

# CITY OF PORT LAVACA TEXAS

Passion

Responsibility

Integrity

Desire

Example



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2012

**CITY OF PORT LAVACA, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*For the year ended September 30, 2012*

Scotty Jones  
*Director of Finance*

Bob Turner  
*City Manager*

Issued By:  
Finance Department

**CITY OF PORT LAVACA, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*For the year ended September 30, 2012*

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## INTRODUCTORY SECTION



**CITY OF  
PORT LAVACA**

202 N. Virginia, Port Lavaca, Texas 77979, Phone: 361-552-9793 Fax: 361-552-6062, [www.portlavaca.org](http://www.portlavaca.org)

March 27, 2013

City Manager  
Ext. 222

City Secretary  
Ext. 230

Code Enforcement  
Ext. 229

Finance  
Ext. 234

Inspections/Permits  
Ext. 229

Municipal Court  
Ext. 226

Personnel  
Ext. 224

Utility Billing  
Ext. 238

Animal Control  
361-552-5726

Bauer Center  
361-552-1234

Fire Station  
361-552-3241

Public Works Director  
361-552-3347

Parks & Recreation  
361-552-1234

Police  
361-552-3788

Streets  
361-552-3347

Utilities Operation  
361-552-3347

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

The Comprehensive Annual Financial Report of the City of Port Lavaca, Texas, hereinafter referred to as the "City", for the fiscal year ended September 30, 2012, 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.

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

### **Long Term Financial Planning**

The City's Financial Management and Budgetary Policy document speaks to long term goals to not only improve bond ratings, but to maintain a healthy financial position. The City 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 from \$2,313,247 in 2010 to \$2,364,076 in 2012 (2% increase). 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 5%; however, properties on the tax roll last year actually remained flat due to a new depreciation model used this year by the Calhoun County Appraisal District (CCAD). New value added to the tax roll was the sole contributor for property revenue increase.

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. **This financial policy supported the 34% (\$169,000) increase in health care claims over prior year.** The City maintains a minimum of a 90 day working capital position along with a budget designed to cover depreciation expense in each of the City's enterprise funds. This budgeting practice provides the City the ability to set aside reserves to fund capital projects while reducing debt.

### **Major Initiatives**

In the 2011-2012 fiscal year, the City's capital improvement program was focused to improve the City's image by concentrating on improvements in all City Parks and Waterfront facilities.

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

#### **Major Initiatives- (Continued)**

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

- Installed lighting at Wilson Field Sport Complex
- Remodeled dayroom at Nautical Landings Marina
- Purchased new prefabricated restrooms at Lighthouse Beach Park
- Repaired boardwalk at Lighthouse Beach Park
- Added cabanas and umbrellas at Lighthouse Beach Park
- Added sand to the beach at Lighthouse Beach Park
- Constructed a splash pad at Bayfront Park

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

#### **Replace/Maintain Infrastructure**

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

#### **Enhance City Parks**

- Improve Wilson Park and Bay Front Park for enhanced recreational activities
- Add additional RV hookups at Light House Beach
- Continue to extend Lighthouse Beach Pier through grants
- Demolish abandoned pier at Light House Beach Park

#### **Environmental Code Improvement**

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

#### **Financial Information**

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

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

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

**Financial Information- (Continued)**

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

**Independent Audit**

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

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Lavaca for the fiscal year ended September 30, 2011. This was the second consecutive time since 1999. The City hopes to continue to receive this highest form of recognition for excellence in state and local government financial reporting.

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

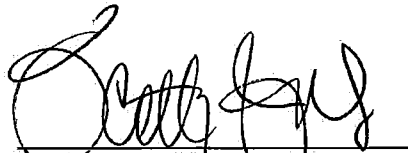
**Acknowledgments**

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

Respectfully,



Bob Turner, City Manager

  
\_\_\_\_\_  
Scotty Jones, Director of Finance

# 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, 2011

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.

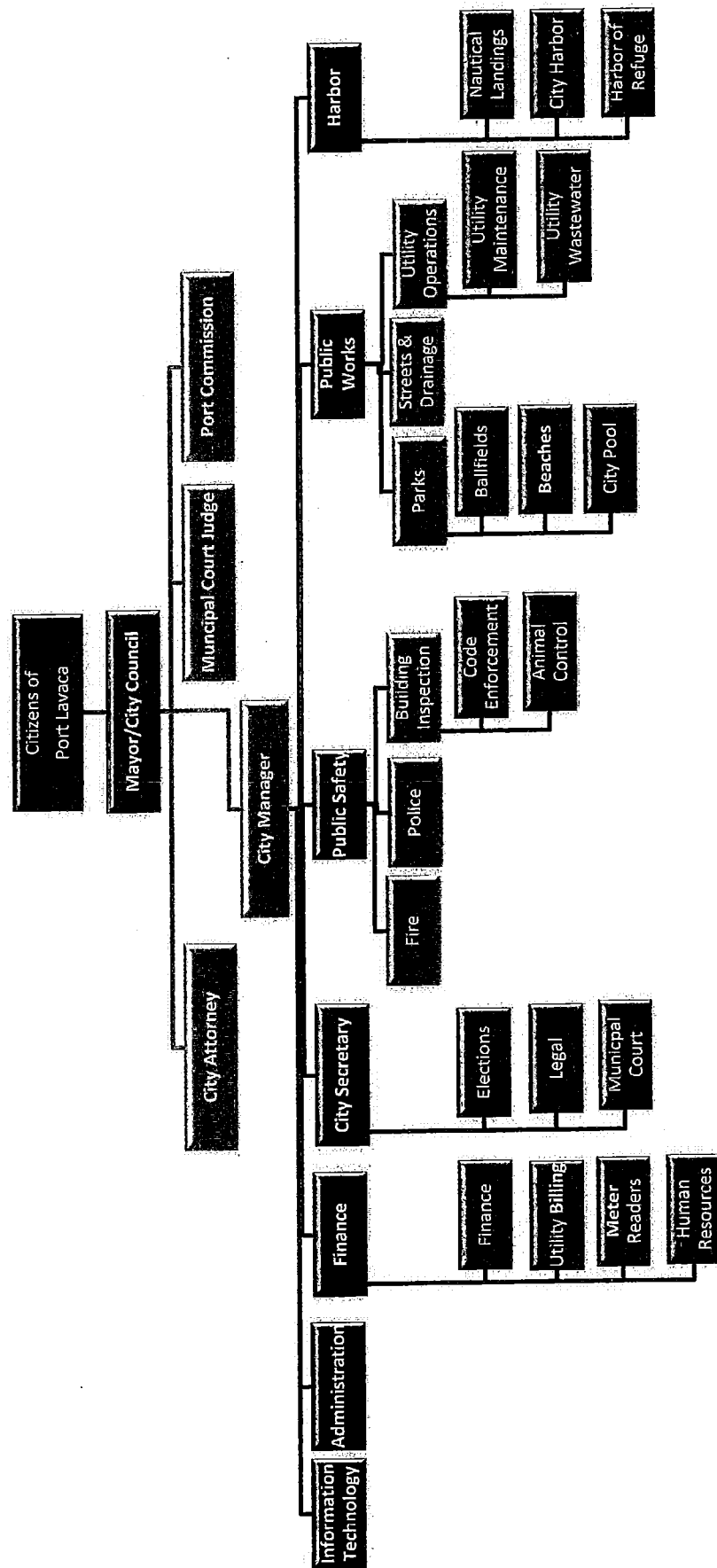


*Christopher P. Moynell*

President

*Jeffrey R. Emen*

Executive Director





**CITY OF PORT LAVACA, TEXAS**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
*September 30, 2012*

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**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  
Scotty Jones  
Mandy Grant  
Cleve Calagna  
James Martinez  
Darren Gurley

**Appointive Position**

City Manager  
Director of Finance  
City Secretary  
Director of Public Safety  
Chief of Police  
Director of Public Works

## **FINANCIAL SECTION**

**HARRISON, WALDROP & UHEREK, L.L.P.**



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

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DENNIS C. CIHAL, CPA  
ERIC L. KUCERA, CPA  
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ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

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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, 2012, 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, 2012, 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 25, 2013, 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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 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 & Whetzel, LLP*

March 25, 2013

**CITY OF PORT LAVACA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the year ended September 30, 2012*

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As management of the City of Port Lavaca, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2012.

**FINANCIAL HIGHLIGHTS**

***Government-wide***

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$46,951,630 (net assets). Of this amount, \$12,993,644 (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 \$2,075,288 over the prior year.

***Governmental Activities***

- Net assets grew from \$24,662,553 in 2011 to \$25,745,831 (an increase of 4.39%) as of September 30, 2012.

***Business-type Activities***

- Net assets grew from \$20,213,789 in 2011 to \$21,205,799 (an increase of 4.91%) as of September 30, 2012.

***Governmental Funds***

- As of September 30, 2012, the City's governmental funds reported an ending fund balance of \$6,149,836, an increase of \$332,602 (5.72%) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,728,695 or 23.92% of total General Fund expenditures.
- The committed portion of the General Fund's fund balance totaled \$3,358,262. 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*

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

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

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

The *statement of net 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.

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

### Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 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 \$46,951,630 as of September 30, 2012.

The largest portion of the City's net assets (70.14%) 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 (27.67%) represents unrestricted financial resources available for future operations. Additionally, a portion of the City's net assets (2.19%) 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 7,153,993	\$ 6,874,998	\$ 8,104,229	\$ 8,144,618	\$ 15,258,222	\$ 15,019,616
Capital assets, net	22,518,126	22,162,555	21,621,386	21,721,164	44,139,512	43,883,719
<b>Total assets</b>	<b>29,672,119</b>	<b>29,037,553</b>	<b>29,725,615</b>	<b>29,865,782</b>	<b>59,397,734</b>	<b>58,903,335</b>
Current and other liabilities	777,320	822,138	1,201,835	1,779,915	1,979,155	2,602,053
Noncurrent liabilities	3,148,968	3,552,862	7,317,981	7,872,078	10,466,949	11,424,940
<b>Total liabilities</b>	<b>3,926,288</b>	<b>4,375,000</b>	<b>8,519,816</b>	<b>9,651,993</b>	<b>12,446,104</b>	<b>14,026,993</b>
<b>Net Assets:</b>						
Invested in capital assets, net of debt	19,174,209	18,380,797	13,756,393	13,321,583	32,930,602	31,702,380
Restricted	1,027,384	1,049,987	-	-	1,027,384	1,049,987
Unrestricted	5,544,238	5,231,769	7,449,406	6,892,206	12,993,644	12,123,975
<b>Total net assets</b>	<b>\$ 25,745,831</b>	<b>\$ 24,662,553</b>	<b>\$ 21,205,799</b>	<b>\$ 20,213,789</b>	<b>\$ 46,951,630</b>	<b>\$ 44,876,342</b>

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

Net assets of the City increased by \$2,075,288. Key elements of this increase are due primarily because of an increase in tax revenues for the governmental activities along with a decrease in expenses for several functional categories for both governmental and business-type activities.

<b>City of Port Lavaca, Texas</b>						
<b>Changes in Net Assets</b>						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 586,394	\$ 612,209	\$ 5,913,131	\$ 6,303,875	\$ 6,499,525	\$ 6,916,084
Operating grants and contributions	322,478	293,947	22,340	175,303	344,818	469,250
Capital grants and contributions	259,835	35,500	117,620	330,595	377,455	366,095
General revenues:						
Property taxes	3,754,272	3,513,386	-	-	3,754,272	3,513,386
Sales taxes	2,364,076	2,313,247	-	-	2,364,076	2,313,247
Franchise taxes	593,255	586,575	-	-	593,255	586,575
Other taxes	345,381	339,366	-	-	345,381	339,366
Unrestricted investment earnings	29,877	38,045	20,024	20,175	49,901	58,220
Miscellaneous	232,217	246,642	68,062	-	300,279	246,642
<b>Total revenues</b>	<b>8,487,785</b>	<b>7,978,917</b>	<b>6,141,177</b>	<b>6,829,948</b>	<b>14,628,962</b>	<b>14,808,865</b>
<b>EXPENSES</b>						
General government	2,150,599	1,952,643	-	-	2,150,599	1,952,643
Public safety	3,088,940	3,112,422	-	-	3,088,940	3,112,422
Public works	1,629,726	1,539,354	-	-	1,629,726	1,539,354
Parks and recreation	637,689	701,325	-	-	637,689	701,325
Interest on long-term debt	132,374	140,373	-	-	132,374	140,373
Public utilities	-	-	4,244,884	4,123,809	4,244,884	4,123,809
Port commission	-	-	444,081	382,570	444,081	382,570
Beach operations	-	-	225,381	309,838	225,381	309,838
<b>Total expenses</b>	<b>7,639,328</b>	<b>7,446,117</b>	<b>4,914,346</b>	<b>4,816,217</b>	<b>12,553,674</b>	<b>12,262,334</b>
<b>Change in net assets before transfers</b>	<b>848,457</b>	<b>532,800</b>	<b>1,226,831</b>	<b>2,013,731</b>	<b>2,075,288</b>	<b>2,546,531</b>
Transfers	234,821	229,315	(234,821)	(229,315)	-	-
<b>Change in net assets</b>	<b>1,083,278</b>	<b>762,115</b>	<b>992,010</b>	<b>1,784,416</b>	<b>2,075,288</b>	<b>2,546,531</b>
<b>Net assets at beginning of year</b>	<b>24,662,553</b>	<b>23,900,438</b>	<b>20,213,789</b>	<b>18,429,373</b>	<b>44,876,342</b>	<b>42,329,811</b>
<b>Net assets at end of year</b>	<b>\$ 25,745,831</b>	<b>\$ 24,662,553</b>	<b>\$ 21,205,799</b>	<b>\$ 20,213,789</b>	<b>\$ 46,951,630</b>	<b>\$ 44,876,342</b>

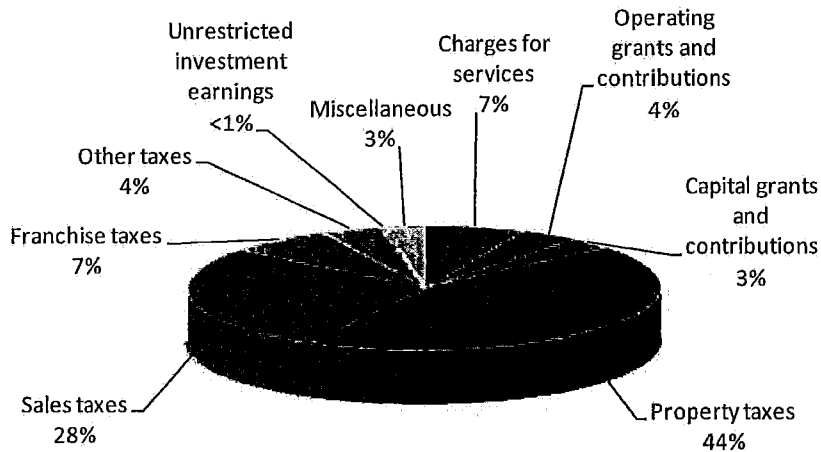


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## **GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

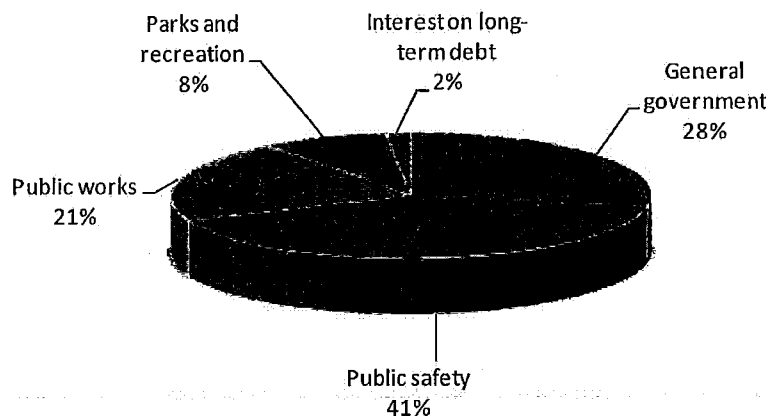
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

### **Governmental Revenues**



For the fiscal year ended September 30, 2012, revenues from governmental activities totaled \$8.5 million. Property tax revenues increased \$240,886 or 6.86% from fiscal year 2011 due to the increase in property valuations for the 2011 tax year.

### **Governmental Functional Expenses**



For the fiscal year ended September 30, 2012, expenses for governmental activities totaled \$7.6 million. This is an increase of \$193,211 or 2.59% from fiscal year 2011. Expenses related to the functional category, general government, increased \$197,956. This is due to the payment of the litigation settlement during fiscal year 2011 that had been accrued as a payable at September 30, 2010.

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

Business-type activities increased the City's net assets by \$992,010. The key elements of this increase relate to the Public Utility Fund. The Public Utility Fund had an operating income for fiscal year 2012 of \$1,292,312.

## **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, 2012, the City's governmental funds, which consist of the General Fund, two debt service funds, one capital projects fund, and twelve special revenue funds, reported an ending fund balance of \$6,149,836, which is an increase of \$332,602 from last year's total of \$5,817,234.

The General Fund is the chief operating fund of the City. Its fund balance increased by \$351,837 during the fiscal year due mainly to revenue exceeding budget expectations and expenditures coming in less than expected. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 23.92% of total General Fund expenditures as compared to 32.17% in the prior year. The main reason for the decrease in percentage is due to the increase in Council's commitment of fund balance at September 30, 2012 of \$164,997, or 5.17%.

### **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 \$5,719,450. The increase in total net assets for the year was \$869,188. Net assets of the Beach Operating Fund also increased during the 2012 fiscal year by \$136,979. The net assets of the Port Commission Fund for fiscal year 2012 decreased by \$14,157.

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 \$323,581 greater than budgeted expectations, with tax revenues making up \$312,696 or 97% of the positive variance. Property tax revenues make up 57% of the variance while sales tax contributes to the remaining portion. Sales tax revenues increased 2% over prior year.

Total actual expenditures were less than budgeted expenditures by \$269,256. 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.

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**GENERAL FUND BUDGETARY HIGHLIGHTS - (Continued)**

Differences between the General Fund's original budget and final amended budget were a net increase of \$238,860 to expenditures. Included in the increase to budgeted expenditures was an increase of \$215,000 to cover the cost of health claims expenditures. The additional revenue stream from taxes supported this unusually high claim year. There was also an increase of \$33,000 in transfers to other funds. These monies were transferred during the fiscal year to the Street Construction Fund, a nonmajor capital project fund, to support a future capital project.

**CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets

The City's investment in capital assets as of September 30, 2012, amounts to \$44,139,512 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, and infrastructure.

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City of Port Lavaca, Texas						
Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Non-Depreciable Assets</b>						
Land	\$ 1,013,552	\$ 1,013,552	\$ 1,501,012	\$ 1,501,012	\$ 2,514,564	\$ 2,514,564
Construction in progress	311,935	120,726	56,987	866,348	368,922	987,074
<b>Other Capital Assets</b>						
Machinery and equipment	3,000,319	2,887,568	750,789	729,157	3,751,108	3,616,725
Buildings and structures	5,720,557	5,047,395	4,413,599	4,413,599	10,134,156	9,460,994
Infrastructure	29,617,434	29,427,050	37,542,041	36,079,468	67,159,475	65,506,518
Accumulated depreciation on other capital assets	(17,145,671)	(16,333,736)	(22,643,042)	(21,868,420)	(39,788,713)	(38,202,156)
<b>Total</b>	<b>\$22,518,126</b>	<b>\$ 22,162,555</b>	<b>\$ 21,621,386</b>	<b>\$ 21,721,164</b>	<b>\$44,139,512</b>	<b>\$ 43,883,719</b>

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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.

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

At the end of the current fiscal year, the City had total bonds, certificates of obligation, and capital lease obligations outstanding of \$11.4 million. The following table details the nature of this debt and other debt obligations of the City.

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<b>City of Port Lavaca, Texas</b>						
<b>Long-term Debt</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Revenue bonds	\$ -	\$ -	\$ 4,425,000	\$ 4,760,000	\$ 4,425,000	\$ 4,760,000
Certificates of obligation	3,095,000	3,310,000	3,500,000	3,655,000	6,595,000	6,965,000
Capital leases	248,917	471,758	100,780	148,282	349,697	620,040
Compensated absences	98,038	97,564	15,450	16,927	113,488	114,491
Safety pay	23,196	24,401	6,366	5,600	29,562	30,001
<b>Total</b>	<b>\$ 3,465,151</b>	<b>\$ 3,903,723</b>	<b>\$ 8,047,596</b>	<b>\$ 8,585,809</b>	<b>\$ 11,512,747</b>	<b>\$ 12,489,532</b>

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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 \$2,313,247 in 2011 to \$2,364,076 (2%); however sales tax revenues continue to be volatile based on the inconsistency of trends over the prior year. Budgeting sales tax revenues will remain very conservative until further signs of economic recovery are indicated. Property values increased by 5% over the prior year mainly due to new property being added to the tax roll.

The City approved a Five-Year Capital Plan focusing on streets and parks with a "pay as you go" philosophy. The City recently completed a \$500,000 lighting project at Wilson Field Sports Complex and constructed a splash pad at Bayfront Peninsula Park. The City plans to focus on the Bayfront Peninsula Park and Wilson Field Sports Complex. Currently, the City is working on a \$100,000 soccer field at Wilson Field Sports Complex and will soon be constructing downtown sidewalks. 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 residence.

***Public Utility Fund***

The City has not adjusted water and sewer rates since October 2008. The increase in 2008 was to ensure debt service coverage for utility infrastructure repairs and replacements. The City has recently contracted to have a water and wastewater rate study performed to help plan for future infrastructure needs. The consultant will provide the City various rate structure solutions. Weather continues to be a factor for the Public Utility Fund. Forecasts of dry conditions will increase the demand for water this year, but is too early to project year end. Current water and sewer sales are on budget target.

Future plans include continuation of infrastructure replacement. The City has replaced many antiquated water lines by means of grants and Texas Water Development Board loans. Plans are to replace water lines and valves to increase water pressure, provide cleaner water, decrease water loss percentage, and reduce outages due to very old infrastructure.

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

### ***Public Utility Fund - (Continued)***

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 a \$500,000 sewer rehabilitation project in Mariemont Subdivision. This completes a total water and sewer rehabilitation for this subdivision.

### ***Beach Fund***

The City has added an additional 100' to its fishing pier expansion project through federal and local match funding through the General Land Office. This grant cycle brought the pier length to approximately 900'. The City was awarded one more grant to install a 50' T-Head at the end of this pier. The City has also purchased a new prefabricated restroom; added sand, umbrellas, and cabanas to the Lighthouse Beach Park and plans to add more trailer spaces at the City owned RV Park.

### ***Port Commission***

Helena Chemicals has increased the size of its operation at the Harbor of Refuge and is currently using rail transportation at this location. The City issued bonds in 2008 to construct 900 ft of public dock bulkhead. Equalizer Inc. expanded 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 remodeled the dayroom and installed a sewer pump out station at Nautical Landings Marina. 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 conference 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, 2012

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 4,410,593	\$ 5,440,974	\$ 9,851,567
Investments	1,789,447	1,248,832	3,038,279
Receivables (net)	730,900	710,147	1,441,047
Due from other governments	406,614	69,887	476,501
Internal balances	(274,674)	274,674	-
Deferred expenses	49,954	17,077	67,031
Inventory	-	38,020	38,020
Total current assets	<u>7,112,834</u>	<u>7,799,611</u>	<u>14,912,445</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	1,325,487	1,557,999	2,883,486
Assets being depreciated (net)	21,192,639	20,063,387	41,256,026
Bond issue costs (net)	41,159	304,618	345,777
Total noncurrent assets	<u>22,559,285</u>	<u>21,926,004</u>	<u>44,485,289</u>
<b>Total assets</b>	<u>29,672,119</u>	<u>29,725,615</u>	<u>59,397,734</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	254,629	359,487	614,116
Payroll related liabilities	63,021	14,817	77,838
Accrued interest payable	19,973	35,966	55,939
Other payables	31,321	5,312	36,633
Due to other governments	18,543	4,100	22,643
Accrued compensated absences	35,629	8,060	43,689
Accrued safety pay	23,196	6,366	29,562
Unearned revenue	60,000	17,753	77,753
Customer deposits	13,650	195,572	209,222
Current portion of noncurrent liabilities			
Capital leases	37,358	49,402	86,760
Bonds and certificates	220,000	505,000	725,000
Total current liabilities	<u>777,320</u>	<u>1,201,835</u>	<u>1,979,155</u>
Noncurrent liabilities			
Accrued compensated absences	62,409	7,390	69,799
Capital leases	211,559	51,378	262,937
Bonds and certificates (net of unamortized deferred amounts)	<u>2,875,000</u>	<u>7,259,213</u>	<u>10,134,213</u>
Total noncurrent liabilities	<u>3,148,968</u>	<u>7,317,981</u>	<u>10,466,949</u>
<b>Total liabilities</b>	<u>3,926,288</u>	<u>8,519,816</u>	<u>12,446,104</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	19,174,209	13,756,393	32,930,602
Restricted for:			
Debt service	197,850	-	197,850
Capital and maintenance projects	189,110	-	189,110
Economic development, tourism and conventions	507,373	-	507,373
Public safety	114,723	-	114,723
Municipal court	18,328	-	18,328
Unrestricted	<u>5,544,238</u>	<u>7,449,406</u>	<u>12,993,644</u>
<b>Total net assets</b>	<u>\$ 25,745,831</u>	<u>\$ 21,205,799</u>	<u>\$ 46,951,630</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, 2012*

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 2,150,599	\$ 315,869	\$ 7,000	\$ -
Public safety	3,088,940	222,180	315,478	-
Public works	1,629,726	-	-	259,835
Parks and recreation	637,689	48,345	-	-
Interest on long-term debt	132,374	-	-	-
Total governmental activities	<u>7,639,328</u>	<u>586,394</u>	<u>322,478</u>	<u>259,835</u>
Business-type activities				
Public utilities	4,244,884	5,236,305	-	1,300
Port commission	444,081	420,310	7,000	10,000
Beach operations	225,381	256,516	15,340	106,320
Total business-type activities	<u>4,914,346</u>	<u>5,913,131</u>	<u>22,340</u>	<u>117,620</u>
Total government	<u>\$ 12,553,674</u>	<u>\$ 6,499,525</u>	<u>\$ 344,818</u>	<u>\$ 377,455</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
\$ (1,827,730)	\$ -	\$ (1,827,730)
(2,551,282)	-	(2,551,282)
(1,369,891)	-	(1,369,891)
(589,344)	-	(589,344)
(132,374)	-	(132,374)
<u>(6,470,621)</u>	<u>-</u>	<u>(6,470,621)</u>
-	992,721	992,721
-	(6,771)	(6,771)
-	152,795	152,795
<u>-</u>	<u>1,138,745</u>	<u>1,138,745</u>
<u>(6,470,621)</u>	<u>1,138,745</u>	<u>(5,331,876)</u>
3,404,465	-	3,404,465
349,807	-	349,807
2,364,076	-	2,364,076
593,255	-	593,255
345,381	-	345,381
29,877	20,024	49,901
232,217	68,062	300,279
234,821	(234,821)	-
<u>7,553,899</u>	<u>(146,735)</u>	<u>7,407,164</u>
1,083,278	992,010	2,075,288
<u>24,662,553</u>	<u>20,213,789</u>	<u>44,876,342</u>
<u>\$ 25,745,831</u>	<u>\$ 21,205,799</u>	<u>\$ 46,951,630</u>

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

September 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 3,308,104	\$ 1,102,489	\$ 4,410,593
Investments	1,789,447	-	1,789,447
Receivables (net)	620,343	110,557	730,900
Due from other governments	405,978	636	406,614
Deferred expenditures	49,954	-	49,954
<b>Total assets</b>	<u>\$ 6,173,826</u>	<u>\$ 1,213,682</u>	<u>\$ 7,387,508</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 244,223	\$ 10,406	\$ 254,629
Payroll related payables	62,635	386	63,021
Other payables	31,321	-	31,321
Due to other governments	18,543	-	18,543
Due to other funds	115,438	159,236	274,674
Customer and other deposits	13,650	-	13,650
Deferred revenue	551,105	30,729	581,834
<b>Total liabilities</b>	<u>1,036,915</u>	<u>200,757</u>	<u>1,237,672</u>
Fund balances			
Nonspendable	49,954	-	49,954
Restricted	-	1,012,925	1,012,925
Committed	3,358,262	-	3,358,262
Unassigned	1,728,695	-	1,728,695
<b>Total fund balances</b>	<u>5,136,911</u>	<u>1,012,925</u>	<u>6,149,836</u>
<b>Total liabilities and fund balances</b>	<u>\$ 6,173,826</u>	<u>\$ 1,213,682</u>	<u>\$ 7,387,508</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, 2012

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<b>Total governmental fund balances</b>		<b>\$ 6,149,836</b>
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*Amounts reported for governmental activities in the statement of net assets are different because:*

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

463,484

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.

58,350

Issuance cost related to debt is not a financial resource and, therefore, is not reported in the funds. Issuance cost is amortized over the life of the debt.

41,159

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

Governmental capital assets costs

\$ 39,663,797

Accumulated depreciation of governmental capital assets

(17,145,671)

22,518,126

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

(3,095,000)

Capital leases payable

(248,917)

Accrued interest payable

(19,973)

Compensated absences

(98,038)

Safety pay

(23,196)(3,485,124)**Net assets of governmental activities****\$ 25,745,831**

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, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes			
Ad valorem	\$ 3,439,708	\$ 355,005	\$ 3,794,713
Sales	2,364,076	-	2,364,076
Other	606,912	331,724	938,636
Fines, fees, and forfeitures	346,956	219,369	566,325
Intergovernmental	246,000	76,478	322,478
Licenses and permits	109,347	-	109,347
Investment	28,517	1,360	29,877
Rental	46,432	-	46,432
Charges for services	5,170	-	5,170
Miscellaneous	69,546	14,605	84,151
<b>Total revenues</b>	<u>7,262,664</u>	<u>998,541</u>	<u>8,261,205</u>
<b>EXPENDITURES</b>			
Current			
General government	1,954,420	178,554	2,132,974
Public safety	2,916,973	304,207	3,221,180
Public works	1,176,781	-	1,176,781
Parks and recreation	504,457	-	504,457
Capital outlay	673,162	114,759	787,921
Debt service			
Principal retirement	-	215,000	215,000
Interest and fiscal charges	-	134,067	134,067
<b>Total expenditures</b>	<u>7,225,793</u>	<u>946,587</u>	<u>8,172,380</u>
Excess (deficiency) of revenues over expenditures	36,871	51,954	88,825
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	459,821	153,811	613,632
Transfers out	(153,811)	(225,000)	(378,811)
Sale of capital assets	8,956	-	8,956
<b>Total other financing sources (uses)</b>	<u>314,966</u>	<u>(71,189)</u>	<u>243,777</u>
Net change in fund balances	351,837	(19,235)	332,602
Fund balances at beginning of year	<u>4,785,074</u>	<u>1,032,160</u>	<u>5,817,234</u>
<b>Fund balances at end of year</b>	<u>\$ 5,136,911</u>	<u>\$ 1,012,925</u>	<u>\$ 6,149,836</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, 2012*

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<b>Total net change in fund balances - governmental funds</b>	<b>\$</b>	<b>332,602</b>
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*Amounts reported for governmental activities in the statement of activities are different because:*

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

Increase in capital assets	\$	953,482	
Depreciation expense		<u>(860,694)</u>	92,788

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

			262,783
--	--	--	---------

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	215,000	
Capital lease principal retirement	<u>222,841</u>	437,841

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	(40,441)	
Other revenues	<u>(4,719)</u>	(45,160)

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

Increase in compensated absences	(474)	
Decrease in safety pay	1,205	
Decrease in accrued interest	4,401	
Decrease in bond issue costs	<u>(2,708)</u>	<u>2,424</u>

<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>1,083,278</u></b>
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The accompanying notes are an integral part of this statement.

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

September 30, 2012

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 4,291,795	\$ 648,261	\$ 500,918	\$ 5,440,974
Investments	522,650	519,579	206,603	1,248,832
Receivables (net)	704,139	5,426	582	710,147
Due from other governments	-	69,887	-	69,887
Due from other funds	412,295	-	-	412,295
Prepaid expenses	14,176	789	2,112	17,077
Inventory	38,020	-	-	38,020
Total current assets	5,983,075	1,243,942	710,215	7,937,232
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	123,566	1,160,620	273,813	1,557,999
Assets being depreciated (net)	14,366,200	4,098,644	1,598,543	20,063,387
Bond issue costs (net)	271,515	33,103	-	304,618
Net noncurrent assets	14,761,281	5,292,367	1,872,356	21,926,004
<b>Total assets</b>	<b>20,744,356</b>	<b>6,536,309</b>	<b>2,582,571</b>	<b>29,863,236</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	258,870	94,510	6,107	359,487
Payroll related liabilities	13,412	622	783	14,817
Accrued interest payable	28,541	7,425	-	35,966
Other payables	5,312	-	-	5,312
Due to other governments	4,100	-	-	4,100
Due to other funds	-	137,621	-	137,621
Accrued compensated absences	8,060	-	-	8,060
Accrued safety pay	6,366	-	-	6,366
Deferred revenue	7,538	10,215	-	17,753
Customer deposits	195,551	-	21	195,572
Current portion of noncurrent liabilities				
Capital leases	49,402	-	-	49,402
Bonds and certificates	435,000	70,000	-	505,000
Total current liabilities	1,012,152	320,393	6,911	1,339,456
Long-term liabilities, net of current portion				
Accrued compensated absences	7,390	-	-	7,390
Capital leases	51,378	-	-	51,378
Bonds and certificates (net of unamortized deferred amounts)	5,834,213	1,425,000	-	7,259,213
Total long-term liabilities	5,892,981	1,425,000	-	7,317,981
<b>Total liabilities</b>	<b>6,905,133</b>	<b>1,745,393</b>	<b>6,911</b>	<b>8,657,437</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,119,773	3,764,264	1,872,356	13,756,393
Unrestricted net assets	5,719,450	1,026,652	703,304	7,449,406
<b>Total net assets</b>	<b>\$ 13,839,223</b>	<b>\$ 4,790,916</b>	<b>\$ 2,575,660</b>	<b>\$ 21,205,799</b>

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, 2012

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
<b>OPERATING REVENUES</b>				
Charges for services				
Water sales	\$ 2,410,215	\$ -	\$ -	\$ 2,410,215
Sewer services	1,906,355	-	-	1,906,355
Waste collection	733,290	-	-	733,290
Tap and service fees	88,935	-	-	88,935
Gate fees	-	-	48,011	48,011
Leases and rentals	-	420,036	208,505	628,541
Penalties	97,510	274	-	97,784
Miscellaneous	63,139	1,812	3,111	68,062
Total operating revenues	<u>5,299,444</u>	<u>422,122</u>	<u>259,627</u>	<u>5,981,193</u>
<b>OPERATING EXPENSES</b>				
Personnel services	747,159	34,864	13,051	795,074
Materials and supplies	76,986	4,874	2,263	84,123
Services	1,101,864	93,024	75,050	1,269,938
Water purchases	1,164,479	-	-	1,164,479
Maintenance and repairs	341,253	66,671	33,232	441,156
Depreciation and amortization	548,628	184,940	99,577	833,145
Miscellaneous	26,763	-	2,208	28,971
Total operating expenses	<u>4,007,132</u>	<u>384,373</u>	<u>225,381</u>	<u>4,616,886</u>
<b>Operating income (loss)</b>	1,292,312	37,749	34,246	1,364,307
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Noncapital grants and contributions	-	7,000	15,340	22,340
Investment income	13,328	4,802	1,894	20,024
Interest expense	(237,752)	(59,708)	-	(297,460)
Net nonoperating revenues	<u>(224,424)</u>	<u>(47,906)</u>	<u>17,234</u>	<u>(255,096)</u>
Income before capital contributions and transfers	1,067,888	(10,157)	51,480	1,109,211
Capital grants and contributions	1,300	10,000	106,320	117,620
Transfers out	<u>(200,000)</u>	<u>(14,000)</u>	<u>(20,821)</u>	<u>(234,821)</u>
Change in net assets	869,188	(14,157)	136,979	992,010
Net assets at beginning of year	<u>12,970,035</u>	<u>4,805,073</u>	<u>2,438,681</u>	<u>20,213,789</u>
<b>Net assets at end of year</b>	<u>\$ 13,839,223</u>	<u>\$ 4,790,916</u>	<u>\$ 2,575,660</u>	<u>\$ 21,205,799</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, 2012

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 5,430,339	\$ 424,073	\$ 259,155	\$ 6,113,567
Cash payments to suppliers for goods and services	(2,819,315)	(554,484)	(205,812)	(3,579,611)
Cash payments to employees for services	(746,406)	(34,708)	(12,268)	(793,382)
<b>Net cash provided (used) by operating activities</b>	<u>1,864,618</u>	<u>(165,119)</u>	<u>41,075</u>	<u>1,740,574</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Receipts from noncapital grants and contributions	-	7,000	106,340	113,340
Borrowings from (to) other funds	280,093	187,677	(26,291)	441,479
Transfers to other funds	(200,000)	(14,000)	(20,821)	(234,821)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>80,093</u>	<u>180,677</u>	<u>59,228</u>	<u>319,998</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Acquisition of capital assets	(625,422)	(79,731)	-	(705,153)
Receipts from capital grants and contributions	104,026	181,659	106,320	392,005
Principal paid on capital debt	(472,502)	(65,000)	-	(537,502)
Interest paid on capital debt	(239,349)	(60,031)	-	(299,380)
<b>Net cash provided (used) by capital financing activities</b>	<u>(1,233,247)</u>	<u>(23,103)</u>	<u>106,320</u>	<u>(1,150,030)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income	9,337	1,364	740	11,441
<b>Net cash provided (used) by investing activities</b>	<u>9,337</u>	<u>1,364</u>	<u>740</u>	<u>11,441</u>
Net increase (decrease) in cash and cash equivalents	720,801	(6,181)	207,363	921,983
Cash and cash equivalents at beginning of year	3,570,994	654,442	293,555	4,518,991
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,291,795</u>	<u>\$ 648,261</u>	<u>\$ 500,918</u>	<u>\$ 5,440,974</u>

(continued)



**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*For the year ended September 30, 2012*

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 1,292,312	\$ 37,749	\$ 34,246	\$ 1,364,307
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	548,628	184,940	99,577	833,145
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	131,372	5,011	(493)	135,890
(Increase) decrease in prepaid expense	(451)	5,154	(106)	4,597
(Increase) decrease in inventory	(1,696)	-	-	(1,696)
Increase (decrease) in accounts and other payables	(105,791)	(395,069)	(92,953)	(593,813)
Increase (decrease) in payroll related liabilities	1,464	156	783	2,403
Increase (decrease) in due to other governments	(32)	-	-	(32)
Increase (decrease) in compensated absences	(1,477)	-	-	(1,477)
Increase (decrease) in safety pay	766	-	-	766
Increase (decrease) in deferred revenue	703	(3,060)	-	(2,357)
Increase (decrease) in customer deposits	(1,180)	-	21	(1,159)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,864,618</b>	<b>\$ (165,119)</b>	<b>\$ 41,075</b>	<b>\$ 1,740,574</b>

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**September 30, 2012**

	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 19,986
<b>Total assets</b>	-	<u>\$ 19,986</u>
<b>LIABILITIES</b>		
Due to others	-	\$ 19,986
<b>Total liabilities</b>	-	<u>\$ 19,986</u>
<b>NET ASSETS</b>		
Restricted for payment of pension benefits	-	
<b>Total net assets</b>	<u>\$ -</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, 2012*

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	Fireman's Relief and Retirement Fund
<b>ADDITIONS</b>	
Employer contributions	\$ 3,183
<b>DEDUCTIONS</b>	
Benefits	<u>3,200</u>
Change in net assets	(17)
Net assets at beginning of year	<u>17</u>
<b>Net assets at end of year</b>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
*September 30, 2012*

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units. No legally separate organizations met the necessary criteria for inclusion as component units for the year ended September 30, 2012.

**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.

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

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

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

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

The City reports the following major governmental 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.

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

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

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

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

**D. Budgets and Budgetary Accounting**

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

**E. Deposits and Investments**

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

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

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

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**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, 2012.

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

**G. Inventories and Prepaid Items**

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

**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



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**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 2012. This Statement did not have an impact on the City's functions, financial position or results of operations.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

It is the desire of the Council to maintain adequate General Fund fund balance to provide sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Council has adopted a financial standard to maintain a General Fund fund balance of no less than 120 days of operating expenditures. Refer to Note 12 which addresses the policy set by the Council for the enterprise funds.

**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.

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

There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2011-2012.

<u>Fund Name- Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Transfers out	\$ 135,000	\$ 153,811	\$ 18,811
2003 C.O. Fund	264,300	264,342	42

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

**NOTE 3: DEPOSITS AND INVESTMENTS**

As of September 30, 2012, 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	\$ 7,748,341	48
TexSTAR Pool	1,375,524	44
Certificates of Deposits	2,826,127	148
U.S. Government Securities	327,996	86
	<u>\$ 12,277,988</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.

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**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, 2012, 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	\$ 564,303	\$ -	\$ -	\$ -	\$ 32,346	\$ 596,649
Franchise taxes	85,600	-	-	-	-	85,600
Municipal court fines	79,818	-	-	-	-	79,818
Charges for services	67,381	686,098	3,872	-	-	757,351
Occupancy taxes	-	-	-	-	79,828	79,828
Miscellaneous	43,639	28,354	1,554	582	-	74,129
Gross receivables	840,741	714,452	5,426	582	112,174	1,673,375
Less: Allowance for uncollectibles	(220,398)	(10,313)	-	-	(1,617)	(232,328)
Net total receivables	<u>\$ 620,343</u>	<u>\$ 704,139</u>	<u>\$ 5,426</u>	<u>\$ 582</u>	<u>\$ 110,557</u>	<u>\$ 1,441,047</u>

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**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, 2012, 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	\$ 432,755	\$ -	\$ 432,755
Charges for services	16,845	60,000	76,845
Municipal court fines	41,505	-	41,505
Nonmajor Funds			
Ad valorem taxes	30,729	-	30,729
	<u>\$ 521,834</u>	<u>\$ 60,000</u>	<u>\$ 581,834</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, 2012:

	<u>General Fund</u>	<u>Port Commission</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Sales taxes	\$ 395,174	\$ -	\$ -	\$ 395,174
Reimbursement for services	7,305	-	-	7,305
Mixed beverage taxes	3,499	-	-	3,499
Grant reimbursements	-	69,887	636	70,523
	<u>\$ 405,978</u>	<u>\$ 69,887</u>	<u>\$ 636</u>	<u>\$ 476,501</u>

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**NOTE 6: CAPITAL ASSETS**

The capital asset activity of the City was as follows for the year ended September 30, 2012:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,013,552	\$ -	\$ -	\$ 1,013,552
Construction in progress	120,726	259,835	(68,626)	311,935
Total capital assets not being depreciated	1,134,278	259,835	(68,626)	1,325,487
Capital assets, being depreciated:				
Machinery and equipment	2,887,568	167,662	(54,911)	3,000,319
Buildings and structures	5,047,395	673,162	-	5,720,557
Infrastructure	29,427,050	190,384	-	29,617,434
Total capital assets being depreciated	37,362,013	1,031,208	(54,911)	38,338,310
Less accumulated depreciation for:				
Machinery and equipment	(1,438,790)	(273,122)	48,759	(1,663,153)
Buildings and structures	(2,653,467)	(145,046)	-	(2,798,513)
Infrastructure	(12,241,479)	(442,526)	-	(12,684,005)
Total accumulated depreciation	(16,333,736)	(860,694)	48,759	(17,145,671)
Total capital assets being depreciated, net	21,028,277	170,514	(6,152)	21,192,639
Governmental activities capital assets, net	\$ 22,162,555	\$ 430,349	\$ (74,778)	\$ 22,518,126
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,501,012	\$ -	\$ -	\$ 1,501,012
Construction in progress	866,348	56,987	(866,348)	56,987
Total capital assets not being depreciated	2,367,360	56,987	(866,348)	1,557,999
Capital assets, being depreciated:				
Machinery and equipment	729,157	51,942	(30,310)	750,789
Buildings and structures	4,413,599	-	-	4,413,599
Infrastructure	36,079,468	1,462,573	-	37,542,041
Total capital assets being depreciated	41,222,224	1,514,515	(30,310)	42,706,429
Less accumulated depreciation for:				
Machinery and equipment	(378,602)	(69,933)	30,310	(418,225)
Buildings and structures	(2,525,789)	(126,985)	-	(2,652,774)
Infrastructure	(18,964,029)	(608,014)	-	(19,572,043)
Total accumulated depreciation	(21,868,420)	(804,932)	30,310	(22,643,042)
Total capital assets being depreciated, net	19,353,804	709,583	-	20,063,387
Business-type activities capital assets, net	\$ 21,721,164	\$ 766,570	\$ (866,348)	\$ 21,621,386

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

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

**Governmental activities:**

General government	\$ 26,880
Public safety	205,009
Public works	485,071
Parks and recreation	<u>143,734</u>
Total depreciation expense - governmental activities	<u>\$ 860,694</u>

**Business-type activities:**

Public Utility	\$ 521,855
Port Commission	183,500
Beach Operating	<u>99,577</u>
Total depreciation expense - business-type activities	<u>\$ 804,932</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, 2012, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Utility	General	\$ 115,438
	Nonmajor Special Revenue	159,236
	Port Commission	<u>137,621</u>
		<u>\$ 412,295</u>

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**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 and the Hotel Occupancy Tax Fund, a nonmajor special revenue fund, to the General Fund. These transfers totaled \$133,000 and \$225,000, respectively, in fiscal year 2012 and were made to cover the continued costs of the City. During the current fiscal year, transfers between funds consisted of the following:

	Transfers In		
	General	Nonmajor	Total
Transfers out:			
General	\$ -	\$ 153,811	\$ 153,811
Public Utility	200,000	-	200,000
Port Commission	14,000	-	14,000
Beach Operating	20,821	-	20,821
Nonmajor	225,000	-	225,000
	<u>\$ 459,821</u>	<u>\$ 153,811</u>	<u>\$ 613,632</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:

	Governmental Activities	Business-type Activities
Machinery and equipment		
Vehicles	\$ -	\$ 232,332
Other equipment	309,776	100,589
	309,776	332,921
Less: Accumulated depreciation	(41,304)	(149,032)
	<u>\$ 268,472</u>	<u>\$ 183,889</u>

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**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, 2012, were as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
2013	\$ 47,763	\$ 53,433
2014	47,763	53,433
2015	47,763	-
2016	47,762	-
2017	47,762	-
2018	47,762	-
Total minimum lease payments	286,575	106,866
Less: Amount representing interest	(37,658)	(6,086)
Present value of minimum lease payments	<u>\$ 248,917</u>	<u>\$ 100,780</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:

<u>Year Ending</u> <u>September 30</u>	
2013	\$ 292,200
2014	48,700
	<u>\$ 340,900</u>

Rental expenditures in 2012 were \$185,148. 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, 2012:

<u>Year Ending</u> <u>September 30</u>	
2013	\$ 283,241
2014	240,622
2015	184,393
2016	179,843
2017	140,738
	1,028,837
Thereafter	98,415
	<u>\$ 1,127,252</u>



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

Long-term liability activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Certificates payable	\$ 3,310,000	\$ -	\$ 215,000	\$ 3,095,000	\$ 220,000
Capital leases	471,758	-	222,841	248,917	37,358
Compensated absences	97,564	121,698	121,224	98,038	35,629
Safety pay	24,401	23,196	24,401	23,196	23,196
Total governmental activity					
long-term liabilities	<u>\$ 3,903,723</u>	<u>\$ 144,894</u>	<u>\$ 583,466</u>	<u>\$ 3,465,151</u>	<u>\$ 316,183</u>
<b>Business-type activities</b>					
Bonds and certificates payable:					
Revenue bonds	\$ 4,760,000	\$ -	\$ 335,000	\$ 4,425,000	\$ 345,000
Certificates	3,655,000	-	155,000	3,500,000	160,000
Less deferred amounts:					
Loss on refunding	(132,862)	-	(2,365)	(130,497)	-
Issuance discounts	(30,839)	-	(549)	(30,290)	-
Net bonds and certificates	8,251,299	-	487,086	7,764,213	505,000
Capital leases	148,282	-	47,502	100,780	49,402
Compensated absences	16,927	21,578	23,055	15,450	8,060
Safety pay	5,600	6,366	5,600	6,366	6,366
Total business-type activity					
long-term liabilities	<u>\$ 8,422,108</u>	<u>\$ 27,944</u>	<u>\$ 563,243</u>	<u>\$ 7,886,809</u>	<u>\$ 568,828</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, 2012, were comprised of the following individual issues:

\$3,575,000 2003 Certificates of Obligation due in annual installments ranging from \$170,000 to \$260,000 through February 15, 2023; interest rates varying between 4.14% and 4.44%.	\$ 2,335,000
\$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%.	760,000
Total Certificates of Obligations	<u>\$ 3,095,000</u>

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**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
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	260,000	88,045	348,045
2018-2022	1,480,000	260,360	1,740,360
2023-2024	415,000	12,873	427,873
	<u>\$ 3,095,000</u>	<u>\$ 810,018</u>	<u>\$ 3,905,018</u>

**C. Revenue Bonds and Certificates**

Revenue bonds and certificates payable were comprised of the following individual issues at September 30, 2012:

\$2,265,000 Series 2011 General Obligation Refunding Bonds due in annual installments ranging from \$300,000 to \$350,000 through February 15, 2018; interest rates varying of 2.83%.	\$ 1,960,000
\$1,535,000 Series 2004 Certificates of Obligation, issued through the Texas Water Development Board, due in annual installments ranging from \$70,000 to \$125,000 through February 15, 2024; interest rates varying between 2.00% and 3.55%.	1,160,000
\$2,680,000 Series 2007 General Obligation Refunding Bonds due in annual installments ranging from \$45,000 to \$555,000 through February 15, 2022; interest rates varying between 4.00% and 4.50%.	2,465,000
\$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%.	845,000
\$1,700,000 Series 2008 Combination Tax and Surplus Harbor System Revenue Certificates of Obligation due in annual installments ranging from \$70,000 to \$125,000 through February 15, 2028; interest rate of 3.93%.	<u>1,495,000</u>
Total Revenue Bonds and Certificates	<u>\$ 7,925,000</u>

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**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
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	735,000	204,538	939,538
2018-2022	4,130,000	590,340	4,720,340
2023-2027	795,000	89,323	884,323
2028	125,000	2,456	127,456
	<u>\$ 7,925,000</u>	<u>\$ 1,893,722</u>	<u>\$ 9,818,722</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, 2012.

As of September 30, 2012, the \$7,925,000 balance on the revenue bonds and certificates is detailed as follows according to the purpose of their issuance: \$4,438,000 or 56% water system improvements, \$1,981,250 or 25% wastewater system improvements, and \$1,505,750 or 19% harbor system improvements.

**NOTE 11: PRIOR YEAR DEFEASANCE OF DEBT**

- In prior years, the City defeased certain revenue and refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2012, \$4,280,000 of bonds outstanding was considered defeased.

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**NOTE 12: PROPRIETARY FUND NET ASSETS**

Management has designated for operating reserves \$1,111,221 of the Public Utility Fund's \$5,719,450 unrestricted net assets. Management has also designated \$114,520 of the Port Commission Fund's \$1,026,652 unrestricted net assets for operating reserves and \$61,551 of the Beach Operating Fund's \$703,304 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 \$4,608,229, \$912,132, and \$641,753, respectively, of unrestricted, undesignated net assets as of September 30, 2012.

**NOTE 13: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2012, 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 \$195,758.

Paid health-related claims totaled \$840,430 during the current fiscal year. The insurance carrier estimated that \$70,139 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 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
Fiscal Year 2012	33,209	837,116	840,430	29,895

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

The City was not involved in any litigation as of September 30, 2012, 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, 2012, 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, 2012, the following construction projects were in progress:

<u>Project Description</u>	<u>Costs Incurred To Date</u>	<u>Estimated Remaining Costs</u>	<u>Source of Funds</u>
Governmental activities:			
Sidewalk improvements	<u>\$ 311,935</u>	<u>\$ 2,500</u>	Grant funds
	<u>311,935</u>	<u>2,500</u>	
Business-type activities:			
Marina walkway	18,607	10,000	City
Breakwater	15,000	106,000	City
Building renovation	<u>23,380</u>	<u>46,620</u>	City
	<u>56,987</u>	<u>162,620</u>	
	<u>\$ 368,922</u>	<u>\$ 165,120</u>	

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

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at [www.TMRS.com](http://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 2012	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, 0/25	60/5, 0/25
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

**Contributions**

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

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

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

Contributions Required and Contributions Made			
Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 221,920	100%	\$ -
2011	280,850	100%	-
2010	243,337	100%	-

**NOTE 15: EMPLOYEES' RETIREMENT PLAN - (Continued)**

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2010 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	Actuarial Valuation Information		
	12/31/11	12/31/10	12/31/09
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	26.0 years; closed period	26.9 years; closed period	28.0 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Investment rate of return *	7.0%	7.0%	7.5%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

**Funded Status and Funding Progress**

The funded status as of December 31, 2011, 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)
12/31/11	\$ 7,633,592	\$ 8,630,832	\$ 997,240	88.45%	\$ 3,477,173	28.68%

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.

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**NOTE 16: SUPPLEMENTAL DEATH BENEFIT PLAN**

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were \$2,086, \$2,272, and \$2,575, respectively, which equaled the required contributions each year.

**NOTE 17: VOLUNTEER FIREFIGHTERS' PENSION BENEFIT PLAN**

The City provides a pension benefit for all retired volunteer firemen who qualify under the provisions of the Texas Local Fire Fighters Retirement Act. To be eligible, individuals must have completed at least 20 years of service and be at least 55 years old. Monthly payments of \$25 are made to qualifying individuals until their death, at which time the surviving spouse, if any, is entitled to receive payments of \$17 per month until death. As of September 30, 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, 2012.

**NOTE 18: DEFERRED COMPENSATION PLAN**

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

The assets of this plan, which totaled \$454,832 as of September 30, 2012, are held in trust for the exclusive benefit of participants and their beneficiaries. As such, no amounts related to these assets are included in the accompanying financial statements.



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**NOTE 19: FUND BALANCES**

The following is a detail of the governmental fund balances as of September 30, 2012:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Deferred expenditures	\$ 49,954	\$ -	\$ -	\$ -	\$ 49,954
Operating reserves	-	-	2,408,598	-	2,408,598
Health insurance claims	-	-	676,542	-	676,542
Capital asset replacement	-	-	273,122	-	273,122
Unassigned	-	-	-	1,728,695	1,728,695
Nonmajor Governmental					
Retirement of long-term debt	-	183,391	-	-	183,391
Various capital projects	-	133,106	-	-	133,106
Tourism and conventions	-	497,372	-	-	497,372
Economic development	-	10,001	-	-	10,001
Public safety	-	114,723	-	-	114,723
Municipal court	-	18,328	-	-	18,328
Bayfront Park pier	-	56,004	-	-	56,004
	<u>\$ 49,954</u>	<u>\$ 1,012,925</u>	<u>\$ 3,358,262</u>	<u>\$ 1,728,695</u>	<u>\$ 6,149,836</u>

**NOTE 20: SUBSEQUENT EVENT**

In November 2012, the City issued General Obligation Refunding Bonds, Series 2012 of \$2,945,000. The bonds are due in annual installments ranging from \$110,000 to \$1,210,000 through 2024 with interest fixed at 2.03%. The proceeds from the sale of the bonds will be used to refund a portion of the City's current outstanding amounts of the Certificates of Obligation, Series 2003 and 2005, and to pay costs of issuance of the bonds.

## **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, 2012**With comparative totals for the year ended September 30, 2011*

	2012				2011
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>					
Taxes	\$ 5,914,000	\$ 6,098,000	\$ 6,410,696	\$ 312,696	\$ 6,057,089
Fines and forfeitures	377,000	377,000	346,956	(30,044)	478,812
Intergovernmental	248,500	248,500	246,000	(2,500)	247,881
Licenses and permits	81,000	96,000	109,347	13,347	108,266
Investment	36,000	36,000	28,517	(7,483)	36,694
Rental	27,000	42,000	46,432	4,432	30,780
Charges for services	3,500	3,500	5,170	1,670	7,525
Miscellaneous	26,000	51,750	69,546	17,796	91,311
<b>Total revenues</b>	<u>6,713,000</u>	<u>6,952,750</u>	<u>7,262,664</u>	<u>309,914</u>	<u>7,058,358</u>
<b>EXPENDITURES</b>					
Current					
General government	1,774,083	2,031,583	1,954,420	77,163	1,925,563
Public safety	3,073,587	3,039,197	2,916,973	122,224	3,101,967
Public works	1,203,830	1,202,580	1,176,781	25,799	1,220,156
Parks and recreation	531,500	548,500	504,457	44,043	670,771
Capital outlay	692,000	692,000	673,162	18,838	-
<b>Total expenditures</b>	<u>7,275,000</u>	<u>7,513,860</u>	<u>7,225,793</u>	<u>288,067</u>	<u>6,918,457</u>
Excess (deficiency) of revenues over expenditures	(562,000)	(561,110)	36,871	597,981	139,901
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	446,000	446,000	459,821	13,821	329,250
Transfers out	(102,000)	(135,000)	(153,811)	(18,811)	(588,862)
Capital lease proceeds	99,000	-	-	-	284,776
Sale of capital assets	5,000	9,110	8,956	(154)	5,262
<b>Net other financing sources (uses)</b>	<u>448,000</u>	<u>320,110</u>	<u>314,966</u>	<u>(5,144)</u>	<u>30,426</u>
Net change in fund balance	(114,000)	(241,000)	351,837	592,837	170,327
Fund balance at beginning of year	<u>4,785,074</u>	<u>4,785,074</u>	<u>4,785,074</u>	<u>-</u>	<u>4,614,747</u>
<b>Fund balance at end of year</b>	<u>\$ 4,671,074</u>	<u>\$ 4,544,074</u>	<u>\$ 5,136,911</u>	<u>\$ 592,837</u>	<u>\$ 4,785,074</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, 2012**

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

**CITY OF PORT LAVACA, TEXAS****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION****September 30, 2012**

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**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

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

**NOTE 2: BUDGETARY LEGAL COMPLIANCE**

For the year ended September 30, 2012, the City complied with budgetary restrictions at all departmental levels except the following. The following table details this variance:

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Transfers out	\$ 135,000	\$ 153,811	\$ 18,811

## **Combining and Individual Fund Statements and Schedules**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Nonmajor Special Revenue Funds**

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

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

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

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

**Economic Development Fund** - Accounts for funds received from the City of Point Comfort, Texas to be used for economic development purposes.

**Office of Justice Grant Fund** - Accounts for the proceeds from the Justice Assistance Grant and the disbursement of such on public safety activities.

**Texas Capital Fund** - Accounts for federal funds received for various projects that relate to economic development within the City.

**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, 2012**

	Special Revenue			
	Hotel Occupancy Tax	Police Forfeitures	Juvenile Case Manager	Building Security
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 553,921	\$ 15,035	\$ 386	\$ 18,328
Receivables (net)	79,828	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 633,749</b>	<b>\$ 15,035</b>	<b>\$ 386</b>	<b>\$ 18,328</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable	\$ 10,406	\$ -	\$ -	\$ -
Payroll related payables	-	-	386	-
Due to other funds	125,971	-	-	-
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>136,377</b>	<b>-</b>	<b>386</b>	<b>-</b>
Fund balance				
Restricted				
Retirement of long-term debt	-	-	-	-
Various capital projects	-	-	-	-
Tourism and conventions	497,372	-	-	-
Economic development	-	-	-	-
Public safety	-	15,035	-	-
Municipal court	-	-	-	18,328
Bayfront Park pier	-	-	-	-
<b>Total fund balance</b>	<b>497,372</b>	<b>15,035</b>	<b>-</b>	<b>18,328</b>
<b>Total liabilities and fund balance</b>	<b>\$ 633,749</b>	<b>\$ 15,035</b>	<b>\$ 386</b>	<b>\$ 18,328</b>

Special Revenue

<u>Economic Development</u>	<u>Bullet Proof Vest Grant</u>	<u>Redflex Traffic System</u>	<u>Court Technology Fund</u>	<u>Bayfront Peninsula Pier</u>	<u>Total</u>
\$ 10,001	\$ -	\$ 99,688	\$ 32,629	\$ 56,004	\$ 785,992
-	-	-	-	-	79,828
-	636	-	-	-	636
<u>\$ 10,001</u>	<u>\$ 636</u>	<u>\$ 99,688</u>	<u>\$ 32,629</u>	<u>\$ 56,004</u>	<u>\$ 866,456</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,406
-	-	-	-	-	386
-	636	-	32,629	-	159,236
-	-	-	-	-	-
<u>-</u>	<u>636</u>	<u>-</u>	<u>32,629</u>	<u>-</u>	<u>170,028</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	497,372
10,001	-	-	-	-	10,001
-	-	99,688	-	-	114,723
-	-	-	-	-	18,328
-	-	-	-	56,004	56,004
<u>10,001</u>	<u>-</u>	<u>99,688</u>	<u>-</u>	<u>56,004</u>	<u>696,428</u>
<u>\$ 10,001</u>	<u>\$ 636</u>	<u>\$ 99,688</u>	<u>\$ 32,629</u>	<u>\$ 56,004</u>	<u>\$ 866,456</u>

(continued)

**CITY OF PORT LAVACA, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2012**

	Debt Service		
	2003	2005	
	Certificates	Certificates	
	of	of	
	Obligation	Obligation	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 150,985	\$ 32,406	\$ 183,391
Receivables (net)	19,216	11,513	30,729
Due from other governments	-	-	-
<b>Total assets</b>	<u>\$ 170,201</u>	<u>\$ 43,919</u>	<u>\$ 214,120</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Payroll related payables	-	-	-
Due to other funds	-	-	-
Deferred revenue	19,216	11,513	30,729
<b>Total liabilities</b>	<u>19,216</u>	<u>11,513</u>	<u>30,729</u>
Fund balance			
Restricted			
Retirement of long-term debt	150,985	32,406	183,391
Various capital projects	-	-	-
Tourism and conventions	-	-	-
Economic development	-	-	-
Public safety	-	-	-
Municipal court	-	-	-
Bayfront Park pier	-	-	-
<b>Total fund balance</b>	<u>150,985</u>	<u>32,406</u>	<u>183,391</u>
<b>Total liabilities and fund balance</b>	<u>\$ 170,201</u>	<u>\$ 43,919</u>	<u>\$ 214,120</u>

<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Street Construction</u>	<u>Total</u>	
\$ 133,106	\$ 133,106	\$ 1,102,489
-	-	110,557
-	-	636
<u>\$ 133,106</u>	<u>\$ 133,106</u>	<u>\$ 1,213,682</u>
\$ -	\$ -	\$ 10,406
-	-	386
-	-	159,236
-	-	30,729
<u>-</u>	<u>-</u>	<u>200,757</u>
-	-	183,391
133,106	133,106	133,106
-	-	497,372
-	-	10,001
-	-	114,723
-	-	18,328
<u>-</u>	<u>-</u>	<u>56,004</u>
<u>133,106</u>	<u>133,106</u>	<u>1,012,925</u>
<u>\$ 133,106</u>	<u>\$ 133,106</u>	<u>\$ 1,213,682</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, 2012

	Special Revenue			
	Hotel Occupancy Tax	Police Forfeitures	Juvenile Case Manager	Building Security
<b>REVENUES</b>				
Taxes	\$ 331,724	\$ -	\$ -	\$ -
Fines, fees, and forfeitures	-	25,000	1,657	3,315
Intergovernmental	-	-	-	-
Investment	852	14	-	15
Miscellaneous	-	4,605	-	-
<b>Total revenues</b>	<u>332,576</u>	<u>29,619</u>	<u>1,657</u>	<u>3,330</u>
<b>EXPENDITURES</b>				
Current				
General government	161,695	-	-	-
Public safety	-	26,967	9,409	-
Capital outlay	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<u>161,695</u>	<u>26,967</u>	<u>9,409</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	170,881	2,652	(7,752)	3,330
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	7,752	-
Transfers out	(225,000)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(225,000)</u>	<u>-</u>	<u>7,752</u>	<u>-</u>
Net change in fund balances	(54,119)	2,652	-	3,330
Fund balances at beginning of year	<u>551,491</u>	<u>12,383</u>	<u>-</u>	<u>14,998</u>
<b>Fund balances at end of year</b>	<u>\$ 497,372</u>	<u>\$ 15,035</u>	<u>\$ -</u>	<u>\$ 18,328</u>

Special Revenue

<u>Economic Development</u>	<u>Office of Justice Grant</u>	<u>Texas Capital Fund</u>	<u>Bullet Proof Vest Grant</u>	<u>Redflex Traffic System</u>	<u>Court Technology Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	184,823	4,574
-	2,769	7,000	637	-	-
1	-	-	-	86	36
10,000	-	-	-	-	-
<u>10,001</u>	<u>2,769</u>	<u>7,000</u>	<u>637</u>	<u>184,909</u>	<u>4,610</u>
-	-	7,000	-	-	9,859
-	2,769	-	1,342	185,148	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>2,769</u>	<u>7,000</u>	<u>1,342</u>	<u>185,148</u>	<u>9,859</u>
10,001	-	-	(705)	(239)	(5,249)
-	-	-	705	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>705</u>	<u>-</u>	<u>-</u>
10,001	-	-	-	(239)	(5,249)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,927</u>	<u>5,249</u>
<u>\$ 10,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,688</u>	<u>\$ -</u>

(continued)

**CITY OF PORT LAVACA, TEXAS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS***For the year ended September 30, 2012*

	Special Revenue		
	Bayfront Peninsula Pier	Homeland Security Grants	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 331,724
Fines, fees, and forfeitures	-	-	219,369
Intergovernmental	-	66,072	76,478
Investment	61	-	1,065
Miscellaneous	-	-	14,605
<b>Total revenues</b>	<u>61</u>	<u>66,072</u>	<u>643,241</u>
<b>EXPENDITURES</b>			
Current			
General government	-	-	178,554
Public safety	-	78,572	304,207
Capital outlay	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>78,572</u>	<u>482,761</u>
Excess (deficiency) of revenues over expenditures	61	(12,500)	160,480
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	12,354	20,811
Transfers out	-	-	(225,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>12,354</u>	<u>(204,189)</u>
Net change in fund balances	61	(146)	(43,709)
Fund balances at beginning of year	<u>55,943</u>	<u>146</u>	<u>740,137</u>
<b>Fund balances at end of year</b>	<u>\$ 56,004</u>	<u>\$ -</u>	<u>\$ 696,428</u>

Debt Service			Capital Projects		Total Nonmajor Governmental Funds
2003 Certificates of Obligation	2005 Certificates of Obligation	Total	Street Construction	Total	
\$ 269,162	\$ 85,843	\$ 355,005	\$ -	\$ -	\$ 686,729
-	-	-	-	-	219,369
-	-	-	-	-	76,478
192	37	229	66	66	1,360
-	-	-	-	-	14,605
<u>269,354</u>	<u>85,880</u>	<u>355,234</u>	<u>66</u>	<u>66</u>	<u>998,541</u>
-	-	-	-	-	178,554
-	-	-	-	-	304,207
-	-	-	114,759	114,759	114,759
165,000	50,000	215,000	-	-	215,000
99,342	34,725	134,067	-	-	134,067
<u>264,342</u>	<u>84,725</u>	<u>349,067</u>	<u>114,759</u>	<u>114,759</u>	<u>946,587</u>
5,012	1,155	6,167	(114,693)	(114,693)	51,954
-	-	-	133,000	133,000	153,811
-	-	-	-	-	(225,000)
-	-	-	133,000	133,000	(71,189)
5,012	1,155	6,167	18,307	18,307	(19,235)
<u>145,973</u>	<u>31,251</u>	<u>177,224</u>	<u>114,799</u>	<u>114,799</u>	<u>1,032,160</u>
<u>\$ 150,985</u>	<u>\$ 32,406</u>	<u>\$ 183,391</u>	<u>\$ 133,106</u>	<u>\$ 133,106</u>	<u>\$ 1,012,925</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, 2012*  
*With comparative totals for September 30, 2011*

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,308,104	\$ 3,051,359
Investments	1,789,447	1,970,776
Receivables, net		
Taxes	518,354	559,936
Fines	41,505	34,089
Other	60,484	28,379
Due from other governments	405,978	594,053
Deferred expenditures	<u>49,954</u>	<u>52,478</u>
<b>Total assets</b>	<u>\$ 6,173,826</u>	<u>\$ 6,291,070</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 244,223	\$ 177,935
Payroll related payables	62,635	58,010
Other payables	31,321	34,063
Due to other governments	18,543	21,624
Due to other funds	115,438	609,320
Customer and other deposits	13,650	13,150
Deferred revenue	<u>551,105</u>	<u>591,894</u>
<b>Total liabilities</b>	<u>1,036,915</u>	<u>1,505,996</u>
Fund balance		
Nonspendable		
Deferred expenditures	49,954	52,478
Committed		
Operating reserves	2,408,598	2,306,152
Health insurance claims	676,542	504,848
Capital asset replacement	273,122	382,265
Unassigned	<u>1,728,695</u>	<u>1,539,331</u>
<b>Total fund balance</b>	<u>5,136,911</u>	<u>4,785,074</u>
<b>Total liabilities and fund balance</b>	<u>\$ 6,173,826</u>	<u>\$ 6,291,070</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, 2012**With comparative totals for the year ended September 30, 2011*

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 3,263,000	\$ 3,439,708	\$ 176,708	\$ 3,146,015
Sales	2,225,000	2,364,076	139,076	2,313,247
Franchise	601,500	593,255	(8,245)	586,575
Beverage	8,500	13,657	5,157	11,252
Total taxes	6,098,000	6,410,696	312,696	6,057,089
Fines and forfeitures				
Municipal court	252,000	194,874	(57,126)	304,495
Tax penalties and fees	125,000	152,082	27,082	174,317
Total fines and forfeitures	377,000	346,956	(30,044)	478,812
Intergovernmental				
Reimbursements	246,000	246,000	-	246,000
Grants and allocations	2,500	-	(2,500)	1,881
Total intergovernmental	248,500	246,000	(2,500)	247,881
Licenses and permits				
Licenses				
Building/electrical	7,500	6,650	(850)	9,374
Animal	2,000	6,230	4,230	4,446
Alcoholic beverage	1,900	4,275	2,375	5,613
Permits				
Building	40,000	44,231	4,231	33,825
Electrical	8,000	8,151	151	8,644
Plumbing	6,500	8,818	2,318	9,450
Mechanical	2,800	4,175	1,375	3,100
Miscellaneous	27,300	26,817	(483)	33,814
Total licenses and permits	96,000	109,347	13,347	108,266
Investment	36,000	28,517	(7,483)	36,694
Rental	42,000	46,432	4,432	30,780
Charges for services				
Police service fees	3,500	3,257	(243)	5,845
Other	-	1,913	1,913	1,680
Total charges for services	3,500	5,170	1,670	7,525

**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, 2012**With comparative totals for the year ended September 30, 2011*

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES - (Continued)</b>				
Miscellaneous				
Reimbursements and refunds	\$ 15,000	\$ 11,848	\$ (3,152)	\$ 30,883
Other	36,750	57,698	20,948	60,428
Total miscellaneous	51,750	69,546	17,796	91,311
 Total revenues	 6,952,750	 7,262,664	 309,914	 7,058,358
 <b>OTHER FINANCING SOURCES</b>				
Transfers in	446,000	459,821	13,821	329,250
Capital lease proceeds	-	-	-	284,776
Sale of capital assets	9,110	8,956	(154)	5,262
Total other financing sources	455,110	468,777	13,667	619,288
 Total revenues and other financing sources	 \$ 7,407,860	 \$ 7,731,441	 \$ 323,581	 \$ 7,677,646

**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, 2012**With comparative totals for the year ended September 30, 2011*

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES</b>				
Current				
General government				
City council				
Personnel services	\$ 23,302	\$ 23,289	\$ 13	\$ 23,303
Materials and supplies	3,190	2,215	975	613
Services	1,230	1,996	(766)	1,282
Maintenance	-	186	(186)	-
Total city council	27,722	27,686	36	25,198
City manager				
Personnel services	193,365	193,102	263	191,564
Materials and supplies	1,925	2,211	(286)	987
Services	6,900	6,463	437	9,185
Total city manager	202,190	201,776	414	201,736
City secretary				
Personnel services	61,892	63,186	(1,294)	61,842
Materials and supplies	1,550	1,355	195	3,474
Services	17,000	12,770	4,230	2,431
Maintenance	-	-	-	4,472
Total city secretary	80,442	77,311	3,131	72,219
Human resources				
Personnel services	47,434	49,118	(1,684)	35,948
Materials and supplies	4,200	2,311	1,889	2,253
Services	17,300	10,780	6,520	13,117
Maintenance	4,525	3,680	845	2,036
Total human resources	73,459	65,889	7,570	53,354
Elections				
Materials and supplies	-	-	-	384
Services	-	-	-	1,384
Total elections	-	-	-	1,768
Legal				
Services	90,400	89,949	451	48,904
Total legal	90,400	89,949	451	48,904
Municipal court				
Personnel services	76,533	68,372	8,161	71,997
Materials and supplies	2,450	1,563	887	2,078
Services	25,110	24,804	306	27,603
Maintenance	800	163	637	1,769
Total municipal court	104,893	94,902	9,991	103,447

**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, 2012**With comparative totals for the year ended September 30, 2011*

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
General government - (Continued)				
Tax				
Services	\$ 116,354	\$ 116,348	\$ 6	\$ 95,946
Total tax	116,354	116,348	6	95,946
Technology				
Personnel services	8,670	6,661	2,009	55,020
Materials and supplies	1,400	2,229	(829)	1,596
Services	2,500	355	2,145	738
Maintenance	27,000	30,227	(3,227)	15,095
Total technology	39,570	39,472	98	72,449
Finance				
Personnel services	176,200	170,406	5,794	193,858
Materials and supplies	9,850	10,048	(198)	11,036
Services	7,300	7,149	151	8,686
Maintenance	900	891	9	1,224
Total finance	194,250	188,494	5,756	214,804
City hall				
Personnel services	29,753	26,008	3,745	10,941
Materials and supplies	8,425	7,605	820	8,167
Services	61,025	63,159	(2,134)	58,166
Maintenance	37,700	38,832	(1,132)	27,221
Total city hall	136,903	135,604	1,299	104,495
Non-departmental				
Personnel services	652,000	669,233	(17,233)	500,050
Services	223,400	212,653	10,747	190,496
Maintenance	21,000	18,847	2,153	17,953
Sundry	69,000	16,256	52,744	222,744
Total non-departmental	965,400	916,989	48,411	931,243
Total general government	2,031,583	1,954,420	77,163	1,925,563
Public safety				
Police				
Personnel services	1,294,475	1,244,462	50,013	1,314,115
Materials and supplies	74,793	71,832	2,961	76,518
Services	91,157	85,316	5,841	84,905
Maintenance	61,110	70,196	(9,086)	56,328
Debt service	20,765	20,787	(22)	20,828
Capital outlay	74,500	56,877	17,623	28,542
Total police	1,616,800	1,549,470	67,330	1,581,236

**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, 2012**With comparative totals for the year ended September 30, 2011*

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
Public safety - (Continued)				
Fire				
Personnel services	\$ 951,992	\$ 927,494	\$ 24,498	\$ 918,345
Materials and supplies	78,300	48,906	29,394	59,324
Services	53,455	57,132	(3,677)	62,135
Maintenance	27,800	26,454	1,346	28,761
Sundry	-	-	-	3,217
Debt service	188,000	188,100	(100)	30,778
Capital outlay	-	-	-	318,776
Total fire	1,299,547	1,248,086	51,461	1,421,336
Animal control				
Personnel services	75,800	77,017	(1,217)	74,719
Materials and supplies	14,000	10,876	3,124	10,649
Services	10,050	9,976	74	9,529
Maintenance	3,000	3,353	(353)	4,498
Capital outlay	20,000	18,195	1,805	-
Total animal control	122,850	119,417	3,433	99,395
Total public safety	3,039,197	2,916,973	122,224	3,101,967
Public works				
Public works				
Personnel services	-	-	-	120,154
Materials and supplies	-	-	-	7,262
Services	-	-	-	2,331
Maintenance	-	-	-	385
Capital outlay	-	-	-	18,433
Total public works	-	-	-	148,565
Code enforcement/inspections				
Personnel services	115,250	119,442	(4,192)	118,072
Materials and supplies	6,500	5,759	741	5,789
Services	10,100	4,129	5,971	4,678
Maintenance	3,500	1,926	1,574	2,034
Total code enforcement/inspections	135,350	131,256	4,094	130,573
Streets				
Personnel services	488,830	497,918	(9,088)	363,105
Materials and supplies	59,250	56,481	2,769	48,198
Services	177,600	162,096	15,504	150,167
Maintenance	306,650	294,073	12,577	256,708
Debt service	34,900	34,957	(57)	35,027
Capital outlay	-	-	-	87,813
Total streets	1,067,230	1,045,525	21,705	941,018
Total public works	1,202,580	1,176,781	25,799	1,220,156

**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, 2012**With comparative totals for the year ended September 30, 2011*

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
Parks and recreation				
Parks				
Personnel services	\$ 162,800	\$ 159,462	\$ 3,338	\$ 155,605
Materials and supplies	28,500	29,921	(1,421)	34,715
Services	47,650	49,097	(1,447)	47,487
Maintenance	44,000	23,732	20,268	60,998
Capital outlay	8,200	8,140	60	96,549
Total parks	<u>291,150</u>	<u>270,352</u>	<u>20,798</u>	<u>395,354</u>
Convention/visitors bureau				
Personnel services	60,300	54,383	5,917	69,060
Materials and supplies	7,650	7,331	319	4,761
Services	114,300	115,225	(925)	92,615
Maintenance	45,950	38,875	7,075	75,585
Total convention/visitors bureau	<u>228,200</u>	<u>215,814</u>	<u>12,386</u>	<u>242,021</u>
Swimming pool				
Materials and supplies	11,100	8,036	3,064	11,312
Services	10,500	7,142	3,358	12,982
Maintenance	7,550	3,113	4,437	9,102
Total swimming pool	<u>29,150</u>	<u>18,291</u>	<u>10,859</u>	<u>33,396</u>
Total parks and recreation	<u>548,500</u>	<u>504,457</u>	<u>44,043</u>	<u>670,771</u>
Total current	<u>6,821,860</u>	<u>6,552,631</u>	<u>269,229</u>	<u>6,918,457</u>
Capital outlay	<u>692,000</u>	<u>673,162</u>	<u>18,838</u>	<u>-</u>
Total expenditures	<u>7,513,860</u>	<u>7,225,793</u>	<u>288,067</u>	<u>6,918,457</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>135,000</u>	<u>153,811</u>	<u>(18,811)</u>	<u>588,862</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 7,648,860</u>	<u>\$ 7,379,604</u>	<u>\$ 269,256</u>	<u>\$ 7,507,319</u>



**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, 2012**With comparative totals for the year ended September 30, 2011*

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 264,050	\$ 269,162	\$ 5,112	\$ 275,971
Investment	250	192	(58)	241
<b>Total revenues</b>	<u>264,300</u>	<u>269,354</u>	<u>5,054</u>	<u>276,212</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	165,000	165,000	-	160,000
Interest and fiscal charges	<u>99,300</u>	<u>99,342</u>	<u>(42)</u>	<u>105,033</u>
<b>Total expenditures</b>	<u>264,300</u>	<u>264,342</u>	<u>(42)</u>	<u>265,033</u>
Excess (deficiency) of revenues over expenditures	-	5,012	5,012	11,179
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	5,012	5,012	11,179
Fund balances at beginning of year	<u>145,973</u>	<u>145,973</u>	<u>-</u>	<u>134,794</u>
<b>Fund balances at end of year</b>	<u>\$ 145,973</u>	<u>\$ 150,985</u>	<u>\$ 5,012</u>	<u>\$ 145,973</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, 2012**With comparative totals for the year ended September 30, 2011*

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 84,676	\$ 85,843	\$ 1,167	\$ 86,446
Investment	50	37	(13)	47
<b>Total revenues</b>	<u>84,726</u>	<u>85,880</u>	<u>1,154</u>	<u>86,493</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	50,000	50,000	-	45,000
Interest and fiscal charges	<u>34,726</u>	<u>34,725</u>	<u>1</u>	<u>36,625</u>
<b>Total expenditures</b>	<u>84,726</u>	<u>84,725</u>	<u>1</u>	<u>81,625</u>
Excess (deficiency) of revenues over expenditures	-	1,155	1,155	4,868
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	1,155	1,155	4,868
Fund balances at beginning of year	<u>31,251</u>	<u>31,251</u>	<u>-</u>	<u>26,383</u>
<b>Fund balances at end of year</b>	<u>\$ 31,251</u>	<u>\$ 32,406</u>	<u>\$ 1,155</u>	<u>\$ 31,251</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, 2012*

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	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>POLICE SEIZED NONFORFEITURE FUND</b>				
Assets				
Cash and cash equivalents	<u>\$ 49,593</u>	<u>\$ 4,196</u>	<u>\$ 33,803</u>	<u>\$ 19,986</u>
Total assets	<u>\$ 49,593</u>	<u>\$ 4,196</u>	<u>\$ 33,803</u>	<u>\$ 19,986</u>
Liabilities				
Due to others	<u>\$ 49,593</u>	<u>\$ 4,196</u>	<u>\$ 33,803</u>	<u>\$ 19,986</u>
Total liabilities	<u>\$ 49,593</u>	<u>\$ 4,196</u>	<u>\$ 33,803</u>	<u>\$ 19,986</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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<b>Revenue Capacity</b>	
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
<b>Debt Capacity</b>	
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
<b>Demographic and Economic Information</b>	
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
<b>Operating Information</b>	
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 nine 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	2012
\$ 13,105,824	\$ 13,815,306	\$ 15,787,249	\$ 18,383,147	\$ 18,380,797	\$ 19,174,209
221,392	848,885	876,554	784,798	1,049,987	1,027,384
6,556,521	7,374,943	6,394,379	4,732,493	5,231,769	5,544,238
<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>	<u>\$ 25,745,831</u>
\$ 11,569,600	\$ 11,052,199	\$ 11,334,652	\$ 11,536,833	\$ 13,321,583	\$ 13,756,393
129,592	12,681	233,544	51,469	-	-
4,022,664	4,953,062	5,642,701	6,841,071	6,892,206	7,449,406
<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>	<u>\$ 21,205,799</u>
\$ 24,675,424	\$ 24,867,505	\$ 27,121,901	\$ 29,919,980	\$ 31,702,380	\$ 32,930,602
350,984	861,566	1,110,098	836,267	1,049,987	1,027,384
10,579,185	12,328,005	12,037,080	11,573,564	12,123,975	12,993,644
<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>	<u>\$ 46,951,630</u>



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

	Fiscal Year		
	2004	2005	2006
<b>Governmental activities</b>			
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
<b>Total governmental activities change in net assets</b>	<b>\$ 860,859</b>	<b>\$ 2,260,551</b>	<b>\$ 1,159,522</b>

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 1,300,514	\$ 1,499,965	\$ 1,847,859	\$ 1,886,794	\$ 1,952,643	\$ 2,150,599
2,204,124	2,490,358	2,598,507	3,191,293	3,112,422	3,088,940
1,352,679	1,974,638	1,615,002	1,406,502	1,539,354	1,629,726
522,218	167,594	547,013	686,747	701,325	637,689
180,891	-	154,696	147,266	140,373	132,374
5,560,426	6,132,555	6,763,077	7,318,602	7,446,117	7,639,328
703,077	412,420	484,632	804,307	612,209	586,394
3,903	269,784	378,324	322,510	293,947	322,478
335,671	407,223	51,589	125,279	35,500	259,835
1,042,651	1,089,427	914,545	1,252,096	941,656	1,168,707
(4,517,775)	(5,043,128)	(5,848,532)	(6,066,506)	(6,504,461)	(6,470,621)
2,887,459	2,894,987	3,214,039	3,414,317	3,513,386	3,754,272
2,328,103	2,439,957	2,170,959	2,295,492	2,313,247	2,364,076
597,082	623,987	613,509	620,247	586,575	593,255
197,276	277,757	235,571	271,287	339,366	345,381
325,364	258,739	123,127	54,319	38,045	29,877
43,049	338,701	235,375	277,928	246,642	232,217
252,449	364,397	275,000	182,943	229,315	234,821
-	-	-	(185,000)	-	-
6,630,782	7,198,525	6,867,580	6,931,533	7,266,576	7,553,899
\$ 2,113,007	\$ 2,155,397	\$ 1,019,048	\$ 865,027	\$ 762,115	\$ 1,083,278

(continued)

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

	Fiscal Year		
	2004	2005	2006
<b>Business-type activities</b>			
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	4,762,758	4,597,361	3,825,901
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	4,521,815	4,882,348	5,192,952
Total business-type 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	164,687	(1,208,156)	33,313
Prior period adjustment	-	685,028	-
<b>Total business-type activities change in net assets</b>	<b>\$ (76,256)</b>	<b>\$ (238,141)</b>	<b>\$ 1,400,364</b>
<b>Total primary government change in net assets</b>	<b>\$ 784,603</b>	<b>\$ 2,022,410</b>	<b>\$ 2,559,886</b>

(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	2012
\$ 3,835,279	\$ 3,913,016	\$ 4,288,109	\$ 4,283,432	\$ 4,123,809	\$ 4,244,884
345,062	328,525	379,371	395,332	382,570	444,081
129,800	150,828	162,064	218,240	309,838	225,381
4,310,141	4,392,369	4,829,544	4,897,004	4,816,217	4,914,346
5,088,403	5,612,806	5,966,101	5,893,741	6,303,875	5,913,131
3,000	2,000	2,000	2,000	175,303	22,340
178,859	153,218	236,338	374,396	330,595	117,620
5,270,262	5,768,024	6,204,439	6,270,137	6,809,773	6,053,091
960,121	1,375,655	1,374,895	1,373,133	1,993,556	1,138,745
234,879	176,704	75,060	28,286	20,175	20,024
-	-	18,000	-	-	68,062
-	(891,876)	-	-	-	-
(252,449)	(364,397)	(275,000)	(182,943)	(229,315)	(234,821)
(17,570)	(1,079,569)	(181,940)	(154,657)	(209,140)	(146,735)
-	-	-	-	-	-
\$ 942,551	\$ 296,086	\$ 1,192,955	\$ 1,218,476	\$ 1,784,416	\$ 992,010
\$ 3,055,558	\$ 2,451,483	\$ 2,212,003	\$ 2,083,503	\$ 2,546,531	\$ 2,075,288

**CITY OF PORT LAVACA, TEXAS**

**FUND BALANCES, GOVERNMENTAL FUNDS (1)**

*Last nine 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	-	-	-
Economic development	-	-	-
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	2012
\$ -	\$ -	\$ -	\$ -	\$ 52,478	\$ 49,954
-	-	-	-	2,306,152	2,408,598
-	-	-	-	504,848	676,542
-	-	-	-	382,265	273,122
-	-	-	-	1,539,331	1,728,695
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	-	-
1,576,413	2,543,671	2,534,443	1,750,753	-	-
<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>	<u>\$ 5,136,911</u>
-	-	-	-	177,224	183,391
-	-	-	-	114,799	133,106
-	-	-	-	551,491	497,372
-	-	-	-	-	10,001
-	-	-	-	112,456	114,723
-	-	-	-	20,247	18,328
-	-	-	-	55,943	56,004
767,415	711,057	707,885	704,036	-	-
148,960	159,271	159,657	161,177	-	-
13,811	574,045	(505,092)	(281,044)	-	-
<u>\$ 930,186</u>	<u>\$ 1,444,373</u>	<u>\$ 362,450</u>	<u>\$ 584,169</u>	<u>\$ 1,032,160</u>	<u>\$ 1,012,925</u>

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

	Fiscal Year		
	2004	2005	2006
<b>Revenues</b>			
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
<b>Total revenues</b>	<u>5,689,467</u>	<u>6,325,139</u>	<u>6,258,381</u>
<b>Expenditures</b>			
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
<b>Total expenditures</b>	<u>7,437,442</u>	<u>7,489,023</u>	<u>6,788,615</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,747,975)</u>	<u>(1,163,884)</u>	<u>(530,234)</u>
<b>Other financing sources (uses)</b>			
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
<b>Total other financing sources (uses)</b>	<u>(202,283)</u>	<u>1,241,677</u>	<u>672,626</u>
<b>Change in fund balances</b>	<u>\$ (1,950,258)</u>	<u>\$ 77,793</u>	<u>\$ 142,392</u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u>6.59%</u>	<u>10.43%</u>	<u>8.47%</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 changes in fund balance information is available only beginning in 2004.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 5,927,214	\$ 6,298,996	\$ 6,198,734	\$ 6,609,092	\$ 6,747,620	\$ 7,097,425
94,271	98,076	96,535	97,740	108,266	109,347
409,948	402,550	501,345	769,529	687,791	566,325
5,120	11,080	5,332	5,956	7,525	5,170
514,747	262,384	429,913	447,789	329,447	322,478
-	-	-	-	-	-
325,364	258,739	123,127	54,319	38,045	29,877
47,582	36,535	37,390	22,737	30,780	46,432
43,049	267,720	96,453	135,191	91,311	84,151
<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>	<u>8,261,205</u>
1,310,596	1,588,358	1,846,671	1,859,894	2,136,142	2,132,974
2,389,811	2,565,946	2,742,639	3,213,266	3,330,945	3,221,180
200,936	1,301,846	1,422,306	1,016,111	1,220,156	1,176,781
924,048	-	-	-	-	-
408,748	447,281	440,345	579,783	670,771	504,457
-	-	-	-	-	-
1,142,459	454,855	1,947,494	2,922,769	235,268	787,921
568,939	180,000	195,000	200,000	205,000	215,000
174,400	161,865	155,465	148,599	141,658	134,067
<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>	<u>8,172,380</u>
247,358	935,929	(1,261,091)	(1,798,069)	100,845	88,825
662,379	1,053,450	1,019,558	3,271,834	924,047	613,632
(409,930)	(689,053)	(744,558)	(3,071,834)	(696,612)	(378,811)
295,392	257,054	-	-	284,776	-
19,762	9,439	14,141	5,036	5,262	8,956
<u>567,603</u>	<u>630,890</u>	<u>289,141</u>	<u>205,036</u>	<u>517,473</u>	<u>243,777</u>
\$ <u>814,961</u>	\$ <u>1,566,819</u>	\$ <u>(971,950)</u>	\$ <u>(1,593,033)</u>	\$ <u>618,318</u>	\$ <u>332,602</u>
<u>15.57%</u>	<u>6.11%</u>	<u>5.81%</u>	<u>5.37%</u>	<u>5.11%</u>	<u>5.08%</u>



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

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<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel/Motel</u>	<u>Beverage</u>	<u>Total</u>
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
2012	3,439,708	2,364,076	593,255	331,724	13,657	6,742,420

(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*

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Real Property</u>		<u>Personal Property</u>	<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value Before Freeze</u>
		<u>Residential Property</u>	<u>Non-Residential Property</u>			
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
2012	2011	258,864,339	211,167,691	121,729,513	75,510,553	516,250,990

(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>
\$ -	\$ 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%
(69,858,766)	446,392,224	0.7450	3,756,883	431,261	4,188,144	100.00%

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

Fiscal Year	Tax Roll	City Direct Rates			Overlapping Rates			
		Debt Service	General Fund	Total	School District	Calhoun County	Port Authority	Total
2003	2002	\$ 0.0842	\$ 0.6340	\$0.7182	\$ 1.3078	\$ 0.4244	\$ 0.0047	\$ 1.7369
2004	2003	0.1334	0.5866	0.7200	1.3668	0.5210	0.0047	1.8925
2005	2004	0.0864	0.6336	0.7200	1.4176	0.5210	0.0046	1.9432
2006	2005	0.0864	0.6360	0.7224	1.4176	0.5210	0.0043	1.9429
2007	2006	0.0938	0.6562	0.7500	1.2969	0.4900	0.0041	1.7910
2008	2007	0.0878	0.6622	0.7500	1.0968	0.4900	0.0039	1.5907
2009	2008	0.0821	0.6679	0.7500	1.1100	0.4900	0.0039	1.6039
2010	2009	0.0770	0.6730	0.7500	1.1201	0.4900	0.0039	1.6140
2011	2010	0.0770	0.6730	0.7500	1.1331	0.4900	0.0039	1.6270
2012	2011	0.0697	0.6753	0.7450	1.1262	0.4900	0.0036	1.6198

Source: Calhoun County Appraisal District

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

2012		
<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
Orion Marine Construction Inc	\$ 39,130,458	8.77%
Rexco, Inc.	9,741,260	2.18%
Wal-Mart Real Estate Business Trust	8,460,120	1.90%
Helena Chemicals	7,792,590	1.75%
Wal-Mart Stores Texas, LP	5,486,500	1.23%
Port Lavaca Dodge	5,417,210	1.21%
H E Butt Grocery Company	4,968,610	1.11%
AMAL Hospitality	4,825,300	1.08%
AEP Texas Central Company	4,489,978	1.01%
Desai Raj (La Quinta)	4,408,970	0.99%
	<u>\$ 94,720,996</u>	<u>21.23%</u>

2003		
<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
H E Butt Grocery Company	\$ 6,172,247	2.03%
Verizon Southwest	5,258,600	1.73%
Rexco Inc	4,913,181	1.62%
T W Laquay Dredging, Inc.	4,269,230	1.41%
AEP Central Power & Light Co.	4,220,030	1.39%
First National Bank	2,878,270	0.95%
Sea Greens Partnership LTD	2,846,105	0.94%
Formosa Plastics Dev. Corp.	2,722,007	0.90%
Wal-Mart Stores, Inc.	2,643,185	0.87%
International Bank Of Commerce	2,532,689	0.83%
	<u>\$ 38,455,544</u>	<u>12.67%</u>

Source: Calhoun County Appraisal District

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
					<u>Amount</u>	<u>Percentage of Levy</u>
2003	2002	\$ 2,186,081	\$ (7,108)	\$ 2,178,973	\$ 2,055,279	94.32%
2004	2003	2,260,396	5,910	2,266,306	2,111,961	93.19%
2005	2004	2,350,042	(10,406)	2,339,636	2,199,527	94.01%
2006	2005	2,562,701	(5,481)	2,557,220	2,443,880	95.57%
2007	2006	2,857,433	(6,796)	2,850,637	2,701,038	94.75%
2008	2007	2,940,204	(5,977)	2,934,227	2,771,551	94.46%
2009	2008	3,209,230	(5,726)	3,203,504	3,014,618	94.10%
2010	2009	3,451,515	(44,613)	3,406,902	3,242,033	95.16%
2011	2010	3,578,859	(15,087)	3,563,772	3,437,198	96.45%
2012	2011	3,760,572	(6,727)	3,753,845	3,644,449	97.09%

SOURCE: Calhoun County Appraisal District

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Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 107,901	\$ 2,163,180	99.28%
139,812	2,251,773	99.36%
123,287	2,322,814	99.28%
101,408	2,545,288	99.53%
131,490	2,832,528	99.36%
140,080	2,911,631	99.23%
156,519	3,171,137	98.99%
105,804	3,347,837	98.27%
62,934	3,500,132	98.21%
-	3,644,449	97.09%

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

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<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>
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
2012	489,614	414,492	75,122	15%	403,940

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
\$ 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
15.00	14.25	14.00	10.65

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

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

"Res." - Residential

"Comm." - Commercial

**SOURCE:** City of Port Lavaca Utility Department

Fiscal Year									
2008		2009		2010		2011		2012	
Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.
\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	\$ 15.00	\$ 17.50	\$ 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	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	4.75	4.95
14.00	15.75	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	4.90	4.95

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

2012			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
Calhoun County I.S.D.	School District	13,822	3.33%
Memorial Medical Center	Hospital	8,842	2.13%
City of Port Lavaca	City Accounts	8,538	2.06%
Hillmans Shrimp & Oyster	Fishing Industry	7,042	1.70%
Bordeaux Apartments	Apartment Complex	6,316	1.52%
Regency Nursing Home	Senior Center (Home)	6,252	1.51%
Lighthouse Seafood	Commercial Oyster House	4,454	1.07%
Calhoun County	County Offices	4,152	1.00%
Splash & Dash	Car Wash	3,965	0.96%
Seabreeze Apartments	Apartment Complex	2,975	0.72%
2003			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
Calhoun County I.S.D.	School District	7,976	1.98%
H.E.B. Grocery	Commercial	7,620	1.90%
Memorial Medical Center	Hospital	6,520	1.62%
Hillmans Shrimp & Oyster	Fishing Industry	5,730	1.43%
Regency Nursing Home	Senior Center (Home)	5,454	1.36%
Seabreeze Apartments	Apartment Complex	5,185	1.29%
King Fisher Marine Service	Industrial	4,740	1.18%
City of Port Lavaca	City Accounts	4,656	1.16%
Bordeaux Apartments	Apartment Complex	4,392	1.09%
Days Inn	Hotel/Motel	2,723	0.68%

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
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
2012	3,095,000	-	-	248,917	3,500,000	4,425,000	100,780

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

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<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 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
11,369,697	N/A	925.72

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

Fiscal Year	General Bonded Debt Outstanding			Debt Service Monies Available (1)	Debt Payable from Enterprise Funds
	Certificates of Obligation	General Obligation Bonds	Total		
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
2012	7,520,000	-	7,520,000	183,391	3,500,000

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

N/A denotes information not available.

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

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<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 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
3,836,609	0.74%	312.38



**CITY OF PORT LAVACA, TEXAS****DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)****September 30, 2012**

	<u>Gross Debt Outstanding</u>		<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
	<u>Date</u>	<u>Amount</u>		
Direct Debt:				
City of Port Lavaca	9/30/2012	<u>\$ 3,343,917</u>	100.00%	<u>\$ 3,343,917</u>
Overlapping Debt:				
Calhoun County	9/30/2012	10,765,000	15.45%	1,662,737
Calhoun Independent School District	9/30/2012	14,390,000	14.76%	2,123,952
Calhoun Port Authority	9/30/2012	<u>32,400,000</u>	23.89%	<u>7,741,742</u>
Total Overlapping Debt		<u>57,555,000</u>		<u>11,528,431</u>
Total		<u>\$ 60,898,917</u>		<u>\$ 14,872,348</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>
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
2012	(2)	5,312,772	3,458,504	1,854,268	953,379	1.94

(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>
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	372,651,740	30,964	4,230	9.1%
2011	12,248	396,994,424	32,413	4,276	8.7%
2012	12,282	N/A	N/A	4,270	6.1%

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 Only**

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2012		
Employer	Employees	Percentage of Total County Employment
Alcoa	650	6.26%
INEOS Nitriles Formerly BP	135	1.30%
Calhoun County I.S.D.	720	6.93%
Calhoun County	330	3.18%
Formosa Plastics	2,000	19.25%
Seadrift Coke	140	1.35%
HEB Grocery	135	1.30%
Inteplast Group	1,800	17.33%
Orion Marine Group, Inc.	430	4.14%
Memorial Medical Center	141	1.36%
Dow Chemical	579	5.57%
	<u>7,060</u>	<u>67.96%</u>

NOTES: Information is for the City and Calhoun County.

Information for nine years ago or other previous years 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			
	2003	2004	2005	2006
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	1.0	1.0	2.0	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	19.0	19.0	20.0	19.0
Communications	6.0	6.0	6.0	6.0
Fire	15.0	15.0	16.0	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	8.0	8.0	8.0	9.0
Water/Wastewater				
Customer service	3.0	3.0	3.0	3.0
Meter readers	2.0	2.0	2.0	2.0
Water and sewer	19.0	14.0	14.0	13.0
Parks and recreation	5.0	5.0	5.0	5.0
Bauer center	2.0	2.0	2.0	2.0
Port commission	-	-	-	-
Total	<u>90.0</u>	<u>85.0</u>	<u>88.0</u>	<u>87.0</u>

SOURCE: City of Port Lavaca Human Resource Department

Fiscal Year					
2007	2008	2009	2010	2011	2012
2.0	2.0	2.0	2.0	2.0	2.0
2.0	2.0	2.0	1.0	1.0	1.0
3.0	3.0	3.0	4.0	4.0	4.0
1.0	1.0	1.0	1.0	2.0	2.0
-	-	-	1.0	-	-
-	-	-	1.0	1.0	-
18.0	19.0	18.0	20.0	17.0	19.0
6.0	6.0	6.0	6.0	6.0	7.0
17.0	17.0	17.0	17.0	17.0	14.0
2.0	3.0	3.0	3.0	3.0	3.0
1.0	1.0	1.0	2.0	2.0	2.0
1.0	2.0	2.0	2.0	2.0	2.0
9.0	9.0	9.0	9.0	8.0	9.0
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	12.0	12.0	12.0	11.0	9.0
5.0	5.0	5.0	5.0	5.0	3.0
2.0	2.0	2.0	2.0	2.0	3.0
-	-	-	-	-	1.0
<u>87.0</u>	<u>89.0</u>	<u>88.0</u>	<u>93.0</u>	<u>88.0</u>	<u>86.0</u>

# **CITY OF PORT LAVACA, TEXAS**

## **OPERATING INDICATORS BY FUNCTION/PROGRAM**

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2003	2004	2005	2006
<b>General government</b>				
Building permits issued	N/A	316	329	283
Building inspections conducted	N/A	653	676	499
<b>Public safety</b>				
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	234	222
<b>Public works</b>				
Streets (miles)	49.3	49.3	49.3	49.3
<b>Culture and recreation</b>				
Parks and recreation				
Bauer center rentals	N/A	N/A	64	73
Lighthouse beach park				
Pavillion	16	54	43	43
<b>Water and wastewater</b>				
Water				
Water customers	4,455	4,455	4,455	4,492
Water taps	19	24	25	8
Average daily consumption	1.28 mgd	1.20 mgd	1.29 mgd	1.29 mgd
Peak daily consumption	1.61 mgd	1.52 mgd	1.55 mgd	1.57 mgd
Wastewater				
Sewer customers	4,193	4,193	4,175	4,190
Sewer taps	15	26	18	7
Average daily sewage treatment	N/A	1.28 mgd	1.09 mgd	1.14 mgd

NOTE: N/A denotes information not available.

SOURCE: Various City departments

Fiscal Year					
2007	2008	2009	2010	2011	2012
491	202	564	548	801	784
456	436	564	732	822	1,187
N/A	398	409	336	807	796
N/A	431	450	422	1,642	836
200	230	192	175	568	650
50.1	50.1	50.1	50.1	50.1	50.1
65	88	71	65	63	59
54	38	25	42	39	47
4,456	4,548	4,514	4,552	4,544	4,556
10	13	19	11	11	15
1.18 mgd	1.34 mgd	1.38 mgd	1.27 mgd	1.53 mgd	1.272 mgd
1.40 mgd	1.61 mgc	1.66 mgd	1.49 mgd	5.65 mgd	2.10 mgd
4,173	4,253	4,217	4,267	4,258	4,276
8	7	2	7	9	7
1.37 mgd	1.05 mgd	1.01 mgd	1.19 mgd	1.01 mgd	1.11 mgd



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

	Fiscal Year			
	2003	2004	2005	2006
<b>Function/Program</b>				
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	678	672	672	680
Culture and recreation				
Acreage	150	150	150	150
Parks	6	7	7	7
Baseball/softball diamonds	2	2	2	2
Community centers	1	1	1	1
Swimming pools	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	66	67	67	68.5
Fire hydrants	245	245	250	250
Storage capacity	1.761	1.761	1	1
Wastewater				
Sanitary sewers (miles)	55	55	56	56
Treatment capacity	2	2	2.5	2.5

SOURCE: Various City departments

Fiscal Year						
2007	2008	2009	2010	2011	2012	
1	1	1	1	1	1	1
7	7	7	7	6	7	7
2	2	2	2	2	2	2
50.1	50.1	50.1	50.1	50.1	50.1	50.1
686	686	684	686	686	686	686
150	150	150	150	150	150	150
7	7	7	7	7	7	7
2	2	2	2	2	2	2
1	1	1	1	1	1	1
1	1	1	1	1	1	1
68.5	68.5	69	69	69	69	69
250	250	259	259	259	259	259
1	1	1	1	1	1	1
58	58	58	58	58	58	58
2.5	2.5	2.5	2.5	2.5	2.5	2.5

## **OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**

**HARRISON, WALDROP & UHEREK, L.L.P.**



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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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2013. 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

Management of the City is responsible for establishing and maintaining effective 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 our opinions 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 25, 2013



## CITY OF PORT LAVACA

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