

# *PARADISE* ON THE BAY

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## *CITY OF PORT LAVACA TEXAS*



## *COMPREHENSIVE ANNUAL FINANCIAL REPORT*

*For the Year Ended September 30, 2013*

**CITY OF PORT LAVACA, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*For the year ended September 30, 2013*

Scotty Jones  
*Director of Finance*

Bob Turner  
*City Manager*

Issued By:  
Finance Department

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## **INTRODUCTORY SECTION**



# CITY OF PORT LAVACA

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

March 21, 2014

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, 2013, is hereby submitted. It is published to provide to the City Council, to representatives of financial institutions, and to our citizens and other interested persons, detailed information concerning the financial condition of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

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

## City Overview and Governance

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

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

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

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

## Financial Management

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

### **Long Term Financial Planning**

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

The City of Port Lavaca always looks for a more economical way to provide service to our citizens. The City keeps in mind that the economy is still volatile and follows conservative budgeting practices. The City through policy has procedures in place to react quickly when signs of sales tax or other major revenue sources are anticipated to deviate materially from the budget. These policy changes will help the City proactively amend the budget at the first sign of change to determine what expenditures in the budget could be delayed in efforts to maintain core services.

### **Economic Condition and Outlook**

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

Sales tax revenues increased from \$2,364,076 in 2012 to \$2,445,393 in 2013 (5.5% increase). Since 2010, sales tax revenue continues its growth streak in Port Lavaca, however the City continues to budget sales tax conservatively until further signs of economic recovery are indicated. Property tax revenue for the City increased by 2%; 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 committed an additional portion of the General Fund Reserve to provide contingency funding for the employee health care expenses not covered by the catastrophic stop loss policy held by the City. **This financial policy supports the volatile impact the City can have with health care claims.** The City maintains a minimum of a 90 day working capital position along with a budget designed to cover depreciation expense in each of the City's enterprise funds. This budgeting practice provides the City the ability to set aside reserves to fund capital projects while reducing debt.

### **Major Initiatives**

In the 2012-2013 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 a soccer field at Wilson Field Sport Complex
- Expanded the breakwater at Nautical Landings Marina
- Remodeled a restroom at Lighthouse Beach Park
- Installed lighting on the boardwalk at Lighthouse Beach Park
- Replaced sewer line in the Bonorden Subdivision and along George Street
- Constructed a pavilion 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 short and long term objectives:

#### Replace/Maintain Infrastructure

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

#### Enhance City Parks & Downtown

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

#### Environmental Code Improvement

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

#### **Financial Information**

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

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

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

**Financial Information- (Continued)**

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

**Independent Audit**

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

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Lavaca for the fiscal year ended September 30, 2012. This was the third consecutive time since 1999. The City hopes to continue to receive this highest form of recognition for excellence in state and local government financial reporting.

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


**Acknowledgments**

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

Respectfully,



Bob Turner, City Manager



Scotty Jones, Director of Finance





Government Finance Officers Association

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

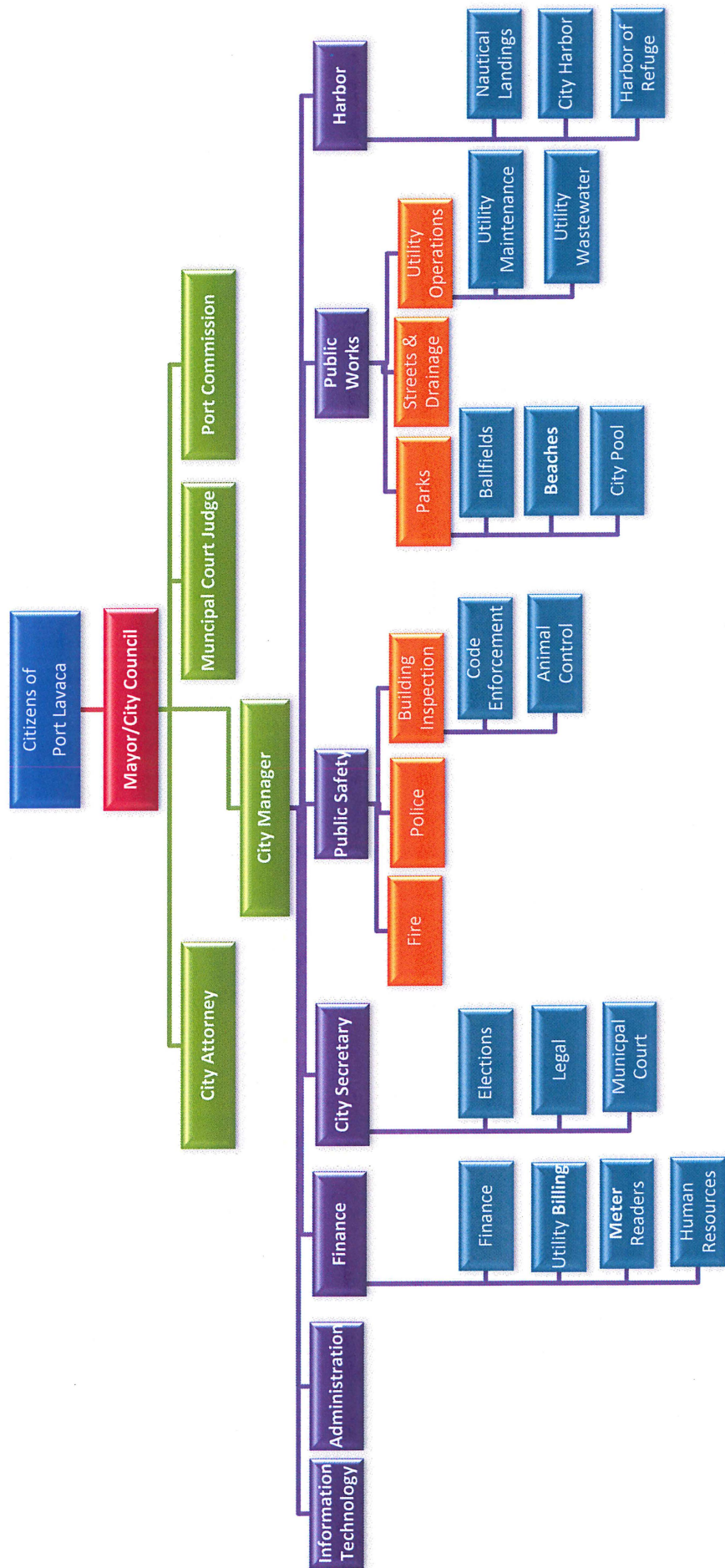
Presented to

**City of Port Lavaca  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO



**CITY OF PORT LAVACA, TEXAS**  
*DIRECTORY OF PRINCIPAL OFFICIALS*  
*September 30, 2013*

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**City Officials**

Jack Whitlow  
Jim Ward  
Floyd Felder  
Lee Rivera  
Rosie Padron  
Raymond Perez  
Ken Barr

**Elective Position**

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

**Key Staff**

Bob Turner  
Scotty Jones  
Mandy Grant  
Cleve Calagna  
James Martinez  
Darren Gurley

**Appointive Position**

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

## **FINANCIAL SECTION**



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

STEPHEN W. VAN MANEN, CPA  
DENNIS C. CIHAL, CPA  
ERIC L. KUCERA, CPA  
CLAYTON P. VAN PELT, CPA  
ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

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

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Lavaca, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

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



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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

March 20, 2014

**CITY OF PORT LAVACA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the year ended September 30, 2013*

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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, 2013.

**FINANCIAL HIGHLIGHTS**

***Government-wide***

- The assets and deferred outflows of the City exceeded its liabilities at the close of the most recent fiscal year by \$48,497,602 (net position). Of this amount, \$11,224,760 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,891,749 over the prior year.

***Governmental Activities***

- Net position grew from \$25,704,672 in 2012 to \$26,666,515 (an increase of 3.74%) as of September 30, 2013.

***Business-type Activities***

- Net position grew from \$20,901,181 in 2012 to \$21,831,087 (an increase of 4.45%) as of September 30, 2013.

***Governmental Funds***

- As of September 30, 2013, the City's governmental funds reported an ending fund balance of \$7,342,135, an increase of \$1,192,299 (19.39%) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$2,536,205 or 36.97% of total General Fund expenditures.
- The committed portion of the General Fund's fund balance totaled \$3,297,504. These monies were committed by the Council to pay health insurance claims, capital asset replacement, and to be ready financially in the event of a disaster.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Organization and Flow of Financial Section Information**

**Independent Auditors' Report**

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

**Management's Discussion and Analysis**

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

Pages 4 to 12

**Government-wide Financial  
Statements**

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

Pages 13 to 15

**Fund Financial Statements**

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

Pages 16 to 25

**Notes to Financial Statements**

*Provides a summary of significant accounting policies and related disclosures.*

Pages 26 to 48

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

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

The government-wide financial statements present functions and programs of the City that are provided for various funding sources. The government-wide financial statements can be found on pages 13-15 of this report.

### **Fund Financial Statements**

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

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary fund financial statements can be found on pages 20-23 of this report.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City uses an expendable trust fund and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary fund financial statements can be found on pages 24-25 of this report.

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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 26-48 of this report.

### **Other Information**

The combining and individual fund statements and schedules provide additional information pertaining to the City's nonmajor governmental funds and the General Fund's budgetary performance. This other information can be found on pages 52-74 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities by \$48,497,602 as of September 30, 2013.

The largest portion of the City's net position (73.85%) reflects its investment in capital assets (e.g. land, buildings, vehicles, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending. The second largest portion of the City's net position (23.14%) represents unrestricted financial resources available for future operations. Additionally, a portion of the City's net position (3.01%) represents resources that are subject to restrictions on how they may be used.

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

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<b>City of Port Lavaca, Texas</b>						
<b>Net Position</b>						
	Governmental Activities		Business-type Activities		Total	
	2013	2012*	2013	2012*	2013	2012*
Current and other assets	\$ 8,398,696	\$ 7,112,834	\$ 8,431,974	\$ 7,799,611	\$ 16,830,670	\$ 14,912,445
Capital assets, net	22,156,084	22,518,126	21,372,814	21,621,386	43,528,898	44,139,512
<b>Total assets</b>	<b>30,554,780</b>	<b>29,630,960</b>	<b>29,804,788</b>	<b>29,420,997</b>	<b>60,359,568</b>	<b>59,051,957</b>
Deferred amount on refunding	106,062	-	127,934	130,497	233,996	130,497
<b>Total deferred outflows of resources</b>	<b>106,062</b>	<b>-</b>	<b>127,934</b>	<b>130,497</b>	<b>233,996</b>	<b>130,497</b>
Current and other liabilities	1,004,734	777,320	1,223,413	1,201,835	2,228,147	1,979,155
Noncurrent liabilities	2,989,593	3,148,968	6,878,922	7,448,478	9,868,515	10,597,446
<b>Total liabilities</b>	<b>3,994,327</b>	<b>3,926,288</b>	<b>8,102,335</b>	<b>8,650,313</b>	<b>12,096,662</b>	<b>12,576,601</b>
Net Position:						
Net investment in capital assets	21,750,587	19,174,209	14,059,066	13,756,393	35,809,653	32,930,602
Restricted	1,463,189	1,027,384	-	-	1,463,189	1,027,384
Unrestricted	3,452,739	5,503,079	7,772,021	7,144,788	11,224,760	12,647,867
<b>Total net position</b>	<b>\$ 26,666,515</b>	<b>\$ 25,704,672</b>	<b>\$ 21,831,087</b>	<b>\$ 20,901,181</b>	<b>\$ 48,497,602</b>	<b>\$ 46,605,853</b>

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\*Net positions of the 2012 governmental and business-type activities have been restated. See Note 21 of this report.

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

Net position of the City increased by \$1,891,749. Key elements of this increase are due primarily because of an increase in tax revenues for the governmental activities and an increase in charges for services for the business-type activities.

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<b>City of Port Lavaca, Texas</b>						
<b>Changes in Net Position</b>						
	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012*	2013	2012*	2013	2012*
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 711,117	\$ 586,394	\$ 6,163,237	\$ 5,913,131	\$ 6,874,354	\$ 6,499,525
Operating grants and contributions	252,056	322,478	2,000	22,340	254,056	344,818
Capital grants and contributions	-	259,835	49,217	117,620	49,217	377,455
General revenues:						
Property taxes	3,808,571	3,754,272	-	-	3,808,571	3,754,272
Sales taxes	2,445,393	2,364,076	-	-	2,445,393	2,364,076
Franchise taxes	587,534	593,255	-	-	587,534	593,255
Other taxes	389,564	345,381	-	-	389,564	345,381
Unrestricted investment earnings	12,995	29,877	17,507	20,024	30,502	49,901
Miscellaneous	302,881	232,217	-	68,062	302,881	300,279
<b>Total revenues</b>	<b>8,510,111</b>	<b>8,487,785</b>	<b>6,231,961</b>	<b>6,141,177</b>	<b>14,742,072</b>	<b>14,628,962</b>
<b>EXPENSES</b>						
General government	2,140,960	2,150,599	-	-	2,140,960	2,150,599
Public safety	3,199,920	3,088,940	-	-	3,199,920	3,088,940
Public works	1,629,165	1,629,726	-	-	1,629,165	1,629,726
Parks and recreation	689,022	637,689	-	-	689,022	637,689
Interest on long-term debt	113,201	129,666	-	-	113,201	129,666
Public utilities	-	-	4,360,184	4,218,659	4,360,184	4,218,659
Port commission	-	-	464,556	442,642	464,556	442,642
Beach operations	-	-	253,315	225,381	253,315	225,381
<b>Total expenses</b>	<b>7,772,268</b>	<b>7,636,620</b>	<b>5,078,055</b>	<b>4,886,682</b>	<b>12,850,323</b>	<b>12,523,302</b>
<b>Change in net position before transfers</b>	<b>737,843</b>	<b>848,457</b>	<b>1,153,906</b>	<b>1,226,831</b>	<b>1,891,749</b>	<b>2,075,288</b>
Transfers	224,000	234,821	(224,000)	(234,821)	-	-
Change in net position	961,843	1,083,278	929,906	992,010	1,891,749	2,075,288
Net position at beginning of year, as restated	25,704,672	24,621,394	20,901,181	19,909,171	46,605,853	44,530,565
<b>Net position at end of year</b>	<b>\$26,666,515</b>	<b>\$25,704,672</b>	<b>\$21,831,087</b>	<b>\$20,901,181</b>	<b>\$48,497,602</b>	<b>\$46,605,853</b>

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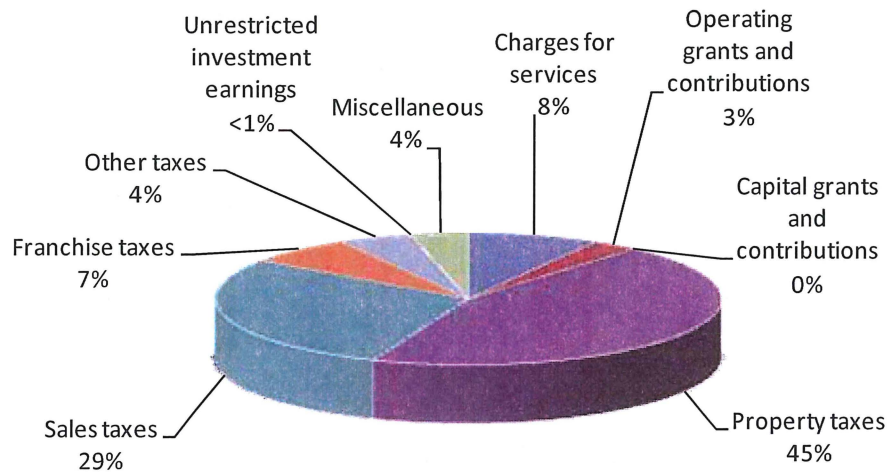
\*Net positions of the 2012 governmental and business-type activities have been restated. See Note 21 of this report.

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

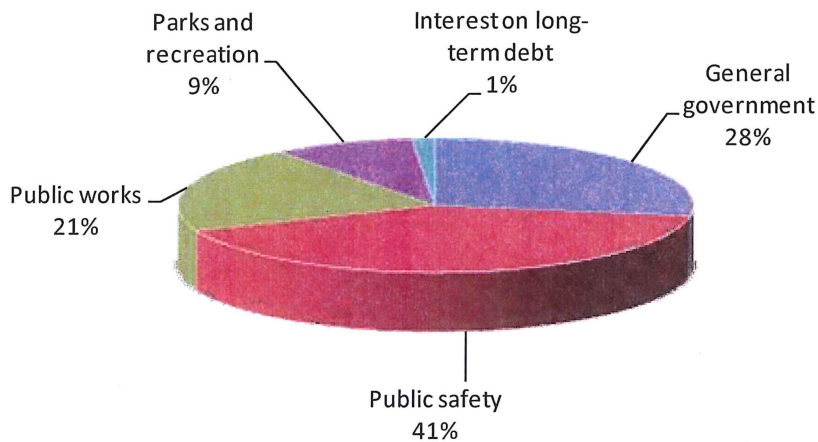
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

### **Governmental Revenues**



For the fiscal year ended September 30, 2013, revenues from governmental activities totaled \$8.5 million. Sales tax revenues increased \$81,317 or 3.44% from fiscal year 2012 due to the growing economy.

### **Governmental Functional Expenses**



For the fiscal year ended September 30, 2013, expenses for governmental activities totaled \$7.8 million. This is an increase of \$135,648 or 1.78% from fiscal year 2012.



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

Business-type activities increased the City's net position by \$929,906. The key elements of this increase relate to the Public Utility Fund. The Public Utility Fund had an operating income for fiscal year 2013 of \$1,243,005.

## **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, 2013, the City's governmental funds, which consist of the General Fund, two debt service funds, one capital projects fund, and eleven special revenue funds, reported an ending fund balance of \$7,342,135, which is an increase of \$1,192,299 from last year's total of \$6,149,836.

The General Fund is the chief operating fund of the City. Its fund balance increased by \$761,736 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 36.97% of total General Fund expenditures as compared to 23.92% in the prior year. The main reason for the increase in percentage is due to the same reasons explained above for the increase in overall fund balance.

### **Proprietary Funds**

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

Unrestricted net position of the Public Utility Fund at the end of the fiscal year amounted to \$6,064,056. The increase in total net position for the year was \$869,184. Net positions of the Port Commission Fund and the Beach Operating Fund also increased during the 2013 fiscal year by \$39,568 and \$21,154, respectively.

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

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Total revenues earned were \$431,877 greater than budgeted expectations, with tax revenues making up \$423,482 or 98% of the positive variance. Property tax made up 65% of the variance while sales tax contributed to the remaining. Total sales tax revenue increased 3% over prior year.

Total actual expenditures were under budgeted expenditures by \$164,859. 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 \$374,100 to expenditures. Included in the increase to budgeted expenditures, was an increase of \$135,000 to cover the additional cost of the pavilion at Bayfront Park and new park equipment at Wilson Park. In addition, \$96,000 was needed to cover the increased cost of health claims and unemployment claims. Other factors included delayed projects that crossed fiscal years. The additional revenue stream from taxes covered this high health claim year, the ability to cover project change orders, and supported the purchase on new equipment for the parks. There was an increase of \$7,000 to transfers to other funds. These monies were transferred during the fiscal year to the Juvenile Case Manager Fund, a nonmajor special revenue fund, to cover the deficit caused by the fees not covering the fiscal year expenditures.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets as of September 30, 2013, amounts to \$43,528,898 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, and infrastructure.

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<b>City of Port Lavaca, Texas</b>						
<b>Capital Assets (Net of Depreciation)</b>						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<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	327,935	311,935	229,467	56,987	557,402	368,922
<b>Other Capital Assets</b>						
Machinery and equipment	3,078,042	3,000,319	796,499	750,789	3,874,541	3,751,108
Buildings and structures	6,104,803	5,720,557	4,638,088	4,413,599	10,742,891	10,134,156
Infrastructure	29,617,434	29,617,434	37,682,529	37,542,041	67,299,963	67,159,475
Accumulated depreciation on other capital assets	(17,985,682)	(17,145,671)	(23,474,781)	(22,643,042)	(41,460,463)	(39,788,713)
<b>Total</b>	<u>\$22,156,084</u>	<u>\$22,518,126</u>	<u>\$21,372,814</u>	<u>\$21,621,386</u>	<u>\$43,528,898</u>	<u>\$44,139,512</u>

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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 and business-type 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 \$10.7 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>						
	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenue bonds	\$ -	\$ -	\$ 4,080,000	\$ 4,425,000	\$ 4,080,000	\$ 4,425,000
General obligation bonds	2,895,000	-	-	-	2,895,000	-
Certificates of obligation	105,000	3,095,000	3,340,000	3,500,000	3,445,000	6,595,000
Issuance discount	-	-	(29,696)	(30,290)	(29,696)	(30,290)
Capital leases	211,559	248,917	51,378	100,780	262,937	349,697
Compensated absences	127,775	98,038	14,082	15,450	141,857	113,488
Safety pay	25,489	23,196	4,326	6,366	29,815	29,562
<b>Total</b>	<b>\$ 3,364,823</b>	<b>\$ 3,465,151</b>	<b>\$ 7,460,090</b>	<b>\$ 8,017,306</b>	<b>\$ 10,824,913</b>	<b>\$ 11,482,457</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 \$2,364,076 in 2012 to \$2,445,393 (5.5%). The City has been experiencing a sales tax growth trend since 2010. Even with that trend over the prior years, the City continues to budget sales tax conservatively until further signs of economic recovery are indicated. Property values remained relatively flat over prior year. The increase in the property revenue was a result of new property added to the tax roll.

The City approved a Five-Year Capital plan focusing on streets and parks with a "pay as you go" philosophy. The City recently added a soccer field at Wilson Field Sports Complex and constructed a pavilion at Bayfront Peninsula Park. The City plans to focus on improvements at Bayfront Peninsula Park and Wilson Field Sports Complex. Currently, the City is working on downtown sidewalks and the rehabilitation of George Street. 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.

***Utility Fund***

The City has recently completed a water and wastewater rate study to help plan for future infrastructure needs. The consultant provided the city with various rate structure solutions. The study determined that the City needed to change the rate structure and increase the rates. The City Council approved the first rate increase since 2008. This rate increase became effective October 1, 2013. This increase ensures debt service coverage for utility infrastructure repairs and replacements. Weather continues to be a factor for the Public Utility Fund. Forecasts of dry conditions will increase the demand for water this year, but is too early to project year end. Current water and sewer sales are on budget target.

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

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

Future plans include continuation of infrastructure replacement. The City has replaced many antiquated water lines by means of grants and Texas Water Development Board loans. Plans are to replace water lines and valves to increase water pressure, provide cleaner water, decrease water loss percentage, and reduce outages due to very old infrastructure. The City was recently awarded a Texas Community Development Program (TCDP) block grant of \$250,000 with a City match of \$50,000 to continue sewer line replacement in low income areas. The City has completed a \$700,000 sewer rehabilitation project in Bonorden Subdivision and along George Street. The City will apply for another sewer grant through the TCDP to complete the Bondorden Subdivision.

### *Beach Fund*

The City has added lighting on the boardwalk and remodeled a restroom at the Lighthouse Beach Park. The City was awarded a grant from the General Land Office to install a 50' T-Head at the end of the fishing pier. This will complete the fishing pier expansion project which brought the pier length to approximately 900'. The City plans to seek a grant to remove the abandoned pier that was recently replaced and add more trailer spaces at the City owned RV Park.

### *Port Commission*

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

The City recently expanded the breakwater at Nautical Landings Marina. Future improvements include dredging and bulkhead improvements at the Harbor of Refuge to aid existing industry in transporting oil or other products.

## **REQUESTS FOR INFORMATION**

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

## **Basic Financial Statements**

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

September 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 5,851,606	\$ 6,154,898	\$ 12,006,504
Investments	1,589,715	1,255,899	2,845,614
Receivables (net)	654,301	703,172	1,357,473
Due from other governments	408,376	87,453	495,829
Internal balances	(170,240)	170,240	-
Prepaid items	64,938	22,134	87,072
Inventory	-	38,178	38,178
Total current assets	<u>8,398,696</u>	<u>8,431,974</u>	<u>16,830,670</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	1,341,487	1,730,479	3,071,966
Assets being depreciated (net)	<u>20,814,597</u>	<u>19,642,335</u>	<u>40,456,932</u>
Total noncurrent assets	<u>22,156,084</u>	<u>21,372,814</u>	<u>43,528,898</u>
<b>Total assets</b>	<u>30,554,780</u>	<u>29,804,788</u>	<u>60,359,568</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	<u>106,062</u>	<u>127,934</u>	<u>233,996</u>
<b>Total deferred outflows of resources</b>	<u>106,062</u>	<u>127,934</u>	<u>233,996</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	402,997	348,826	751,823
Payroll related liabilities	71,841	16,820	88,661
Accrued interest payable	11,175	33,963	45,138
Other payables	53,619	14,049	67,668
Due to other governments	19,697	4,132	23,829
Accrued compensated absences	45,822	6,163	51,985
Accrued safety pay	25,489	4,326	29,815
Unearned revenue	60,875	17,551	78,426
Customer deposits	9,300	206,205	215,505
Current portion of long-term obligations	<u>303,919</u>	<u>571,378</u>	<u>875,297</u>
Total current liabilities	<u>1,004,734</u>	<u>1,223,413</u>	<u>2,228,147</u>
Noncurrent liabilities			
Accrued compensated absences	81,953	7,918	89,871
Noncurrent portion of long-term obligations	<u>2,907,640</u>	<u>6,870,304</u>	<u>9,777,944</u>
Total noncurrent liabilities	<u>2,989,593</u>	<u>6,878,222</u>	<u>9,867,815</u>
<b>Total liabilities</b>	<u>3,994,327</u>	<u>8,101,635</u>	<u>12,095,962</u>
<b>NET POSITION</b>			
Net investment in capital assets	21,750,587	14,059,066	35,809,653
Restricted for:			
Debt service	226,879	-	226,879
Capital and maintenance projects	564,887	-	564,887
Economic development, tourism and conventions	527,630	-	527,630
Public safety	125,936	-	125,936
Municipal court	17,857	-	17,857
Unrestricted	<u>3,452,739</u>	<u>7,772,021</u>	<u>11,224,760</u>
<b>Total net position</b>	<u>\$ 26,666,515</u>	<u>\$ 21,831,087</u>	<u>\$ 48,497,602</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, 2013*

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 2,140,960	\$ 364,118	\$ 1,792	\$ -
Public safety	3,199,920	278,784	250,264	-
Public works	1,629,165	-	-	-
Parks and recreation	689,022	68,215	-	-
Interest on long-term debt	113,201	-	-	-
Total governmental activities	<u>7,772,268</u>	<u>711,117</u>	<u>252,056</u>	<u>-</u>
Business-type activities				
Public utilities	4,360,184	5,380,215	-	37,650
Port commission	464,556	502,420	2,000	11,567
Beach operations	253,315	280,602	-	-
Total business-type activities	<u>5,078,055</u>	<u>6,163,237</u>	<u>2,000</u>	<u>49,217</u>
Total government	<u>\$ 12,850,323</u>	<u>\$ 6,874,354</u>	<u>\$ 254,056</u>	<u>\$ 49,217</u>

General revenues:

Taxes:

    Property taxes, levied for general purposes

    Property taxes, levied for debt service

    Sales taxes

    Franchise taxes

    Other taxes

    Unrestricted investment earnings

    Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business- type Activities	Total
\$ (1,775,050)	\$ -	\$ (1,775,050)
(2,670,872)	-	(2,670,872)
(1,629,165)	-	(1,629,165)
(620,807)	-	(620,807)
(113,201)	-	(113,201)
<u>(6,809,095)</u>	<u>-</u>	<u>(6,809,095)</u>
-	1,057,681	1,057,681
-	51,431	51,431
-	27,287	27,287
<u>-</u>	<u>1,136,399</u>	<u>1,136,399</u>
<u>(6,809,095)</u>	<u>1,136,399</u>	<u>(5,672,696)</u>
3,466,771	-	3,466,771
341,800	-	341,800
2,445,393	-	2,445,393
587,534	-	587,534
389,564	-	389,564
12,995	17,507	30,502
302,881	-	302,881
224,000	(224,000)	-
<u>7,770,938</u>	<u>(206,493)</u>	<u>7,564,445</u>
961,843	929,906	1,891,749
<u>25,704,672</u>	<u>20,901,181</u>	<u>46,605,853</u>
<u>\$ 26,666,515</u>	<u>\$ 21,831,087</u>	<u>\$ 48,497,602</u>

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

September 30, 2013

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	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 4,335,361	\$ 1,516,245	\$ 5,851,606
Investments	1,589,715	-	1,589,715
Receivables (net)	525,817	128,484	654,301
Due from other governments	405,697	2,679	408,376
Prepaid items	64,938	-	64,938
<b>Total assets</b>	<u>\$ 6,921,528</u>	<u>\$ 1,647,408</u>	<u>\$ 8,568,936</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 397,281	\$ 5,716	\$ 402,997
Payroll related payables	71,449	392	71,841
Other payables	53,619	-	53,619
Due to other governments	19,697	-	19,697
Due to other funds	-	170,240	170,240
Customer and other deposits	9,300	-	9,300
Unearned revenue	60,875	-	60,875
<b>Total liabilities</b>	<u>612,221</u>	<u>176,348</u>	<u>788,569</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	410,660	27,572	438,232
<b>Total deferred inflows of resources</b>	<u>410,660</u>	<u>27,572</u>	<u>438,232</u>
<b>FUND BALANCES</b>			
Nonspendable	64,938	-	64,938
Restricted	-	1,443,488	1,443,488
Committed	3,297,504	-	3,297,504
Unassigned	2,536,205	-	2,536,205
<b>Total fund balances</b>	<u>5,898,647</u>	<u>1,443,488</u>	<u>7,342,135</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 6,921,528</u>	<u>\$ 1,647,408</u>	<u>\$ 8,568,936</u>

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS****RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION  
OF GOVERNMENTAL ACTIVITIES  
September 30, 2013**

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<b>Total governmental fund balances</b>	<b>\$ 7,342,135</b>
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*Amounts reported for governmental activities in the statement of net position are different because:*

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

394,487

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

43,745

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

Governmental capital assets costs

\$ 40,141,766

Accumulated depreciation of governmental capital assets

(17,985,682)

22,156,084

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

Bonds and certificates payable

(3,000,000)

Loss on refunding

106,062

Capital leases payable

(211,559)

Accrued interest payable

(11,175)

Compensated absences

(127,775)

Safety pay

(25,489)

(3,269,936)

**Net position of governmental activities**

**\$ 26,666,515**

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, 2013*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes			
Ad valorem	\$ 3,521,668	\$ 346,324	\$ 3,867,992
Sales	2,445,393	-	2,445,393
Other	604,421	372,677	977,098
Fines, fees, and forfeitures	348,607	278,070	626,677
Intergovernmental	248,625	3,431	252,056
Licenses and permits	158,721	-	158,721
Investment	10,611	2,384	12,995
Rental	67,615	-	67,615
Charges for services	6,820	-	6,820
Miscellaneous	165,883	15,380	181,263
<b>Total revenues</b>	<u>7,578,364</u>	<u>1,018,266</u>	<u>8,596,630</u>
<b>EXPENDITURES</b>			
Current			
General government	1,937,120	159,658	2,096,778
Public safety	2,815,215	274,412	3,089,627
Public works	1,174,528	-	1,174,528
Parks and recreation	932,950	-	932,950
Capital outlay	-	16,000	16,000
Debt service			
Principal retirement	-	270,000	270,000
Interest and fiscal charges	-	53,061	53,061
Issuance costs	-	67,106	67,106
<b>Total expenditures</b>	<u>6,859,813</u>	<u>840,237</u>	<u>7,700,050</u>
Excess (deficiency) of revenues over expenditures	718,551	178,029	896,580
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding bonds issued	-	2,945,000	2,945,000
Payment to escrow	-	(2,877,894)	(2,877,894)
Transfers in	424,000	401,428	825,428
Transfers out	(385,428)	(216,000)	(601,428)
Sale of capital assets	4,613	-	4,613
<b>Total other financing sources (uses)</b>	<u>43,185</u>	<u>252,534</u>	<u>295,719</u>
Net change in fund balances	761,736	430,563	1,192,299
Fund balances at beginning of year	<u>5,136,911</u>	<u>1,012,925</u>	<u>6,149,836</u>
<b>Fund balances at end of year</b>	<u>\$ 5,898,647</u>	<u>\$ 1,443,488</u>	<u>\$ 7,342,135</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, 2013*

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<b>Total net change in fund balances - governmental funds</b>		<b>\$ 1,192,299</b>
---	--	---------------------

*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	\$ 533,434	
Depreciation expense	<u>(887,945)</u>	(354,511)

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, transfers, and contributions) is to increase (decrease) net position. (7,531)

Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Bonds at par value		(2,945,000)
--------------------	--	-------------

Payment to the escrow agent to refund bonds from refunding proceeds reduces long-term liabilities. 2,877,894

Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:

Bond and certificate principal retirement	270,000	
Capital lease principal retirement	<u>37,358</u>	307,358

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

Property taxes	(68,996)	
Other revenues	<u>(14,606)</u>	(83,602)

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	(29,737)	
Decrease in loss on bond refunding	(1,832)	
Increase in safety pay	(2,293)	
Decrease in accrued interest	<u>8,798</u>	<u>(25,064)</u>

<b>Change in net position of governmental activities</b>		<b><u>\$ 961,843</u></b>
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The accompanying notes are an integral part of this statement.

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

September 30, 2013

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 4,912,694	\$ 649,185	\$ 593,019	\$ 6,154,898
Investments	526,058	522,369	207,472	1,255,899
Receivables (net)	692,503	10,220	449	703,172
Due from other governments	16,000	71,453	-	87,453
Due from other funds	474,120	-	-	474,120
Prepaid expenses	12,789	6,987	2,358	22,134
Inventory	38,178	-	-	38,178
Total current assets	6,672,342	1,260,214	803,298	8,735,854
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	353,032	1,103,634	273,813	1,730,479
Assets being depreciated (net)	13,908,552	4,191,515	1,542,268	19,642,335
Net noncurrent assets	14,261,584	5,295,149	1,816,081	21,372,814
<b>Total assets</b>	20,933,926	6,555,363	2,619,379	30,108,668
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	127,934	-	-	127,934
<b>Total deferred outflows of resources</b>	127,934	-	-	127,934
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	316,288	9,973	22,565	348,826
Payroll related liabilities	15,928	892	-	16,820
Accrued interest payable	26,886	7,077	-	33,963
Other payables	14,049	-	-	14,049
Due to other governments	4,132	-	-	4,132
Due to other funds	-	303,880	-	303,880
Accrued compensated absences	5,851	312	-	6,163
Accrued safety pay	4,326	-	-	4,326
Unearned revenue	6,703	10,848	-	17,551
Customer deposits	206,205	-	-	206,205
Current portion of noncurrent liabilities				
Capital leases	51,378	-	-	51,378
Bonds and certificates	450,000	70,000	-	520,000
Total current liabilities	1,101,746	402,982	22,565	1,527,293
Long-term liabilities, net of current portion				
Accrued compensated absences	7,918	-	-	7,918
Bonds and certificates (net of unamortized deferred amounts)	5,515,304	1,355,000	-	6,870,304
Total long-term liabilities	5,523,222	1,355,000	-	6,878,222
<b>Total liabilities</b>	6,624,968	1,757,982	22,565	8,405,515
<b>NET POSITION</b>				
Net investment in capital assets	8,372,836	3,870,149	1,816,081	14,059,066
Unrestricted	6,064,056	927,232	780,733	7,772,021
<b>Total net position</b>	\$ 14,436,892	\$ 4,797,381	\$ 2,596,814	\$ 21,831,087

The accompanying notes are an integral part of this statement.

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

For the year ended September 30, 2013

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
<b>OPERATING REVENUES</b>				
Charges for services				
Water sales	\$ 2,403,537	\$ -	\$ -	\$ 2,403,537
Sewer services	1,965,445	-	-	1,965,445
Waste collection	745,430	-	-	745,430
Tap and service fees	104,420	-	-	104,420
Gate fees	-	-	45,207	45,207
Leases and rentals	-	501,438	232,156	733,594
Penalties	96,090	576	-	96,666
Miscellaneous	65,293	406	3,239	68,938
Total operating revenues	<u>5,380,215</u>	<u>502,420</u>	<u>280,602</u>	<u>6,163,237</u>
<b>OPERATING EXPENSES</b>				
Personnel services	809,731	35,133	105	844,969
Materials and supplies	79,289	10,646	2,286	92,221
Services	1,163,161	77,329	80,595	1,321,085
Water purchases	1,191,181	-	-	1,191,181
Maintenance and repairs	317,182	62,655	75,021	454,858
Depreciation and amortization	536,872	221,763	93,929	852,564
Miscellaneous	39,794	-	1,379	41,173
Total operating expenses	<u>4,137,210</u>	<u>407,526</u>	<u>253,315</u>	<u>4,798,051</u>
<b>Operating income (loss)</b>	1,243,005	94,894	27,287	1,365,186
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Noncapital grants and contributions	-	2,000	-	2,000
Investment income	11,503	4,137	1,867	17,507
Interest expense	(222,974)	(57,030)	-	(280,004)
Net nonoperating revenues	<u>(211,471)</u>	<u>(50,893)</u>	<u>1,867</u>	<u>(260,497)</u>
Income before capital contributions and transfers	1,031,534	44,001	29,154	1,104,689
Capital grants and contributions	37,650	11,567	-	49,217
Transfers out	<u>(200,000)</u>	<u>(16,000)</u>	<u>(8,000)</u>	<u>(224,000)</u>
Change in net position	869,184	39,568	21,154	929,906
Net position at beginning of year, as restated	<u>13,567,708</u>	<u>4,757,813</u>	<u>2,575,660</u>	<u>20,901,181</u>
<b>Net position at end of year</b>	<u>\$ 14,436,892</u>	<u>\$ 4,797,381</u>	<u>\$ 2,596,814</u>	<u>\$ 21,831,087</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, 2013

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Commission	Beach Operating	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 5,401,670	\$ 498,259	\$ 280,714	\$ 6,180,643
Cash payments to suppliers for goods and services	(2,723,191)	(241,365)	(143,069)	(3,107,625)
Cash payments to employees for services	(810,936)	(34,551)	(888)	(846,375)
<b>Net cash provided (used) by operating activities</b>	<u>1,867,543</u>	<u>222,343</u>	<u>136,757</u>	<u>2,226,643</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Receipts from noncapital grants and contributions	-	2,000	-	2,000
Borrowings from (to) other funds	(61,825)	166,259	-	104,434
Transfers to other funds	(200,000)	(16,000)	(8,000)	(224,000)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(261,825)</u>	<u>152,259</u>	<u>(8,000)</u>	<u>(117,566)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Acquisition of capital assets	(305,533)	(257,647)	(37,654)	(600,834)
Receipts from capital grants and contributions	21,650	10,000	-	31,650
Principal paid on capital debt	(484,402)	(70,000)	-	(554,402)
Interest paid on capital debt	(224,629)	(57,378)	-	(282,007)
<b>Net cash provided (used) by capital financing activities</b>	<u>(992,914)</u>	<u>(375,025)</u>	<u>(37,654)</u>	<u>(1,405,593)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income	8,095	1,347	998	10,440
<b>Net cash provided (used) by investing activities</b>	<u>8,095</u>	<u>1,347</u>	<u>998</u>	<u>10,440</u>
Net increase (decrease) in cash and cash equivalents	620,899	924	92,101	713,924
Cash and cash equivalents at beginning of year	4,291,795	648,261	500,918	5,440,974
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,912,694</u>	<u>\$ 649,185</u>	<u>\$ 593,019</u>	<u>\$ 6,154,898</u>

(continued)

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2013

	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	\$ 1,243,005	\$ 94,894	\$ 27,287	\$ 1,365,186
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	536,872	221,763	93,929	852,564
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	11,636	(4,794)	133	6,975
(Increase) decrease in prepaid expense	1,387	(6,198)	(246)	(5,057)
(Increase) decrease in inventory	(158)	-	-	(158)
Increase (decrease) in accounts and other payables	66,155	(84,537)	16,458	(1,924)
Increase (decrease) in payroll related liabilities	2,516	270	(783)	2,003
Increase (decrease) in due to other governments	32	-	-	32
Increase (decrease) in compensated absences	(1,681)	312	-	(1,369)
Increase (decrease) in safety pay	(2,040)	-	-	(2,040)
Increase (decrease) in unearned revenue	(835)	633	-	(202)
Increase (decrease) in customer deposits	10,654	-	(21)	10,633
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,867,543</b>	<b>\$ 222,343</b>	<b>\$ 136,757</b>	<b>\$ 2,226,643</b>

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
*September 30, 2013*

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	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 27,820
<b>Total assets</b>	-	<u>\$ 27,820</u>
<b>LIABILITIES</b>		
Due to others	-	\$ 27,820
<b>Total liabilities</b>	-	<u>\$ 27,820</u>
<b>NET POSITION</b>		
Restricted for payment of pension benefits	-	
<b>Total net position</b>	<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

**CITY OF PORT LAVACA, TEXAS****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUND***For the year ended September 30, 2013*

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

The accompanying notes are an integral part of this statement.

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

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

**A. Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units. No legally separate organizations met the necessary criteria for inclusion as component units for the year ended September 30, 2013.

**B. Government-wide and Fund Financial Statements**

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

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

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

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

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

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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.

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

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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, 2013.

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 position. Except for infrastructure assets, the City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure assets are capitalized if their cost exceeds \$100,000. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

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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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount on the statement of net position.

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

K. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that is considered a deferred inflow of resources. This item arises under a modified accrual basis of accounting, is *unavailable revenue* and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from a variety of sources and are further defined in Note 4. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)****L. Fund Balance Policies**

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

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

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

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

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

**M. Net Position Flow Assumptions**

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

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)****N. Minimum Fund Balance Policy**

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

The City also has a goal to maintain a working capital position equal to 120 days of the operating budget and a policy to maintain a working capital position no less than 90 days of the operating budget in the enterprise funds. Refer to Note 13 which addresses the policy set by the Council for the enterprise funds.

**O. Use of Estimates**

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

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

There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2012-2013.

<u>Fund Name- Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
City manager	\$ 203,782	\$ 205,702	\$ 1,920
Transfers out	384,000	385,428	1,428
2003 C.O. Fund			
Debt service	263,300	334,667	71,367
Payment to escrow	-	2,877,894	2,877,894

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

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**NOTE 3: DEPOSITS AND INVESTMENTS**

As of September 30, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pools		
L.O.G.I.C. Pool	\$ 8,760,895	57
TexSTAR Pool	1,376,908	52
Certificates of Deposits	<u>2,845,615</u>	182
	<u>\$ 12,983,418</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 position to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of the shares in the pools.

A. Interest Rate Risk

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

B. Credit Risk

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

C. Concentration of Credit Risk

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

D. Custodial Credit Risk - Deposits

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

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, 2013, and for the year then ended, the City was not exposed to any custodial credit risk.

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**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	\$ 485,926	\$ -	\$ -	\$ -	\$ 29,023	\$ 514,949
Franchise taxes	88,652	-	-	-	-	88,652
Municipal court fines	83,502	-	-	-	-	83,502
Charges for services	74,776	705,408	4,688	-	-	784,872
Occupancy taxes	-	-	-	-	100,874	100,874
Miscellaneous	<u>26,506</u>	<u>-</u>	<u>5,532</u>	<u>449</u>	<u>38</u>	<u>32,525</u>
Gross receivables	759,362	705,408	10,220	449	129,935	1,605,374
Less: Allowance for uncollectibles	<u>(233,545)</u>	<u>(12,905)</u>	<u>-</u>	<u>-</u>	<u>(1,451)</u>	<u>(247,901)</u>
Net total receivables	<u>\$ 525,817</u>	<u>\$ 692,503</u>	<u>\$ 10,220</u>	<u>\$ 449</u>	<u>\$ 128,484</u>	<u>\$ 1,357,473</u>

The City is permitted by a local charter to levy taxes up to limits set by the Constitution and laws of the State of Texas. Currently, the State of Texas does not set limits on the rate at which ad valorem taxes may be assessed. The combined tax rate for the year ended September 30, 2013, was \$0.75 per \$100 of assessed valuation. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by the following January 31, which comprises the collection dates for the current tax roll. The Calhoun County Appraisal District bills, collects, and remits daily all ad valorem taxes.

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 366,915	\$ -	\$ 366,915
Charges for services	18,694	60,875	79,569
Municipal court fines	25,051	-	25,051
Nonmajor Funds			
Ad valorem taxes	<u>27,572</u>	<u>-</u>	<u>27,572</u>
	<u>\$ 438,232</u>	<u>\$ 60,875</u>	<u>\$ 499,107</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, 2013:

	<u>General Fund</u>	<u>Public Utility</u>	<u>Port Commission</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Sales taxes	\$ 394,035	\$ -	\$ -	\$ -	\$ 394,035
Reimbursement for services	7,306	-	-	-	7,306
Mixed beverage taxes	4,356	-	-	-	4,356
Grant reimbursements	<u>-</u>	<u>16,000</u>	<u>71,453</u>	<u>2,679</u>	<u>90,132</u>
	<u>\$ 405,697</u>	<u>\$ 16,000</u>	<u>\$ 71,453</u>	<u>\$ 2,679</u>	<u>\$ 495,829</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, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,013,552	\$ -	\$ -	\$ 1,013,552
Construction in progress	<u>311,935</u>	<u>16,000</u>	<u>-</u>	<u>327,935</u>
Total capital assets not being depreciated	<u>1,325,487</u>	<u>16,000</u>	<u>-</u>	<u>1,341,487</u>
Capital assets, being depreciated:				
Machinery and equipment	3,000,319	133,188	(55,465)	3,078,042
Buildings and structures	5,720,557	384,246	-	6,104,803
Infrastructure	<u>29,617,434</u>	<u>-</u>	<u>-</u>	<u>29,617,434</u>
Total capital assets being depreciated	<u>38,338,310</u>	<u>517,434</u>	<u>(55,465)</u>	<u>38,800,279</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,663,153)	(282,298)	47,934	(1,897,517)
Buildings and structures	(2,798,513)	(159,453)	-	(2,957,966)
Infrastructure	<u>(12,684,005)</u>	<u>(446,194)</u>	<u>-</u>	<u>(13,130,199)</u>
Total accumulated depreciation	<u>(17,145,671)</u>	<u>(887,945)</u>	<u>47,934</u>	<u>(17,985,682)</u>
Total capital assets being depreciated, net	<u>21,192,639</u>	<u>(370,511)</u>	<u>(7,531)</u>	<u>20,814,597</u>
Governmental activities capital assets, net	<u>\$ 22,518,126</u>	<u>\$ (354,511)</u>	<u>\$ (7,531)</u>	<u>\$ 22,156,084</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,501,012	\$ -	\$ -	\$ 1,501,012
Construction in progress	<u>56,987</u>	<u>361,626</u>	<u>(189,146)</u>	<u>229,467</u>
Total capital assets not being depreciated	<u>1,557,999</u>	<u>361,626</u>	<u>(189,146)</u>	<u>1,730,479</u>
Capital assets, being depreciated:				
Machinery and equipment	750,789	63,377	(17,667)	796,499
Buildings and structures	4,413,599	224,489	-	4,638,088
Infrastructure	<u>37,542,041</u>	<u>140,488</u>	<u>-</u>	<u>37,682,529</u>
Total capital assets being depreciated	<u>42,706,429</u>	<u>428,354</u>	<u>(17,667)</u>	<u>43,117,116</u>
Less accumulated depreciation for:				
Machinery and equipment	(418,225)	(70,579)	17,667	(471,137)
Buildings and structures	(2,652,774)	(118,541)	-	(2,771,315)
Infrastructure	<u>(19,572,043)</u>	<u>(660,286)</u>	<u>-</u>	<u>(20,232,329)</u>
Total accumulated depreciation	<u>(22,643,042)</u>	<u>(849,406)</u>	<u>17,667</u>	<u>(23,474,781)</u>
Total capital assets being depreciated, net	<u>20,063,387</u>	<u>(421,052)</u>	<u>-</u>	<u>19,642,335</u>
Business-type activities capital assets, net	<u>\$ 21,621,386</u>	<u>\$ (59,426)</u>	<u>\$ (189,146)</u>	<u>\$ 21,372,814</u>

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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	216,868
Public works	485,576
Parks and recreation	<u>158,621</u>
Total depreciation expense - governmental activities	<u>\$ 887,945</u>

**Business-type activities:**

Public Utility	\$ 533,714
Port Commission	221,763
Beach Operating	<u>93,929</u>
Total depreciation expense - business-type activities	<u>\$ 849,406</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, 2013, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Utility	Nonmajor Special Revenue	\$ 170,240
	Port Commission	<u>303,880</u>
		<u>\$ 474,120</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 \$375,000 and \$200,000, respectively, in fiscal year 2013 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	\$ -	\$ 385,428	\$ 385,428
Public Utility	200,000	-	200,000
Port Commission	16,000	-	16,000
Beach Operating	8,000	-	8,000
Nonmajor	200,000	16,000	216,000
	<u>\$ 424,000</u>	<u>\$ 401,428</u>	<u>\$ 825,428</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
	<u>309,776</u>	<u>332,921</u>
Less: Accumulated depreciation	<u>(72,281)</u>	<u>(183,999)</u>
	<u>\$ 237,495</u>	<u>\$ 148,922</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, 2013, were as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
2014	\$ 47,763	\$ 53,433
2015	47,763	-
2016	47,762	-
2017	47,762	-
2018	47,762	-
Total minimum lease payments	238,812	53,433
Less: Amount representing interest	(27,253)	(2,055)
Present value of minimum lease payments	<u>\$ 211,559</u>	<u>\$ 51,378</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>	
2014	<u>\$ 121,750</u>
	<u>\$ 121,750</u>

Rental expenditures in 2013 were \$212,882. 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, 2013:

<u>Year Ending</u> <u>September 30</u>	
2014	\$ 240,622
2015	184,393
2016	179,843
2017	140,738
2018	<u>26,415</u>
	772,011
Thereafter	<u>72,000</u>
	<u>\$ 844,011</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, 2013, 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>					
Bonds and certificates payable:					
General obligation bonds	\$ -	\$ 2,945,000	\$ 50,000	\$ 2,895,000	\$ 215,000
Certificates	<u>3,095,000</u>	<u>-</u>	<u>2,990,000</u>	<u>105,000</u>	<u>50,000</u>
Net bonds and certificates	3,095,000	2,945,000	3,040,000	3,000,000	265,000
Capital leases	248,917	-	37,358	211,559	38,919
Compensated absences	98,038	148,028	118,291	127,775	45,822
Safety pay	<u>23,196</u>	<u>25,489</u>	<u>23,196</u>	<u>25,489</u>	<u>25,489</u>
Total governmental activity long-term liabilities	<u>\$ 3,465,151</u>	<u>\$ 3,118,517</u>	<u>\$ 3,218,845</u>	<u>\$ 3,364,823</u>	<u>\$ 375,230</u>
<b>Business-type activities</b>					
Bonds and certificates payable:					
Revenue bonds	\$ 4,425,000	\$ -	\$ 345,000	\$ 4,080,000	\$ 355,000
Certificates	<u>3,500,000</u>	<u>-</u>	<u>160,000</u>	<u>3,340,000</u>	<u>165,000</u>
Less deferred amounts:					
Issuance discounts	<u>(30,290)</u>	<u>-</u>	<u>(594)</u>	<u>(29,696)</u>	<u>-</u>
Net bonds and certificates	7,894,710	-	504,406	7,390,304	520,000
Capital leases	100,780	-	49,402	51,378	51,378
Compensated absences	15,450	17,852	19,220	14,082	6,183
Safety pay	<u>6,366</u>	<u>4,326</u>	<u>6,366</u>	<u>4,326</u>	<u>4,326</u>
Total business-type activity long-term liabilities	<u>\$ 8,017,306</u>	<u>\$ 22,178</u>	<u>\$ 579,394</u>	<u>\$ 7,460,090</u>	<u>\$ 581,887</u>

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

**B. General Obligation Bonds and Certificates**

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

General obligation bonds and certificates at September 30, 2013, were comprised of the following individual issues:

\$1,000,000 2005 Certificates of Obligation due in annual installments ranging from \$50,000 to \$55,000 through February 15, 2015; interest rates at 4.00% and 4.50%.	\$ 105,000
\$2,945,000 Series 2012 General Obligation Refunding Bonds due in annual installments ranging from \$60,000 to \$320,000 through February 15, 2024; interest fixed at 2.03%.	<u>2,895,000</u>
Total Bonds and Certificates	<u>\$ 3,000,000</u>

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

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

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2014	\$ 265,000	\$ 59,786	\$ 324,786
2015	275,000	53,271	328,271
2016	280,000	47,096	327,096
2017	285,000	41,361	326,361
2018	290,000	35,525	325,525
2019-2023	1,545,000	85,718	1,630,718
2024	60,000	609	60,609
	<u>\$ 3,000,000</u>	<u>\$ 323,366</u>	<u>\$ 3,323,366</u>

**C. Revenue Bonds and Certificates**

Revenue bonds and certificates payable were comprised of the following individual issues at September 30, 2013:

\$2,265,000 Series 2011 General Obligation Refunding Bonds due in annual installments ranging from \$310,000 to \$350,000 through February 15, 2018; interest rates varying of 2.83%.	\$ 1,660,000
\$1,535,000 Series 2004 Certificates of Obligation, issued through the Texas Water Development Board, due in annual installments ranging from \$75,000 to \$125,000 through February 15, 2024; interest rates varying between 2.00% and 3.55%.	1,090,000
\$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%.	2,420,000
\$925,000 Series 2007 Combination Tax and Revenue Certificates of Obligation due in annual installments ranging from \$20,000 to \$140,000 through February 15, 2022; interest rate of 4.00%.	825,000
\$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>1,425,000</u>
Total Revenue Bonds and Certificates	<u>\$ 7,420,000</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
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	755,000	179,525	934,525
2019-2023	3,595,000	441,916	4,036,916
2024-2028	700,000	60,678	760,678
	<u>\$ 7,420,000</u>	<u>\$ 1,617,045</u>	<u>\$ 9,037,045</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, 2013.

As of September 30, 2013, the \$7,420,000 balance on the revenue bonds and certificates is detailed as follows according to the purpose of their issuance: \$4,155,200 or 56% water system improvements, \$1,855,000 or 25% wastewater system improvements, and \$1,409,800 or 19% harbor system improvements.

**NOTE 11: REFUNDING BONDS**

In November 2012, the City issued \$2,945,000 General Obligation Refunding Bonds with interest fixed at 2.03% to advance refund \$2,165,000 of the City's Certificates of Obligation, Series 2003, which were still outstanding in the amount of \$2,335,000 with interest rates ranging from 3.75% to 4.45%, to advance refund \$605,000 of the City's Certificates of Obligation, Series 2005, which were still outstanding in the amount of \$760,000 with an interest rate of 4.50%, and to provide funding for costs of issuance. As a result, the bonds are considered defeased and the refunded portion of the liabilities has been removed from the governmental activities column of the statement of net position. The net proceeds available for refunding bonds in the amount of \$2,877,894 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issue. The refunding of the bonds resulted in an economic gain of \$229,457 and an increase in cash flow of \$259,040.

**NOTE 12: PRIOR YEAR DEFEASANCE OF DEBT**

In prior years, the City defeased certain revenue and refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2013, \$6,720,000 of bonds outstanding was considered defeased.

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**NOTE 13: PROPRIETARY FUND NET POSITION**

Management has committed for operating reserves \$1,140,046 of the Public Utility Fund's \$6,319,924 unrestricted net position. Management has also committed \$120,139 of the Port Commission Fund's \$927,232 unrestricted net position for operating reserves and \$65,329 of the Beach Operating Fund's \$780,733 unrestricted net position for operating reserves. The committed amounts represent approximately 90 days of operating expenses, including interest expense and transfers to other funds. The Public Utility Fund, the Port Commission Fund, and the Beach Operating Fund had \$5,179,878, \$807,093, and \$715,404, respectively, of unrestricted, uncommitted net position as of September 30, 2013.

**NOTE 14: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2013, 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 \$202,637.

Paid health-related claims totaled \$645,271 during the current fiscal year. The insurance carrier estimated that \$57,434 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 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
Fiscal Year 2013	29,895	673,238	645,271	57,862

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

The City was not involved in any litigation as of September 30, 2013, 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, 2013, 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, 2013, 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>\$ 16,000</u>	<u>\$ 179,000</u>	City/Grant funds
	<u>16,000</u>	<u>179,000</u>	
Business-type activities:			
Bonorden Phase 1 - Sewer Imp.	37,650	277,950	City/Grant funds
2013 Capital Improvements	141,816	545,184	City
Meter Reading Project	<u>50,000</u>	<u>1,170,367</u>	City
	<u>229,466</u>	<u>1,993,501</u>	
	<u>\$ 245,466</u>	<u>\$ 2,172,501</u>	

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**NOTE 16: EMPLOYEES' RETIREMENT PLAN****Plan Description**

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained 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 2013
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
2013	\$ 209,758	100%	\$ -
2012	221,920	100%	-
2011	280,850	100%	-



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

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2011 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	Actuarial Valuation Information		
	12/31/10	12/31/11	12/31/12
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	26.9 years; closed period	26.0 years; closed period	25.1 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Investment rate of return *	7.0%	7.0%	7.0%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

**Funded Status and Funding Progress**

The funded status as of December 31, 2012, under the two separate actuarial valuations is presented as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
12/31/12	\$ 8,008,596	\$ 8,818,849	90.8%	\$ 810,253	\$ 3,505,147	23.1%

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 17: SUPPLEMENTAL DEATH BENEFIT PLAN**

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2013, 2012, and 2011 were \$2,454, \$2,086, and \$2,272, respectively, which equaled the required contributions each year.

**NOTE 18: VOLUNTEER FIREFIGHTERS' PENSION BENEFIT PLAN**

The City provides a pension benefit for all retired volunteer firemen who qualify under the provisions of the Texas Local Fire Fighters Retirement Act. To be eligible, individuals must have completed at least 20 years of service and be at least 55 years old. Monthly payments of \$25 are made to qualifying individuals until their death, at which time the surviving spouse, if any, is entitled to receive payments of \$17 per month until death. As of September 30, 2013, there were 11 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, 2013.

**NOTE 19: DEFERRED COMPENSATION PLAN**

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

The assets of this plan, which totaled \$644,678 as of September 30, 2013, 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 20: FUND BALANCES**

The following is a detail of the governmental fund balances as of September 30, 2013:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid items	\$ 64,938	\$ -	\$ -	\$ -	\$ 64,938
Operating reserves	-	-	2,286,604	-	2,286,604
Health insurance claims	-	-	728,602	-	728,602
Capital asset replacement	-	-	282,298	-	282,298
Unassigned	-	-	-	2,536,205	2,536,205
Nonmajor Governmental					
Retirement of long-term debt	-	207,178	-	-	207,178
Various capital projects	-	508,824	-	-	508,824
Tourism and conventions	-	517,606	-	-	517,606
Economic development	-	10,024	-	-	10,024
Public safety	-	125,936	-	-	125,936
Municipal court	-	17,857	-	-	17,857
Bayfront Park pier	-	56,063	-	-	56,063
	<u>\$ 64,938</u>	<u>\$ 1,443,488</u>	<u>\$ 3,297,504</u>	<u>\$ 2,536,205</u>	<u>\$ 7,342,135</u>

**NOTE 21: ACCOUNTING CHANGES AND ACCOUNTING STANDARDS**

In fiscal year 2013, the City implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". GASB Statement No. 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of GASB Statement No. 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of GASB Statement No. 65 resulted in the adjustment to the beginning net position of the governmental and business-type activities in the government-wide and Water and Wastewater Fund financial statements. The deferred charges for issuance costs were reclassified as expense of prior periods which resulted in a decrease of \$41,159 and \$304,618 for the governmental and business-type activities, respectively, to the September 30, 2012 unrestricted net position.

**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, 2013

With comparative totals for the year ended September 30, 2012

	2013				2012
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>					
Taxes	\$ 5,960,000	\$ 6,148,000	\$ 6,571,482	\$ 423,482	\$ 6,410,696
Fines and forfeitures	383,000	378,000	348,607	(29,393)	346,956
Intergovernmental	248,500	250,500	248,625	(1,875)	246,000
Licenses and permits	82,500	143,000	158,721	15,721	109,347
Investment	24,000	10,000	10,611	611	28,517
Rental	30,000	67,000	67,615	615	46,432
Charges for services	5,000	5,000	6,820	1,820	5,170
Miscellaneous	32,000	144,600	165,883	21,283	69,546
<b>Total revenues</b>	<u>6,765,000</u>	<u>7,146,100</u>	<u>7,578,364</u>	<u>432,264</u>	<u>7,262,664</u>
<b>EXPENDITURES</b>					
Current					
General government	1,887,162	1,974,162	1,937,120	37,042	1,954,420
Public safety	2,820,188	2,902,288	2,815,215	87,073	2,916,973
Public works	1,154,500	1,204,500	1,174,528	29,972	1,176,781
Parks and recreation	790,150	945,150	932,950	12,200	504,457
Capital outlay	-	-	-	-	673,162
<b>Total expenditures</b>	<u>6,652,000</u>	<u>7,026,100</u>	<u>6,859,813</u>	<u>166,287</u>	<u>7,225,793</u>
Excess (deficiency) of revenues over expenditures	113,000	120,000	718,551	598,551	36,871
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	424,000	424,000	424,000	-	459,821
Transfers out	(377,000)	(384,000)	(385,428)	(1,428)	(153,811)
Sale of capital assets	5,000	5,000	4,613	(387)	8,956
<b>Net other financing sources (uses)</b>	<u>52,000</u>	<u>45,000</u>	<u>43,185</u>	<u>(1,815)</u>	<u>314,966</u>
Net change in fund balance	165,000	165,000	761,736	596,736	351,837
Fund balance at beginning of year	<u>5,136,911</u>	<u>5,136,911</u>	<u>5,136,911</u>	<u>-</u>	<u>4,785,074</u>
<b>Fund balance at end of year</b>	<u>\$ 5,301,911</u>	<u>\$ 5,301,911</u>	<u>\$ 5,898,647</u>	<u>\$ 596,736</u>	<u>\$ 5,136,911</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, 2013***TEXAS MUNICIPAL RETIREMENT SYSTEM**

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

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/2012	\$ 8,008,596	\$ 8,818,849	\$ 810,253	90.8%	\$3,505,147	23.1%
12/31/2011	7,633,592	8,630,832	997,240	88.5%	3,477,173	28.7%
12/31/2010	7,133,411	8,223,009	1,089,598	86.8%	3,246,341	33.6%
12/31/2009	4,439,359	6,024,888	1,585,529	73.7%	3,218,833	49.3%
12/31/2008	4,197,893	5,766,845	1,568,952	72.8%	3,071,235	51.1%
12/31/2007	3,983,301	5,491,801	1,508,500	72.5%	2,838,192	53.2%
12/31/2006	3,861,317	4,843,816	982,499	79.7%	2,564,346	38.3%
12/31/2005	3,859,964	4,725,863	865,899	81.7%	2,695,442	32.1%
12/31/2004	3,785,938	4,549,285	763,347	83.2%	2,482,661	30.7%
12/31/2003	3,602,243	4,440,266	838,023	81.1%	2,451,067	34.2%

**CITY OF PORT LAVACA, TEXAS****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION***September 30, 2013*

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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, 2013, 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			
City manager	\$ 203,782	\$ 205,702	\$ 1,920
Transfers out	384,000	385,428	1,428

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



## **NONMAJOR GOVERNMENTAL FUNDS**

### **Nonmajor Special Revenue Funds**

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

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

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

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

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

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

**Texas Capital Fund** - Accounts for federal funds received 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.

### **Nonmajor Debt Service Funds**

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

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

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

## **NONMAJOR 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 use of debt proceeds or by funds from other governmental funds.

**CITY OF PORT LAVACA, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2013**

	Special Revenue				
	Hotel Occupancy Tax	Police Forfeitures	Juvenile Case Manager	Building Security	Economic Development
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 554,563	\$ 28,553	\$ 674	\$ 17,857	\$ 10,024
Receivables (net)	100,874	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<u>\$ 655,437</u>	<u>\$ 28,553</u>	<u>\$ 674</u>	<u>\$ 17,857</u>	<u>\$ 10,024</u>
<b>LIABILITIES</b>					
Liabilities					
Accounts payable	\$ 1,970	\$ 2,502	\$ 252	\$ -	\$ -
Payroll related payables	-	-	392	-	-
Due to other funds	135,861	-	30	-	-
<b>Total liabilities</b>	<u>137,831</u>	<u>2,502</u>	<u>674</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>					
Restricted					
Retirement of long-term debt	-	-	-	-	-
Various capital projects	-	-	-	-	-
Tourism and conventions	517,606	-	-	-	-
Economic development	-	-	-	-	10,024
Public safety	-	26,051	-	-	-
Municipal court	-	-	-	17,857	-
Bayfront Park pier	-	-	-	-	-
<b>Total fund balance</b>	<u>517,606</u>	<u>26,051</u>	<u>-</u>	<u>17,857</u>	<u>10,024</u>
<b>Total liabilities, deferred inflows and fund balance</b>	<u>\$ 655,437</u>	<u>\$ 28,553</u>	<u>\$ 674</u>	<u>\$ 17,857</u>	<u>\$ 10,024</u>

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Special Revenue

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HOME Program	Bullet Proof Vest Grant	Redflex Traffic System	Court Technology Fund	Bayfront Peninsula Pier	Total
\$ -	\$ -	\$ 99,847	\$ 32,662	\$ 56,063	\$ 800,243
-	-	38	-	-	100,912
<u>1,012</u>	<u>1,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,679</u>
<u>\$ 1,012</u>	<u>\$ 1,667</u>	<u>\$ 99,885</u>	<u>\$ 32,662</u>	<u>\$ 56,063</u>	<u>\$ 903,834</u>
\$ 992	\$ -	\$ -	\$ -	\$ -	\$ 5,716
-	-	-	-	-	392
<u>20</u>	<u>1,667</u>	<u>-</u>	<u>32,662</u>	<u>-</u>	<u>170,240</u>
<u>1,012</u>	<u>1,667</u>	<u>-</u>	<u>32,662</u>	<u>-</u>	<u>176,348</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	517,606
-	-	-	-	-	10,024
-	-	99,885	-	-	125,936
-	-	-	-	-	17,857
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,063</u>	<u>56,063</u>
<u>-</u>	<u>-</u>	<u>99,885</u>	<u>-</u>	<u>56,063</u>	<u>727,486</u>
<u>\$ 1,012</u>	<u>\$ 1,667</u>	<u>\$ 99,885</u>	<u>\$ 32,662</u>	<u>\$ 56,063</u>	<u>\$ 903,834</u>

(continued)

**CITY OF PORT LAVACA, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2013**

	Debt Service		
	2012 General Obligation Refunding Bonds	2005 Certificates of Obligation	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 147,228	\$ 59,950	\$ 207,178
Receivables (net)	14,821	12,751	27,572
Due from other governments	-	-	-
<b>Total assets</b>	<u>\$ 162,049</u>	<u>\$ 72,701</u>	<u>\$ 234,750</u>
<b>LIABILITIES</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Payroll related payables	-	-	-
Due to other funds	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	14,821	12,751	27,572
<b>Total deferred inflows of resources</b>	<u>14,821</u>	<u>12,751</u>	<u>27,572</u>
<b>FUND BALANCE</b>			
Restricted			
Retirement of long-term debt	147,228	59,950	207,178
Various capital projects	-	-	-
Tourism and conventions	-	-	-
Economic development	-	-	-
Public safety	-	-	-
Municipal court	-	-	-
Bayfront Park pier	-	-	-
<b>Total fund balance</b>	<u>147,228</u>	<u>59,950</u>	<u>207,178</u>
<b>Total liabilities, deferred inflows and fund balance</b>	<u>\$ 162,049</u>	<u>\$ 72,701</u>	<u>\$ 234,750</u>

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<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Street Construction</u>	<u>Total</u>	
\$ 508,824	\$ 508,824	\$ 1,516,245
-	-	128,484
-	-	2,679
<u>\$ 508,824</u>	<u>\$ 508,824</u>	<u>\$ 1,647,408</u>
\$ -	\$ -	\$ 5,716
-	-	392
-	-	170,240
<u>-</u>	<u>-</u>	<u>176,348</u>
-	-	27,572
-	-	27,572
-	-	207,178
508,824	508,824	508,824
-	-	517,606
-	-	10,024
-	-	125,936
-	-	17,857
-	-	56,063
<u>508,824</u>	<u>508,824</u>	<u>1,443,488</u>
<u>\$ 508,824</u>	<u>\$ 508,824</u>	<u>\$ 1,647,408</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, 2013*

	Special Revenue			
	Hotel Occupancy Tax	Police Forfeitures	Juvenile Case Manager	Building Security
<b>REVENUES</b>				
Taxes	\$ 372,677	\$ -	\$ -	\$ -
Fines, fees, and forfeitures	-	50,000	5,669	4,050
Intergovernmental	-	-	-	-
Investment	642	111	-	40
Miscellaneous	15,242	-	138	-
<b>Total revenues</b>	<u>388,561</u>	<u>50,111</u>	<u>5,807</u>	<u>4,090</u>
<b>EXPENDITURES</b>				
Current				
General government	152,327	-	-	-
Public safety	-	39,095	14,281	4,561
Capital outlay	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Issuance costs	-	-	-	-
<b>Total expenditures</b>	<u>152,327</u>	<u>39,095</u>	<u>14,281</u>	<u>4,561</u>
Excess (deficiency) of revenues over expenditures	236,234	11,016	(8,474)	(471)
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-			
Payment to escrow	-			
Transfers in	-	-	8,474	-
Transfers out	(216,000)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(216,000)</u>	<u>-</u>	<u>8,474</u>	<u>-</u>
Net change in fund balances	20,234	11,016	-	(471)
Fund balances at beginning of year	<u>497,372</u>	<u>15,035</u>	<u>-</u>	<u>18,328</u>
<b>Fund balances at end of year</b>	<u>\$ 517,606</u>	<u>\$ 26,051</u>	<u>\$ -</u>	<u>\$ 17,857</u>

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Special Revenue

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<u>Economic Development</u>	<u>HOME Program</u>	<u>Texas Capital Fund</u>	<u>Bullet Proof Vest Grant</u>	<u>Redflex Traffic System</u>	<u>Court Technology Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	212,845	5,506
-	1,792	-	1,639	-	-
23	-	-	-	234	33
-	-	-	-	-	-
<u>23</u>	<u>1,792</u>	<u>-</u>	<u>1,639</u>	<u>213,079</u>	<u>5,539</u>
-	1,792	-	-	-	5,539
-	-	-	3,593	212,882	-
-	-	16,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>1,792</u>	<u>16,000</u>	<u>3,593</u>	<u>212,882</u>	<u>5,539</u>
23	-	(16,000)	(1,954)	197	-
-	-	16,000	1,954	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>16,000</u>	<u>1,954</u>	<u>-</u>	<u>-</u>
23	-	-	-	197	-
10,001	-	-	-	99,688	-
<u>\$ 10,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,885</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, 2013*

	Special Revenue		Debt Service	
	Bayfront Peninsula Pier	Total	2012 General Obligation Refunding Bonds	2005 Certificates of Obligation
<b>REVENUES</b>				
Taxes	\$ -	\$ 372,677	\$ 263,460	\$ 82,864
Fines, fees, and forfeitures	-	278,070	-	-
Intergovernmental	-	3,431	-	-
Investment	59	1,142	344	180
Miscellaneous	-	15,380	-	-
<b>Total revenues</b>	<u>59</u>	<u>670,700</u>	<u>263,804</u>	<u>83,044</u>
<b>EXPENDITURES</b>				
Current				
General government	-	159,658	-	-
Public safety	-	274,412	-	-
Capital outlay	-	16,000	-	-
Debt service				
Principal retirement	-	-	220,000	50,000
Interest and fiscal charges	-	-	47,561	5,500
Issuance costs	-	-	67,106	-
<b>Total expenditures</b>	<u>-</u>	<u>450,070</u>	<u>334,667</u>	<u>55,500</u>
Excess (deficiency) of revenues over expenditures	59	220,630	(70,863)	27,544
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	-	2,945,000	-
Payment to escrow	-	-	(2,877,894)	-
Transfers in	-	26,428	-	-
Transfers out	-	(216,000)	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(189,572)</u>	<u>67,106</u>	<u>-</u>
Net change in fund balances	59	31,058	(3,757)	27,544
Fund balances at beginning of year	<u>56,004</u>	<u>696,428</u>	<u>150,985</u>	<u>32,406</u>
<b>Fund balances at end of year</b>	<u>\$ 56,063</u>	<u>\$ 727,486</u>	<u>\$ 147,228</u>	<u>\$ 59,950</u>

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<u>Debt Service</u>	<u>Capital Projects</u>		Total Nonmajor Governmental Funds
<u>Total</u>	<u>Street Construction</u>	<u>Total</u>	
\$ 346,324	\$ -	\$ -	\$ 719,001
-	-	-	278,070
-	-	-	3,431
524	718	718	2,384
-	-	-	15,380
<u>346,848</u>	<u>718</u>	<u>718</u>	<u>1,018,266</u>
-	-	-	159,658
-	-	-	274,412
-	-	-	16,000
270,000	-	-	270,000
53,061	-	-	53,061
67,106	-	-	67,106
<u>390,167</u>	<u>-</u>	<u>-</u>	<u>840,237</u>
(43,319)	718	718	178,029
2,945,000	-	-	2,945,000
(2,877,894)	-	-	(2,877,894)
-	375,000	375,000	401,428
-	-	-	(216,000)
<u>67,106</u>	<u>375,000</u>	<u>375,000</u>	<u>252,534</u>
23,787	375,718	375,718	430,563
<u>183,391</u>	<u>133,106</u>	<u>133,106</u>	<u>1,012,925</u>
<u>\$ 207,178</u>	<u>\$ 508,824</u>	<u>\$ 508,824</u>	<u>\$ 1,443,488</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, 2013

With comparative totals for September 30, 2012

	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,335,361	\$ 3,308,104
Investments	1,589,715	1,789,447
Receivables, net		
Taxes	455,568	518,354
Fines	25,051	41,505
Other	45,198	60,484
Due from other governments	405,697	405,978
Prepaid items	64,938	49,954
<b>Total assets</b>	<b>\$ 6,921,528</b>	<b>\$ 6,173,826</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 397,281	\$ 244,223
Payroll related payables	71,449	62,635
Other payables	53,619	31,321
Due to other governments	19,697	18,543
Due to other funds	-	115,438
Customer and other deposits	9,300	13,650
Unearned revenue	60,875	60,000
<b>Total liabilities</b>	<b>612,221</b>	<b>545,810</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	410,660	491,105
<b>Total deferred inflows of resources</b>	<b>410,660</b>	<b>491,105</b>
<b>FUND BALANCE</b>		
Nonspendable		
Prepaid items	64,938	49,954
Committed		
Operating reserves	2,286,604	2,408,598
Health insurance claims	728,602	676,542
Capital asset replacement	282,298	273,122
Unassigned	2,536,205	1,728,695
<b>Total fund balance</b>	<b>5,898,647</b>	<b>5,136,911</b>
<b>Total liabilities, deferred inflows and fund balance</b>	<b>\$ 6,921,528</b>	<b>\$ 6,173,826</b>

**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, 2013**With comparative totals for the year ended September 30, 2012*

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 3,240,000	\$ 3,521,668	\$ 281,668	\$ 3,439,708
Sales	2,315,000	2,445,393	130,393	2,364,076
Franchise	580,500	587,534	7,034	593,255
Beverage	12,500	16,887	4,387	13,657
Total taxes	6,148,000	6,571,482	423,482	6,410,696
Fines and forfeitures				
Municipal court	248,000	214,496	(33,504)	194,874
Tax penalties and fees	130,000	134,111	4,111	152,082
Total fines and forfeitures	378,000	348,607	(29,393)	346,956
Intergovernmental				
Reimbursements	248,000	248,625	625	246,000
Grants and allocations	2,500	-	(2,500)	-
Total intergovernmental	250,500	248,625	(1,875)	246,000
Licenses and permits				
Licenses				
Building/electrical	7,500	8,400	900	6,650
Animal	4,500	6,563	2,063	6,230
Alcoholic beverage	4,000	5,500	1,500	4,275
Permits				
Building	65,000	65,496	496	44,231
Electrical	8,000	7,786	(214)	8,151
Plumbing	10,000	12,756	2,756	8,818
Mechanical	5,000	6,669	1,669	4,175
Miscellaneous	39,000	45,551	6,551	26,817
Total licenses and permits	143,000	158,721	15,721	109,347
Investment	10,000	10,611	611	28,517
Rental	67,000	67,615	615	46,432
Charges for services				
Police service fees	5,000	6,220	1,220	3,257
Other	-	600	600	1,913
Total charges for services	5,000	6,820	1,820	5,170

**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, 2013**With comparative totals for the year ended September 30, 2012*

	<u>2013</u>			<u>2012</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>REVENUES - (Continued)</b>				
Miscellaneous				
Reimbursements and refunds	\$ 21,600	\$ 24,795	\$ 3,195	\$ 11,848
Other	<u>123,000</u>	<u>141,088</u>	<u>18,088</u>	<u>57,698</u>
Total miscellaneous	<u>144,600</u>	<u>165,883</u>	<u>21,283</u>	<u>69,546</u>
 Total revenues	 <u>7,146,100</u>	 <u>7,578,364</u>	 <u>432,264</u>	 <u>7,262,664</u>
 <b>OTHER FINANCING SOURCES</b>				
Transfers in	424,000	424,000	-	459,821
Sale of capital assets	<u>5,000</u>	<u>4,613</u>	<u>(387)</u>	<u>8,956</u>
Total other financing sources	<u>429,000</u>	<u>428,613</u>	<u>(387)</u>	<u>468,777</u>
 <b>Total revenues and other financing sources</b>	 <u>\$ 7,575,100</u>	 <u>\$ 8,006,977</u>	 <u>\$ 431,877</u>	 <u>\$ 7,731,441</u>

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES</b>				
Current				
General government				
City council				
Personnel services	\$ 24,464	\$ 24,590	\$ (126)	\$ 23,289
Materials and supplies	1,530	1,417	113	2,215
Services	1,425	1,345	80	1,996
Maintenance	1,300	1,300	-	186
Total city council	28,719	28,652	67	27,686
City manager				
Personnel services	193,277	193,606	(329)	193,102
Materials and supplies	2,555	1,621	934	2,211
Services	7,950	10,475	(2,525)	6,463
Total city manager	203,782	205,702	(1,920)	201,776
City secretary				
Personnel services	63,719	65,735	(2,016)	63,186
Materials and supplies	1,500	1,789	(289)	1,355
Services	15,700	11,976	3,724	12,770
Total city secretary	80,919	79,500	1,419	77,311
Human resources				
Personnel services	48,907	48,625	282	49,118
Materials and supplies	1,500	838	662	2,311
Services	22,700	17,952	4,748	10,780
Maintenance	2,825	2,985	(160)	3,680
Total human resources	75,932	70,400	5,532	65,889
Legal				
Services	-	-	-	89,949
Total legal	-	-	-	89,949
Municipal court				
Personnel services	75,950	74,956	994	68,372
Materials and supplies	1,950	2,750	(800)	1,563
Services	19,610	14,371	5,239	24,804
Maintenance	1,800	1,815	(15)	163
Total municipal court	99,310	93,892	5,418	94,902

**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, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
General government - (Continued)				
Tax				
Services	\$ -	\$ -	\$ -	\$ 116,348
Total tax	-	-	-	116,348
Technology				
Personnel services	-	-	-	6,661
Materials and supplies	-	-	-	2,229
Services	-	-	-	355
Maintenance	-	-	-	30,227
Total technology	-	-	-	39,472
Finance				
Personnel services	184,650	179,489	5,161	170,406
Materials and supplies	8,200	7,684	516	10,048
Services	7,400	6,935	465	7,149
Maintenance	5,700	5,892	(192)	891
Total finance	205,950	200,000	5,950	188,494
City hall				
Personnel services	-	-	-	26,008
Materials and supplies	11,170	10,412	758	7,605
Services	82,025	78,769	3,256	63,159
Maintenance	37,850	37,010	840	38,832
Total city hall	131,045	126,191	4,854	135,604
Non-departmental				
Personnel services	652,000	651,441	559	669,233
Services	381,483	418,128	(36,645)	212,653
Maintenance	60,000	48,854	11,146	18,847
Sundry	55,022	14,360	40,662	16,256
Total non-departmental	1,148,505	1,132,783	15,722	916,989
Total general government	1,974,162	1,937,120	37,042	1,954,420
Public safety				
Police				
Personnel services	1,294,900	1,250,859	44,041	1,244,462
Materials and supplies	77,050	94,800	(17,750)	71,832
Services	77,450	90,190	(12,740)	85,316
Maintenance	74,900	85,066	(10,166)	70,196
Debt service	-	-	-	20,787
Capital outlay	80,275	55,053	25,222	56,877
Total police	1,604,575	1,575,968	28,607	1,549,470



**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, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
Public safety - (Continued)				
Fire				
Personnel services	\$ 955,100	\$ 900,376	\$ 54,724	\$ 927,494
Materials and supplies	75,200	67,351	7,849	48,906
Services	56,700	51,924	4,776	57,132
Maintenance	33,900	44,559	(10,659)	26,454
Debt service	47,763	47,763	-	188,100
Capital outlay	24,000	24,022	(22)	-
Total fire	1,192,663	1,135,995	56,668	1,248,086
Animal control				
Personnel services	78,400	79,496	(1,096)	77,017
Materials and supplies	13,150	11,978	1,172	10,876
Services	10,500	7,745	2,755	9,976
Maintenance	3,000	4,033	(1,033)	3,353
Capital outlay	-	-	-	18,195
Total animal control	105,050	103,252	1,798	119,417
Total public safety	2,902,288	2,815,215	87,073	2,916,973
Public works				
Public works				
Code enforcement/inspections				
Personnel services	123,750	124,116	(366)	119,442
Materials and supplies	6,900	5,698	1,202	5,759
Services	8,550	5,716	2,834	4,129
Maintenance	3,500	3,362	138	1,926
Total code enforcement/inspections	142,700	138,892	3,808	131,256
Streets				
Personnel services	455,450	506,063	(50,613)	497,918
Materials and supplies	57,150	54,124	3,026	56,481
Services	161,800	169,705	(7,905)	162,096
Maintenance	357,400	276,061	81,339	294,073
Debt service	-	-	-	34,957
Capital outlay	30,000	29,683	317	-
Total streets	1,061,800	1,035,636	26,164	1,045,525
Total public works	1,204,500	1,174,528	29,972	1,176,781

**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, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
Parks and recreation				
Parks				
Personnel services	\$ 167,500	\$ 143,289	\$ 24,211	\$ 159,462
Materials and supplies	22,600	26,996	(4,396)	29,921
Services	53,800	68,986	(15,186)	49,097
Maintenance	116,600	8,139	108,461	23,732
Capital outlay	294,000	401,581	(107,581)	8,140
Total parks	<u>654,500</u>	<u>648,991</u>	<u>5,509</u>	<u>270,352</u>
Convention/visitors bureau				
Personnel services	68,500	53,473	15,027	54,383
Materials and supplies	10,000	9,616	384	7,331
Services	115,550	120,419	(4,869)	115,225
Maintenance	52,050	60,896	(8,846)	38,875
Total convention/visitors bureau	<u>246,100</u>	<u>244,404</u>	<u>1,696</u>	<u>215,814</u>
Swimming pool				
Materials and supplies	11,100	6,890	4,210	8,036
Services	14,450	14,057	393	7,142
Maintenance	19,000	18,608	392	3,113
Total swimming pool	<u>44,550</u>	<u>39,555</u>	<u>4,995</u>	<u>18,291</u>
Total parks and recreation	<u>945,150</u>	<u>932,950</u>	<u>12,200</u>	<u>504,457</u>
Total current	<u>7,026,100</u>	<u>6,859,813</u>	<u>166,287</u>	<u>6,552,631</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>673,162</u>
Total expenditures	<u>7,026,100</u>	<u>6,859,813</u>	<u>166,287</u>	<u>7,225,793</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>384,000</u>	<u>385,428</u>	<u>(1,428)</u>	<u>153,811</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 7,410,100</u>	<u>\$ 7,245,241</u>	<u>\$ 164,859</u>	<u>\$ 7,379,604</u>

**NONMAJOR DEBT SERVICE FUNDS**

**CITY OF PORT LAVACA, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - 2012 GENERAL OBLIGATION REFUNDING BONDS FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL***For the year ended September 30, 2013**With comparative totals for the year ended September 30, 2012*

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 263,000	\$ 263,460	\$ 460	\$ 269,162
Investment	300	344	44	192
<b>Total revenues</b>	<u>263,300</u>	<u>263,804</u>	<u>504</u>	<u>269,354</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	170,000	220,000	(50,000)	165,000
Interest and fiscal charges	93,300	47,561	45,739	99,342
Issuance costs	-	67,106	(67,106)	-
<b>Total expenditures</b>	<u>263,300</u>	<u>334,667</u>	<u>(71,367)</u>	<u>264,342</u>
Excess (deficiency) of revenues over expenditures	-	(70,863)	(70,863)	5,012
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	2,945,000	2,945,000	-
Payment to escrow	-	(2,877,894)	(2,877,894)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>67,106</u>	<u>67,106</u>	<u>-</u>
Net change in fund balances	-	(3,757)	(3,757)	5,012
Fund balances at beginning of year	<u>150,985</u>	<u>150,985</u>	<u>-</u>	<u>145,973</u>
<b>Fund balances at end of year</b>	<u>\$ 150,985</u>	<u>\$ 147,228</u>	<u>\$ (3,757)</u>	<u>\$ 150,985</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, 2013**With comparative totals for the year ended September 30, 2012*

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 82,770	\$ 82,864	\$ 94	\$ 85,843
Investment	30	180	150	37
<b>Total revenues</b>	<u>82,800</u>	<u>83,044</u>	<u>244</u>	<u>85,880</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	50,000	50,000	-	50,000
Interest and fiscal charges	<u>32,800</u>	<u>5,500</u>	<u>27,300</u>	<u>34,725</u>
<b>Total expenditures</b>	<u>82,800</u>	<u>55,500</u>	<u>27,300</u>	<u>84,725</u>
Excess (deficiency) of revenues over expenditures	-	27,544	27,544	1,155
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	27,544	27,544	1,155
Fund balances at beginning of year	<u>32,406</u>	<u>32,406</u>	<u>-</u>	<u>31,251</u>
<b>Fund balances at end of year</b>	<u>\$ 32,406</u>	<u>\$ 59,950</u>	<u>\$ 27,544</u>	<u>\$ 32,406</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, 2013*

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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>\$ 19,986</u>	<u>\$ 37,061</u>	<u>\$ 29,227</u>	<u>\$ 27,820</u>
Total assets	<u>\$ 19,986</u>	<u>\$ 37,061</u>	<u>\$ 29,227</u>	<u>\$ 27,820</u>
Liabilities				
Due to others	<u>\$ 19,986</u>	<u>\$ 37,061</u>	<u>\$ 29,227</u>	<u>\$ 27,820</u>
Total liabilities	<u>\$ 19,986</u>	<u>\$ 37,061</u>	<u>\$ 29,227</u>	<u>\$ 27,820</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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	76
<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.....	87
<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.....	98
<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 .....	104
<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 .....	106



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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 15,819,596	\$ 17,965,142	\$ 12,509,383	\$ 13,105,824
Restricted	1,818,646	1,583,781	199,381	221,392
Unrestricted	<u>3,622,128</u>	<u>3,971,998</u>	<u>5,022,591</u>	<u>6,556,521</u>
Total governmental activities net position	<u>\$ 21,260,370</u>	<u>\$ 23,520,921</u>	<u>\$ 17,731,355</u>	<u>\$ 19,883,737</u>
Business-type activities				
Net investment in capital assets	\$ 14,830,163	\$ 13,735,139	\$ 10,460,620	\$ 11,569,600
Restricted	92,040	92,040	13,887	129,592
Unrestricted	<u>2,282,096</u>	<u>3,138,979</u>	<u>4,353,647</u>	<u>4,022,664</u>
Total business-type activities net position	<u>\$ 17,204,299</u>	<u>\$ 16,966,158</u>	<u>\$ 14,828,154</u>	<u>\$ 15,721,856</u>
Primary government				
Net investment in capital assets	\$ 30,649,759	\$ 31,700,281	\$ 22,970,003	\$ 24,675,424
Restricted	1,910,686	1,675,821	213,268	350,984
Unrestricted	<u>5,904,224</u>	<u>7,110,977</u>	<u>9,376,238</u>	<u>10,579,185</u>
Total primary government activities net position	<u>\$ 38,464,669</u>	<u>\$ 40,487,079</u>	<u>\$ 32,559,509</u>	<u>\$ 35,605,593</u>

(1) Accrual basis of accounting

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Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 13,815,306	\$ 15,787,249	\$ 18,383,147	\$ 18,380,797	\$ 19,174,209	\$ 21,750,587
848,885	876,554	784,798	1,049,987	1,027,384	1,463,189
<u>7,374,943</u>	<u>6,394,379</u>	<u>4,732,493</u>	<u>5,231,769</u>	<u>5,544,238</u>	<u>3,452,739</u>
<u>\$ 22,039,134</u>	<u>\$ 23,058,182</u>	<u>\$ 23,900,438</u>	<u>\$ 24,662,553</u>	<u>\$ 25,745,831</u>	<u>\$ 26,666,515</u>
\$ 11,052,199	\$ 11,334,652	\$ 11,536,833	\$ 13,321,583	\$ 13,756,393	\$ 14,059,066
12,681	233,544	51,469	-	-	-
<u>4,953,062</u>	<u>5,642,701</u>	<u>6,841,071</u>	<u>6,892,206</u>	<u>7,449,406</u>	<u>7,772,021</u>
<u>\$ 16,017,942</u>	<u>\$ 17,210,897</u>	<u>\$ 18,429,373</u>	<u>\$ 20,213,789</u>	<u>\$ 21,205,799</u>	<u>\$ 21,831,087</u>
\$ 24,867,505	\$ 27,121,901	\$ 29,919,980	\$ 31,702,380	\$ 32,930,602	\$ 35,809,653
861,566	1,110,098	836,267	1,049,987	1,027,384	1,463,189
<u>12,328,005</u>	<u>12,037,080</u>	<u>11,573,564</u>	<u>12,123,975</u>	<u>12,993,644</u>	<u>11,224,760</u>
<u>\$ 38,057,076</u>	<u>\$ 40,269,079</u>	<u>\$ 42,329,811</u>	<u>\$ 44,876,342</u>	<u>\$ 46,951,630</u>	<u>\$ 48,497,602</u>

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Governmental activities</b>				
Program expenses				
General government	\$ 946,221	\$ 1,023,110	\$ 1,265,792	\$ 1,300,514
Public safety	2,251,823	2,309,363	2,254,482	2,204,124
Public works	810,969	1,488,133	1,469,315	1,352,679
Parks and recreation	381,939	520,865	526,995	522,218
Interest on long-term debt	229,039	167,922	195,885	180,891
Total expenses	<u>4,619,991</u>	<u>5,509,393</u>	<u>5,712,469</u>	<u>5,560,426</u>
Program revenues				
Charges for services	408,552	422,898	679,279	703,077
Operating grants and contributions	260,990	15,497	100,558	3,903
Capital grants and contributions	130,951	620,816	517,067	335,671
Total program revenues	<u>800,493</u>	<u>1,059,211</u>	<u>1,296,904</u>	<u>1,042,651</u>
Total governmental activities net program expense	(3,819,498)	(4,450,182)	(4,415,565)	(4,517,775)
General revenues and other changes in net position				
Taxes				
Property taxes	2,236,328	2,354,535	2,530,094	2,887,459
Sales taxes	1,516,932	1,707,459	1,823,450	2,328,103
Franchise taxes	607,321	581,284	598,795	597,082
Other taxes	149,155	176,049	173,856	197,276
Unrestricted investment earnings	74,167	172,664	266,681	325,364
Miscellaneous	121,392	309,383	41,739	43,049
Transfers	(24,938)	1,409,359	140,472	252,449
Special item - litigation settlement	-	-	-	-
Total general revenues and other changes in net position	<u>4,680,357</u>	<u>6,710,733</u>	<u>5,575,087</u>	<u>6,630,782</u>
<b>Total governmental activities change in net position</b>	<u>\$ 860,859</u>	<u>\$ 2,260,551</u>	<u>\$ 1,159,522</u>	<u>\$ 2,113,007</u>

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 1,499,965	\$ 1,847,859	\$ 1,886,794	\$ 1,952,643	\$ 2,150,599	\$ 2,140,960
2,490,358	2,598,507	3,191,293	3,112,422	3,088,940	3,199,920
1,974,638	1,615,002	1,406,502	1,539,354	1,629,726	1,629,165
167,594	547,013	686,747	701,325	637,689	689,022
-	154,696	147,266	140,373	132,374	113,201
6,132,555	6,763,077	7,318,602	7,446,117	7,639,328	7,772,268
412,420	484,632	804,307	612,209	586,394	711,117
269,784	378,324	322,510	293,947	322,478	252,056
407,223	51,589	125,279	35,500	259,835	-
1,089,427	914,545	1,252,096	941,656	1,168,707	963,173
(5,043,128)	(5,848,532)	(6,066,506)	(6,504,461)	(6,470,621)	(6,809,095)
2,894,987	3,214,039	3,414,317	3,513,386	3,754,272	3,808,571
2,439,957	2,170,959	2,295,492	2,313,247	2,364,076	2,445,393
623,987	613,509	620,247	586,575	593,255	587,534
277,757	235,571	271,287	339,366	345,381	389,564
258,739	123,127	54,319	38,045	29,877	12,995
338,701	235,375	277,928	246,642	232,217	302,881
364,397	275,000	182,943	229,315	234,821	224,000
-	-	(185,000)	-	-	-
7,198,525	6,867,580	6,931,533	7,266,576	7,553,899	7,770,938
\$ 2,155,397	\$ 1,019,048	\$ 865,027	\$ 762,115	\$ 1,083,278	\$ 961,843

(continued)

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Business-type activities</b>				
Expenses				
Public utilities	\$ 4,144,766	\$ 4,155,860	\$ 3,344,382	\$ 3,835,279
Port commission	350,064	325,995	310,482	345,062
Beach operations	267,928	115,506	171,037	129,800
Total expenses	<u>4,762,758</u>	<u>4,597,361</u>	<u>3,825,901</u>	<u>4,310,141</u>
Program revenues				
Charges for services	4,397,815	4,807,141	4,948,781	5,088,403
Operating grants and contributions	-	-	16,887	3,000
Capital grants and contributions	124,000	75,207	227,284	178,859
Total program revenues	<u>4,521,815</u>	<u>4,882,348</u>	<u>5,192,952</u>	<u>5,270,262</u>
Total business-type activities net program expense	(240,943)	284,987	1,367,051	960,121
General revenues and other changes in net position				
Unrestricted investment earnings	22,682	65,694	166,310	234,879
Miscellaneous	121,085	139,410	7,475	-
Special item - GBRA clearwell	-	-	-	-
Transfers	20,920	(1,413,260)	(140,472)	(252,449)
Total general revenues and other changes in net position	<u>164,687</u>	<u>(1,208,156)</u>	<u>33,313</u>	<u>(17,570)</u>
Prior period adjustment	-	685,028	-	-
<b>Total business-type activities change in net position</b>	<u>\$ (76,256)</u>	<u>\$ (238,141)</u>	<u>\$ 1,400,364</u>	<u>\$ 942,551</u>
<b>Total primary government change in net position</b>	<u>\$ 784,603</u>	<u>\$ 2,022,410</u>	<u>\$ 2,559,886</u>	<u>\$ 3,055,558</u>

(1) Accrual basis of accounting

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 3,913,016	\$ 4,288,109	\$ 4,283,432	\$ 4,123,809	\$ 4,244,884	\$ 4,360,184
328,525	379,371	395,332	382,570	444,081	464,556
150,828	162,064	218,240	309,838	225,381	253,315
<u>4,392,369</u>	<u>4,829,544</u>	<u>4,897,004</u>	<u>4,816,217</u>	<u>4,914,346</u>	<u>5,078,055</u>
5,612,806	5,966,101	5,893,741	6,303,875	5,913,131	6,163,237
2,000	2,000	2,000	175,303	22,340	2,000
<u>153,218</u>	<u>236,338</u>	<u>374,396</u>	<u>330,595</u>	<u>117,620</u>	<u>49,217</u>
<u>5,768,024</u>	<u>6,204,439</u>	<u>6,270,137</u>	<u>6,809,773</u>	<u>6,053,091</u>	<u>6,214,454</u>
1,375,655	1,374,895	1,373,133	1,993,556	1,138,745	1,136,399
176,704	75,060	28,286	20,175	20,024	17,507
-	18,000	-	-	68,062	-
(891,876)	-	-	-	-	-
<u>(364,397)</u>	<u>(275,000)</u>	<u>(182,943)</u>	<u>(229,315)</u>	<u>(234,821)</u>	<u>(224,000)</u>
<u>(1,079,569)</u>	<u>(181,940)</u>	<u>(154,657)</u>	<u>(209,140)</u>	<u>(146,735)</u>	<u>(206,493)</u>
-	-	-	-	-	-
<u>\$ 296,086</u>	<u>\$ 1,192,955</u>	<u>\$ 1,218,476</u>	<u>\$ 1,784,416</u>	<u>\$ 992,010</u>	<u>\$ 929,906</u>
<u>\$ 2,451,483</u>	<u>\$ 2,212,003</u>	<u>\$ 2,083,503</u>	<u>\$ 2,546,531</u>	<u>\$ 2,075,288</u>	<u>\$ 1,891,749</u>

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Committed				
Operating reserves	-	-	-	-
Health insurance claims	-	-	-	-
Capital asset replacement	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Prepaid items	-	-	25,800	28,755
Unreserved, designated				
Operating reserves	-	-	2,529,900	2,762,226
Health insurance claims	-	-	500,000	500,000
Street improvements	-	-	300,000	149,500
Capital asset replacement	-	-	250,000	250,000
Unreserved, undesignated	<u>3,207,924</u>	<u>3,339,465</u>	<u>574,072</u>	<u>1,576,413</u>
Total general fund	<u>\$ 3,207,924</u>	<u>\$ 3,339,465</u>	<u>\$ 4,179,772</u>	<u>\$ 5,266,894</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	767,415
Debt service fund	168,794	137,977	118,931	148,960
Capital project funds	<u>1,649,852</u>	<u>1,445,804</u>	<u>664,705</u>	<u>13,811</u>
Total all other governmental funds	<u>\$ 1,905,680</u>	<u>\$ 1,851,932</u>	<u>\$ 1,162,972</u>	<u>\$ 930,186</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.

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ 52,478	\$ 49,954	\$ 64,938
-	-	-	2,306,152	2,408,598	2,286,604
-	-	-	504,848	676,542	728,602
-	-	-	382,265	273,122	282,298
-	-	-	1,539,331	1,728,695	2,536,205
25,929	37,078	50,017	-	-	-
2,908,981	3,107,978	2,063,977	-	-	-
500,000	500,000	500,000	-	-	-
-	-	-	-	-	-
340,946	250,000	250,000	-	-	-
2,543,671	2,534,443	1,750,753	-	-	-
<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>	<u>\$ 5,898,647</u>
-	-	-	177,224	183,391	207,178
-	-	-	114,799	133,106	508,824
-	-	-	551,491	497,372	517,606
-	-	-	-	10,001	10,024
-	-	-	112,456	114,723	125,936
-	-	-	20,247	18,328	17,857
-	-	-	55,943	56,004	56,063
711,057	707,885	704,036	-	-	-
159,271	159,657	161,177	-	-	-
574,045	(505,092)	(281,044)	-	-	-
<u>\$ 1,444,373</u>	<u>\$ 362,450</u>	<u>\$ 584,169</u>	<u>\$ 1,032,160</u>	<u>\$ 1,012,925</u>	<u>\$ 1,443,488</u>



# CITY OF PORT LAVACA, TEXAS

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Taxes	\$ 4,509,736	\$ 4,819,327	\$ 5,158,276	\$ 5,927,214
Licenses and permits	89,072	60,706	118,146	94,271
Fines and forfeitures	314,135	326,594	369,567	409,948
Charges for services	7,250	35,598	13,206	5,120
Intergovernmental	186,967	159,000	209,081	514,747
Grants and contributions	391,941	636,313	55,424	-
Investment	68,974	159,137	266,681	325,364
Rental	-	-	43,360	47,582
Miscellaneous	121,392	128,464	24,640	43,049
Total revenues	<u>5,689,467</u>	<u>6,325,139</u>	<u>6,258,381</u>	<u>7,367,295</u>
Expenditures				
Current				
General government	830,178	895,756	1,273,434	1,310,596
Public safety	2,048,339	2,156,627	2,315,618	2,389,811
Public works	186,164	216,640	226,067	200,936
Streets and highways	857,161	1,068,252	1,323,173	924,048
Parks and recreation	400,793	518,847	506,380	408,748
Non-departmental	719,977	382,723	-	-
Capital outlay	2,062,357	1,703,900	724,162	1,142,459
Debt service				
Principal retirement	110,000	405,000	216,538	568,939
Interest and fiscal charges	222,473	141,278	203,243	174,400
Issuance costs	-	-	-	-
Total expenditures	<u>7,437,442</u>	<u>7,489,023</u>	<u>6,788,615</u>	<u>7,119,937</u>
Excess (deficiency) of revenues over expenditures	(1,747,975)	(1,163,884)	(530,234)	247,358
Other financing sources (uses)				
Transfers in	55,855	1,212,024	693,606	662,379
Transfers out	(258,138)	(992,266)	(553,134)	(409,930)
Debt issued	-	1,021,919	515,055	295,392
Payment to escrow	-	-	-	-
Sale of capital assets	-	-	17,099	19,762
Total other financing sources (uses)	<u>(202,283)</u>	<u>1,241,677</u>	<u>672,626</u>	<u>567,603</u>
Change in fund balances	<u>\$ (1,950,258)</u>	<u>\$ 77,793</u>	<u>\$ 142,392</u>	<u>\$ 814,961</u>
Debt service as a percentage of noncapital expenditures	<u>6.59%</u>	<u>10.43%</u>	<u>7.44%</u>	<u>14.97%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 6,298,996	\$ 6,198,734	\$ 6,609,092	\$ 6,747,620	\$ 7,097,425	\$ 7,290,483
98,076	96,535	97,740	108,266	109,347	158,721
402,550	501,345	769,529	687,791	566,325	626,677
11,080	5,332	5,956	7,525	5,170	6,820
262,384	429,913	447,789	329,447	322,478	252,056
-	-	-	-	-	-
258,739	123,127	54,319	38,045	29,877	12,995
36,535	37,390	22,737	30,780	46,432	67,615
267,720	96,453	135,191	91,311	84,151	181,263
<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>	<u>8,596,630</u>
1,588,358	1,846,671	1,859,894	2,136,142	2,132,974	2,096,778
2,565,946	2,742,639	3,213,266	3,330,945	3,221,180	3,089,627
1,301,846	1,422,306	1,016,111	1,220,156	1,176,781	1,174,528
-	-	-	-	-	-
447,281	440,345	579,783	670,771	504,457	932,950
-	-	-	-	-	-
454,855	1,947,494	2,922,769	235,268	787,921	16,000
180,000	195,000	200,000	205,000	215,000	270,000
161,865	155,465	148,599	141,658	134,067	53,061
-	-	-	-	-	67,106
<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>	<u>7,700,050</u>
935,929	(1,261,091)	(1,798,069)	100,845	88,825	896,580
1,053,450	1,019,558	3,271,834	924,047	613,632	825,428
(689,053)	(744,558)	(3,071,834)	(696,612)	(378,811)	(601,428)
257,054	-	-	284,776	-	2,945,000
-	-	-	-	-	(2,877,894)
9,439	14,141	5,036	5,262	8,956	4,613
<u>630,890</u>	<u>289,141</u>	<u>205,036</u>	<u>517,473</u>	<u>243,777</u>	<u>295,719</u>
\$ <u>1,566,819</u>	\$ <u>(971,950)</u>	\$ <u>(1,593,033)</u>	\$ <u>618,318</u>	\$ <u>332,602</u>	\$ <u>1,192,299</u>
<u>7.19%</u>	<u>4.59%</u>	<u>4.82%</u>	<u>7.72%</u>	<u>4.98%</u>	<u>4.77%</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>
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
2013	3,867,992	2,445,393	587,534	372,677	16,887	7,290,483

(1) Modified accrual basis of accounting

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

The increase in ad valorem tax in fiscal year 2013 is due to the increase in the collection percentage.

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


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<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>			
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
2013	2012	261,801,587	224,611,352	109,068,664	89,763,499	505,718,104

(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

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<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>
\$ -	\$ 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	3,325,622	431,261	3,756,883	100.00%
(71,958,318)	433,759,786	0.7568	3,282,694	446,159	3,728,853	100.00%

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

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>			
		<u>Debt Service</u>	<u>General Fund</u>	<u>Total</u>	<u>School District</u>	<u>Calhoun County</u>	<u>Port Authority</u>	<u>Total</u>
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	0.7200	1.4176	0.5210	0.0043	1.9429
2007	2006	0.0938	0.6562	0.7500	1.2969	0.4900	0.0041	1.7910
2008	2007	0.0878	0.6622	0.7500	1.0968	0.4900	0.0039	1.5907
2009	2008	0.0821	0.6679	0.7500	1.1100	0.4900	0.0039	1.6039
2010	2009	0.0770	0.6730	0.7500	1.1201	0.4900	0.0039	1.6140
2011	2010	0.0770	0.6730	0.7500	1.1331	0.4900	0.0039	1.6270
2012	2011	0.0697	0.6753	0.7450	1.1262	0.4900	0.0036	1.6198
2013	2012	0.0846	0.6722	0.7568	1.1201	0.4900	0.0032	1.6133

Source: Calhoun County Appraisal District

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

2013		
<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
Orion Marine Construction Inc	\$ 17,480,519	4.03%
Rexco, Inc.	10,294,110	2.37%
Wal-Mart Real Estate Business Trust	8,503,230	1.96%
Port Lavaca Dodge	7,198,250	1.66%
Helena Chemicals	6,524,850	1.50%
Wal-Mart Stores Texas, LP	5,844,900	1.35%
H E Butt Grocery Company	5,474,360	1.26%
AMAL Hospitality	5,192,930	1.20%
AEP Texas Central Company	4,948,116	1.14%
BKCK LTD	3,846,390	0.89%
	<u>\$ 75,307,655</u>	<u>17.36%</u>

2004		
<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
H E Butt Grocery Company	\$ 6,006,447	1.91%
Verizon Southwest	5,295,620	1.69%
T W Laquay Dredging, Inc.	4,999,835	1.59%
Rexco Inc	4,913,181	1.56%
Helena Chemicals	4,816,597	1.53%
AEP Central Power & Light Co.	4,306,180	1.37%
Rental Service Corporation #759	3,679,544	1.17%
First National Bank	2,887,620	0.92%
Wal-Mart Stores, Inc.	2,817,674	0.90%
International Bank Of Commerce	2,597,996	0.83%
	<u>\$ 42,320,694</u>	<u>13.47%</u>

Source: Calhoun County Appraisal District

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


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<u>Fiscal Year</u>	<u>Tax Year</u>	Taxes Levied for the Fiscal Year (Original Levy)	<u>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
					<u>Amount</u>	<u>Percentage of Levy</u>
2004	2003	\$ 2,260,396	\$ (1,523)	\$ 2,258,873	\$ 2,111,961	93.50%
2005	2004	2,350,042	(14,273)	2,335,769	2,199,527	94.17%
2006	2005	2,562,701	(5,956)	2,556,745	2,443,880	95.59%
2007	2006	2,857,433	(10,928)	2,846,505	2,701,038	94.89%
2008	2007	2,940,204	(6,181)	2,934,023	2,771,551	94.46%
2009	2008	3,209,230	(10,607)	3,198,623	3,014,618	94.25%
2010	2009	3,451,515	(50,197)	3,401,318	3,242,033	95.32%
2011	2010	3,578,859	(14,837)	3,564,022	3,437,198	96.44%
2012	2011	3,760,572	(6,419)	3,754,153	3,644,449	97.08%
2013	2012	3,791,754	7,715	3,799,469	3,708,111	97.60%

SOURCE: Calhoun County Appraisal District



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Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 141,136	\$ 2,253,097	99.74%
127,786	2,327,313	99.64%
104,027	2,547,907	99.65%
134,800	2,835,838	99.63%
147,558	2,919,109	99.49%
166,702	3,181,320	99.46%
121,108	3,363,141	98.88%
94,541	3,531,739	99.09%
71,000	3,715,449	98.97%
-	3,644,449	97.60%

**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>
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
2013	459,908	390,984	68,924	15%	345,530

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

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Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 12.46	\$ 13.29	\$ 9.75	\$ 13.17
13.46	13.35	9.75	13.17
13.96	13.35	11.75	13.17
13.96	13.95	12.25	14.67
15.00	14.25	14.00	14.70
15.00	14.25	14.00	14.70
15.00	14.25	14.00	14.70
15.00	14.25	14.00	14.70
15.00	14.25	14.00	14.70
15.00	14.25	14.00	14.70

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

	Fiscal Year					
	2004	2005	2006	2007	2008	
					Res.	Comm.
<b>Water Rates</b>						
Base Rate (includes 2,000 gallons)						
Base Rate by Meter Size						
3/4" to 5/8"	\$ 12.46	\$ 13.46	\$ 13.96	\$ 13.96	\$ 15.00	\$ 17.50
1"	13.84	14.84	15.34	15.34	15.00	17.50
1 1/2"	16.75	17.75	18.25	18.25	15.00	17.50
2"	19.66	20.66	21.16	21.16	15.00	35.00
3"	25.58	26.58	27.08	27.08	15.00	35.00
4"	31.28	32.28	32.78	32.78	15.00	35.00
6"	44.16	45.16	45.66	45.66	15.00	35.00
Per 1,000 gallons over base charge	4.43	4.45	4.45	4.65	4.75	4.95
<b>Sewer Rates</b>						
Base Rate (includes 2,000 gallons)	9.75	9.75	11.75	12.25	14.00	15.75
Per 1,000 gallons over base charge	4.39	4.39	4.39	4.89	4.90	4.95

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

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

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

The City changed the rate classification in 2008.

"Res." - Residential

"Comm." - Commercial

SOURCE: City of Port Lavaca Utility Department

Fiscal Year									
2009		2010		2011		2012		2013	
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*

2013			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
City of Port Lavaca	City Accounts	12,622	3.23%
Calhoun County I.S.D.	School District	12,352	3.16%
Hillmans Shrimp & Oyster	Fishing Industry	10,170	2.60%
Memorial Medical Center	Hospital	8,130	2.08%
Regency Nursing Home	Senior Center (Home)	7,116	1.82%
Bordeaux Apartments	Apartment Complex	6,157	1.57%
Lighthouse Seafood	Commercial Oyster House	4,225	1.08%
Calhoun County	County Offices	3,417	0.87%
Splash & Dash	Car Wash	3,283	0.84%
Days Inn	Hotel	2,927	0.75%
2004			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
Orion Marine Group Inc.	Industry	8,046	2.05%
Calhoun County I.S.D.	School District	3,505	0.89%
Seabreeze Apartments	Apartment Complex	2,511	0.64%
Regency Nursing Home	Senior Center (Home)	2,504	0.64%
Memorial Medical Center	Hospital	2,330	0.59%
Hillmans Shrimp & Oyster	Fishing Industry	2,057	0.53%
Bordeaux Apartments	Apartment Complex	1,999	0.51%
The Laundromat	Laundry	1,716	0.44%
City of Port Lavaca	City Accounts	1,491	0.38%
H E BUTT	Grocery	1,400	0.36%

SOURCE: City of Port Lavaca Utility Billing Department

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

Fiscal Year	Governmental Activities				Business-type Activities			
	Certificates of Obligation	General Obligation Bonds	Note Agreement	Capital Leases	Certificates of Obligation	Revenue Bonds	Less: Issuance Discount	Capital Leases
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	(32,532)	288,374
2009	3,715,000	-	-	332,486	3,940,000	5,315,000	(31,983)	237,874
2010	3,515,000	-	-	261,340	3,800,000	5,025,000	(31,434)	193,957
2011	3,310,000	-	-	471,758	3,655,000	4,760,000	(30,839)	148,282
2012	3,095,000	-	-	248,917	3,500,000	4,425,000	(30,290)	100,780
2013	105,000	2,895,000	-	211,559	3,340,000	4,080,000	(29,696)	51,378

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>
\$ 10,490,000	3.8%	\$ 901.67
10,952,939	3.7%	951.68
10,888,904	3.5%	949.25
10,692,343	2.4%	937.51
14,219,796	4.1%	1,240.28
13,508,377	3.7%	1,175.77
12,763,863	3.4%	1,060.56
12,314,201	3.1%	1,005.41
11,339,407	N/A	923.25
10,653,241	N/A	866.12



**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		
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	6,595,000	-	6,595,000	183,391	3,500,000
2013	3,445,000	2,895,000	6,340,000	207,178	3,340,000

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>
\$ 3,621,206	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
2,911,609	0.56%	237.06
2,792,822	0.55%	227.06

**CITY OF PORT LAVACA, TEXAS****DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)****September 30, 2013**

	<u>Gross Debt Outstanding</u>		Percentage	Amount
	<u>Date</u>	<u>Amount</u>	<u>Applicable to City</u>	<u>Applicable to City</u>
Direct Debt:				
City of Port Lavaca	9/30/2013	<u>\$ 3,211,559</u>	100.00%	<u>\$ 3,211,559</u>
Overlapping Debt:				
Calhoun County	9/30/2013	9,910,000	14.41%	1,428,111
Calhoun Independent School District	9/30/2013	10,010,000	13.88%	1,389,520
Calhoun Port Authority	9/30/2013	<u>32,400,000</u>	22.36%	<u>7,243,830</u>
Total Overlapping Debt		<u>52,320,000</u>		<u>10,061,461</u>
Total		<u>\$ 55,531,559</u>		<u>\$ 13,273,020</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*

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<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>
2004	\$ 3,933,123	\$ 2,932,517	\$ 1,000,606	\$ 544,740	1.84
2005	4,467,282	2,895,575	1,571,707	540,000	2.91
2006	4,529,981	2,819,506	1,710,475	541,496	3.16
2007	4,674,553	3,134,268	1,540,285	541,619	2.84
2008	5,127,853	3,186,879	1,940,974	861,629	2.25
2009	5,331,869	3,478,632	1,853,237	869,487	2.13
2010	5,194,828	3,470,112	1,724,716	867,219	1.99
2011	5,604,515	3,368,233	2,236,282	877,114	2.55
2012	5,312,772	3,458,504	1,854,268	953,379	1.94
2013	5,391,718	3,600,338	1,791,380	998,063	1.79

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

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

Fiscal Year	(1)	Personal Income	(2)	(3)	(4)
	Population		Per Capita Personal Income (Calhoun County)	School Enrollment	Unemployment Rate
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	443,129,870	38,854	4,334	4.5%
2008	11,465	346,862,110	30,254	4,282	4.9%
2009	11,489	361,662,231	31,479	4,349	8.3%
2010	12,035	372,651,740	30,964	4,230	9.1%
2011	12,248	396,994,424	32,413	4,276	8.7%
2012	12,282	N/A	N/A	4,270	6.1%
2013	12,300	N/A	N/A	4,272	7.1%

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

N/A denotes information not available.

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

(2) Bureau of Economic Analysis

(3) Calhoun Independent School District

(4) Texas Workforce Commission

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


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2013		
Employer	Employees	Percentage of Total County Employment
Formosa Plastics	2,400	24.69%
Inteplast Group	2,300	23.66%
Calhoun County I.S.D.	838	8.62%
Alcoa	650	6.69%
Dow Chemical	575	5.92%
Orion Marine Group, Inc.	424	4.36%
Calhoun County	209	2.15%
Seadrift Coke	140	1.44%
Memorial Medical Center	140	1.44%
INEOS Nitriles Formerly BP	135	1.39%
	<u>7,811</u>	<u>80.36%</u>

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

NOTES: Information is for the City and Calhoun County.

Information for nine years ago was not readily available.

SOURCE: Texas Workforce Commission-Victoria Office

**CITY OF PORT LAVACA, TEXAS****FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM***Last ten fiscal years*

Function/Program	Fiscal Year			
	2004	2005	2006	2007
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	1.0	2.0	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	20.0	19.0	18.0
Communications	6.0	6.0	6.0	6.0
Fire	15.0	16.0	16.0	17.0
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	9.0	9.0
Water/Wastewater				
Customer service	3.0	3.0	3.0	3.0
Meter readers	2.0	2.0	2.0	2.0
Water and sewer	14.0	14.0	13.0	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>85.0</u>	<u>88.0</u>	<u>87.0</u>	<u>87.0</u>

SOURCE: City of Port Lavaca Human Resource Department

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Fiscal Year					
2008	2009	2010	2011	2012	2013
2.0	2.0	2.0	2.0	2.0	2.0
2.0	2.0	1.0	1.0	1.0	1.0
3.0	3.0	4.0	4.0	4.0	4.0
1.0	1.0	1.0	2.0	2.0	2.0
-	-	1.0	-	-	-
-	-	1.0	1.0	-	-
19.0	18.0	20.0	17.0	19.0	18.0
6.0	6.0	6.0	6.0	7.0	6.0
17.0	17.0	17.0	17.0	14.0	16.0
3.0	3.0	3.0	3.0	3.0	3.0
1.0	1.0	2.0	2.0	2.0	2.0
2.0	2.0	2.0	2.0	2.0	2.0
9.0	9.0	9.0	8.0	9.0	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
12.0	12.0	12.0	11.0	9.0	10.0
5.0	5.0	5.0	5.0	3.0	4.0
2.0	2.0	2.0	2.0	3.0	2.0
-	-	-	-	1.0	1.0
89.0	88.0	93.0	88.0	86.0	87.0



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

Function/Program	Fiscal Year			
	2004	2005	2006	2007
General government				
Building permits issued	316	329	283	491
Building inspections conducted	653	676	499	456
Public safety				
Police				
Physical arrests	N/A	N/A	N/A	N/A
Traffic violations	N/A	N/A	N/A	N/A
Fire				
Fire calls	N/A	234	222	200
Public works				
Streets (miles)	49.3	49.3	49.3	50.1
Culture and recreation				
Parks and recreation				
Bauer center rentals	N/A	64	73	65
Lighthouse beach park				
Pavillion	54	43	43	54
Water and wastewater				
Water				
Water customers	4,455	4,455	4,492	4,456
Water taps	24	25	8	10
Average daily consumption	1.20 mgd	1.29 mgd	1.29 mgd	1.18 mgd
Peak daily consumption	1.52 mgd	1.55 mgd	1.57 mgd	1.40 mgd
Wastewater				
Sewer customers	4,193	4,175	4,190	4,173
Sewer taps	26	18	7	8
Average daily sewage treatment	1.28 mgd	1.09 mgd	1.14 mgd	1.37 mgd

NOTE: N/A denotes information not available.

SOURCE: Various City departments

Fiscal Year					
2008	2009	2010	2011	2012	2013
202	564	548	801	784	357
436	564	732	822	1,187	627
398	409	336	807	796	1,129
431	450	422	1,642	836	1,525
230	192	175	568	650	685
50.1	50.1	50.1	50.1	50.1	50.1
88	71	65	63	59	47
38	25	42	39	47	36
4,548	4,514	4,552	4,544	4,556	4,606
13	19	11	11	15	21
1.34 mgd	1.38 mgd	1.27 mgd	1.53 mgd	1.272 mgd	1.07 mgd
1.61 mgc	1.66 mgd	1.49 mgd	5.65 mgd	2.10 mgd	2.74 mgd
4,253	4,217	4,267	4,258	4,276	4,317
7	2	7	9	7	12
1.05 mgd	1.01 mgd	1.19 mgd	1.01 mgd	1.11 mgd	1.08 mgd

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

	Fiscal Year			
	2004	2005	2006	2007
<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	50.1
Streetlights	672	672	680	686
Culture and recreation				
Acreage	150	150	150	150
Parks	7	7	7	7
Baseball/softball diamonds	2	2	2	2
Community centers	1	1	1	1
Swimming pools	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	67	67	69	68.5
Fire hydrants	245	250	250	250
Storage capacity	1.761	1.000	1	1
Wastewater				
Sanitary sewers (miles)	55	56	56	58
Treatment capacity	2	3	2.5	2.5

SOURCE: Various City departments

Fiscal Year					
2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
7	7	7	6	7	7
2	2	2	2	2	2
50.1	50.1	50.1	50.1	50.1	50.1
686	684	686	686	686	678
150	150	150	150	150	150
7	7	7	7	7	7
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
68.5	69.0	69	69	69	70
250	259	259	259	259	262
1	1	1	1	1	1
58	58	58	58	58	58
2.5	2.5	2.5	2.5	2.5	2.5

**OVERALL COMPLIANCE AND INTERNAL  
CONTROL SECTION**



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

STEPHEN W. VAN MANEN, CPA  
DENNIS C. CIHAL, CPA  
ERIC L. KUCERA, CPA  
CLAYTON P. VAN PELT, CPA  
ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Lavaca, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

March 20, 2014