-
Total expenses	<u>5,509,393</u>	<u>5,712,469</u>	<u>5,560,426</u>	<u>6,132,555</u>
Program revenues				
Charges for services	422,898	679,279	703,077	412,420
Operating grants and contributions	15,497	100,558	3,903	269,784
Capital grants and contributions	620,816	517,067	335,671	407,223
Total program revenues	<u>1,059,211</u>	<u>1,296,904</u>	<u>1,042,651</u>	<u>1,089,427</u>
Total governmental activities net program expense	(4,450,182)	(4,415,565)	(4,517,775)	(5,043,128)
General revenues and other changes in net position				
Taxes				
Property taxes	2,354,535	2,530,094	2,887,459	2,894,987
Sales taxes	1,707,459	1,823,450	2,328,103	2,439,957
Franchise taxes	581,284	598,795	597,082	623,987
Other taxes	176,049	173,856	197,276	277,757
Unrestricted investment earnings	172,664	266,681	325,364	258,739
Miscellaneous	309,383	41,739	43,049	338,701
Transfers	1,409,359	140,472	252,449	364,397
Special item - litigation settlement	-	-	-	-
Total general revenues and other changes in net position	<u>6,710,733</u>	<u>5,575,087</u>	<u>6,630,782</u>	<u>7,198,525</u>
Total governmental activities change in net position	<u>\$ 2,260,551</u>	<u>\$ 1,159,522</u>	<u>\$ 2,113,007</u>	<u>\$ 2,155,397</u>

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 1,847,859	\$ 1,886,794	\$ 1,952,643	\$ 2,150,599	\$ 2,140,960	\$ 2,632,811
2,598,507	3,191,293	3,112,422	3,088,940	3,199,920	3,232,531
1,615,002	1,406,502	1,539,354	1,629,726	1,629,165	1,379,978
547,013	686,747	701,325	637,689	689,022	629,640
154,696	147,266	140,373	132,374	113,201	67,300
6,763,077	7,318,602	7,446,117	7,639,328	7,772,268	7,942,260
484,632	804,307	612,209	586,394	711,117	613,177
378,324	322,510	293,947	322,478	252,056	687,201
51,589	125,279	35,500	259,835	-	142,843
914,545	1,252,096	941,656	1,168,707	963,173	1,443,221
(5,848,532)	(6,066,506)	(6,504,461)	(6,470,621)	(6,809,095)	(6,499,039)
3,214,039	3,414,317	3,513,386	3,754,272	3,808,571	3,971,992
2,170,959	2,295,492	2,313,247	2,364,076	2,445,393	2,500,013
613,509	620,247	586,575	593,255	587,534	615,184
235,571	271,287	339,366	345,381	389,564	576,001
123,127	54,319	38,045	29,877	12,995	14,445
235,375	277,928	246,642	232,217	302,881	191,564
275,000	182,943	229,315	234,821	224,000	251,168
-	(185,000)	-	-	-	-
6,867,580	6,931,533	7,266,576	7,553,899	7,770,938	8,120,367
\$ 1,019,048	\$ 865,027	\$ 762,115	\$ 1,083,278	\$ 961,843	\$ 1,621,328

(continued)

CITY OF PORT LAVACA, TEXAS

CHANGES IN NET POSITION (1)

Last ten fiscal years

	Fiscal Year			
	2005	2006	2007	2008
Business-type activities				
Expenses				
Public utilities	\$ 4,155,860	\$ 3,344,382	\$ 3,835,279	\$ 3,913,016
Port commission	325,995	310,482	345,062	328,525
Beach operations	115,506	171,037	129,800	150,828
Total expenses	<u>4,597,361</u>	<u>3,825,901</u>	<u>4,310,141</u>	<u>4,392,369</u>
Program revenues				
Charges for services	4,807,141	4,948,781	5,088,403	5,612,806
Operating grants and contributions	-	16,887	3,000	2,000
Capital grants and contributions	<u>75,207</u>	<u>227,284</u>	<u>178,859</u>	<u>153,218</u>
Total program revenues	<u>4,882,348</u>	<u>5,192,952</u>	<u>5,270,262</u>	<u>5,768,024</u>
Total business-type activities net program expense	284,987	1,367,051	960,121	1,375,655
General revenues and other changes in net position				
Unrestricted investment earnings	65,694	166,310	234,879	176,704
Miscellaneous	139,410	7,475	-	-
Special item - GBRA clearwell	-	-	-	(891,876)
Transfers	<u>(1,413,260)</u>	<u>(140,472)</u>	<u>(252,449)</u>	<u>(364,397)</u>
Total general revenues and other changes in net position	<u>(1,208,156)</u>	<u>33,313</u>	<u>(17,570)</u>	<u>(1,079,569)</u>
Prior period adjustment	<u>685,028</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities change in net position	<u>\$ (238,141)</u>	<u>\$ 1,400,364</u>	<u>\$ 942,551</u>	<u>\$ 296,086</u>
Total primary government change in net position	<u>\$ 2,022,410</u>	<u>\$ 2,559,886</u>	<u>\$ 3,055,558</u>	<u>\$ 2,451,483</u>

(1) Accrual basis of accounting

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 4,288,109	\$ 4,283,432	\$ 4,123,809	\$ 4,244,884	\$ 4,360,184	\$ 4,252,370
379,371	395,332	382,570	444,081	464,556	456,212
162,064	218,240	309,838	225,381	253,315	261,309
<u>4,829,544</u>	<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>
5,966,101	5,893,741	6,303,875	5,913,131	6,163,237	6,081,076
2,000	2,000	175,303	22,340	2,000	-
236,338	374,396	330,595	117,620	49,217	248,350
<u>6,204,439</u>	<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>
1,374,895	1,373,133	1,993,556	1,138,745	1,136,399	1,359,535
75,060	28,286	20,175	20,024	17,507	13,023
18,000	-	-	68,062	-	-
-	-	-	-	-	-
<u>(275,000)</u>	<u>(182,943)</u>	<u>(229,315)</u>	<u>(234,821)</u>	<u>(224,000)</u>	<u>(251,168)</u>
<u>(181,940)</u>	<u>(154,657)</u>	<u>(209,140)</u>	<u>(146,735)</u>	<u>(206,493)</u>	<u>(238,145)</u>
-	-	-	-	-	-
<u>\$ 1,192,955</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>\$ 2,212,003</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>

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Committed				
Operating reserves	-	-	-	-
Health insurance claims	-	-	-	-
Capital asset replacement	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Prepaid items	-	25,800	28,755	25,929
Unreserved, designated				
Operating reserves	-	2,529,900	2,762,226	2,908,981
Health insurance claims	-	500,000	500,000	500,000
Street improvements	-	300,000	149,500	-
Capital asset replacement	-	250,000	250,000	340,946
Unreserved, undesignated	<u>3,339,465</u>	<u>574,072</u>	<u>1,576,413</u>	<u>2,543,671</u>
Total general fund	<u>\$ 3,339,465</u>	<u>\$ 4,179,772</u>	<u>\$ 5,266,894</u>	<u>\$ 6,319,527</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	268,151	379,336	767,415	711,057
Debt service fund	137,977	118,931	148,960	159,271
Capital project funds	<u>1,445,804</u>	<u>664,705</u>	<u>13,811</u>	<u>574,045</u>
Total all other governmental funds	<u>\$ 1,851,932</u>	<u>\$ 1,162,972</u>	<u>\$ 930,186</u>	<u>\$ 1,444,373</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					
2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$ 52,478	\$ 49,954	\$ 64,938	\$ 51,193
-	-	2,306,152	2,408,598	2,286,604	2,236,320
-	-	504,848	676,542	728,602	929,210
-	-	382,265	273,122	282,298	275,245
-	-	1,539,331	1,728,695	2,536,205	3,183,423
37,078	50,017	-	-	-	-
3,107,978	2,063,977	-	-	-	-
500,000	500,000	-	-	-	-
-	-	-	-	-	-
250,000	250,000	-	-	-	-
2,534,443	1,750,753	-	-	-	-
<u>\$ 6,429,499</u>	<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>
-	-	177,224	183,391	207,178	201,457
-	-	114,799	133,106	508,824	-
-	-	551,491	497,372	517,606	774,183
-	-	-	10,001	10,024	10,057
-	-	112,456	114,723	125,936	88,429
-	-	20,247	18,328	17,857	20,627
-	-	55,943	56,004	56,063	56,087
-	-	-	-	-	1,008,386
707,885	704,036	-	-	-	-
159,657	161,177	-	-	-	-
(505,092)	(281,044)	-	-	-	-
<u>\$ 362,450</u>	<u>\$ 584,169</u>	<u>\$ 1,032,160</u>	<u>\$ 1,012,925</u>	<u>\$ 1,443,488</u>	<u>\$ 2,159,226</u>

CITY OF PORT LAVACA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Taxes	\$ 4,819,327	\$ 5,158,276	\$ 5,927,214	\$ 6,298,996
Licenses and permits	60,706	118,146	94,271	98,076
Fines and forfeitures	326,594	369,567	409,948	402,550
Charges for services	35,598	13,206	5,120	11,080
Intergovernmental	159,000	209,081	514,747	262,384
Grants and contributions	636,313	55,424	-	-
Investment	159,137	266,681	325,364	258,739
Rental	-	43,360	47,582	36,535
Miscellaneous	128,464	24,640	43,049	267,720
Total revenues	<u>6,325,139</u>	<u>6,258,381</u>	<u>7,367,295</u>	<u>7,636,080</u>
Expenditures				
Current				
General government	895,756	1,273,434	1,310,596	1,588,358
Public safety	2,156,627	2,315,618	2,389,811	2,565,946
Public works	216,640	226,067	200,936	1,301,846
Streets and highways	1,068,252	1,323,173	924,048	-
Parks and recreation	518,847	506,380	408,748	447,281
Non-departmental	382,723	-	-	-
Capital outlay	1,703,900	724,162	1,142,459	454,855
Debt service				
Principal retirement	405,000	216,538	568,939	180,000
Interest and fiscal charges	141,278	203,243	174,400	161,865
Issuance costs	-	-	-	-
Total expenditures	<u>7,489,023</u>	<u>6,788,615</u>	<u>7,119,937</u>	<u>6,700,151</u>
Excess (deficiency) of revenues over expenditures	(1,163,884)	(530,234)	247,358	935,929
Other financing sources (uses)				
Transfers in	1,212,024	693,606	662,379	1,053,450
Transfers out	(992,266)	(553,134)	(409,930)	(689,053)
Debt issued	1,021,919	515,055	295,392	257,054
Payment to escrow	-	-	-	-
Sale of capital assets	-	17,099	19,762	9,439
Total other financing sources (uses)	<u>1,241,677</u>	<u>672,626</u>	<u>567,603</u>	<u>630,890</u>
Change in fund balances	<u>\$ 77,793</u>	<u>\$ 142,392</u>	<u>\$ 814,961</u>	<u>\$ 1,566,819</u>
Debt service as a percentage of noncapital expenditures	<u>10.43%</u>	<u>7.44%</u>	<u>14.97%</u>	<u>7.19%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 6,198,734	\$ 6,609,092	\$ 6,747,620	\$ 7,097,425	\$ 7,290,483	\$ 7,653,598
96,535	97,740	108,266	109,347	158,721	131,291
501,345	769,529	687,791	566,325	626,677	512,461
5,332	5,956	7,525	5,170	6,820	2,901
429,913	447,789	329,447	322,478	252,056	830,044
-	-	-	-	-	-
123,127	54,319	38,045	29,877	12,995	14,445
37,390	22,737	30,780	46,432	67,615	76,290
96,453	135,191	91,311	84,151	181,263	143,274
<u>7,488,829</u>	<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>
1,846,671	1,859,894	2,136,142	2,132,974	2,096,778	2,604,645
2,742,639	3,213,266	3,330,945	3,221,180	3,089,627	3,336,053
1,422,306	1,016,111	1,220,156	1,176,781	1,174,528	983,253
-	-	-	-	-	-
440,345	579,783	670,771	504,457	932,950	469,422
-	-	-	-	-	-
1,947,494	2,922,769	235,268	787,921	16,000	412,833
195,000	200,000	205,000	215,000	270,000	265,000
155,465	148,599	141,658	134,067	53,061	60,386
-	-	-	-	67,106	-
<u>8,749,920</u>	<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>
(1,261,091)	(1,798,069)	100,845	88,825	896,580	1,232,712
1,019,558	3,271,834	924,047	613,632	825,428	1,228,814
(744,558)	(3,071,834)	(696,612)	(378,811)	(601,428)	(969,044)
-	-	284,776	-	2,945,000	-
-	-	-	-	(2,877,894)	-
14,141	5,036	5,262	8,956	4,613	-
<u>289,141</u>	<u>205,036</u>	<u>517,473</u>	<u>243,777</u>	<u>295,719</u>	<u>259,770</u>
\$ <u>(971,950)</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>4.59%</u>	<u>4.82%</u>	<u>7.72%</u>	<u>4.98%</u>	<u>4.77%</u>	<u>4.64%</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>
2005	\$ 2,354,535	\$ 1,707,459	\$ 581,283	\$ 167,362	\$ 8,688	\$ 4,819,327
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

(1) Modified accrual basis of accounting

NOTES: The increase in hotel/motel tax in fiscal year 2012 is due to the addition of new hotels in the City and the increase in tax revenue continued in fiscal year 2013 and 2014. Fiscal year 2014 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 years 2013-2014 is due to the increase in the collection percentage.

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>			
2005	2004	\$ 169,079,600	\$ 118,907,439	\$ 72,553,055	\$ 36,891,135	\$ 323,648,959
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

(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>
\$ -	\$ 323,648,959	\$ 0.7200	\$ 2,330,273	\$ -	\$ 2,330,273	100.00%
-	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%

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	Total
2005	2004	\$ 0.0864	\$ 0.6336	\$0.7200	\$ 1.4176	\$ 0.5210	\$ 0.0046	\$ 1.9432
2006	2005	0.0864	0.6360	0.7200	1.4176	0.5210	0.0043	1.9429
2007	2006	0.0938	0.6562	0.7500	1.2969	0.4900	0.0041	1.7910
2008	2007	0.0878	0.6622	0.7500	1.0968	0.4900	0.0039	1.5907
2009	2008	0.0821	0.6679	0.7500	1.1100	0.4900	0.0039	1.6039
2010	2009	0.0770	0.6730	0.7500	1.1201	0.4900	0.0039	1.6140
2011	2010	0.0770	0.6730	0.7500	1.1331	0.4900	0.0039	1.6270
2012	2011	0.0697	0.6753	0.7450	1.1262	0.4900	0.0036	1.6198
2013	2012	0.0846	0.6722	0.7568	1.1201	0.4900	0.0032	1.6133
2014	2013	0.0791	0.7109	0.7900	1.1151	0.4900	0.0031	1.6082

SOURCE: Calhoun County Appraisal District

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

2014		
<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
Orion Marine Construction Inc	\$ 16,004,382	3.62%
Rexco, Inc.	11,177,370	2.52%
Port Lavaca Dodge	8,660,740	1.96%
Wal-Mart Real Estate Business Trust	8,039,840	1.82%
Momentum Rental & Sales , Inc.	5,955,690	1.35%
Wal-Mart Stores Texas, LP	5,667,770	1.28%
AEP Texas Central Company	5,374,922	1.21%
Butt H E Grocery Company	5,270,960	1.19%
Helena Chemicals	5,027,680	1.14%
BKCK LTD	4,951,760	1.12%
	<u>\$ 76,131,114</u>	<u>17.21%</u>

2005		
<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
T W Laquay Dredging, Inc.	\$ 6,137,880	1.90%
H E Butt Grocery Company	5,601,577	1.73%
Helena Chemicals	5,541,390	1.71%
Rexco Inc	4,913,181	1.52%
AEP Central Power & Light Co.	4,367,960	1.35%
Verizon Southwest	4,027,410	1.24%
Maxim Crane Works LP	3,456,118	1.07%
First National Bank	2,837,225	0.88%
Wal-Mart Stores, Inc.	2,822,493	0.87%
Calhoun Plaza Et Al	2,596,516	0.80%
	<u>\$ 42,301,750</u>	<u>13.07%</u>

SOURCE: Calhoun County Appraisal District

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

<u>Fiscal Year</u>	<u>Tax Year</u>	Taxes Levied for the Fiscal Year (Original Levy)	<u>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
					<u>Amount</u>	<u>Percentage of Levy</u>
2005	2004	\$ 2,350,042	\$ (14,356)	\$ 2,335,686	\$ 2,199,527	94.17%
2006	2005	2,562,701	(5,996)	2,556,705	2,443,880	95.59%
2007	2006	2,857,433	(10,969)	2,846,464	2,701,038	94.89%
2008	2007	2,940,204	(6,222)	2,933,982	2,771,551	94.46%
2009	2008	3,209,230	(10,687)	3,198,543	3,014,618	94.25%
2010	2009	3,451,515	(50,276)	3,401,239	3,242,033	95.32%
2011	2010	3,578,859	(14,917)	3,563,942	3,437,198	96.44%
2012	2011	3,760,572	(6,559)	3,754,013	3,644,449	97.08%
2013	2012	3,791,754	7,266	3,799,020	3,708,111	97.61%
2014	2013	3,956,897	(5,659)	3,951,238	3,836,828	97.10%

SOURCE: Calhoun County Appraisal District

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 128,483	\$ 2,328,010	99.67%
105,349	2,549,229	99.71%
137,130	2,838,168	99.71%
150,844	2,922,395	99.61%
171,925	3,186,543	99.62%
137,587	3,379,620	99.36%
106,540	3,543,738	99.43%
82,387	3,726,836	99.28%
46,136	3,754,247	97.61%
-	3,836,828	97.10%

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>
2005	483,325	402,711	N/A	80,614	17%
2006	470,830	399,093	N/A	71,737	15%
2007	430,287	370,762	N/A	59,525	14%
2008	489,864	405,585	N/A	84,279	17%
2009	496,619	455,031	N/A	41,588	8%
2010	459,847	377,310	10,304	72,233	16%
2011	559,150	462,107	11,188	85,855	15%
2012	489,614	414,492	19,130	55,992	11%
2013	459,908	390,984	18,243	50,681	11%
2014	467,309	374,281	14,077	78,951	17%

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
396,770	\$ 13.46	\$ 13.35	\$ 9.75	\$ 13.17
417,390	13.96	13.35	11.75	13.17
498,810	13.96	13.95	12.25	14.67
382,770	15.00	14.25	14.00	14.70
368,120	15.00	14.25	14.00	14.70
435,540	15.00	14.25	14.00	14.70
368,780	15.00	14.25	14.00	14.70
403,940	15.00	14.25	14.00	14.70
345,530	15.00	14.25	14.00	14.70
305,012	16.00	14.25	15.00	15.54

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

	Fiscal Year						
	2005	2006	2007	2008		2009	
				Res.	Comm.	Res.	Comm.
Water Rates							
Base Rate (includes 2,000 gallons)							
Base Rate by Meter Size							
3/4" to 5/8"	\$ 13.46	\$ 13.96	\$ 13.96	\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50
1"	14.84	15.34	15.34	15.00	17.50	15.00	17.50
1 1/2"	17.75	18.25	18.25	15.00	17.50	15.00	17.50
2"	20.66	21.16	21.16	15.00	35.00	15.00	35.00
3"	26.58	27.08	27.08	15.00	35.00	15.00	35.00
4"	32.28	32.78	32.78	15.00	35.00	15.00	35.00
6"	45.16	45.66	45.66	15.00	35.00	15.00	35.00
Per 1,000 gallons over base charge	4.45	4.45	4.65	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
Per 1,000 gallons 5,001 - 25,000	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
Sewer Rates							
Base Rate (includes 2,000 gallons)	9.75	11.75	12.25	14.00	15.75	14.00	15.75
Per 1,000 gallons over base charge	4.39	4.39	4.89	4.90	4.95	4.90	4.95

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

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

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

The City changed the rate classification in 2008.

"Res." - Residential

"Comm." - Commercial

The City changed to a tiered conservation rate in 2013.

SOURCE: City of Port Lavaca Utility Department

Fiscal Year									
2010		2011		2012		2013		2014	
Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.
\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	16.00	18.50
15.00	17.50	15.00	17.50	15.00	17.50	15.00	17.50	16.00	18.50
15.00	17.50	15.00	17.50	15.00	17.50	15.00	17.50	16.00	18.50
15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00	16.00	36.00
15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00	16.00	36.00
15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00	16.00	36.00
15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00	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	N/A	N/A	4.75	4.95
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.03	5.03
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.71	5.71
14.00	15.75	14.00	15.75	14.00	15.75	14.00	15.75	15.00	16.75
4.90	4.95	4.90	4.95	4.90	4.95	4.90	4.95	5.18	5.18

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

2014			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
City of Port Lavaca	City Government	16,332	4.36%
Calhoun County I.S.D.	School District	11,195	2.99%
Hillman Shrimp & Oyster	Fishing Industry	10,467	2.80%
Memorial Medical Center	Hospital	6,208	1.66%
Bordeaux Apartment	Apartment Complex	6,176	1.65%
Regency Nursing & Rehab Cntr	Senior Citizen Center	5,397	1.44%
Calhoun County	County Government	4,246	1.13%
Lighthouse Seafood	Commercial Oyster House	3,289	0.88%
Splash & Dash	Commercial/Car Wash	3,039	0.81%
CLVR Acquisitions, LTD	Apartment Complex	2,641	0.71%

2005			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
H.E. Butt	Grocery Store	4,929	1.22%
Calhoun County I.S.D.	School District	3,847	0.96%
Memorial Medical Center	Hospital	3,367	0.84%
City of Port Lavaca	City Government	2,356	0.59%
Hillman Shrimp & Oyster	Fishing Industry	2,251	0.56%
Regency Apartments	Apartment Complex	2,228	0.55%
Bordeaux Apartments	Apartment Complex	2,179	0.54%
Orion Marine Group Inc.	Industrial	1,439	0.36%
Wal Mart Stores	Commercial	1,238	0.31%
Sea Breeze Apartment	Apartment Complex	1,154	0.29%

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
2005	\$ 4,385,000	\$ -	\$ -	\$ 96,149	\$ 185,000	\$ 6,225,000	\$ -	\$ 61,790
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)	-

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>
\$ 10,952,939	3.7%	\$ 951.68
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

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		
2005	\$ 4,570,000	\$ -	\$ 4,570,000	\$ 137,977	\$ 185,000
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

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>
\$ 4,247,023	1.31%	\$ 369.02
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

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

September 30, 2014

	<u>Gross Debt Outstanding</u>		Percentage	Amount
	<u>Date</u>	<u>Amount</u>	<u>Applicable to City</u>	<u>Applicable to City</u>
Direct Debt:				
City of Port Lavaca	9/30/2014	<u>\$ 2,907,640</u>	100.00%	<u>\$ 2,907,640</u>
Overlapping Debt:				
Calhoun County	9/30/2014	9,030,000	14.41%	1,301,296
Calhoun Independent School District	9/30/2014	70,125,000	13.88%	9,734,277
Calhoun Port Authority	9/30/2014	<u>32,400,000</u>	22.36%	<u>7,243,830</u>
Total Overlapping Debt		<u>111,555,000</u>		<u>18,279,403</u>
Total		<u>\$ 114,462,640</u>		<u>\$ 21,187,043</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>
2005	\$ 4,467,282	\$ 2,895,575	\$ 1,571,707	\$ 540,000	2.91
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

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
2005	11,509	\$ 292,317,091	25,399	4,253	5.9%
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%

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 One Year Ago*

2014		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Formosa Plastics	2,400	24.69%
Inteplast Group	2,300	23.66%
Calhoun County I.S.D.	594	6.11%
Alcoa	650	6.69%
Dow Chemical	575	5.92%
Orion Marine Group, Inc.	407	4.19%
Calhoun County	210	2.16%
Seadrift Coke	152	1.56%
Memorial Medical Center	247	2.54%
INEOS Nitriles Formerly BP	123	1.27%
	<u>7,658</u>	<u>78.79%</u>

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

NOTES: Information is for the City and Calhoun County.

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			
	2005	2006	2007	2008
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	20.0	19.0	18.0	19.0
Communications	6.0	6.0	6.0	6.0
Fire	16.0	16.0	17.0	17.0
Code enforcement	2.0	2.0	2.0	3.0
Animal control	1.0	1.0	1.0	1.0
Public works				
Public works	1.0	1.0	1.0	2.0
Streets/maintenance	8.0	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	14.0	13.0	13.0	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>88.0</u>	<u>87.0</u>	<u>87.0</u>	<u>89.0</u>

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

Fiscal Year					
2009	2010	2011	2012	2013	2014
2.0	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
3.0	3.0	3.0	3.0	3.0	3.0
1.0	1.0	1.5	2.0	2.0	3.0
-	1.0	-	-	-	-
-	1.0	1.0	-	-	-
18.0	20.0	17.0	19.0	18.0	20.0
6.0	6.0	6.0	7.0	6.0	6.0
17.0	17.0	17.0	14.0	16.0	17.0
3.0	3.0	3.0	3.0	3.0	3.0
1.0	2.0	2.0	2.0	2.0	2.0
2.0	2.0	2.0	2.0	2.0	-
9.0	9.0	8.0	9.0	9.0	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	12.0	11.0	9.0	10.0	14.0
5.0	5.0	5.0	3.0	4.0	6.0
2.0	2.0	2.0	3.0	2.0	2.0
-	-	-	1.0	1.0	1.5
88.0	93.0	87.5	86.0	87.0	102.5

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

Function/Program	Fiscal Year			
	2005	2006	2007	2008
General government				
Building permits issued	329	283	491	202
Building inspections conducted	676	499	456	436
Public safety				
Police				
Physical arrests	N/A	N/A	N/A	398
Traffic violations	N/A	N/A	N/A	431
Fire				
Fire calls	234	222	200	230
Public works				
Streets (miles)	49.3	49.3	50.1	50.1
Culture and recreation				
Parks and recreation				
Bauer Center rentals	64	73	65	88
Lighthouse beach park				
Pavillion	43	43	54	38
Water and wastewater				
Water				
Water customers	4,455	4,492	4,456	4,548
Water taps	25	8	10	13
Average daily consumption	1.29 mgd	1.29 mgd	1.18 mgd	1.34 mgd
Peak daily consumption	1.55 mgd	1.57 mgd	1.40 mgd	1.61 mgd
Wastewater				
Sewer customers	4,175	4,190	4,173	4,253
Sewer taps	18	7	8	7
Average daily sewage treatment	1.09 mgd	1.14 mgd	1.37 mgd	1.05 mgd

NOTE: N/A denotes information not available.

SOURCE: Various City departments

Fiscal Year					
2009	2010	2011	2012	2013	2014
564	548	801	784	357	266
564	732	822	1,187	627	689
409	336	807	796	1,129	1,503
450	422	1,642	836	1,525	839
192	175	568	650	685	591
50.1	50.1	50.1	50.1	50.1	50.1
71	65	63	59	47	212
25	42	39	47	36	43
4,514	4,552	4,544	4,556	4,606	4,416
19	11	11	15	21	10
1.38 mgd	1.27 mgd	1.53 mgd	1.272 mgd	1.07 mgd	1.33 mgd
1.66 mgd	1.49 mgd	5.65 mgd	2.10 mgd	2.74 mgd	2.44 mgd
4,217	4,267	4,258	4,276	4,317	4,332
2	7	9	7	12	7
1.01 mgd	1.19 mgd	1.01 mgd	1.11 mgd	1.08 mgd	0.98 mgd

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

	Fiscal Year			
	2005	2006	2007	2008
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	49.3	50.1	50.1
Streetlights	672	680	686	686
Culture and recreation				
Acreage	150	150	150	150
Parks	7	7	7	7
Baseball/softball diamonds	2	2	2	2
Community centers	1	1	1	1
Swimming pools	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	67	68.5	68.5	68.5
Fire hydrants	250	250	250	250
Storage capacity	1	1	1	1
Wastewater				
Sanitary sewers (miles)	56	56	58	58
Treatment capacity	3	2.5	2.5	2.5

SOURCE: Various City departments

Fiscal Year					
2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
7	7	6	7	7	7
2	2	2	2	2	2
50.1	50.1	50.1	50.1	50.1	50.1
684	686	686	686	678	678
150	150	150	150	150	150
7	7	7	7	7	7
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
69	69	69	69	70	70.2
259	259	259	259	262	268
1	1	1	1	1	1
58	58	58	58	58	58.2
2.5	2.5	2.5	2.5	2.5	2.5

SINGLE AUDIT 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

March 23, 2015



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Port Lavaca, Texas (the "City") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

March 23, 2015

CITY OF PORT LAVACA, TEXAS**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***For the year ended September 30, 2014*

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice			
<i>Passed through Office of the Governor</i>			
<i>Criminal Justice Division</i>			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 1,289
Justice Assistance Grant	16.738	2672301	<u>72,096</u>
Total U.S. Department of Justice			<u>73,385</u>
U.S. Department of Homeland Security			
<i>Passed through Texas Department of Public Safety</i>			
State Homeland Security Program	97.067	2013-SS-00045	28,876
State Homeland Security Program	97.067	2013-SS-00045	<u>6,023</u>
Total passed through Texas Department of Public Safety			<u>34,899</u>
Total U.S. Department of Homeland Security			<u>34,899</u>
U.S. Department of Commerce			
<i>Passed through Texas General Land Office</i>			
Coastal Zone Management	11.419	GLO 14-096-000-7964	<u>23,000</u>
Total U.S. Department of Commerce			<u>23,000</u>
U.S. Department of Housing and Urban Development			
<i>Passed through Texas Department of Agriculture - Office of Rural Affairs</i>			
Texas Community Development Block Grant	14.228	712290	225,350
Texas Capital Fund	14.228	712182	142,843
<i>Passed through Texas Department of Housing & Community Affairs</i>			
HOME Program	14.239	1001458	<u>172,516</u>
Total U.S. Department of Housing and Urban Development			<u>540,709</u>
Total Expenditures of Federal Awards			<u>\$ 671,993</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PORT LAVACA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2014

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Port Lavaca, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

CITY OF PORT LAVACA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major program:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.228	Texas Community Development Block Grant
14.239	HOME Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

CITY OF PORT LAVACA, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2014

None were reported.



CITY OF PORT LAVACA

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