

CITY OF PORT LAVACA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended September 30, 2011

Scotty Jones
Director of Finance

Bob Turner
City Manager

Issued By:
Finance Department

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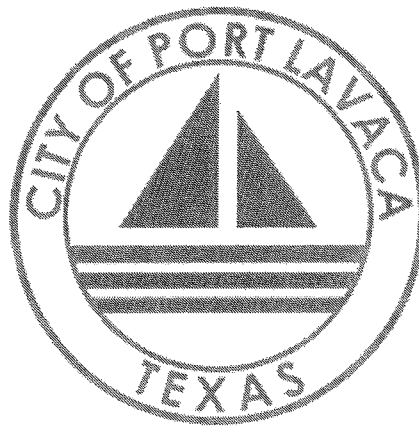
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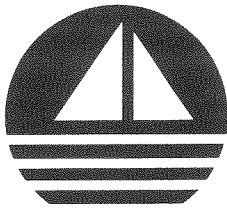
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INTRODUCTORY SECTION



CITY OF PORT LAVACA

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

City Council/Mayor
Ext. 221

City Manager
Ext. 222

March 19, 2012

City Secretary
Ext. 224

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

Code Enforcement
Ext. 229

Finance
Ext. 234

Inspections/Permits
Ext. 229

Municipal Court
Ext. 226

Personnel
Ext. 224

Utility Billing
Ext. 236

Animal Control
361-552-3788

Bauer Center
361-552-1234

Fire Station
361-552-3241

Parks & Recreation
Ext. 223

Police
361-552-3788

Purchasing
361-552-1529

Streets
361-552-3347

Utilities Operation
361-552-9256

Harbor Master
361-552-2615

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, 2011, 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 and account groups of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

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

City Overview and Governance

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

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

A full range of municipal services is provided by the City including public safety (police, fire protection, and animal control); water and wastewater services; public improvements; repair and maintenance of infrastructure; planning; and general administrative services. This report includes all funds of the City government.

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

Financial Management

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

Long Term Financial Planning

The City's Financial Management and Budgetary Policy document speaks to long term goals to not only improve bond ratings, but to maintain a healthy financial position. The City recently implemented a multi-year capital plan that will be 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 in 2011 by 1 percent. Knowing that sales tax revenues continue to be volatile with trends over prior year being inconsistent, the City continues to budget sales tax conservatively until further signs of economic recovery are indicated. Property values for the City increased by 4.5 percent all of which was attributed to new property.

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 designates 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. 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.

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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.

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 budget. The only funds with appropriated budgets are the General Fund and the Debt Service Fund.

Cash Management

The City currently has a depository contract with First National Bank. This contract is in effect through January 31, 2013. Under this agreement the City is not charged for bank services and deposits earn interest based on the 91 day U.S. Treasury Bill Discount Rate Plus One (01) Basis Point (BP) on all deposit accounts at the rate on the first day of the month. The City also invests reserve balances in local government investment pools and various other investments approved in the investment policy, which is in compliance with the Texas Public Funds Investment Act.

Risk Management

The City has risk exposure in various areas including general liability, worker's compensation, automobile liability, and property damage. To reduce its risk exposure in these areas, the City purchases commercial insurance policies from the Texas Municipal League Intergovernmental Risk Pool. The City participates in Texas Municipal League safety training and has routine safety meetings in designated departments.

The City has initiated a safety program which is recognized as a significant part of our risk management program. The safety program consists of (a) a safety manual, (b) a safety incentive program, and (c) a safety committee. The related policies carry various deductibles and aggregate maximum loss totals. This manual is currently being reviewed and will be updated as appropriate.

The City offers a managed care health plan for employees and their dependents. The City self-insures up to \$45,000 and our stop-loss coverage initiates for claims beyond \$45,000 per person. The Texas Municipal League administers the City's health insurance plan.

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.

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

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, 2010. This was the first 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.

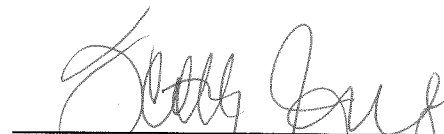
Acknowledgments

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

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

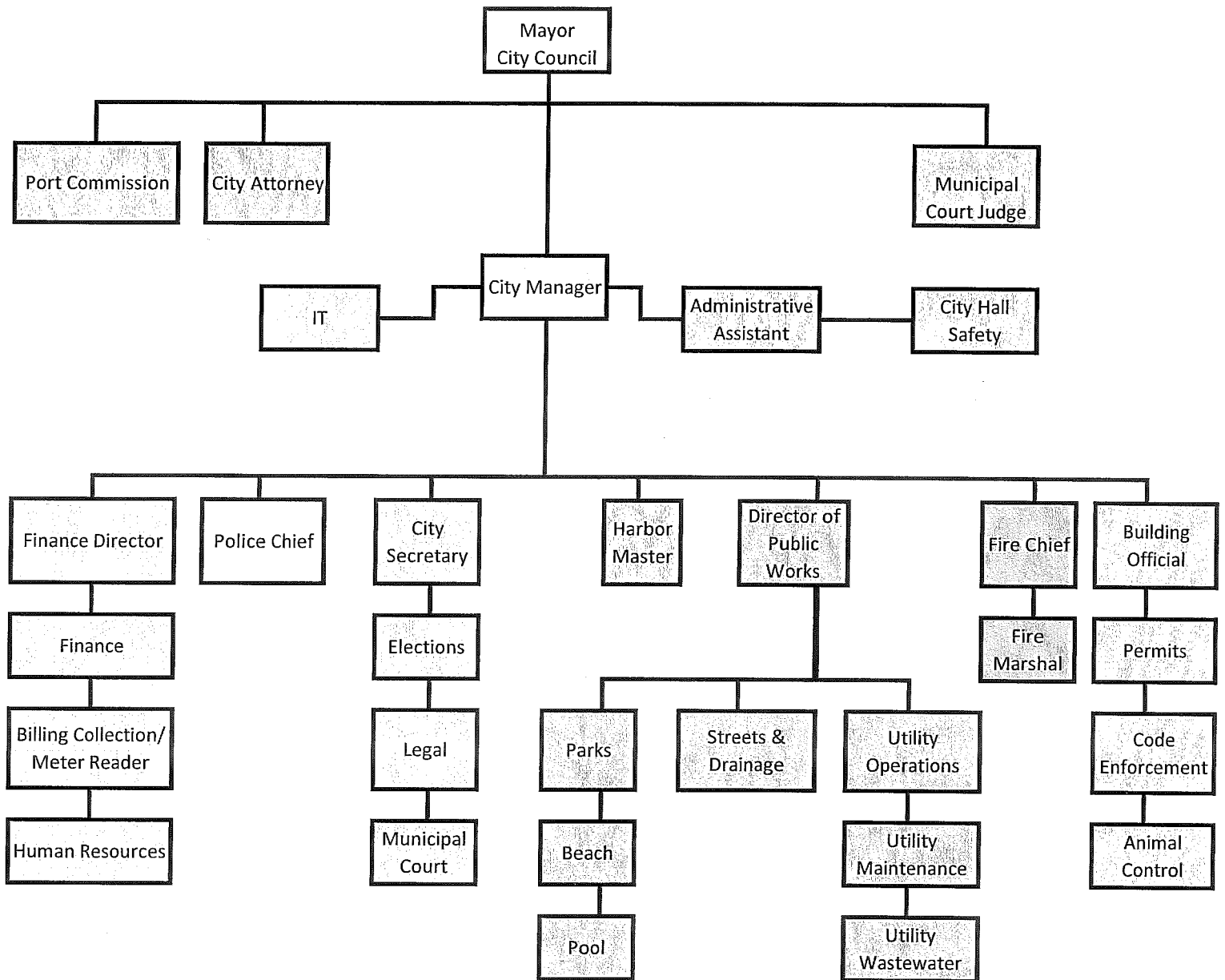


Linda C. Sandison

President

Jeffrey R. Enner

Executive Director



CITY OF PORT LAVACA, TEXAS
DIRECTORY OF PRINCIPAL OFFICIALS
September 30, 2011

City Officials

Jack Whitlow
Raymond Perez
Floyd Felder
Lee Rivera
Gregory Falcon
Jim Ward
Ken Barr

Elective Position

Mayor
Mayor Pro-Tem
Council Member
Council Member
Council Member
Council Member
Council Member

Key Staff

Bob Turner
Ty Zeller
Scotty Jones
Mandy Grant

Appointive Position

City Manager
City Attorney
Director of Finance
City Secretary

FINANCIAL SECTION



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

STEPHEN W. VAN MANEN, CPA
HAMILTON H. REDMON, CPA
DENNIS C. CIHAL, CPA
ERIC L. KUCERA, CPA
CLAYTON P. VAN PELT, CPA
ROBERT W. SCHAAR, CPA
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VOICE: (361) 573-3255
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INDEPENDENT AUDITORS' REPORT

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

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 City of Port Lavaca, Texas (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, on our consideration of the City's internal control over financial reporting and 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* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension benefits information on pages 3 through 11 and 47 through 49 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.

The Honorable Mayor
and Members of the City Council

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual major and nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 financial statements. The combining and individual major and nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 it.

Harrison, Waldrop & Ullrich, LLP

March 16, 2012

CITY OF PORT LAVACA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2011

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, 2011.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$44,876,342 (net assets). Of this amount, \$12,123,975 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,546,531 over the prior year.

Governmental Activities

- Net assets grew from \$23,900,438 in 2010 to \$24,662,553 (an increase of 3.19%) as of September 30, 2011.

Business-type Activities

- Net assets grew from \$18,429,373 in 2010 to \$20,213,789 (an increase of 9.68%) as of September 30, 2011.

Governmental Funds

- As of September 30, 2011, the City's governmental funds reported an ending fund balance of \$5,817,234, an increase of \$618,318 (11.89%) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,539,331 or 32.17% of total General Fund expenditures.
- The committed portion of the General Fund's fund balance totaled \$3,193,265. 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 3 to 11

Government-wide Financial Statements

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

Pages 12 to 14

Fund Financial Statements

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

Pages 15 to 24

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 25 to 46

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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 12-14 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 15-18 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 19-22 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 23-24 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 25-46 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 49-69 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's net assets exceeded liabilities by \$44,876,342 as of September 30, 2011.

The largest portion of the City's net assets (70.64%) 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 assets (27.02%) represents unrestricted financial resources available for future operations. Additionally, a portion of the City's net assets (2.34%) 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 assets for the primary government as a whole.

City of Port Lavaca, Texas

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 6,874,998	\$ 6,598,785	\$ 8,144,618	\$ 7,563,523	\$ 15,019,616	\$ 14,162,308
Capital assets, net	22,162,555	22,159,487	21,721,164	20,388,931	43,883,719	42,548,418
Total assets	29,037,553	28,758,272	29,865,782	27,952,454	58,903,335	56,710,726
Current and other liabilities	822,138	1,296,259	1,779,915	1,157,902	2,602,053	2,454,161
Noncurrent liabilities	3,552,862	3,561,575	7,872,078	8,365,179	11,424,940	11,926,754
Total liabilities	4,375,000	4,857,834	9,651,993	9,523,081	14,026,993	14,380,915
Net Assets:						
Invested in capital assets, net of debt	18,380,797	18,383,147	13,321,583	11,536,833	31,702,380	29,919,980
Restricted	1,049,987	784,798	-	51,469	1,049,987	836,267
Unrestricted	5,231,769	4,732,493	6,892,206	6,841,071	12,123,975	11,573,564
Total net assets	\$ 24,662,553	\$ 23,900,438	\$ 20,213,789	\$ 18,429,373	\$ 44,876,342	\$ 42,329,811

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

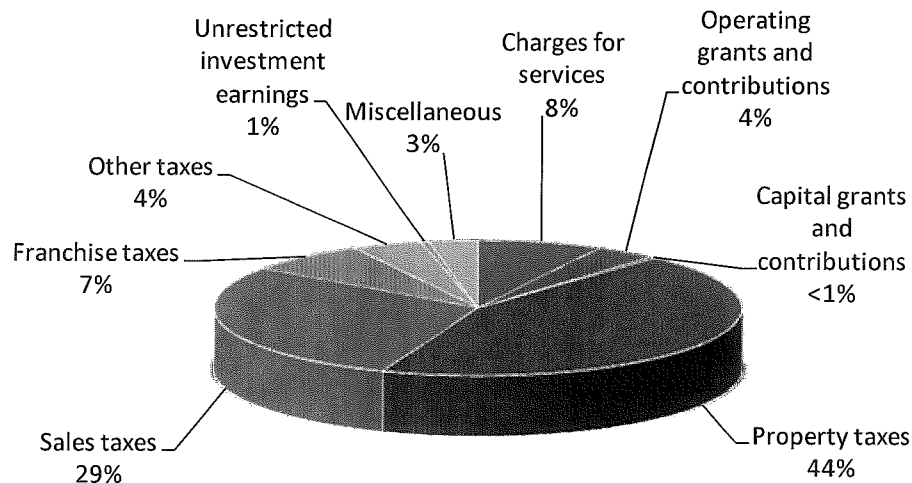
Net assets of the City increased by \$2,546,531. Key elements of this increase are due primarily because of increase in tax revenues for the governmental activities along with revenue increases for business-type activities in the categories of charges for services and operating grants and contributions.

City of Port Lavaca, Texas						
Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	\$ 612,209	\$ 804,307	\$ 6,303,875	\$ 5,893,741	\$ 6,916,084	\$ 6,698,048
Operating grants and contributions	293,947	322,510	175,303	2,000	469,250	324,510
Capital grants and contributions	35,500	125,279	330,595	374,396	366,095	499,675
General revenues:						
Property taxes	3,513,386	3,414,317	-	-	3,513,386	3,414,317
Sales taxes	2,313,247	2,295,492	-	-	2,313,247	2,295,492
Franchise taxes	586,575	620,247	-	-	586,575	620,247
Other taxes	339,366	271,287	-	-	339,366	271,287
Unrestricted investment earnings	38,045	54,319	20,175	28,286	58,220	82,605
Miscellaneous	246,642	277,928	-	-	246,642	277,928
Total revenues	7,978,917	8,185,686	6,829,948	6,298,423	14,808,865	14,484,109
EXPENSES						
General government	1,952,643	1,886,794	-	-	1,952,643	1,886,794
Public safety	3,112,422	3,191,293	-	-	3,112,422	3,191,293
Public works	1,539,354	1,406,502	-	-	1,539,354	1,406,502
Parks and recreation	701,325	686,747	-	-	701,325	686,747
Interest on long-term debt	140,373	147,266	-	-	140,373	147,266
Public utilities	-	-	4,123,809	4,283,432	4,123,809	4,283,432
Port commission	-	-	382,570	395,332	382,570	395,332
Beach operations	-	-	309,838	218,240	309,838	218,240
Total expenses	7,446,117	7,318,602	4,816,217	4,897,004	12,262,334	12,215,606
Change in net assets before special item and transfers	532,800	867,084	2,013,731	1,401,419	2,546,531	2,268,503
Special item -						
Litigation settlement	-	(185,000)	-	-	-	(185,000)
Transfers	229,315	182,943	(229,315)	(182,943)	-	-
Change in net assets	762,115	865,027	1,784,416	1,218,476	2,546,531	2,083,503
Net assets at beginning of year	23,900,438	23,035,411	18,429,373	17,210,897	42,329,811	40,246,308
Net assets at end of year	\$ 24,662,553	\$ 23,900,438	\$ 20,213,789	\$ 18,429,373	\$ 44,876,342	\$ 42,329,811

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

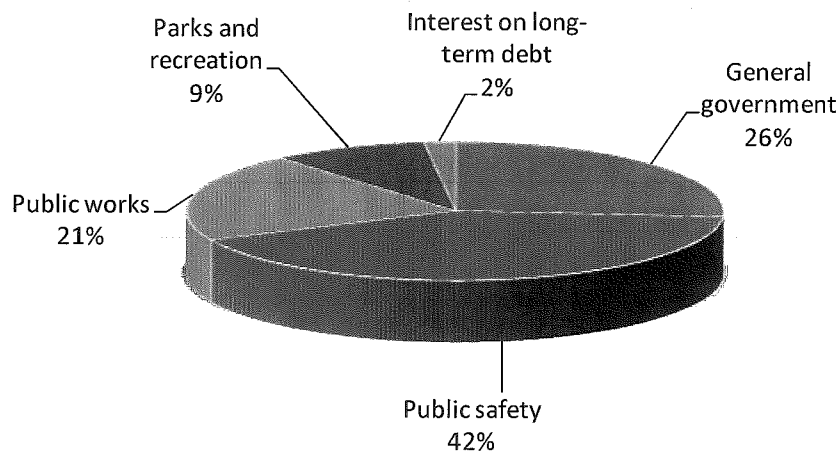
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

Governmental Revenues



For the fiscal year ended September 30, 2011, revenues from governmental activities totaled \$8.0 million. Property tax revenues increased \$99,069 or 2.90% from fiscal year 2010 due to the increase in property valuations for the 2010 tax year.

Governmental Functional Expenses



For the fiscal year ended September 30, 2011, expenses for governmental activities totaled \$7.4 million. This is an increase of \$127,515 or 1.74% from fiscal year 2010. Expenses related to the functional category, public works, increased \$132,852. This is due to an increase in street maintenance costs that were incurred during fiscal year 2011.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type activities increased the City's net assets by \$1,784,416. The key elements of this increase relate to the Public Utility Fund. The Public Utility Fund had an operating income for fiscal year 2011 of \$1,738,310.

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, 2011, the City's governmental funds, which consist of a general fund, two debt service funds, one capital projects fund, and nine special revenue funds, reported an ending fund balance of \$5,817,234, which is an increase of \$618,318 from last year's total of \$5,198,916.

The General Fund is the chief operating fund of the City. Its fund balance increased by \$170,327 during the fiscal year due mainly to revenue exceeding budget expectations. 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 32.17% of total General Fund expenditures as compared to 28.27% in the prior year.

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 assets of the Public Utility Fund at the end of the fiscal year amounted to \$5,423,418. The increase in total net assets for the year was \$1,419,740. Net assets of the Port Commission and Beach Operating Funds increased during the 2011 fiscal year. Increases in these funds were \$304,727 and \$59,949 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 \$144,766 greater than budgeted expectations, with sales tax revenues making up \$129,647 or 90% of the positive variance. The remaining was due to the increase in fines and forfeitures in fiscal year 2011.

Total actual expenditures were less than budgeted expenditures by \$186,561. Conservative budgetary practices resulted in positive budget variances as it relates to public safety, parks and recreation, public works (including streets), and the majority of general government departments.

Differences between the General Fund's original budget and final amended budget were a net increase of \$277,380 to expenditures. Included in the increase to budgeted expenditures was an increase of \$310,000 in fire department expenditures to purchase a fire truck which was offset by capital lease proceeds. Monies were transferred from the Street Construction Fund, a nonmajor capital project fund, to support the purchase of playground equipment at the City's Bay Front Park in the amount of \$100,000. There was also an increase of \$578,500 to transfers to other funds. These monies were transferred during the fiscal year to the Street Construction Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of September 30, 2011, amounts to \$43,883,719 (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	
	2011	2010	2011	2010	2011	2010
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	120,726	3,463,279	866,348	210,344	987,074	3,673,623
Other Capital Assets						
Machinery and equipment	2,887,568	2,713,222	729,157	762,825	3,616,725	3,476,047
Buildings and structures	5,047,395	4,950,846	4,413,599	4,413,599	9,460,994	9,364,445
Infrastructure	29,427,050	25,849,740	36,079,468	34,723,751	65,506,518	60,573,491
Accumulated depreciation on other capital assets	(16,333,736)	(15,831,152)	(21,868,420)	(21,222,600)	(38,202,156)	(37,053,752)
Total	\$ 22,162,555	\$ 22,159,487	\$ 21,721,164	\$ 20,388,931	\$ 43,883,719	\$ 42,548,418

Major capital asset events during the current fiscal year included various infrastructure projects and the purchase of vehicles and equipment for governmental 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 \$12.3 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	
	2011	2010	2011	2010	2011	2010
Revenue bonds	\$ -	\$ -	\$ 4,760,000	\$ 5,025,000	\$ 4,760,000	\$ 5,025,000
Certificates of obligation	3,310,000	3,515,000	3,655,000	3,800,000	6,965,000	7,315,000
Capital leases	471,758	261,340	148,282	193,957	620,040	455,297
Compensated absences	97,564	104,362	16,927	19,900	114,491	124,262
Safety pay	24,401	24,797	5,600	5,173	30,001	29,970
Total	\$ 3,903,723	\$ 3,905,499	\$ 8,585,809	\$ 9,044,030	\$ 12,489,532	\$ 12,949,529

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund

Sales tax revenues increased from \$2,295,492 in 2010 to \$2,313,247 (1%); however sales tax revenues continue to be volatile based on the inconsistency of trends over the prior year. Budgeting sales tax will remain very conservative until further signs of economic recovery are indicated.

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 \$250,000 street project which includes Baffin and Calhoun Streets while adding playground equipment and cabanas at Bayfront Peninsula Park. The City plans to focus on Bayfront Peninsula Park and Wilson Field Complex. Currently, the City is working on a \$500,000 lighting project at Wilson Field Complex. 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.

Utility Fund

The City has not adjusted water and sewer rates since October 2008. That increase was to ensure debt service coverage for utility infrastructure repairs and replacements. The City does not foresee any rate increase for the 2012-2013 fiscal year; a full five years without an increase in rates. Weather continues to be a factor for the Public Utility Fund. Forecasts of dry conditions will increase the demand for water this year, but it 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 has applied for another 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. The City has completed an \$800,000 sewer rehabilitation project in Lynnhaven Subdivision. This completes a total water and sewer rehabilitation for this subdivision.

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

Beach Fund

The City has added an additional 100 feet to its fishing pier expansion project through federal and local match funding through the Texas General Land Office. This grant cycle brought the pier length to approximately 900 feet. The City plans to apply for an additional grant to install a 50 foot t-head. The City will also be adding more trailer spaces at the City owned RV Park.

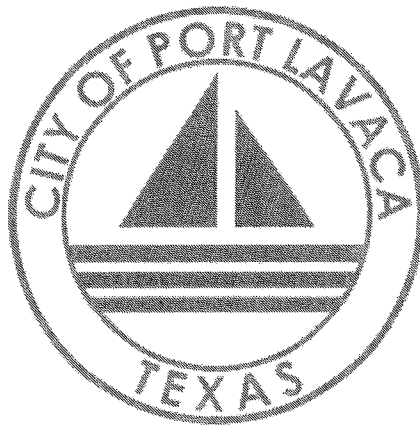
Port Commission

Helena Chemicals has increased the size of its operation at the Harbor of Refuge and is currently using rail transportation at this location. The City issued bonds in 2008 to construct 900 feet of public dock bulkhead. The City (Port Commission) is working with Equalizer, Inc. to expand their operations to meet the oil transportation needs of the Eagle Ford Shale operation. Equalizer, Inc. will use the bulkhead to off load product by barge, as well as trucks to move their product.

The City replaced the A-Dock at Nautical Landing through federal, state, and local funds. Future improvements include a breakwater at the entrance of Nautical Landing Marina, rebuilding the retaining wall next to existing docks, and improvements to the marina's day room facilities.

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 ASSETS
September 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,163,140	\$ 4,518,991	\$ 8,682,131
Investments	1,970,776	1,240,250	3,211,026
Receivables (net)	763,187	846,037	1,609,224
Due from other governments	597,704	435,272	1,032,976
Internal balances	(716,153)	716,153	-
Deferred expenses	52,478	21,674	74,152
Inventory	-	36,324	36,324
Total current assets	<u>6,831,132</u>	<u>7,814,701</u>	<u>14,645,833</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	1,134,278	2,367,360	3,501,638
Assets being depreciated (net)	21,028,277	19,353,804	40,382,081
Bond issue costs (net)	43,866	329,917	373,783
Total noncurrent assets	<u>22,206,421</u>	<u>22,051,081</u>	<u>44,257,502</u>
Total assets	<u>29,037,553</u>	<u>29,865,782</u>	<u>58,903,335</u>
LIABILITIES			
Current liabilities			
Accounts payable	260,056	954,566	1,214,622
Payroll related liabilities	58,010	12,414	70,424
Accrued interest payable	24,374	37,886	62,260
Other payables	34,063	4,046	38,109
Due to other governments	21,624	4,132	25,756
Accrued compensated absences	38,744	6,928	45,672
Accrued safety pay	24,401	5,600	30,001
Unearned revenue	60,000	20,110	80,110
Customer deposits	13,150	196,731	209,881
Current portion of noncurrent liabilities			
Capital leases	77,716	47,502	125,218
Bonds and certificates	210,000	490,000	700,000
Total current liabilities	<u>822,138</u>	<u>1,779,915</u>	<u>2,602,053</u>
Noncurrent liabilities			
Accrued compensated absences	58,820	9,999	68,819
Capital leases	394,042	100,780	494,822
Bonds and certificates (net of unamortized deferred amounts)	3,100,000	7,761,299	10,861,299
Total noncurrent liabilities	<u>3,552,862</u>	<u>7,872,078</u>	<u>11,424,940</u>
Total liabilities	<u>4,375,000</u>	<u>9,651,993</u>	<u>14,026,993</u>
NET ASSETS			
Invested in capital assets, net of related debt	18,380,797	13,321,583	31,702,380
Restricted for:			
Debt service	195,051	-	195,051
Capital and maintenance projects	170,742	-	170,742
Tourism and conventions	551,491	-	551,491
Public safety	112,456	-	112,456
Municipal court	20,247	-	20,247
Unrestricted	5,231,769	6,892,206	12,123,975
Total net assets	<u>\$ 24,662,553</u>	<u>\$ 20,213,789</u>	<u>\$ 44,876,342</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, 2011

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,952,643	\$ 376,816	\$ -	\$ -
Public safety	3,112,422	202,933	293,947	35,500
Public works	1,539,354	-	-	-
Parks and recreation	701,325	32,460	-	-
Interest on long-term debt	140,373	-	-	-
Total governmental activities	<u>7,446,117</u>	<u>612,209</u>	<u>293,947</u>	<u>35,500</u>
Business-type activities				
Public utilities	4,123,809	5,592,212	57,576	89,273
Port commission	382,570	427,905	26,727	241,322
Beach operations	309,838	283,758	91,000	-
Total business-type activities	<u>4,816,217</u>	<u>6,303,875</u>	<u>175,303</u>	<u>330,595</u>
Total government	<u>\$ 12,262,334</u>	<u>\$ 6,916,084</u>	<u>\$ 469,250</u>	<u>\$ 366,095</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 assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business- type Activities	Total
\$ (1,575,827)	\$ -	\$ (1,575,827)
(2,580,042)	-	(2,580,042)
(1,539,354)	-	(1,539,354)
(668,865)	-	(668,865)
(140,373)	-	(140,373)
<u>(6,504,461)</u>	<u>-</u>	<u>(6,504,461)</u>
-	1,615,252	1,615,252
-	313,384	313,384
-	64,920	64,920
<u>-</u>	<u>1,993,556</u>	<u>1,993,556</u>
<u>(6,504,461)</u>	<u>1,993,556</u>	<u>(4,510,905)</u>
3,149,468	-	3,149,468
363,918	-	363,918
2,313,247	-	2,313,247
586,575	-	586,575
339,366	-	339,366
38,045	20,175	58,220
246,642	-	246,642
229,315	(229,315)	-
<u>7,266,576</u>	<u>(209,140)</u>	<u>7,057,436</u>
762,115	1,784,416	2,546,531
<u>23,900,438</u>	<u>18,429,373</u>	<u>42,329,811</u>
<u>\$ 24,662,553</u>	<u>\$ 20,213,789</u>	<u>\$ 44,876,342</u>

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

September 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,051,359	\$ 1,111,781	\$ 4,163,140
Investments	1,970,776	-	1,970,776
Receivables (net)	622,404	140,783	763,187
Due from other governments	594,053	3,651	597,704
Deferred expenditures	52,478	-	52,478
Total assets	<u>\$ 6,291,070</u>	<u>\$ 1,256,215</u>	<u>\$ 7,547,285</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 177,935	\$ 82,121	\$ 260,056
Payroll related payables	58,010	-	58,010
Other payables	34,063	-	34,063
Due to other governments	21,624	-	21,624
Due to other funds	609,320	106,833	716,153
Customer and other deposits	13,150	-	13,150
Deferred revenue	591,894	35,101	626,995
Total liabilities	<u>1,505,996</u>	<u>224,055</u>	<u>1,730,051</u>
Fund balances			
Nonspendable	52,478	-	52,478
Restricted	-	1,032,160	1,032,160
Committed	3,193,265	-	3,193,265
Unassigned	1,539,331	-	1,539,331
Total fund balances	<u>4,785,074</u>	<u>1,032,160</u>	<u>5,817,234</u>
Total liabilities and fund balances	<u>\$ 6,291,070</u>	<u>\$ 1,256,215</u>	<u>\$ 7,547,285</u>

The accompanying notes are an integral part of this statement.

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

September 30, 2011

Total governmental fund balances	\$ 5,817,234
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
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 deferred in the funds.	510,747
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 deferred revenues in the governmental funds and thus are not included in fund balance.	56,248
Capital assets used in governmental activities are reported as expenditures in governmental funds when purchased or constructed. The cost of these assets is \$38,496,291 and the accumulated depreciation is \$16,333,736.	22,162,555
Other noncurrent assets (for example, bond issue costs) used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$60,833 and the accumulated amortization is \$16,967.	43,866
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:	
Certificates payable	\$ (3,310,000)
Capital leases payable	(471,758)
Accrued interest payable	(24,374)
Compensated absences	(97,564)
Safety pay	(24,401)
	<u>(3,928,097)</u>
Net assets of governmental activities	<u>\$ 24,662,553</u>

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, 2011*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes			
Ad valorem	\$ 3,146,015	\$ 362,417	\$ 3,508,432
Sales	2,313,247	-	2,313,247
Other	597,827	328,114	925,941
Fines, fees, and forfeitures	478,812	208,979	687,791
Intergovernmental	247,881	81,566	329,447
Licenses and permits	108,266	-	108,266
Investment	36,694	1,351	38,045
Rental	30,780	-	30,780
Charges for services	7,525	-	7,525
Miscellaneous	91,311	-	91,311
Total revenues	<u>7,058,358</u>	<u>982,427</u>	<u>8,040,785</u>
EXPENDITURES			
Current			
General government	1,925,563	210,579	2,136,142
Public safety	3,101,967	228,978	3,330,945
Public works	1,220,156	-	1,220,156
Parks and recreation	670,771	-	670,771
Capital outlay	-	235,268	235,268
Debt service			
Principal retirement	-	205,000	205,000
Interest and fiscal charges	-	141,658	141,658
Total expenditures	<u>6,918,457</u>	<u>1,021,483</u>	<u>7,939,940</u>
Excess (deficiency) of revenues over expenditures	139,901	(39,056)	100,845
OTHER FINANCING SOURCES (USES)			
Transfers in	329,250	594,797	924,047
Transfers out	(588,862)	(107,750)	(696,612)
Capital lease proceeds	284,776	-	284,776
Sale of capital assets	5,262	-	5,262
Total other financing sources (uses)	<u>30,426</u>	<u>487,047</u>	<u>517,473</u>
Net change in fund balances	170,327	447,991	618,318
Fund balances at beginning of year	<u>4,614,747</u>	<u>584,169</u>	<u>5,198,916</u>
Fund balances at end of year	<u>\$ 4,785,074</u>	<u>\$ 1,032,160</u>	<u>\$ 5,817,234</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, 2011

Total net change in fund balances - governmental funds		\$ 618,318
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2010/2011 capital outlays is to increase net assets.		811,021
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(17,920)
Depreciation is not recognized as an expense on the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(790,035)
Proceeds of long-term debt during the year are recognized as other financing sources in the governmental funds but increases the liabilities in the statement of net assets. In the current year, this amount consists of:		
Capital lease proceeds		(284,776)
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:		
Certificate principal retirement	\$ 205,000	
Capital lease principal retirement	<u>74,358</u>	279,358
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	4,955	
Other revenues	<u>(52,285)</u>	(47,330)
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:		
Decrease in compensated absences	6,798	
Decrease in safety pay	396	
Decrease in accrued interest	3,722	
Decrease in claims payable	185,000	
Decrease in bond issue costs	<u>(2,437)</u>	<u>193,479</u>
Change in net assets of governmental activities		\$ <u>762,115</u>

The accompanying notes are an integral part of this statement.

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

September 30, 2011

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,570,994	\$ 654,442	\$ 293,555	\$ 4,518,991
Investments	518,659	516,141	205,450	1,240,250
Receivables (net)	835,511	10,437	89	846,037
Due from other governments	102,726	241,546	91,000	435,272
Due from other funds	692,388	50,056	-	742,444
Prepaid expenses	13,725	5,943	2,006	21,674
Inventory	36,324	-	-	36,324
Total current assets	<u>5,770,327</u>	<u>1,478,565</u>	<u>592,100</u>	<u>7,840,992</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	123,566	1,969,981	273,813	2,367,360
Assets being depreciated (net)	14,262,632	3,393,053	1,698,119	19,353,804
Bond issue costs (net)	295,375	34,542	-	329,917
Net noncurrent assets	<u>14,681,573</u>	<u>5,397,576</u>	<u>1,971,932</u>	<u>22,051,081</u>
Total assets	<u>20,451,900</u>	<u>6,876,141</u>	<u>2,564,032</u>	<u>29,892,073</u>
LIABILITIES				
Current liabilities				
Accounts payable	365,927	489,579	99,060	954,566
Payroll related liabilities	11,948	466	-	12,414
Accrued interest payable	30,138	7,748	-	37,886
Other payables	4,046	-	-	4,046
Due to other governments	4,132	-	-	4,132
Due to other funds	-	-	26,291	26,291
Accrued compensated absences	6,928	-	-	6,928
Accrued safety pay	5,600	-	-	5,600
Deferred revenue	6,835	13,275	-	20,110
Customer deposits	196,731	-	-	196,731
Current portion of noncurrent liabilities				
Capital leases	47,502	-	-	47,502
Bonds and certificates	425,000	65,000	-	490,000
Total current liabilities	<u>1,104,787</u>	<u>576,068</u>	<u>125,351</u>	<u>1,806,206</u>
Long-term liabilities, net of current portion				
Accrued compensated absences	9,999	-	-	9,999
Capital leases	100,780	-	-	100,780
Bonds and certificates (net of unamortized deferred amounts)	6,266,299	1,495,000	-	7,761,299
Total long-term liabilities	<u>6,377,078</u>	<u>1,495,000</u>	<u>-</u>	<u>7,872,078</u>
Total liabilities	<u>7,481,865</u>	<u>2,071,068</u>	<u>125,351</u>	<u>9,678,284</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,546,617	3,803,034	1,971,932	13,321,583
Unrestricted net assets	5,423,418	1,002,039	466,749	6,892,206
Total net assets	<u>\$ 12,970,035</u>	<u>\$ 4,805,073</u>	<u>\$ 2,438,681</u>	<u>\$ 20,213,789</u>

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS****PROPRIETARY FUNDS**

For the year ended September 30, 2011

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
OPERATING REVENUES				
Charges for services				
Water sales	\$ 2,601,840	\$ -	\$ -	\$ 2,601,840
Sewer services	1,964,217	-	-	1,964,217
Waste collection	737,261	-	-	737,261
Tap and service fees	90,014	-	-	90,014
Gate fees	-	-	48,330	48,330
Leases and rentals	-	419,717	231,852	651,569
Penalties	94,588	429	-	95,017
Miscellaneous	104,292	7,759	3,576	115,627
Total operating revenues	<u>5,592,212</u>	<u>427,905</u>	<u>283,758</u>	<u>6,303,875</u>
OPERATING EXPENSES				
Personnel services	701,737	23,437	7,484	732,658
Materials and supplies	82,799	2,926	1,587	87,312
Services	1,135,503	69,372	76,311	1,281,186
Water purchases	1,071,960	-	-	1,071,960
Maintenance and repairs	354,993	40,897	126,901	522,791
Depreciation and amortization	485,669	183,749	97,555	766,973
Miscellaneous	21,241	-	-	21,241
Total operating expenses	<u>3,853,902</u>	<u>320,381</u>	<u>309,838</u>	<u>4,484,121</u>
Operating income (loss)	1,738,310	107,524	(26,080)	1,819,754
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	57,576	26,727	91,000	175,303
Investment income	12,303	5,843	2,029	20,175
Interest expense	(269,907)	(62,189)	-	(332,096)
Net nonoperating revenues	<u>(200,028)</u>	<u>(29,619)</u>	<u>93,029</u>	<u>(136,618)</u>
Income before capital contributions and transfers	1,538,282	77,905	66,949	1,683,136
Capital grants and contributions	87,393	241,322	-	328,715
Transfers out	<u>(205,935)</u>	<u>(14,500)</u>	<u>(7,000)</u>	<u>(227,435)</u>
Change in net assets	1,419,740	304,727	59,949	1,784,416
Net assets at beginning of year	<u>11,550,295</u>	<u>4,500,346</u>	<u>2,378,732</u>	<u>18,429,373</u>
Net assets at end of year	<u>\$ 12,970,035</u>	<u>\$ 4,805,073</u>	<u>\$ 2,438,681</u>	<u>\$ 20,213,789</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, 2011

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 5,490,240	\$ 426,734	\$ 283,743	\$ 6,200,717
Cash payments to suppliers for goods and services	(2,578,868)	(126,544)	(121,581)	(2,826,993)
Cash payments to employees for services	(715,931)	(23,275)	(7,484)	(746,690)
Net cash provided (used) by operating activities	<u>2,195,441</u>	<u>276,915</u>	<u>154,678</u>	<u>2,627,034</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Receipts from noncapital grants and contributions	57,576	-	70,000	127,576
Borrowings from (to) other funds	(159,302)	221,393	(18,982)	43,109
Transfers to other funds	(205,935)	(14,500)	(7,000)	(227,435)
Net cash provided (used) by noncapital financing activities	<u>(307,661)</u>	<u>206,893</u>	<u>44,018</u>	<u>(56,750)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Acquisition of capital assets	(1,069,363)	(327,824)	(198,849)	(1,596,036)
Receipts from capital grants and contributions	52,592	-	-	52,592
Principal paid on capital debt	(395,675)	(60,000)	-	(455,675)
Interest paid on capital debt	(272,859)	(62,487)	-	(335,346)
Net cash provided (used) by capital financing activities	<u>(1,685,305)</u>	<u>(450,311)</u>	<u>(198,849)</u>	<u>(2,334,465)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment maturities	-	69,174	-	69,174
Investment income	7,295	6,071	654	14,020
Net cash provided (used) by investing activities	<u>7,295</u>	<u>75,245</u>	<u>654</u>	<u>83,194</u>
Net increase (decrease) in cash and cash equivalents	209,770	108,742	501	319,013
Cash and cash equivalents at beginning of year	<u>3,361,224</u>	<u>545,700</u>	<u>293,054</u>	<u>4,199,978</u>
Cash and cash equivalents at end of year	<u>\$ 3,570,994</u>	<u>\$ 654,442</u>	<u>\$ 293,555</u>	<u>\$ 4,518,991</u>

(continued)

CITY OF PORT LAVACA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2011

	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	\$ 1,738,310	\$ 107,524	\$ (26,080)	\$ 1,819,754
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	485,669	183,749	97,555	766,973
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(93,395)	(2,086)	(15)	(95,496)
(Increase) decrease in prepaid expense	(529)	(279)	(94)	(902)
(Increase) decrease in inventory	6,321	-	-	6,321
Increase (decrease) in accounts and other payables	80,227	(13,070)	83,312	150,469
Increase (decrease) in payroll related liabilities	(11,648)	162	-	(11,486)
Increase (decrease) in due to other governments	1,609	-	-	1,609
Increase (decrease) in compensated absences	(2,973)	-	-	(2,973)
Increase (decrease) in safety pay	427	-	-	427
Increase (decrease) in deferred revenue	(2,168)	915	-	(1,253)
Increase (decrease) in customer deposits	(6,409)	-	-	(6,409)
Net cash provided (used) by operating activities	<u>\$ 2,195,441</u>	<u>\$ 276,915</u>	<u>\$ 154,678</u>	<u>\$ 2,627,034</u>

Noncash capital and related financing activities

The Public Utility Fund and the Port Commission Fund received noncash contributions relating to capital asset additions of \$5,158 and \$1,776, respectively in fiscal year 2011.

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2011

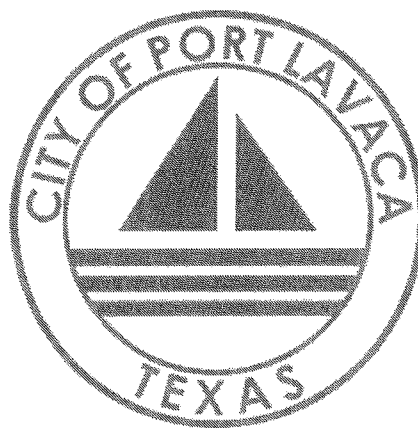
	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
ASSETS		
Cash and cash equivalents	\$ 17	\$ 49,593
Total assets	<u>17</u>	<u>\$ 49,593</u>
LIABILITIES		
Due to others	-	\$ 49,593
Total liabilities	<u>-</u>	<u>\$ 49,593</u>
NET ASSETS		
Restricted for payment of pension benefits	17	
Total net assets	<u>\$ 17</u>	

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS****FIDUCIARY FUND***For the year ended September 30, 2011*

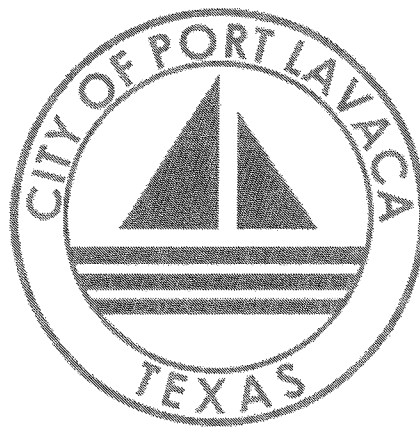
	Fireman's Relief and Retirement Fund
ADDITIONS	
Employer contributions	\$ 3,233
DEDUCTIONS	
Benefits	<u>3,216</u>
Change in net assets	17
Net assets at beginning of year	<u>-</u>
Net assets at end of year	<u><u>\$ 17</u></u>

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 mayor and two council members are elected at large with the remaining council members elected by district. 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, 2011.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

Private-sector standards of accounting and financial reporting promulgated by the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 adopts an annual budget for each operating fund of the City. The budgets for the City's governmental funds, including the General, Special Revenue, Debt Service, and Capital Project Funds, are prepared in accordance with generally accepted accounting principles (GAAP). The budgets for the enterprise funds, the Public Utility, Port Commission, and Beach Operating Funds, are adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, nonoperating income, and expense items are not considered. 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. All encumbered and unencumbered appropriations lapse at the end of the fiscal year.

Budget comparisons are presented in the accompanying financial statements for the funds with appropriated budgets, which are the General Fund and the Debt Service Funds.

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, 2011.

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.

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 assets. 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 assets. Bond premiums, discounts, losses on refunding, as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable deferred amounts.

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. Fund Equity

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," (the "Statement") was issued in February 2009. This Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances – nonspendable, restricted, committed, assigned, and unassigned. This Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of this Statement are effective for periods beginning after June 15, 2010. The City did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2011. This Statement did not have an impact on the City's functions, financial position or results of operations.

L. 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**

General Fund expenditures in a number of different departments exceeded the amount appropriated during the current fiscal year. These variances are detailed below.

<u>General Fund Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
City hall	\$ 104,261	\$ 104,495	\$ 234
Animal control	99,067	99,395	328
Transfers out	580,500	588,862	8,362

These over expenditures were funded by available fund balance in the General Fund.

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2011, 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	\$ 7,231,285	46
TexSTAR Pool	874,455	46
Certificates of Deposits	2,803,064	99
U.S. Government Securities	<u>407,962</u>	450
	<u>\$ 11,316,766</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 market value to report net assets 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.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)**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.

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, 2011, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

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

	<u>General</u>	<u>Public Utility</u>	<u>Port Commission</u>	<u>Beach Operating</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Ad valorem taxes	\$ 615,914	\$ -	\$ -	\$ -	\$ 36,948	\$ 652,862
Franchise taxes	84,289	-	-	-	-	84,289
Municipal court fines	83,145	-	-	-	-	83,145
Charges for services	88,633	795,905	10,437	-	-	894,975
Occupancy taxes	-	-	-	-	105,682	105,682
Miscellaneous	6,220	49,089	-	89	-	55,398
Gross receivables	878,201	844,994	10,437	89	142,630	1,876,351
Less: Allowance for uncollectibles	(255,797)	(9,483)	-	-	(1,847)	(267,127)
Net total receivables	<u>\$ 622,404</u>	<u>\$ 835,511</u>	<u>\$ 10,437</u>	<u>\$ 89</u>	<u>\$ 140,783</u>	<u>\$ 1,609,224</u>

NOTE 4: RECEIVABLES - (Continued)

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, 2011, 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 deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable). The governmental funds may also defer revenue recognition in connection with resources that have been received, but not yet recognizable (unearned). At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 475,646	\$ -	\$ 475,646
Charges for services	22,158	60,000	82,158
Municipal court fines	34,090	-	34,090
Nonmajor Funds			
Ad valorem taxes	35,101	-	35,101
	<u>\$ 566,995</u>	<u>\$ 60,000</u>	<u>\$ 626,995</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, 2011:

	<u>General Fund</u>	<u>Public Utility</u>	<u>Port Commission</u>	<u>Beach Operating</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Sales taxes	\$ 405,440	\$ -	\$ -	\$ -	\$ -	\$ 405,440
Reimbursement for services	175,000	-	-	-	-	175,000
Mixed beverage taxes	2,574	-	-	-	-	2,574
Property taxes	11,039	-	-	-	789	11,828
Grant reimbursements	-	102,726	241,546	91,000	2,862	438,134
	<u>\$ 594,053</u>	<u>\$ 102,726</u>	<u>\$ 241,546</u>	<u>\$ 91,000</u>	<u>\$ 3,651</u>	<u>\$ 1,032,976</u>

NOTE 6: CAPITAL ASSETS

The capital asset activity of the City was as follows for the year ended September 30, 2011:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,013,552	\$ -	\$ -	\$ 1,013,552
Construction in progress	3,463,279	234,757	(3,577,310)	120,726
Total capital assets not being depreciated	4,476,831	234,757	(3,577,310)	1,134,278
Capital assets, being depreciated:				
Machinery and equipment	2,713,222	617,312	(442,966)	2,887,568
Buildings and structures	4,950,846	96,549	-	5,047,395
Infrastructure	25,849,740	3,577,310	-	29,427,050
Total capital assets being depreciated	33,513,808	4,291,171	(442,966)	37,362,013
Less accumulated depreciation for:				
Machinery and equipment	(1,467,112)	(382,265)	410,587	(1,438,790)
Buildings and structures	(2,522,451)	(131,016)	-	(2,653,467)
Infrastructure	(11,841,589)	(399,890)	-	(12,241,479)
Total accumulated depreciation	(15,831,152)	(913,171)	410,587	(16,333,736)
Total capital assets being depreciated, net	17,682,656	3,378,000	(32,379)	21,028,277
Governmental activities capital assets, net	\$ 22,159,487	\$ 3,612,757	\$ (3,609,689)	\$ 22,162,555
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 1,501,012	\$ -	\$ -	\$ 1,501,012
Construction in progress	210,344	1,139,898	(483,894)	866,348
Total capital assets not being depreciated	1,711,356	1,139,898	(483,894)	2,367,360
Capital assets, being depreciated:				
Machinery and equipment	762,825	161,517	(195,185)	729,157
Buildings and structures	4,413,599	-	-	4,413,599
Infrastructure	34,723,751	1,355,717	-	36,079,468
Total capital assets being depreciated	39,900,175	1,517,234	(195,185)	41,222,224
Less accumulated depreciation for:				
Machinery and equipment	(446,495)	(111,055)	178,948	(378,602)
Buildings and structures	(2,389,429)	(136,360)	-	(2,525,789)
Infrastructure	(18,386,676)	(577,353)	-	(18,964,029)
Total accumulated depreciation	(21,222,600)	(824,768)	178,948	(21,868,420)
Total capital assets being depreciated, net	18,677,575	692,466	(16,237)	19,353,804
Business-type activities capital assets, net	\$ 20,388,931	\$ 1,832,364	\$ (500,131)	\$ 21,721,164

NOTE 6: CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 27,350
Public safety	172,710
Public works	462,615
Parks and recreation	127,360
Total depreciation expense - governmental activities	<u>\$ 790,035</u>

Business-type activities:

Public Utility	\$ 477,117
Port Commission	182,421
Beach Operating	97,555
Total depreciation expense - business-type activities	<u>\$ 757,093</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, 2011, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Utility	General	\$ 559,265
	Nonmajor Special Revenue	106,832
	Beach Operating	26,291
Port Commission	General	50,056
		<u>\$ 742,444</u>

NOTE 7: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - (Continued)**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. These transfers totaled \$578,500 in fiscal year 2011 and were made to cover the costs of the City's ongoing street construction projects. 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	\$ -	\$ 588,862	\$ 588,862
Public Utility	200,000	5,935	205,935
Port Commission	14,500	-	14,500
Beach Operating	7,000	-	7,000
Nonmajor	107,750	-	107,750
	<u>\$ 329,250</u>	<u>\$ 594,797</u>	<u>\$ 924,047</u>

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

The City has entered into lease agreements to finance its purchase of various vehicles and other transportation equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of their various dates of inception.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment		
Vehicles	\$ -	\$ 232,332
Other equipment	787,280	100,589
	787,280	332,921
Less: Accumulated depreciation	(212,095)	(118,066)
	<u>\$ 575,185</u>	<u>\$ 214,855</u>

NOTE 8: LEASE OBLIGATIONS - (Continued)**A. Capital Leases - (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

Year Ending September 30	Governmental Activities	Business-type Activities
2012	\$ 134,396	\$ 53,433
2013	78,541	53,433
2014	78,541	53,433
2015	78,541	-
2016	78,541	-
2017-2018	95,526	-
Total minimum lease payments	544,086	160,299
Less: Amount representing interest	(72,328)	(12,017)
Present value of minimum lease payments	<u>\$ 471,758</u>	<u>\$ 148,282</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 agreement provides for future minimum rental payments as follows:

Year Ending September 30	
2012	\$ 401,326
2013	292,200
2014	48,700
	<u>\$ 742,226</u>

Rental expenditures in 2011 were \$182,874. 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, 2011:

Year Ending September 30	
2012	\$ 217,996
2013	121,245
2014	87,687
2015	59,129
2016	41,161
	<u>527,218</u>
Thereafter	<u>19,005</u>
	<u>\$ 546,223</u>

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

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Certificates payable	\$ 3,515,000	\$ -	\$ 205,000	\$ 3,310,000	\$ 210,000
Capital leases	261,340	284,776	74,358	471,758	77,716
Compensated absences	104,362	113,365	120,163	97,564	38,744
Safety pay	24,797	24,401	24,797	24,401	24,401
Total governmental activity					
long-term liabilities	<u>\$ 3,905,499</u>	<u>\$ 422,542</u>	<u>\$ 424,318</u>	<u>\$ 3,903,723</u>	<u>\$ 350,861</u>
Business-type activities					
Bonds and certificates payable:					
Revenue bonds	\$ 5,025,000	\$ 2,265,000	\$ 2,530,000	\$ 4,760,000	\$ 335,000
Certificates	3,800,000	-	145,000	3,655,000	155,000
Less deferred amounts:					
Loss on refunding	(135,425)	-	(2,563)	(132,862)	-
Issuance discounts	(31,434)	-	(595)	(30,839)	-
Net bonds and certificates	8,658,141	2,265,000	2,671,842	8,251,299	490,000
Capital leases	193,957	-	45,675	148,282	47,502
Compensated absences	19,900	18,986	21,959	16,927	6,928
Safety pay	5,173	5,600	5,173	5,600	5,600
Total business-type activity					
long-term liabilities	<u>\$ 8,877,171</u>	<u>\$ 2,289,586</u>	<u>\$ 2,744,649</u>	<u>\$ 8,422,108</u>	<u>\$ 550,030</u>

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

B. Certificates of Obligations

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.

Certificates of obligations at September 30, 2011, were comprised of the following individual issues:

\$3,575,000 2003 Certificates of Obligation due in annual installments ranging from \$165,000 to \$260,000 through February 15, 2023; interest rates varying between 3.00% and 4.45%.	\$ 2,500,000
\$1,000,000 2005 Certificates of Obligation due in annual installments ranging from \$50,000 to \$80,000 through February 15, 2024; interest rates at 4.00% and 4.50%.	810,000
Total Certificates of Obligations	<u>\$ 3,310,000</u>

NOTE 10: LONG-TERM DEBT - (Continued)**B. Certificates of Obligations - (Continued)**

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

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2012	\$ 215,000	\$ 133,467	\$ 348,467
2013	220,000	125,395	345,395
2014	230,000	116,939	346,939
2015	240,000	107,995	347,995
2016	250,000	98,411	348,411
2017-2021	1,415,000	322,610	1,737,610
2022-2024	740,000	38,668	778,668
	<u>\$ 3,310,000</u>	<u>\$ 943,485</u>	<u>\$ 4,253,485</u>

C. Revenue Bonds and Certificates

Revenue bonds and certificates payable were comprised of the following individual issues at September 30, 2011:

\$2,265,000 Series 2011 General Obligation Refunding Bonds due in annual installments ranging from \$295,000 to \$350,000 through February 15, 2018; interest rates varying of 2.83%.	\$ 2,255,000
\$1,535,000 Series 2004 Certificates of Obligation, issued through the Texas Water Development Board, due in annual installments ranging from \$65,000 to \$125,000 through February 15, 2024; interest rates varying between 2.00% and 3.55%.	1,230,000
\$2,680,000 Series 2007 General Obligation Refunding Bonds due in annual installments ranging from \$40,000 to \$555,000 through February 15, 2022; interest rates varying between 4.00% and 4.50%.	2,505,000
\$925,000 Series 2007 Combination Tax and Revenue Certificate of Obligation due in annual installments ranging from \$20,000 to \$140,000 through February 15, 2022; interest rate of 4.00%.	865,000
\$1,700,000 Series 2008 Combination Tax and Surplus Harbor System Revenue Certificates of Obligation due in annual installments ranging from \$65,000 to \$125,000 through February 15, 2028; interest rate of 3.93%.	1,560,000
Total Revenue Bonds and Certificates	<u>\$ 8,415,000</u>

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

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

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2012	\$ 490,000	\$ 292,193	\$ 782,193
2013	505,000	276,677	781,677
2014	520,000	260,583	780,583
2015	545,000	243,768	788,768
2016	570,000	226,037	796,037
2017-2021	3,975,000	742,275	4,717,275
2022-2026	1,565,000	134,654	1,699,654
2027-2028	245,000	9,727	254,727
	<u>\$ 8,415,000</u>	<u>\$ 2,185,914</u>	<u>\$ 10,600,914</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, 2011.

As of September 30, 2011, the \$8,415,000 balance on the revenue bonds and certificates is detailed as follows according to the purpose of their issuance: \$3,735,000 or 44.38% water system improvements, \$3,120,000 or 37.08% wastewater system improvements, and \$1,560,000 or 18.54% harbor system improvements.

NOTE 11: REFUNDING BONDS

In February 2011, the City issued \$2,265,000 General Obligation Refunding Bonds with interest of 2.83% to advance refund \$2,210,000 of the City's Utility System Revenue Bonds, Series 1996, which were still outstanding in the amount of \$2,210,000 with interest rates ranging from 4.25% to 4.45% and to provide funding for costs of issuance. As a result, the Series 1996 bonds are considered defeased and the liability has been removed from the business-type activities column of the statement of net assets. The net proceeds available for refunding bonds in the amount of \$2,214,301 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issue. The refunding of the Series 1996 bonds resulted in an economic gain of \$80,144 and an increase in cash flow of \$89,489.

NOTE 12: 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, 2011, \$2,385,000 of bonds outstanding was considered defeased.

NOTE 13: PROPRIETARY FUND NET ASSETS

Management has designated for operating reserves \$1,082,436 of the Public Utility Fund's \$5,423,418 unrestricted net assets. Management has also designated \$99,268 of the Port Commission Fund's \$1,002,039 unrestricted net assets for operating reserves and \$79,210 of the Beach Operating Fund's \$466,749 unrestricted net assets for operating reserves. The designated 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 \$4,340,982, \$902,771, and \$387,539, respectively, of unrestricted, undesignated net assets as of September 30, 2011.

NOTE 14: 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, 2011, 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 \$195,838.

Paid health-related claims totaled \$420,250 during the current fiscal year. The insurance carrier estimated that \$35,174 in claims had been incurred but not reported as of the fiscal year-end. These estimated claims as well as known payables are included in the claim liability reported by various funds in the accompanying financial statements.

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

	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
Fiscal Year 2007	\$ 45,277	\$ 283,700	\$ 304,819	\$ 24,158
Fiscal Year 2008	24,158	440,878	436,599	28,437
Fiscal Year 2009	28,437	659,428	622,727	65,138
Fiscal Year 2010	65,138	368,950	408,935	25,153
Fiscal Year 2011	25,153	428,306	420,250	33,209

NOTE 15: CONTINGENCIES AND COMMITMENTS**A. Litigation**

The City was not involved in any litigation as of September 30, 2011, 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 collectibility of any related receivables at September 30, 2011, 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 November 15, 2030.

D. Construction Commitments

As of September 30, 2011, the following construction projects were in progress:

<u>Project Description</u>	<u>Costs Incurred To Date</u>	<u>Estimated Remaining Costs</u>	<u>Source of Funds</u>
Governmental activities:			
Street improvements	\$ 68,626	\$ 92,184	City funds
Sidewalk improvements	52,100	249,940	City/grant funds
	<u>120,726</u>	<u>342,124</u>	
Business-type activities:			
Nautical landings-boat docks	866,348	4,300	City/grant funds
	<u>866,348</u>	<u>4,300</u>	
	<u>\$ 987,074</u>	<u>\$ 346,424</u>	

NOTE 16: 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 by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on 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 2010	Plan Year 2011
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, 0/20	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.

NOTE 16: EMPLOYEES' RETIREMENT PLAN - (Continued)**Contributions - (Continued)**

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
2011	\$ 280,850	100%	\$ -
2010	243,337	100%	-
2009	239,707	100%	-

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	Actuarial Valuation Information			
	12/31/10 Restructured	12/31/10 Prior to Restructuring	12/31/09	12/31/08
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	26.9 years; closed period	26.9 years; closed period	28.0 years; closed period	29.0 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market	amortized cost
Investment rate of return *	7.0%	7.5%	7.5%	7.5%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at Cost of living adjustments	3.0%	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%	2.1%

Funded Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

NOTE 16: EMPLOYEES' RETIREMENT PLAN - (Continued)**Funded Status and Funding Progress - (Continued)**

The funded status as of December 31, 2010, 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)	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)
12/31/10 ²	\$ 7,133,411	\$ 8,223,009	\$ 1,089,598	86.75%	\$ 3,246,341	33.56%
12/31/10 ¹	4,379,131	5,987,918	1,608,787	73.13%	3,246,341	49.56%

¹ Actuarial valuation performed under the original fund structure

² Actuarial valuation performed under the new fund structure

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 17: 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 2011, 2010, and 2009 were \$2,272, \$2,575, and \$3,378, respectively, which equaled the required contributions each year.

NOTE 18: 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, 2011, there were 12 individuals receiving benefits under the plan. Benefit payments for the year totaled \$3,200.

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, 2011.

NOTE 19: DEFERRED COMPENSATION PLAN

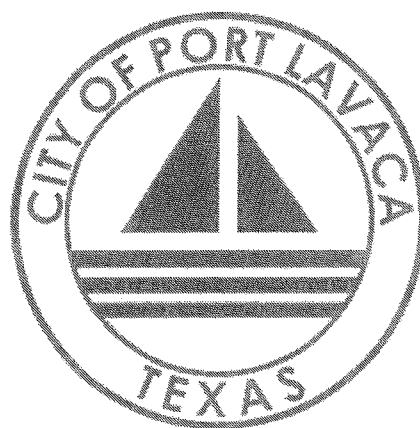
The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits the deferral of a portion of their salary until future years. The deferred compensation is not available to employees until termination,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

The assets of this plan, which totaled \$134,999 as of September 30, 2011, 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 20: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2011:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Deferred expenditures	\$ 52,478	\$ -	\$ -	\$ -	\$ 52,478
Operating reserves	-	-	2,306,152	-	2,306,152
Health insurance claims	-	-	504,848	-	504,848
Capital asset replacement	-	-	382,265	-	382,265
Unassigned	-	-	-	1,539,331	1,539,331
Nonmajor Governmental					
Retirement of long-term debt	-	177,224	-	-	177,224
Various capital projects	-	114,799	-	-	114,799
Tourism and conventions	-	551,491	-	-	551,491
Public safety	-	112,456	-	-	112,456
Municipal court	-	20,247	-	-	20,247
Bayfront Park pier	-	55,943	-	-	55,943
	<u>\$ 52,478</u>	<u>\$ 1,032,160</u>	<u>\$ 3,193,265</u>	<u>\$ 1,539,331</u>	<u>\$ 5,817,234</u>



Required Supplementary Information

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

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES					
Taxes	\$ 5,811,500	\$ 5,945,100	\$ 6,057,089	\$ 111,989	\$ 5,997,336
Fines and forfeitures	354,000	427,780	478,812	51,032	407,479
Intergovernmental	248,500	248,500	247,881	(619)	248,499
Licenses and permits	72,000	103,000	108,266	5,266	97,740
Investment	50,000	40,000	36,694	(3,306)	52,302
Rental	31,900	31,900	30,780	(1,120)	22,737
Charges for services	3,850	3,850	7,525	3,675	5,956
Miscellaneous	41,000	88,500	91,311	2,811	133,191
Total revenues	<u>6,612,750</u>	<u>6,888,630</u>	<u>7,058,358</u>	<u>169,728</u>	<u>6,965,240</u>
EXPENDITURES					
Current					
General government	1,731,377	2,022,707	1,925,563	97,144	1,663,263
Public safety	2,797,263	3,139,013	3,101,967	37,046	2,864,220
Public works	1,800,754	1,278,254	1,220,156	58,098	1,005,511
Parks and recreation	506,606	673,406	670,771	2,635	579,783
Capital outlay	-	-	-	-	79,155
Total expenditures	<u>6,836,000</u>	<u>7,113,380</u>	<u>6,918,457</u>	<u>194,923</u>	<u>6,191,932</u>
Excess (deficiency) of revenues over expenditures	(223,250)	(224,750)	139,901	364,651	773,308
OTHER FINANCING SOURCES (USES)					
Transfers in	320,250	329,250	329,250	-	364,133
Transfers out	(2,000)	(580,500)	(588,862)	(8,362)	(2,907,701)
Capital lease proceeds	-	310,000	284,776	(25,224)	-
Sale of capital assets	5,000	5,000	5,262	262	5,036
Net other financing sources (uses)	<u>323,250</u>	<u>63,750</u>	<u>30,426</u>	<u>(33,324)</u>	<u>(2,538,532)</u>
Net change in fund balance	100,000	(161,000)	170,327	331,327	(1,765,224)
Fund balance at beginning of year	<u>4,614,747</u>	<u>4,614,747</u>	<u>4,614,747</u>	-	<u>6,379,971</u>
Fund balance at end of year	<u>\$ 4,714,747</u>	<u>\$ 4,453,747</u>	<u>\$ 4,785,074</u>	<u>\$ 331,327</u>	<u>\$ 4,614,747</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, 2011

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)
12/31/2010 ²	\$ 7,133,411	\$ 8,223,009	\$ 1,089,598	86.8%	\$3,246,341	33.4%
12/31/2010 ¹	4,379,131	5,987,918	1,608,787	73.1%	3,246,341	49.6%
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%
12/31/2003	3,602,243	4,440,266	828,023	81.1%	2,451,067	34.2%
12/31/2002	3,700,729	4,435,505	734,776	83.4%	2,377,752	30.9%

¹Actuarial valuation performed under the original fund structure

²Actuarial valuation performed under the new fund structure

CITY OF PORT LAVACA, TEXAS**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION***September 30, 2011*

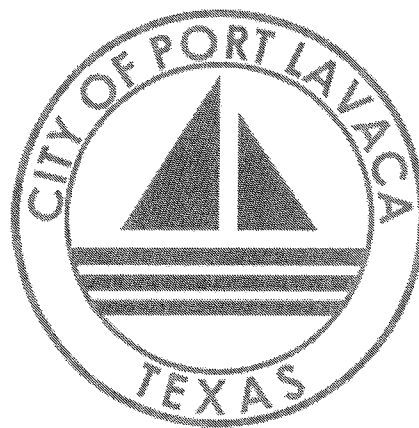
NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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, 2011, the City complied with budgetary restrictions at all departmental levels except the following. The following table details this variance:

<u>General Fund Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
City hall	\$ 104,261	\$ 104,495	\$ 234
Animal control	99,067	99,395	328
Transfers out	580,500	588,862	8,362



Combining and Individual Fund Statements and Schedules

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds

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

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

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

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

Safe Routes to School Fund - Accounts for a federal grant awarded through the State of Texas, acting by and through the Texas Department of Transportation to fund sidewalks with ADA ramps, signage and striping along Half League Road and Seadrift Street (2009 Safe Routes to School Program).

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

Nonmajor Debt Service 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.

2003 Certificates of Obligation Fund - To accumulate monies for payment of the City's 2003 Certificates of Obligation.

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

NONMAJOR GOVERNMENTAL FUNDS - (Continued)

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 used of debt proceeds or by funds from other governmental funds.

CITY OF PORT LAVACA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2011

	Special Revenue			
	Hotel Occupancy Tax	Police Forfeitures	Building Security	Safe Routes to School
ASSETS				
Current assets				
Cash and cash equivalents	\$ 553,069	\$ 12,383	\$ 14,998	\$ -
Receivables (net)	105,682	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 658,751	\$ 12,383	\$ 14,998	\$ -
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 23,919	\$ -	\$ -	\$ -
Due to other funds	83,341	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	107,260	-	-	-
Fund balance				
Restricted				
Retirement of long-term debt	-	-	-	-
Various capital projects	-	-	-	-
Tourism and conventions	551,491	-	-	-
Public safety	-	12,383	-	-
Municipal court	-	-	14,998	-
Bayfront Park pier	-	-	-	-
Total fund balance	551,491	12,383	14,998	-
Total liabilities and fund balance	\$ 658,751	\$ 12,383	\$ 14,998	\$ -

Special Revenue

<u>Bullet Proof Vest Grant</u>	<u>Redflex Traffic System</u>	<u>Court Technology Fund</u>	<u>Bayfront Peninsula Pier</u>	<u>Homeland Security Grants</u>	<u>Total</u>
\$ 2,862	\$ 99,927	\$ 32,593	\$ 55,943	\$ 146	\$ 771,921
-	-	-	-	-	105,682
<u>2,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,862</u>
<u>\$ 5,724</u>	<u>\$ 99,927</u>	<u>\$ 32,593</u>	<u>\$ 55,943</u>	<u>\$ 146</u>	<u>\$ 880,465</u>
\$ 5,724	\$ -	\$ 3,852	\$ -	\$ -	\$ 33,495
-	-	23,492	-	-	106,833
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,724</u>	<u>-</u>	<u>27,344</u>	<u>-</u>	<u>-</u>	<u>140,328</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	551,491
-	99,927	-	-	146	112,456
-	-	5,249	-	-	20,247
<u>-</u>	<u>-</u>	<u>-</u>	<u>55,943</u>	<u>-</u>	<u>55,943</u>
<u>-</u>	<u>99,927</u>	<u>5,249</u>	<u>55,943</u>	<u>146</u>	<u>740,137</u>
<u>\$ 5,724</u>	<u>\$ 99,927</u>	<u>\$ 32,593</u>	<u>\$ 55,943</u>	<u>\$ 146</u>	<u>\$ 880,465</u>

(continued)

CITY OF PORT LAVACA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2011

	Debt Service		
	2003	2005	
	Certificates	Certificates	
	of	of	
	Obligation	Obligation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 145,362	\$ 31,073	\$ 176,435
Receivables (net)	27,745	7,356	35,101
Due from other governments	611	178	789
Total assets	<u>\$ 173,718</u>	<u>\$ 38,607</u>	<u>\$ 212,325</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	27,745	7,356	35,101
Total liabilities	<u>27,745</u>	<u>7,356</u>	<u>35,101</u>
Fund balance			
Restricted			
Retirement of long-term debt	145,973	31,251	177,224
Various capital projects	-	-	-
Tourism and conventions	-	-	-
Public safety	-	-	-
Municipal court	-	-	-
Bayfront Park pier	-	-	-
Total fund balance	<u>145,973</u>	<u>31,251</u>	<u>177,224</u>
Total liabilities and fund balance	<u>\$ 173,718</u>	<u>\$ 38,607</u>	<u>\$ 212,325</u>

<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Street Construction</u>	<u>Total</u>	
\$ 163,425	\$ 163,425	\$ 1,111,781
-	-	140,783
-	-	3,651
<u>\$ 163,425</u>	<u>\$ 163,425</u>	<u>\$ 1,256,215</u>
\$ 48,626	\$ 48,626	\$ 82,121
-	-	106,833
-	-	35,101
<u>48,626</u>	<u>48,626</u>	<u>224,055</u>
-	-	177,224
114,799	114,799	114,799
-	-	551,491
-	-	112,456
-	-	20,247
-	-	55,943
<u>114,799</u>	<u>114,799</u>	<u>1,032,160</u>
<u>\$ 163,425</u>	<u>\$ 163,425</u>	<u>\$ 1,256,215</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, 2011*

	Special Revenue			
	Hotel Occupancy Tax	Police Forfeitures	Building Security	Safe Routes to School
REVENUES				
Taxes	\$ 328,114	\$ -	\$ -	\$ -
Fines, fees, and forfeitures	-	5,933	4,990	-
Intergovernmental	-	-	-	35,500
Investment	830	12	12	-
Total revenues	<u>328,944</u>	<u>5,945</u>	<u>5,002</u>	<u>35,500</u>
EXPENDITURES				
Current				
General government	197,638	-	-	-
Public safety	-	3,392	-	-
Capital outlay	-	-	-	43,000
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>197,638</u>	<u>3,392</u>	<u>-</u>	<u>43,000</u>
Excess (deficiency) of revenues over expenditures	131,306	2,553	5,002	(7,500)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	7,500
Transfers out	(107,750)	-	-	-
Total other financing sources (uses)	<u>(107,750)</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
Net change in fund balances	23,556	2,553	5,002	-
Fund balances at beginning of year	<u>527,935</u>	<u>9,830</u>	<u>9,996</u>	<u>-</u>
Fund balances at end of year	<u>\$ 551,491</u>	<u>\$ 12,383</u>	<u>\$ 14,998</u>	<u>\$ -</u>

Special Revenue

Bullet Proof Vest Grant	Redflex Traffic System	Court Technology Fund	Bayfront Peninsula Pier	Homeland Security Grants	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 328,114
-	191,155	6,901	-	-	208,979
2,862	-	-	-	43,204	81,566
-	95	42	72	-	1,063
<u>2,862</u>	<u>191,250</u>	<u>6,943</u>	<u>72</u>	<u>43,204</u>	<u>619,722</u>
-	-	12,941	-	-	210,579
5,724	186,269	-	-	33,593	228,978
-	-	-	-	9,611	52,611
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,724</u>	<u>186,269</u>	<u>12,941</u>	<u>-</u>	<u>43,204</u>	<u>492,168</u>
(2,862)	4,981	(5,998)	72	-	127,554
2,862	-	5,935	-	-	16,297
-	-	-	-	-	(107,750)
<u>2,862</u>	<u>-</u>	<u>5,935</u>	<u>-</u>	<u>-</u>	<u>(91,453)</u>
-	4,981	(63)	72	-	36,101
-	94,946	5,312	55,871	146	704,036
<u>\$ -</u>	<u>\$ 99,927</u>	<u>\$ 5,249</u>	<u>\$ 55,943</u>	<u>\$ 146</u>	<u>\$ 740,137</u>

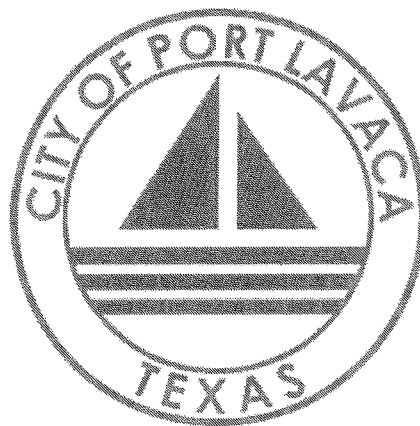
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CITY OF PORT LAVACA, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS***For the year ended September 30, 2011*

	Debt Service		
	2003	2005	
	Certificates	Certificates	
	of	of	
	Obligation	Obligation	Total
REVENUES			
Taxes	\$ 275,971	\$ 86,446	\$ 362,417
Fines, fees, and forfeitures	-	-	-
Intergovernmental	-	-	-
Investment	241	47	288
Total revenues	<u>276,212</u>	<u>86,493</u>	<u>362,705</u>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Capital outlay	-	-	-
Debt service			
Principal retirement	160,000	45,000	205,000
Interest and fiscal charges	105,033	36,625	141,658
Total expenditures	<u>265,033</u>	<u>81,625</u>	<u>346,658</u>
Excess (deficiency) of revenues over expenditures	11,179	4,868	16,047
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	11,179	4,868	16,047
Fund balances at beginning of year	<u>134,794</u>	<u>26,383</u>	<u>161,177</u>
Fund balances at end of year	<u>\$ 145,973</u>	<u>\$ 31,251</u>	<u>\$ 177,224</u>

<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Street Construction</u>	<u>Total</u>	
\$ -	\$ -	\$ 690,531
-	-	208,979
-	-	81,566
-	-	1,351
<u>-</u>	<u>-</u>	<u>982,427</u>
-	-	
-	-	210,579
-	-	228,978
182,657	182,657	235,268
-	-	205,000
-	-	141,658
<u>182,657</u>	<u>182,657</u>	<u>1,021,483</u>
(182,657)	(182,657)	(39,056)
578,500	578,500	594,797
-	-	(107,750)
<u>578,500</u>	<u>578,500</u>	<u>487,047</u>
395,843	395,843	447,991
<u>(281,044)</u>	<u>(281,044)</u>	<u>584,169</u>
<u>\$ 114,799</u>	<u>\$ 114,799</u>	<u>\$ 1,032,160</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, 2011**With comparative totals for September 30, 2010*

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 3,051,359	\$ 2,621,937
Investments	1,970,776	2,296,205
Receivables, net		
Taxes	559,936	552,920
Fines	34,089	81,186
Other	28,379	33,772
Due from other governments	594,053	412,866
Deferred expenditures	<u>52,478</u>	<u>50,017</u>
Total assets	<u>\$ 6,291,070</u>	<u>\$ 6,048,903</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 177,935	\$ 167,497
Payroll related payables	58,010	123,227
Other payables	34,063	29,414
Due to other governments	21,624	27,923
Due to other funds	609,320	446,001
Customer and other deposits	13,150	8,460
Deferred revenue	<u>591,894</u>	<u>631,634</u>
Total liabilities	<u>1,505,996</u>	<u>1,434,156</u>
Fund balance		
Nonspendable		
Deferred expenditures	52,478	50,017
Committed		
Operating reserves	2,306,152	2,063,977
Health insurance claims	504,848	500,000
Capital asset replacement	382,265	250,000
Unassigned	<u>1,539,331</u>	<u>1,750,753</u>
Total fund balance	<u>4,785,074</u>	<u>4,614,747</u>
Total liabilities and fund balance	<u>\$ 6,291,070</u>	<u>\$ 6,048,903</u>

CITY OF PORT LAVACA, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES****BUDGET (GAAP BASIS) AND ACTUAL***For the year ended September 30, 2011**With comparative totals for the year ended September 30, 2010*

	2011			2010
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 3,150,000	\$ 3,146,015	\$ (3,985)	\$ 3,072,269
Sales	2,183,600	2,313,247	129,647	2,295,492
Franchise	603,500	586,575	(16,925)	620,247
Beverage	8,000	11,252	3,252	9,328
Total taxes	5,945,100	6,057,089	111,989	5,997,336
Fines and forfeitures				
Municipal court	291,500	304,495	12,995	270,854
Tax penalties and fees	136,280	174,317	38,037	136,625
Total fines and forfeitures	427,780	478,812	51,032	407,479
Intergovernmental				
Reimbursements	246,000	246,000	-	246,000
Grants and allocations	2,500	1,881	(619)	2,499
Total intergovernmental	248,500	247,881	(619)	248,499
Licenses and permits				
Licenses				
Building/electrical	8,000	9,374	1,374	7,363
Animal	4,000	4,446	446	1,968
Alcoholic beverage	5,500	5,613	113	5,035
Permits				
Building	33,000	33,825	825	23,883
Electrical	8,000	8,644	644	9,634
Plumbing	6,000	9,450	3,450	9,868
Mechanical	3,000	3,100	100	4,817
Miscellaneous	35,500	33,814	(1,686)	35,172
Total licenses and permits	103,000	108,266	5,266	97,740
Investment	40,000	36,694	(3,306)	52,302
Rental	31,900	30,780	(1,120)	22,737
Charges for services				
Police service fees	3,500	5,845	2,345	5,826
Fire service fees	350	-	(350)	-
Other	-	1,680	1,680	130
Total charges for services	3,850	7,525	3,675	5,956

(continued)

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, 2011**With comparative totals for the year ended September 30, 2010*

	<u>2011</u>			<u>2010</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
REVENUES - (Continued)				
Miscellaneous				
Reimbursements and refunds	\$ 30,000	\$ 30,883	\$ 883	\$ 49,163
Other	58,500	60,428	1,928	84,028
Total miscellaneous	<u>88,500</u>	<u>91,311</u>	<u>2,811</u>	<u>133,191</u>
 Total revenues	 <u>6,888,630</u>	 <u>7,058,358</u>	 <u>169,728</u>	 <u>6,965,240</u>
 OTHER FINANCING SOURCES				
Transfers in	329,250	329,250	-	364,133
Capital lease proceeds	310,000	284,776	(25,224)	-
Sale of capital assets	<u>5,000</u>	<u>5,262</u>	<u>262</u>	<u>5,036</u>
Total other financing sources	<u>644,250</u>	<u>619,288</u>	<u>(24,962)</u>	<u>369,169</u>
 Total revenues and other financing sources	 <u>\$ 7,532,880</u>	 <u>\$ 7,677,646</u>	 <u>\$ 144,766</u>	 <u>\$ 7,334,409</u>

CITY OF PORT LAVACA, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES****BUDGET (GAAP BASIS) AND ACTUAL***For the year ended September 30, 2011**With comparative totals for the year ended September 30, 2010*

	2011			2010
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES				
Current				
General government				
City council				
Personnel services	\$ 23,347	\$ 23,303	\$ 44	\$ 23,278
Materials and supplies	1,350	613	737	710
Services	650	1,282	(632)	5,190
Total city council	25,347	25,198	149	29,178
City manager				
Personnel services	192,606	191,564	1,042	128,547
Materials and supplies	1,400	987	413	3,322
Services	8,000	9,185	(1,185)	54,366
Maintenance	-	-	-	881
Total city manager	202,006	201,736	270	187,116
City secretary				
Personnel services	62,523	61,842	681	80,293
Materials and supplies	1,900	3,474	(1,574)	7,664
Services	4,600	2,431	2,169	9,000
Maintenance	4,200	4,472	(272)	25
Total city secretary	73,223	72,219	1,004	96,982
Human resources				
Personnel services	35,038	35,948	(910)	4,575
Materials and supplies	1,900	2,253	(353)	1,178
Services	18,900	13,117	5,783	16,506
Maintenance	2,325	2,036	289	4,257
Total human resources	58,163	53,354	4,809	26,516
Elections				
Materials and supplies	400	384	16	226
Services	10,500	1,384	9,116	13,124
Maintenance	-	-	-	2,825
Total elections	10,900	1,768	9,132	16,175
Legal				
Services	67,400	48,904	18,496	79,846
Total legal	67,400	48,904	18,496	79,846
Municipal court				
Personnel services	71,154	71,997	(843)	64,639
Materials and supplies	2,180	2,078	102	1,003
Services	29,300	27,603	1,697	25,218
Maintenance	1,795	1,769	26	942
Sundry	-	-	-	44
Total municipal court	104,429	103,447	982	91,846

(continued)

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

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance	2010
	Final Budget	Actual	Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
General government - (Continued)				
Tax				
Services	\$ 112,935	\$ 95,946	\$ 16,989	\$ 101,791
Total tax	<u>112,935</u>	<u>95,946</u>	<u>16,989</u>	<u>101,791</u>
Technology				
Personnel services	56,911	55,020	1,891	-
Materials and supplies	1,500	1,596	(96)	-
Services	1,300	738	562	-
Maintenance	<u>13,700</u>	<u>15,095</u>	<u>(1,395)</u>	<u>-</u>
Total technology	<u>73,411</u>	<u>72,449</u>	<u>962</u>	<u>-</u>
Finance				
Personnel services	193,382	193,858	(476)	181,406
Materials and supplies	13,200	11,036	2,164	7,271
Services	7,500	8,686	(1,186)	3,838
Maintenance	<u>1,650</u>	<u>1,224</u>	<u>426</u>	<u>4,604</u>
Total finance	<u>215,732</u>	<u>214,804</u>	<u>928</u>	<u>197,119</u>
City hall				
Personnel services	11,961	10,941	1,020	4,397
Materials and supplies	8,500	8,167	333	6,057
Services	59,100	58,166	934	61,036
Maintenance	<u>24,700</u>	<u>27,221</u>	<u>(2,521)</u>	<u>41,668</u>
Total city hall	<u>104,261</u>	<u>104,495</u>	<u>(234)</u>	<u>113,158</u>
Non-departmental				
Personnel services	488,500	500,050	(11,550)	453,103
Services	207,400	190,496	16,904	172,072
Maintenance	19,000	17,953	1,047	64,950
Sundry	<u>260,000</u>	<u>222,744</u>	<u>37,256</u>	<u>33,411</u>
Total non-departmental	<u>974,900</u>	<u>931,243</u>	<u>43,657</u>	<u>723,536</u>
Total general government	<u>2,022,707</u>	<u>1,925,563</u>	<u>97,144</u>	<u>1,663,263</u>
Public safety				
Police				
Personnel services	1,332,290	1,314,115	18,175	1,369,592
Materials and supplies	75,200	76,518	(1,318)	62,556
Services	88,900	84,905	3,995	82,456
Maintenance	64,000	56,328	7,672	61,307
Sundry	-	-	-	2,244
Debt service	20,828	20,828	-	20,829
Capital outlay	<u>30,000</u>	<u>28,542</u>	<u>1,458</u>	<u>66,763</u>
Total police	<u>1,611,218</u>	<u>1,581,236</u>	<u>29,982</u>	<u>1,665,747</u>

(continued)

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

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011			2010
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
Public safety - (Continued)				
Fire				
Personnel services	\$ 921,150	\$ 918,345	\$ 2,805	\$ 805,341
Materials and supplies	70,000	59,324	10,676	49,944
Services	61,400	62,135	(735)	108,836
Maintenance	31,400	28,761	2,639	44,177
Sundry	4,000	3,217	783	3,500
Debt service	30,778	30,778	-	30,778
Capital outlay	310,000	318,776	(8,776)	63,572
Total fire	1,428,728	1,421,336	7,392	1,106,148
Animal control				
Personnel services	74,517	74,719	(202)	65,193
Materials and supplies	11,100	10,649	451	12,125
Services	9,950	9,529	421	9,379
Maintenance	3,500	4,498	(998)	5,558
Sundry	-	-	-	70
Total animal control	99,067	99,395	(328)	92,325
Total public safety	3,139,013	3,101,967	37,046	2,864,220
Public works				
Public works				
Personnel services	118,680	120,154	(1,474)	116,682
Materials and supplies	6,525	7,262	(737)	5,512
Services	4,060	2,331	1,729	2,339
Maintenance	500	385	115	563
Capital outlay	18,800	18,433	367	-
Total public works	148,565	148,565	-	125,096
Code enforcement/inspections				
Personnel services	121,612	118,072	3,540	92,387
Materials and supplies	7,100	5,789	1,311	8,338
Services	7,400	4,678	2,722	6,947
Maintenance	3,500	2,034	1,466	4,984
Capital outlay	-	-	-	15,420
Total code enforcement/inspections	139,612	130,573	9,039	128,076
Streets				
Personnel services	376,252	363,105	13,147	352,471
Materials and supplies	44,100	48,198	(4,098)	33,825
Services	159,700	150,167	9,533	191,076
Maintenance	283,500	256,708	26,792	131,590
Debt service	35,025	35,027	(2)	35,027
Capital outlay	91,500	87,813	3,687	8,350
Total streets	990,077	941,018	49,059	752,339
Total public works	1,278,254	1,220,156	58,098	1,005,511

(continued)

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

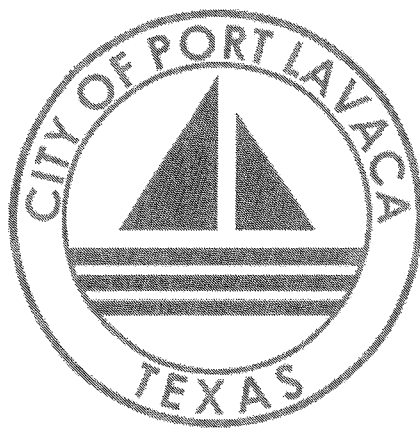
For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011			2010
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
Parks and recreation				
Parks				
Personnel services	\$ 159,896	\$ 155,605	\$ 4,291	\$ 162,088
Materials and supplies	34,800	34,715	85	17,982
Services	39,650	47,487	(7,837)	41,045
Maintenance	66,000	60,998	5,002	36,418
Capital outlay	97,000	96,549	451	16,800
Total parks	397,346	395,354	1,992	274,333
Convention/visitors bureau				
Personnel services	65,560	69,060	(3,500)	47,415
Materials and supplies	6,000	4,761	1,239	8,765
Services	93,200	92,615	585	96,950
Maintenance	77,400	75,585	1,815	122,794
Total convention/visitors bureau	242,160	242,021	139	275,924
Swimming pool				
Materials and supplies	11,100	11,312	(212)	7,190
Services	13,500	12,982	518	13,626
Maintenance	9,300	9,102	198	8,710
Total swimming pool	33,900	33,396	504	29,526
Total parks and recreation	673,406	670,771	2,635	579,783
Total current	7,113,380	6,918,457	194,923	6,112,777
Capital outlay	-	-	-	79,155
Total expenditures	7,113,380	6,918,457	194,923	6,191,932
OTHER FINANCING USES				
Transfers out	580,500	588,862	(8,362)	2,907,701
Total expenditures and other financing uses	\$ 7,693,880	\$ 7,507,319	\$ 186,561	\$ 9,099,633



NONMAJOR DEBT SERVICE FUNDS



CITY OF PORT LAVACA, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - 2003 CERTIFICATES OF OBLIGATION FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL***For the year ended September 30, 2011**With comparative totals for the year ended September 30, 2010*

	2011			2010
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 264,733	\$ 275,971	\$ 11,238	\$ 266,459
Investment	300	241	(59)	291
Total revenues	<u>265,033</u>	<u>276,212</u>	<u>11,179</u>	<u>266,750</u>
EXPENDITURES				
Debt service				
Principal retirement	160,000	160,000	-	155,000
Interest and fiscal charges	<u>105,033</u>	<u>105,033</u>	-	<u>110,174</u>
Total expenditures	<u>265,033</u>	<u>265,033</u>	-	<u>265,174</u>
Excess (deficiency) of revenues over expenditures	-	11,179	11,179	1,576
OTHER FINANCING SOURCES (USES)	-	-	-	-
Net change in fund balances	-	11,179	11,179	1,576
Fund balances at beginning of year	<u>134,794</u>	<u>134,794</u>	-	<u>133,218</u>
Fund balances at end of year	<u>\$ 134,794</u>	<u>\$ 145,973</u>	<u>\$ 11,179</u>	<u>\$ 134,794</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, 2011**With comparative totals for the year ended September 30, 2010*

	2011			2010
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 81,325	\$ 86,446	\$ 5,121	\$ 83,338
Investment	300	47	(253)	31
Total revenues	<u>81,625</u>	<u>86,493</u>	<u>4,868</u>	<u>83,369</u>
EXPENDITURES				
Debt service				
Principal retirement	45,000	45,000	-	45,000
Interest and fiscal charges	<u>36,625</u>	<u>36,625</u>	<u>-</u>	<u>38,425</u>
Total expenditures	<u>81,625</u>	<u>81,625</u>	<u>-</u>	<u>83,425</u>
Excess (deficiency) of revenues over expenditures	-	4,868	4,868	(56)
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	4,868	4,868	(56)
Fund balances at beginning of year	<u>26,383</u>	<u>26,383</u>	<u>-</u>	<u>26,439</u>
Fund balances at end of year	<u>\$ 26,383</u>	<u>\$ 31,251</u>	<u>\$ 4,868</u>	<u>\$ 26,383</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, 2011*

	<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>\$ 20,574</u>	<u>\$ 39,856</u>	<u>\$ 10,837</u>	<u>\$ 49,593</u>
Total assets	<u>\$ 20,574</u>	<u>\$ 39,856</u>	<u>\$ 10,837</u>	<u>\$ 49,593</u>
Liabilities				
Due to others	<u>\$ 20,574</u>	<u>\$ 39,856</u>	<u>\$ 10,837</u>	<u>\$ 49,593</u>
Total liabilities	<u>\$ 20,574</u>	<u>\$ 39,856</u>	<u>\$ 10,837</u>	<u>\$ 49,593</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.....	74
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues.....	85
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	96
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.....	102
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.....	104

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

	Fiscal Year		
	2004	2005	2006
Governmental activities			
Invested in capital assets, net of related debt	\$ 15,819,596	\$ 17,965,142	\$ 12,509,383
Restricted	1,818,646	1,583,781	199,381
Unrestricted	3,622,128	3,971,998	5,022,591
Total governmental activities net assets	<u>\$ 21,260,370</u>	<u>\$ 23,520,921</u>	<u>\$ 17,731,355</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 14,830,163	\$ 13,735,139	\$ 10,460,620
Restricted	92,040	92,040	13,887
Unrestricted	2,282,096	3,138,979	4,353,647
Total business-type activities net assets	<u>\$ 17,204,299</u>	<u>\$ 16,966,158</u>	<u>\$ 14,828,154</u>
Primary government			
Invested in capital assets, net of related debt	\$ 30,649,759	\$ 31,700,281	\$ 22,970,003
Restricted	1,910,686	1,675,821	213,268
Unrestricted	5,904,224	7,110,977	9,376,238
Total primary government activities net assets	<u>\$ 38,464,669</u>	<u>\$ 40,487,079</u>	<u>\$ 32,559,509</u>

(1) Accrual basis of accounting

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 13,105,824	\$ 13,815,306	\$ 15,787,249	\$ 18,383,147	\$ 18,380,797
221,392	848,885	876,554	784,798	1,049,987
6,556,521	7,374,943	6,394,379	4,732,493	5,231,769
<u>\$ 19,883,737</u>	<u>\$ 22,039,134</u>	<u>\$ 23,058,182</u>	<u>\$ 23,900,438</u>	<u>\$ 24,662,553</u>
\$ 11,569,600	\$ 11,052,199	\$ 11,334,652	\$ 11,536,833	\$ 13,321,583
129,592	12,681	233,544	51,469	-
4,022,664	4,953,062	5,642,701	6,841,071	6,892,206
<u>\$ 15,721,856</u>	<u>\$ 16,017,942</u>	<u>\$ 17,210,897</u>	<u>\$ 18,429,373</u>	<u>\$ 20,213,789</u>
\$ 24,675,424	\$ 24,867,505	\$ 27,121,901	\$ 29,919,980	\$ 31,702,380
350,984	861,566	1,110,098	836,267	1,049,987
10,579,185	12,328,005	12,037,080	11,573,564	12,123,975
<u>\$ 35,605,593</u>	<u>\$ 38,057,076</u>	<u>\$ 40,269,079</u>	<u>\$ 42,329,811</u>	<u>\$ 44,876,342</u>

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

	Fiscal Year		
	2004	2005	2006
Governmental activities			
Program expenses			
General government	\$ 946,221	\$ 1,023,110	\$ 1,265,792
Public safety	2,251,823	2,309,363	2,254,482
Public works	810,969	1,488,133	1,469,315
Parks and recreation	381,939	520,865	526,995
Interest on long-term debt	229,039	167,922	195,885
Total expenses	4,619,991	5,509,393	5,712,469
Program revenues			
Charges for services	408,552	422,898	679,279
Operating grants and contributions	260,990	15,497	100,558
Capital grants and contributions	130,951	620,816	517,067
Total program revenues	800,493	1,059,211	1,296,904
Total governmental activities net program expense	(3,819,498)	(4,450,182)	(4,415,565)
General revenues and other changes in net assets			
Taxes			
Property taxes	2,236,328	2,354,535	2,530,094
Sales taxes	1,516,932	1,707,459	1,823,450
Franchise taxes	607,321	581,284	598,795
Other taxes	149,155	176,049	173,856
Unrestricted investment earnings	74,167	172,664	266,681
Miscellaneous	121,392	309,383	41,739
Transfers	(24,938)	1,409,359	140,472
Special item - litigation settlement	-	-	-
Total general revenues and other changes in net assets	4,680,357	6,710,733	5,575,087
Total governmental activities change in net assets	\$ 860,859	\$ 2,260,551	\$ 1,159,522

Fiscal Year				
2007	2008	2009	2010	2011
\$ 1,300,514	\$ 1,499,965	\$ 1,847,859	\$ 1,886,794	\$ 1,952,643
2,204,124	2,490,358	2,598,507	3,191,293	3,112,422
1,352,679	1,974,638	1,615,002	1,406,502	1,539,354
522,218	167,594	547,013	686,747	701,325
180,891	-	154,696	147,266	140,373
5,560,426	6,132,555	6,763,077	7,318,602	7,446,117
703,077	412,420	484,632	804,307	612,209
3,903	269,784	378,324	322,510	293,947
335,671	407,223	51,589	125,279	35,500
1,042,651	1,089,427	914,545	1,252,096	941,656
(4,517,775)	(5,043,128)	(5,848,532)	(6,066,506)	(6,504,461)
2,887,459	2,894,987	3,214,039	3,414,317	3,513,386
2,328,103	2,439,957	2,170,959	2,295,492	2,313,247
597,082	623,987	613,509	620,247	586,575
197,276	277,757	235,571	271,287	339,366
325,364	258,739	123,127	54,319	38,045
43,049	338,701	235,375	277,928	246,642
252,449	364,397	275,000	182,943	229,315
-	-	-	(185,000)	-
6,630,782	7,198,525	6,867,580	6,931,533	7,266,576
\$ 2,113,007	\$ 2,155,397	\$ 1,019,048	\$ 865,027	\$ 762,115

(continued)

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

	Fiscal Year		
	2004	2005	2006
Business-type activities			
Expenses			
Public utilities	\$ 4,144,766	\$ 4,155,860	\$ 3,344,382
Port commission	350,064	325,995	310,482
Beach operations	267,928	115,506	171,037
Total expenses	<u>4,762,758</u>	<u>4,597,361</u>	<u>3,825,901</u>
Program revenues			
Charges for services	4,397,815	4,807,141	4,948,781
Operating grants and contributions	-	-	16,887
Capital grants and contributions	124,000	75,207	227,284
Total program revenues	<u>4,521,815</u>	<u>4,882,348</u>	<u>5,192,952</u>
Total governmental activities net program expense	(240,943)	284,987	1,367,051
General revenues and other changes in net assets			
Unrestricted investment earnings	22,682	65,694	166,310
Miscellaneous	121,085	139,410	7,475
Special item - GBRA clearwell	-	-	-
Transfers	20,920	(1,413,260)	(140,472)
Total general revenues and other changes in net assets	<u>164,687</u>	<u>(1,208,156)</u>	<u>33,313</u>
Prior period adjustment	-	685,028	-
Total business-type activities change in net assets	<u>\$ (76,256)</u>	<u>\$ (238,141)</u>	<u>\$ 1,400,364</u>
Total primary government change in net assets	<u>\$ 784,603</u>	<u>\$ 2,022,410</u>	<u>\$ 2,559,886</u>

(1) Accrual basis of accounting

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 3,835,279	\$ 3,913,016	\$ 4,288,109	\$ 4,283,432	\$ 4,123,809
345,062	328,525	379,371	395,332	382,570
129,800	150,828	162,064	218,240	309,838
<u>4,310,141</u>	<u>4,392,369</u>	<u>4,829,544</u>	<u>4,897,004</u>	<u>4,816,217</u>
5,088,403	5,612,806	5,966,101	5,893,741	6,303,875
3,000	2,000	2,000	2,000	175,303
178,859	153,218	236,338	374,396	330,595
<u>5,270,262</u>	<u>5,768,024</u>	<u>6,204,439</u>	<u>6,270,137</u>	<u>6,809,773</u>
960,121	1,375,655	1,374,895	1,373,133	1,993,556
234,879	176,704	75,060	28,286	20,175
-	-	18,000	-	-
-	(891,876)	-	-	-
<u>(252,449)</u>	<u>(364,397)</u>	<u>(275,000)</u>	<u>(182,943)</u>	<u>(229,315)</u>
<u>(17,570)</u>	<u>(1,079,569)</u>	<u>(181,940)</u>	<u>(154,657)</u>	<u>(209,140)</u>
-	-	-	-	-
<u>\$ 942,551</u>	<u>\$ 296,086</u>	<u>\$ 1,192,955</u>	<u>\$ 1,218,476</u>	<u>\$ 1,784,416</u>
<u>\$ 3,055,558</u>	<u>\$ 2,451,483</u>	<u>\$ 2,212,003</u>	<u>\$ 2,083,503</u>	<u>\$ 2,546,531</u>

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

	Fiscal Year		
	2004	2005	2006
General Fund			
Nonspendable			
Deferred expenditures	\$ -	\$ -	\$ -
Committed			
Operating reserves	-	-	-
Health insurance claims	-	-	-
Capital asset replacement	-	-	-
Unassigned	-	-	-
Reserved			
Deferred expenditures	-	-	25,800
Unreserved, designated			
Operating reserves	-	-	2,529,900
Health insurance claims	-	-	500,000
Street improvements	-	-	300,000
Capital asset replacement	-	-	250,000
Unreserved, undesignated	<u>3,207,924</u>	<u>3,339,465</u>	<u>574,072</u>
Total general fund	<u>\$ 3,207,924</u>	<u>\$ 3,339,465</u>	<u>\$ 4,179,772</u>
All Other Governmental Funds			
Restricted			
Retirement of long-term debt	-	-	-
Various capital projects	-	-	-
Tourism and conventions	-	-	-
Public safety	-	-	-
Municipal court	-	-	-
Bayfront park pier	-	-	-
Unreserved, undesignated reported in			
Special revenue funds	87,034	268,151	379,336
Debt service fund	168,794	137,977	118,931
Capital project funds	<u>1,649,852</u>	<u>1,445,804</u>	<u>664,705</u>
Total all other governmental funds	<u>\$ 1,905,680</u>	<u>\$ 1,851,932</u>	<u>\$ 1,162,972</u>

(1) Modified accrual basis of accounting

NOTE: Due to the changes in the City's fund structure initiated when GASB Statement No. 34 was implemented, the fund balance information is available only beginning in 2004.

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ 52,478
-	-	-	-	2,306,152
-	-	-	-	504,848
-	-	-	-	382,265
-	-	-	-	1,539,331
28,755	25,929	37,078	50,017	-
2,762,226	2,908,981	3,107,978	2,063,977	-
500,000	500,000	500,000	500,000	-
149,500	-	-	-	-
250,000	340,946	250,000	250,000	-
<u>1,576,413</u>	<u>2,543,671</u>	<u>2,534,443</u>	<u>1,750,753</u>	-
<u>\$ 5,266,894</u>	<u>\$ 6,319,527</u>	<u>\$ 6,429,499</u>	<u>\$ 4,614,747</u>	<u>\$ 4,785,074</u>
-	-	-	-	177,224
-	-	-	-	114,799
-	-	-	-	551,491
-	-	-	-	112,456
-	-	-	-	20,247
-	-	-	-	55,943
767,415	711,057	707,885	704,036	-
148,960	159,271	159,657	161,177	-
<u>13,811</u>	<u>574,045</u>	<u>(505,092)</u>	<u>(281,044)</u>	-
<u>\$ 930,186</u>	<u>\$ 1,444,373</u>	<u>\$ 362,450</u>	<u>\$ 584,169</u>	<u>\$ 1,032,160</u>

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

	Fiscal Year		
	2004	2005	2006
Revenues			
Taxes	\$ 4,509,736	\$ 4,819,327	\$ 5,158,276
Licenses and permits	89,072	60,706	118,146
Fines and forfeitures	314,135	326,594	369,567
Charges for services	7,250	35,598	13,206
Intergovernmental	186,967	159,000	209,081
Grants and contributions	391,941	636,313	55,424
Investment	68,974	159,137	266,681
Rental	-	-	43,360
Miscellaneous	121,392	128,464	24,640
Total revenues	5,689,467	6,325,139	6,258,381
Expenditures			
Current			
General government	830,178	895,756	1,273,434
Public safety	2,048,339	2,156,627	2,315,618
Public works	186,164	216,640	226,067
Streets and highways	857,161	1,068,252	1,323,173
Parks and recreation	400,793	518,847	506,380
Non-departmental	719,977	382,723	-
Capital outlay	2,062,357	1,703,900	724,162
Debt service			
Principal retirement	110,000	405,000	216,538
Interest and fiscal charges	222,473	141,278	203,243
Total expenditures	7,437,442	7,489,023	6,788,615
Excess (deficiency) of revenues over expenditures	(1,747,975)	(1,163,884)	(530,234)
Other financing sources (uses)			
Transfers in	55,855	1,212,024	693,606
Transfers out	(258,138)	(992,266)	(553,134)
Debt issued	-	1,021,919	515,055
Sale of capital assets	-	-	17,099
Total other financing sources (uses)	(202,283)	1,241,677	672,626
Change in fund balances	\$ (1,950,258)	\$ 77,793	\$ 142,392
Debt service as a percentage of noncapital expenditures	6.59%	10.43%	8.47%

(1) Modified accrual basis of accounting

Note: Due to the changes in the City's fund structure initiated when GASB Statement No. 34 was implemented, the changes in fund balance information is available only beginning in 2004.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 5,927,214	\$ 6,298,996	\$ 6,198,734	\$ 6,609,092	\$ 6,747,620
94,271	98,076	96,535	97,740	108,266
409,948	402,550	501,345	769,529	687,791
5,120	11,080	5,332	5,956	7,525
514,747	262,384	429,913	447,789	329,447
-	-	-	-	-
325,364	258,739	123,127	54,319	38,045
47,582	36,535	37,390	22,737	30,780
43,049	267,720	96,453	135,191	91,311
<u>7,367,295</u>	<u>7,636,080</u>	<u>7,488,829</u>	<u>8,142,353</u>	<u>8,040,785</u>
1,310,596	1,588,358	1,846,671	1,859,894	2,136,142
2,389,811	2,565,946	2,742,639	3,213,266	3,330,945
200,936	1,301,846	1,422,306	1,016,111	1,220,156
924,048	-	-	-	-
408,748	447,281	440,345	579,783	670,771
-	-	-	-	-
1,142,459	454,855	1,947,494	2,922,769	235,268
568,939	180,000	195,000	200,000	205,000
174,400	161,865	155,465	148,599	141,658
<u>7,119,937</u>	<u>6,700,151</u>	<u>8,749,920</u>	<u>9,940,422</u>	<u>7,939,940</u>
247,358	935,929	(1,261,091)	(1,798,069)	100,845
662,379	1,053,450	1,019,558	3,271,834	924,047
(409,930)	(689,053)	(744,558)	(3,071,834)	(696,612)
295,392	257,054	-	-	284,776
19,762	9,439	14,141	5,036	5,262
<u>567,603</u>	<u>630,890</u>	<u>289,141</u>	<u>205,036</u>	<u>517,473</u>
\$ <u>814,961</u>	\$ <u>1,566,819</u>	\$ <u>(971,950)</u>	\$ <u>(1,593,033)</u>	\$ <u>618,318</u>
<u>15.57%</u>	<u>6.11%</u>	<u>5.81%</u>	<u>5.37%</u>	<u>5.11%</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>
2002	\$ 1,983,934	\$ 1,421,427	\$ 634,708	\$ 146,942	\$ 4,948	\$ 4,191,959
2003	2,117,940	1,509,714	597,503	151,344	9,110	4,385,611
2004	2,236,328	1,516,932	607,321	140,423	8,732	4,509,736
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

(1) Modified accrual basis of accounting

NOTE: The increase in hotel/motel tax in fiscal year 2011 is due to the addition of new hotels in the City.

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

Fiscal Year	Tax Roll	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value Before Freeze
		Residential Property	Non-Residential Property			
2002	2001	\$ 134,037,735	\$ 110,465,516	\$ 60,092,990	\$ 26,251,850	\$ 278,344,391
2003	2002	163,834,185	118,067,559	60,090,881	38,520,537	303,472,088
2004	2003	166,148,771	121,170,820	64,657,395	37,710,123	314,266,863
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

(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.

Information for ten years ago was not readily available.

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>
\$ -	\$ 278,344,391	\$ 0.7182	\$ 1,999,069	\$ -	\$ 1,999,069	100.00%
-	303,472,088	0.7200	2,184,999	-	2,184,999	100.00%
-	314,266,863	0.7200	2,262,721	-	2,262,721	100.00%
-	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%

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

Fiscal Year	City Direct Rates			Overlapping Rates			
	Debt Service	General Fund	Total	School District	Calhoun County	Port Authority	Total
2002	\$0.1000	\$0.6175	\$0.7175	\$1.3078	\$0.3750	\$0.0047	\$ 1.6875
2003	0.0842	0.6340	0.7182	1.3668	0.5210	0.0047	1.8925
2004	0.1334	0.5866	0.7200	1.4176	0.5210	0.0046	1.9432
2005	0.0864	0.6336	0.7200	1.4176	0.5210	0.0043	1.9429
2006	0.0864	0.6360	0.7224	1.2969	0.4900	0.0041	1.7910
2007	0.0938	0.6562	0.7500	1.0968	0.4900	0.0039	1.5907
2008	0.0878	0.6622	0.7500	1.1100	0.4900	0.0039	1.6039
2009	0.0821	0.6679	0.7500	1.1201	0.4900	0.0039	1.6140
2010	0.0770	0.6730	0.7500	1.1331	0.4900	0.0039	1.6270
2011	0.0770	0.6730	0.7500	1.1262	0.4900	0.0036	1.6198

Source: Calhoun County Appraisal District

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

2011		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
T W Laquay Dredging, Inc.	\$ 39,130,458	9.36%
Rexco, Inc.	9,933,530	2.38%
RSC Equipment Rental Inc.#759	8,888,380	2.13%
Wal-Mart Real Estate Business Trust	8,536,890	2.04%
Wal-Mart Stores Texas, LP	5,986,780	1.43%
H E Butt Grocery Company	4,854,930	1.16%
Port Lavaca Dodge	4,677,710	1.12%
AEP Texas Central Company	4,462,816	1.07%
BKCK Ltd (Port Lavaca Chevrolet)	3,743,880	0.90%
Desai Raj (La Quinta)	3,360,220	0.80%
	<u>\$ 93,575,594</u>	<u>22.38%</u>

2002		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
H E Butt Grocery Company	\$ 6,374,332	2.29%
Verizon Southwest	5,419,790	1.95%
Rexco Inc	4,913,181	1.77%
AEP Central Power & Light Co.	3,968,030	1.43%
First National Bank	2,907,180	1.04%
Formosa Plastics Dev. Corp.	2,722,007	0.98%
Wal-Mart Stores, Inc.	2,662,718	0.96%
Maxim Crane Works LP	2,652,456	0.95%
International Bank of Commerce	2,489,770	0.89%
T W Laquay Dredging, Inc.	2,227,322	0.80%
	<u>\$ 36,336,786</u>	<u>13.05%</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>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>
2002	\$ 1,997,548	\$ (4,252)	\$ 1,993,296	\$ 1,911,268	95.88%
2003	2,186,081	(8,026)	2,178,055	2,055,277	94.36%
2004	2,260,396	(702)	2,259,694	2,111,960	93.46%
2005	2,343,372	(13,709)	2,329,663	2,199,525	94.41%
2006	2,552,795	(5,689)	2,547,106	2,434,551	95.58%
2007	2,850,290	(10,704)	2,839,586	2,698,948	95.05%
2008	2,931,382	(6,969)	2,924,413	2,771,551	94.77%
2009	3,199,645	(10,608)	3,189,037	3,014,618	94.53%
2010	3,440,702	(50,304)	3,390,398	3,231,724	95.32%
2011	3,574,357	(15,087)	3,559,270	3,437,198	96.57%

SOURCE: Calhoun County Appraisal District

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 75,586	\$ 1,986,854	99.68%
106,017	2,161,294	99.23%
138,451	2,250,411	99.59%
117,819	2,317,344	99.47%
98,145	2,532,696	99.43%
121,735	2,820,683	99.33%
126,874	2,898,425	99.11%
134,454	3,149,072	98.75%
62,239	3,293,963	97.16%
-	3,437,198	96.57%

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 Water Unaccounted</u>	<u>Average Percent Unaccounted</u>	<u>Gallons of Wastewater Treated</u>
2002	549,278	440,610	108,668	20%	N/A
2003	470,650	401,858	68,792	15%	N/A
2004	442,460	391,682	50,778	11%	465,620
2005	483,325	402,711	80,614	17%	396,770
2006	470,830	399,093	71,737	15%	417,390
2007	430,287	370,762	59,525	14%	498,810
2008	489,864	405,585	84,279	17%	382,770
2009	496,619	455,031	41,588	8%	368,120
2010	459,847	377,310	82,537	18%	435,540
2011	559,150	462,107	97,043	17%	368,780

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.

SOURCE: City of Port Lavaca Utility Department

Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 8.98	\$ 10.65	\$ 8.52	\$ 10.65
10.98	11.70	8.59	11.61
12.46	13.29	9.75	13.17
13.46	13.35	9.75	13.17
13.96	13.35	11.75	10.65
13.96	13.95	12.25	10.65
15.00	14.25	14.00	10.65
15.00	14.25	14.00	10.65
15.00	14.25	14.00	10.65
15.00	14.25	14.00	10.65

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Water Rates						
Base Rate (includes 2,000 gallons)						
Base Rate by Meter Size						
3/4" to 5/8"	\$ 8.98	\$ 10.98	\$ 12.46	\$ 13.46	\$ 13.96	\$ 13.96
1"	10.19	12.19	13.84	14.84	15.34	15.34
1 1/2"	12.76	14.76	16.75	17.75	18.25	18.25
2"	15.32	17.32	19.66	20.66	21.16	21.16
3"	20.54	22.54	25.58	26.58	27.08	27.08
4"	25.56	27.56	31.28	32.28	32.78	32.78
6"	36.61	38.61	44.16	45.16	45.66	45.66
Per 1,000 gallons over base charge	3.55	3.90	4.43	4.45	4.45	4.65
Sewer Rates						
Base Rate (includes 2,000 gallons)	8.52	8.59	9.75	9.75	11.75	12.25
Per 1,000 gallons over base charge	3.55	3.87	4.39	4.39	4.39	4.89

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

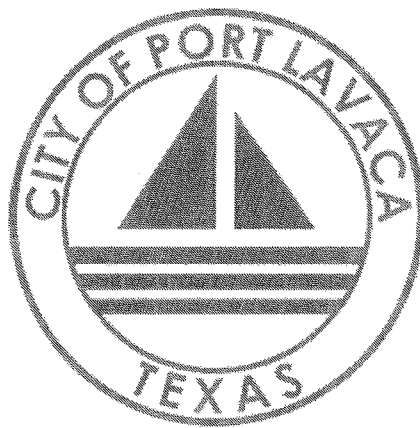
Sewer consumption rates for residential customers are based on the average of the last three-month period of December, January, and February that preceded the billing date.

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.

SOURCE: City of Port Lavaca Utility Department

Fiscal Year							
2008		2009		2010		2011	
<u>Residential</u>	<u>Commercial</u>	<u>Residential</u>	<u>Commercial</u>	<u>Residential</u>	<u>Commercial</u>	<u>Residential</u>	<u>Commercial</u>
\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50
15.00	17.50	15.00	17.50	15.00	17.50	15.00	17.50
15.00	17.50	15.00	17.50	15.00	17.50	15.00	17.50
15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00
15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00
15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00
15.00	35.00	15.00	35.00	15.00	35.00	15.00	35.00
4.75	4.95	4.75	4.95	4.75	4.95	4.75	4.95
14.00	15.75	14.00	15.75	14.00	15.75	14.00	15.75
4.90	4.95	4.90	4.95	4.90	4.95	4.90	4.95



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

2011			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
Calhoun County I.S.D.	Schools	18,007	4.77%
City of Port Lavaca	City Accounts	8,843	2.34%
Hillman Shrimp & Oyster	Fishing Industry	8,436	2.24%
Bordeaux Apartments	Apartment Complex	8,013	2.12%
Memorial Medical Center	Hospital	7,671	2.03%
Regency Nursing Home	Senior Center (Home)	6,589	1.75%
Calhoun County	County Offices	5,176	1.37%
Splash & Dash	Car Wash	4,414	1.17%
Seabreeze Apartments	Apartment Complex	2,920	0.77%
Days Inn	Hotel/Motel	2,730	0.72%
2002			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
Hillman Shrimp & Oyster	Fishing Industry	15,264	4.05%
H.E.B.	Commercial	10,270	2.72%
Calhoun County I.S.D.	Schools	9,613	2.55%
Memorial Medical Center	Hospital	8,475	2.25%
Seabreeze Apartments	Apartment Complex	5,317	1.41%
Regency Nursing Home	Senior Center (Home)	5,314	1.41%
Bordeaux Apartments	Apartment Complex	4,211	1.12%
Days Inn	Hotel/Motel	2,584	0.68%
King Fisher Marine Service	Industrial	2,504	0.66%
Regency Apartments	Apartment Complex	1,742	0.46%

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	Capital Leases
2002	\$ 355,812	\$ 900,000	\$ -	\$ 80,400	\$ 424,188	\$ 6,910,000	\$ 22,266
2003	325,000	-	-	37,497	315,000	6,690,000	8,838
2004	3,790,000	-	-	-	240,000	6,460,000	-
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	288,374
2009	3,715,000	-	-	332,486	3,940,000	5,315,000	237,874
2010	3,515,000	-	-	261,340	3,800,000	5,025,000	193,957
2011	3,310,000	-	-	471,758	3,655,000	4,760,000	148,282

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>
\$ 8,692,666	3.3%	\$ 741.32
7,376,335	2.7%	632.35
10,490,000	3.8%	901.67
10,952,939	3.7%	951.68
10,888,904	3.5%	949.25
10,692,343	3.2%	937.51
14,252,328	4.1%	1,243.12
13,540,360	N/A	1,178.55
12,795,297	N/A	1,063.17
12,345,040	N/A	1,007.92

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	Debt Payable from Enterprise Funds
	Certificates of Obligation	General Obligation Bonds	Total		
2002	\$ 780,000	\$ 900,000	\$ 1,680,000	\$ 130,910	\$ 424,188
2003	4,215,000	-	4,215,000	86,070	315,000
2004	4,030,000	-	4,030,000	168,794	240,000
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

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

N/A denotes information not available.

<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 1,124,902	0.40%	\$ 95.93
3,813,930	1.26%	326.95
3,621,206	1.15%	311.26
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

CITY OF PORT LAVACA, TEXAS**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)****September 30, 2011**

	<u>Gross Debt Outstanding</u>		<u>Percentage</u>	<u>Amount</u>
	<u>Date</u>	<u>Amount</u>	<u>Applicable</u>	<u>Applicable</u>
			<u>to City</u>	<u>to City</u>
Direct Debt:				
City of Port Lavaca	9/30/2011	<u>\$ 3,515,000</u>	100.00%	<u>\$ 3,515,000</u>
Overlapping Debt:				
Calhoun County	9/30/2011	11,435,000	15.45%	1,766,708
Calhoun Independent School District	9/30/2011	14,390,000	14.76%	2,123,964
Calhoun Port Authority	9/30/2011	<u>32,400,000</u>	23.89%	<u>7,740,360</u>
Total Overlapping Debt		<u>58,225,000</u>		<u>11,631,032</u>
Total		<u>\$ 61,740,000</u>		<u>\$ 15,146,032</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>
2001	(1)	\$ 4,090,217	\$ 3,110,570	\$ 979,647	\$ 539,000	1.82
2002	(1)	3,905,575	2,760,874	1,144,701	541,221	2.12
2003	(1)	3,642,066	2,911,661	730,405	543,442	1.34
2004	(2)	3,933,123	2,932,517	1,000,606	544,740	1.84
2005	(2)	4,467,282	2,895,575	1,571,707	540,000	2.91
2006	(2)	4,529,981	2,819,506	1,710,475	541,496	3.16
2007	(2)	4,674,553	3,134,268	1,540,285	541,619	2.84
2008	(2)	5,127,853	3,186,879	1,940,974	861,629	2.25
2009	(2)	5,331,869	3,478,632	1,853,237	869,487	2.13
2010	(2)	5,194,828	3,470,112	1,724,716	867,219	1.99
2011	(2)	5,604,515	3,368,233	2,236,282	877,114	2.55

(1) Revenues and expenses of the Public Utility Fund net of debt service.

(2) "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

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income</u>	<u>(2) Per Capita Personal Income (Calhoun County)</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
2002	11,726	\$ 260,282,022	\$ 22,197	4,162	7.5%
2003	11,665	269,193,205	23,077	4,215	7.5%
2004	11,634	277,738,482	23,873	4,225	7.2%
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	329,079,870	28,854	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	N/A	N/A	4,230	9.1%
2011	12,248	N/A	N/A	4,276	8.7%

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

N/A denotes information not available.

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

(2) Bureau of Economic Analysis

(3) Calhoun Independent School District

(4) Texas Workforce Commission

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

2011		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Formosa Plastics	1,530	14.73%
Alcoa	1,000	9.63%
Calhoun County I.S.D.	650	6.26%
HEB Grocery	636	6.12%
Dow Chemical	607	5.84%
King Fisher Marine Service	365	3.51%
Calhoun County	330	3.18%
Hillman Shrimp and Oyster	150	1.44%
Seadrift Coke	141	1.36%
Memorial Medical Center	<u>141</u>	<u>1.36%</u>
	<u>5,550</u>	<u>53.43%</u>
2010		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Formosa Plastics	1,530	17.60%
Calhoun County I.S.D.	650	7.48%
HEB Grocery	636	7.32%
Dow Chemical	607	6.98%
Alcoa	576	6.63%
King Fisher Marine Service	365	4.20%
Calhoun County	330	3.80%
International Bank of Commerce	150	1.73%
Seadrift Coke	141	1.62%
Memorial Medical Center	<u>141</u>	<u>1.62%</u>
	<u>5,126</u>	<u>58.97%</u>

NOTES: Information is for the City and Calhoun County.
Information for nine years ago was not readily available.

SOURCE: Calhoun County Economic Development Corporation
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			
	2002	2003	2004	2005
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	1.0	1.0	1.0	2.0
Finance	3.0	3.0	3.0	3.0
Municipal court	1.0	1.0	1.0	1.0
Technology	-	-	-	-
Custodial services	-	-	-	-
Public safety				
Police	18.0	19.0	19.0	20.0
Communications	6.0	6.0	6.0	6.0
Fire	16.0	15.0	15.0	16.0
Code enforcement	2.0	2.0	2.0	2.0
Animal control	1.0	1.0	1.0	1.0
Public works				
Public works	1.0	1.0	1.0	1.0
Streets/maintenance	10.0	8.0	8.0	8.0
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	19.0	14.0	14.0
Parks and recreation	5.0	5.0	5.0	5.0
Bauer Center	2.0	2.0	2.0	2.0
Total	<u>87.0</u>	<u>90.0</u>	<u>85.0</u>	<u>88.0</u>

SOURCE: City of Port Lavaca Human Resource Department

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
2.0	2.0	2.0	2.0	2.0	2.0
2.0	2.0	2.0	2.0	1.0	1.0
3.0	3.0	3.0	3.0	4.0	4.0
1.0	1.0	1.0	1.0	1.0	2.0
-	-	-	-	1.0	-
-	-	-	-	1.0	1.0
19.0	18.0	19.0	18.0	20.0	17.0
6.0	6.0	6.0	6.0	6.0	6.0
16.0	17.0	17.0	17.0	17.0	17.0
2.0	2.0	3.0	3.0	3.0	3.0
1.0	1.0	1.0	1.0	2.0	2.0
1.0	1.0	2.0	2.0	2.0	2.0
9.0	9.0	9.0	9.0	9.0	8.0
3.0	3.0	3.0	3.0	3.0	3.0
2.0	2.0	2.0	2.0	2.0	2.0
13.0	13.0	12.0	12.0	12.0	11.0
5.0	5.0	5.0	5.0	5.0	5.0
<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
<u>87.0</u>	<u>87.0</u>	<u>89.0</u>	<u>88.0</u>	<u>93.0</u>	<u>88.0</u>

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

Function/Program	Fiscal Year			
	2002	2003	2004	2005
General government				
Building permits issued	N/A	N/A	316	329
Building inspections conducted	N/A	N/A	653	676
Public safety				
Police				
Physical arrests	N/A	N/A	N/A	N/A
Traffic violations	N/A	N/A	N/A	N/A
Fire				
Fire calls	N/A	N/A	N/A	234
Public works				
Streets (miles)	49.3	49.3	49.3	49.3
Culture and recreation				
Parks and recreation				
Bauer center rentals	N/A	N/A	N/A	64
Lighthouse Beach Park				
Annual	272	237	352	464
Daily	6,732	4,784	7,398	8,619
Pavillion	N/A	16	54	43
Water and wastewater				
Water				
Water Customers	4,353	4,455	4,455	4,455
Water Taps	33	19	24	25
Average daily consumption	1.53 mgd	1.28 mgd	1.20 mgd	1.29 mgd
Peak daily consumption	1.90 mgd	1.61 mgd	1.52 mgd	1.55 mgd
Wastewater				
Sewer Customers	4,096	4,193	4,193	4,175
Sewer Taps	25	15	26	18
Average daily sewage treatment	N/A	N/A	1.28 mgd	1.09 mgd

NOTE: N/A denotes information not available.

SOURCE: Various City departments

Fiscal Year					
2006	2007	2008	2009	2010	2011
283	491	202	564	548	801
499	456	436	564	732	1,248
N/A	N/A	398	409	336	807
N/A	N/A	431	450	422	4,008
222	200	230	192	175	476
49.3	50.1	50.1	50.1	50.1	50.1
73	65	88	71	65	63
451	496	536	551	533	465
6,932	7,093	9,516	11,111	15,170	12,753
43	54	38	25	42	39
4,492	4,456	4,548	4,514	4,552	4,544
8	10	13	19	11	11
1.29 mgd	1.18 mgd	1.34 mgd	1.38 mgd	1.27 mgd	1.53 mgd
1.57 mgd	1.40 mgd	1.61 mgc	1.66 mgd	1.49 mgd	5.65 mgd
4,190	4,173	4,253	4,217	4,267	4,258
7	8	7	2	7	9
1.14 mgd	1.37 mgd	1.05 mgd	1.01 mgd	1.19 mgd	1.01 mgd

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

	Fiscal Year			
	2002	2003	2004	2005
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	49.3	49.3
Streetlights	677	678	672	672
Culture and recreation				
Acreage	150	150	150	150
Parks	6	6	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)	66	66	67	67
Fire hydrants	245	245	245	250
Storage capacity	1.761	1.761	1.761	1
Wastewater				
Sanitary sewers (miles)	55	55	55	56
Treatment capacity	2	2	2	2.5

SOURCE: Various City departments

Fiscal Year					
2006	2007	2008	2009	2010	2011
1	1	1	1	1	1
7	7	7	7	7	6
2	2	2	2	2	2
49.3	50.1	50.1	50.1	50.1	50.1
680	686	686	684	686	686
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
68.5	68.5	68.5	69	69	69
250	250	250	259	259	259
1	1	1	1	1	1
56	58	58	58	58	58
2.5	2.5	2.5	2.5	2.5	2.5



SINGLE AUDIT SECTION



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**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 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 16, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

The Honorable Mayor
and Members of the City Council

This report is intended solely for the information and use of management, the Mayor and City Council, others within the organization, and other federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Harrison, Waldrop & Uhenk, LLP

March 16, 2012



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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

Compliance

We have audited 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, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

The Honorable Mayor
and Members of the City Council

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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the organization, and other federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Harrison, Waldrop & Uhenk, LLP
March 16, 2012

CITY OF PORT LAVACA, TEXAS**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***For the year ended September 30, 2011*

<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	\$ 2,862
Total U.S. Department of Justice			<u>2,862</u>
U.S. Department of Homeland Security			
<i>Direct Program</i>			
Port Security Grant Program	97.056	2009-PU-0129	<u>18,592</u>
<i>Passed through Texas Department of</i>			
<i>Public Safety</i>			
State Homeland Security Program	97.073	2009-SS-T9-0064	11,854
State Homeland Security Program	97.073	2010-SS-T0-0008	20,691
State Homeland Security Program	97.073	2010-SS-T0-0008	10,659
Public Assistance Disaster Grant	97.036	DR-1931 TX	<u>239,546</u>
Total passed through Texas Department of Public Safety			<u>282,750</u>
Total U.S. Department of Homeland Security			<u>301,342</u>
U.S. Department of Commerce			
<i>Passed through Texas General Land Office</i>			
Coastal Zone Management	11.419	GLO 10-064-000-3770	46,320
Coastal Zone Management	11.419	GLO 11-021-000-4319	<u>60,000</u>
Total U.S. Department of Commerce			<u>106,320</u>
U.S. Department of Housing and Urban Development			
<i>Passed through Texas Department of Agriculture -</i>			
<i>Office of Rural Affairs</i>			
Texas Community Development Block Grant	14.228	729621	82,235
<i>Passed through Texas General Land Office</i>			
Texas Community Development Block Grant	14.228	DRS010150	<u>91,000</u>
Total U.S. Department of Housing and Urban Development			<u>173,235</u>
U.S. Department of Transportation			
<i>Passed through Texas Department of Transportation</i>			
Safe Routes to School Program	20.205	CSJ 0913-19-023	<u>35,500</u>
U.S. Department of Energy			
Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000893	<u>57,576</u>
Total Expenditures of Federal Awards			<u>\$ 676,835</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, 2011

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, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

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
97.036	Public Assistance Disaster Grant

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, 2011

None were reported.



