

ANNUAL COMPREHENSIVE FINANCIAL REPORT



PROUD TO BE
A Certified *Scenic* City

FOR THE YEAR ENDED
SEPTEMBER 30, 2025



City of Port Lavaca, TX

CITY OF PORT LAVACA, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2025**

DRAFT

Prepared by:
Finance Department

CITY OF PORT LAVACA, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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INTRODUCTORY SECTION



CITY OF
PORT LAVACA



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

March 23, 2026

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

The Annual Comprehensive Financial Report of the City of Port Lavaca, Texas, hereinafter referred to as the “City”, for the fiscal year ended September 30, 2025, 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) require 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 implementing the policies of the City Council and oversee all day-to-day operations of the City.

The City Council appoints many residents, who volunteer 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 are provided by the City including public safety (police, fire protection, and animal control); public utilities (water distribution and wastewater collection and treatment services); public improvements; repair and maintenance of infrastructure; economic and community development including planning and permitting; and general administrative services. This report includes all funds of the City government. The City does not have any component units to report.

The City also manages several quasi-governmental operations including a campground at Lighthouse Beach and the Nautical Landings Marina’s commercial office spaces. Additionally, the City manages and leases frontage property and dock space at its port and several harbors, which include City Harbor, Harbor of Refuge, Smith Harbor, and Nautical Landing Marina. The City, with the assistance of the Port Lavaca Chamber of Commerce, operates the Bauer Community Center that is leased throughout the year for public

activities, business meetings and conventions. Finally, the City jointly runs the City Swimming Pool at Lighthouse Beach with the local YMCA. The City maintains the grounds and pays for pool equipment and maintenance supplies. The YMCA facilitates the operations of the facility, hiring, training and managing the pool staff.

The City supplies water for its citizens by purchasing raw water from the Guadalupe Blanco River Authority (GBRA) which is then treated at the Undine Wholesale Supply, LLC water treatment plant, under long-term contracts ending in the year 2035. Collection and disposal of solid waste has been privatized through an awarded contract to Republic Services, Inc.

Financial Management

The City of Port Lavaca has pushed each year to become more proactive in 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 the long-term goals to not only improve bond ratings, but to maintain a healthy financial position. The City prepares a five-year capital improvement plan that is reviewed and adopted annually. This year, the budget and plan will be completed by all departments documenting the procurement of capital items planned over a five-year period and beyond. Methodologies are reviewed for revenue projections and proper level of reserves each year.

The City of Port Lavaca always looks for more economical ways to provide services for our citizens. The City keeps in mind that the economy is still volatile and follows conservative budgeting practices. Due to extensive and ongoing mitigation projects, the City is well-positioned to recover quickly from the next natural disaster.

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 deviation to determine what expenditures in the budget could be delayed in efforts to maintain core services. The conservative fiscal management practiced by Port Lavaca has enabled City Officials to initiate emergency measures while maintaining a significant portion of reserve funds.

Economic Condition and Outlook

The City of Port Lavaca is currently home to about 11,188 residents and is located within Calhoun County, Texas. Strategically positioned between the major metropolitan areas of Houston, Corpus Christi and San Antonio, the City serves as a regional hub for commerce and industry. As the county seat of Calhoun County, the City’s economic base is diverse, supported by manufacturing, oil and gas, agribusiness, seafood production, construction, transportation, and the tourist-related activities. Several major facilities operate within the City of Port Lavaca, including liquid fertilizer transportation operations and seafood processing and distribution centers. The City of Port Lavaca maintains a rail system within its Harbor of Refuge tract, supporting industrial logistics and freight movement from the Harbor of Refuge to the Union Pacific rail line between Port Lavaca and Victoria, Texas. U.S. 87 (Main Street) runs through the City in an east-west direction and Highway 35, connecting Houston and Corpus Christi, also runs through the City.

Calhoun County, situated along Lavaca Bay, functions as a natural seaport that attracts commerce, industry and recreational activity. The region serves as a significant industrial hub on the Texas Gulf Coast, supported by an interconnected transportation network. Industrial sites benefit from access to the Gulf Intracoastal Waterway and related channels, including the Victoria Barge Canal and the port facilities in Point Comfort. The County lies within one of the world's largest concentration of petrochemical manufacturing facilities, extending along the Texas Coast from Corpus Christi to Port Arthur. The strength and diversity of regional industry have contributed to stable economic conditions in Port Lavaca, supporting consistent revenue growth and helping the City maintain financial stability even during periods of broader economic uncertainty.

The City continues to utilize Hotel Occupancy Tax (HOT) dollars to promote tourism to our beautiful coastal community. Over the past fiscal year, we have reevaluated the types of tourism opportunities the City can offer and host, in addition to our traditional community events. With the introduction of the Texas Mid-Coast Birding Festival to our 2025 tourism lineup, we attracted a diverse group of visitors, providing them the opportunity to experience all that Port Lavaca and the surrounding areas has to offer. The City is actively working to ensure HOT taxes are collected from the numerous short-term rental properties in and around the City's extraterritorial jurisdiction (ETJ) by adding additional compliance to existing policies. At the close of FY 2025, construction is underway on a Clarion Pointe motel, which will bring the City's total number of hotels/ motels to 19. This development is expected to encourage continued interest in future hotel and motel projects within the City.

The City is proud to continue its partnership with Calhoun County and the Victoria Economic Development Council Regional Partnership to strengthen the region's economic presence and competitiveness. Working closely with City staff, VEDC supports business and industry recruitment, expansion, and retention efforts benefiting both the City and County.

Through VEDC's market analysis, it has been identified that the custom trade area for Port Lavaca supports a daytime population approaching 40,000 people, demonstrating the community's growing regional draw. VEDC has also developed an online development platform that allows prospective developers and investors to review available properties and access key demographic and market data for the area.

Recent announcements of new industrial projects within the county are expected to generate approximately 240 new jobs and an estimated \$2.6 billion in capital investment. In anticipation of the housing, commercial, and retail growth that will accompany these projects, the City continues to invest in strategic infrastructure improvements and system upgrades to support long-term economic expansion.

Sales tax revenues decreased from \$3,671,868 in FY 2023-24 to \$3,536,850 in FY 2024-25 (-.04% decrease). Mindful of the fragile global economy, the City maintains conservative projections for future growth. Property tax revenue levied for general purpose for the City increased by 5% in FY 2024-25. According to figures released by the Calhoun County Appraisal District, the average market value of homesteads in Port Lavaca increased by 8% in 2025 and the taxable value of homesteads increased by 9%. New value added to the tax roll for 2025 in the amount of \$12,709,595 was also a contributor for property revenue increase along with adopting a tax rate that exceeded the No New Revenue tax rate. This additional revenue stream was needed to maintain service levels and to cover the cost of increased repair and maintenance costs, and increased health insurance premiums.

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. The City maintains a minimum of a 90-day working capital position in each of the City's enterprise funds.

Accomplishments

With the close of Fiscal Year 2025, the City completed several major purchases and capital improvements. These included additions to our heavy-duty fleet with the purchase of two dump trucks and a street sweeper, as well as the replacement of multiple air conditioning units at City facilities. The City also completed several park improvements, including upgraded lighting, new shade structures, and landscaping enhancements. In addition, improvements to City Hall continued, with planned expenditures in Fiscal Year 2026 focused on further security enhancements for the building. The City continued construction on two street and drainage projects funded by a \$14 million Certificate of Obligation. Additional funds from the 2024 issuance will be allocated to another City Council–approved street and drainage project in the Western Heights subdivision. Engineering work is complete with construction anticipated to begin in Quarter 3 of FY 2026.

Through continued success in securing competitive grant funding, the City is leveraging taxpayer investments to help build a strong, resilient, and sustainable community for years to come. During this fiscal year, several capital improvement projects funded in part by grant dollars were completed, including a Water System Improvement project funded with American Rescue Plan (ARPA) grant funds and the reconstruction of the breakwater protecting the Nautical Landings Marina, funded through a \$500,000 Texas Parks & Wildlife Boating Access grant.

As of September 30, 2025, additional capital improvement projects funded wholly or in part through grant assistance were in design, permitting, or active construction. These include a \$13.5 million GLO CDBG-MIT Coastal Resiliency shoreline protection project; a \$500,000 RESTORE Act grant administered by the Texas Commission on Environmental Quality (TCEQ) to remove deteriorated barges from Smith Harbor; a Downtown Waterfront Public Access Improvement Project supported by a \$400,000 Matagorda Bay Mitigation Trust grant; a shoreline protection project at the Harbor of Refuge funded through the GLO CEPRA Program; a shoreline restoration and protection project at Lighthouse Beach funded through the GLO CEPRA Program; and a sewer line replacement project funded by a \$500,000 Texas Community Development Block Grant (TxCDBG).

During FY 2025, the City initiated two major planning efforts to guide the future growth and development of Port Lavaca. These included an update to the City’s Comprehensive Plan, funded through a \$300,000 grant from the Texas General Land Office (GLO) Resilient Communities Program, and the development of a new Master Parks and Recreation Plan. Together, these initiatives support long-range planning, community resilience, and the enhancement of quality-of-life amenities for residents and visitors.

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. Also, they are designed to provide reasonable assurance as to the reliability of financial records for preparing financial statements and are employed to help maintain accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits expected to be derived and the valuation of costs and benefits requires estimates and judgments by management.

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

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 Pattillo, Brown & Hill, LLP 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, 2024. This was the fourteenth time since 1999. To be awarded a Certificate, a government unit must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. 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 annual comprehensive 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 audit firm, Pattillo, Brown & Hill, LLP. 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 proactive and responsible manner.

Respectfully,



JoAnna P. Weaver, P.E.
Interim City Manager



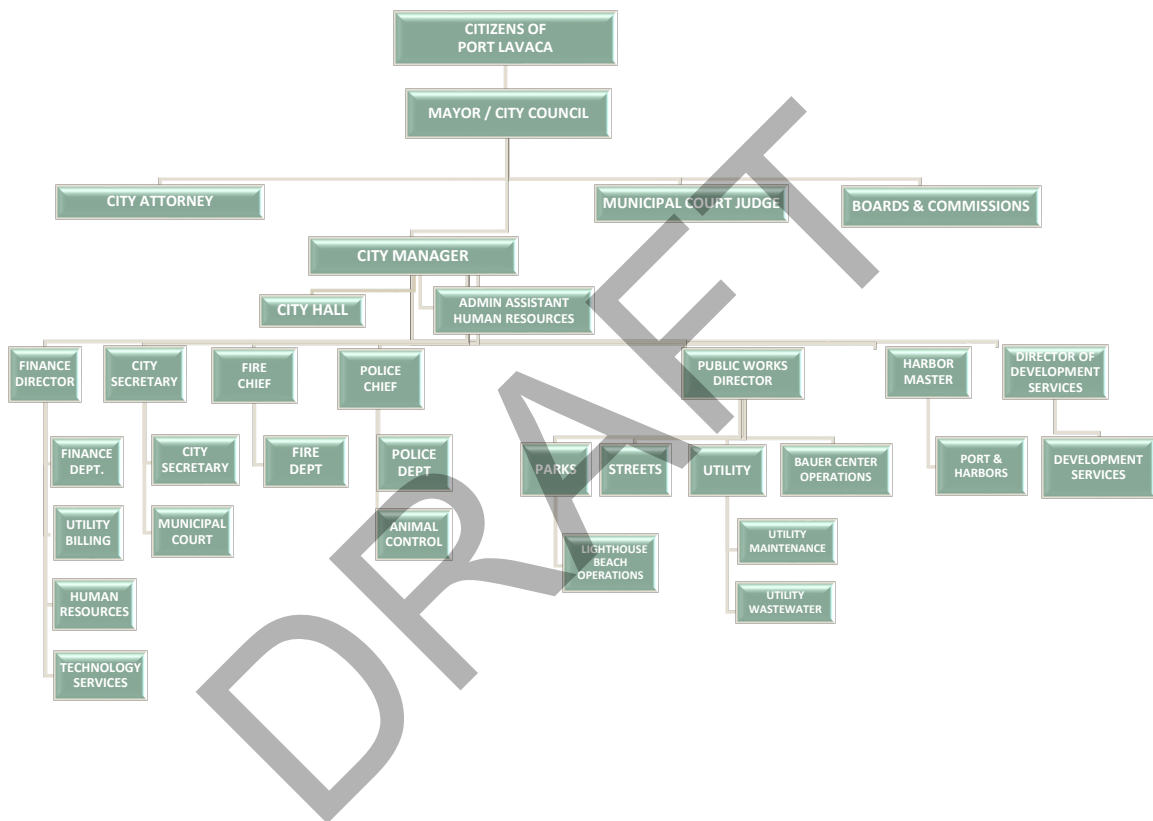
Brittney Hogan,
Director of Finance

CITY OF PORT LAVACA, TEXAS
 DIRECTORY OF PRINCIPAL OFFICIALS
 September 30, 2025

<u>City Officials</u>	<u>Elective Position</u>
Jack Whitlow	Mayor
Justin Burke	Council Member
Daniel Aguirre	Council Member
W. Allen Tippit, Jr.	Council Member
Rose Bland-Stewart	Council Member
Tim Dent	Council Member
Rosie Padron	Mayor Pro-Tem
<u>Key Staff</u>	<u>Appointive Position</u>
JoAnna P. Weaver	Interim City Manager
Brittney Hogan	Finance Director
Mandy Grant	City Secretary
Joe Reyes, Jr.	Fire Chief
Colin Rangnow	Police Chief
Wayne Shaffer	Director of Public Works
Derrick Smith	Director of Development Services

Organizational Chart

As of October 1, 2024





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Port Lavaca
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Lavaca, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change of Accounting Principle

As discussed in Note I to the basic financial statements, during the year ended September 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently known information that may raise substantial doubt shortly thereafter.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental schedules as listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 supplemental schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2026, 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 solely 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 effectiveness of 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.

Waco, Texas
March 23, 2026

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis

As management of The City of Port Lavaca, Texas, we offer readers of The City of Port Lavaca's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Port Lavaca exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$86,422,579 (*net position*) compared to \$86,647,311 for the prior year. Of this amount, \$8,513,569 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$224,732. The City's operations decreased the governmental activities by \$3,786,768 and increased the business-type activities by \$3,562,036.
- As of the close of the current fiscal year, the City of Port Lavaca's governmental funds reported combined ending fund balances of \$15,371,184 compared to \$29,180,398 for the prior year. \$3,306,416 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,967,215, or 31% of total General Fund expenditures, or 112 days or 4 months of operating revenues.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Port Lavaca's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 deferred outflows of resources and liabilities and deferred inflows of resources, 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., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, public safety, public works, and parks and recreation. The business-type activities of the City include public utilities, port revenue, and beach operations.

The government-wide financial statements can be found immediately following this management's discussion and analysis.

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. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental 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 governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for 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 financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, 2022 and 2024 Certificates of Obligation, and CDBG Grant Funds, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary funds. The City maintains one type of proprietary fund. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public utilities, port revenue, and beach operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Public Utilities, Port Revenue, and Beach Operating Funds, which are considered major funds.

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

Notes to the 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 the financial statements can be found on pages 27-48 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 49-56 of this report.

The combining and individual nonmajor governmental funds are presented immediately following the required supplementary information. These statements can be found on pages 57-65 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. In the case of the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$86,422,579 as of September 30, 2025.

The largest portion of the City's net position (88%) reflects its investment in capital assets (e.g. land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$8,513,569 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Below are summaries of the City's Statement of Net Position and Changes in Net Position.

City of Port Lavaca's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 20,601,754	\$ 32,004,718	\$ 5,514,534	\$ 6,297,228	\$ 26,116,288	\$ 38,301,946
Capital assets	52,731,954	43,079,036	38,863,295	34,788,356	91,595,249	77,867,392
Total assets	73,333,708	75,083,754	44,377,829	41,085,584	117,711,537	116,169,338
Deferred outflows of resources	282,114	673,913	31,345	74,879	313,459	748,792
Long-term liabilities	21,807,640	22,463,491	2,517,052	3,224,605	24,324,692	25,688,096
Other liabilities	4,756,234	2,454,568	1,289,654	822,031	6,045,888	3,276,599
Total liabilities	26,563,874	24,918,059	3,806,706	4,046,636	30,370,580	28,964,695
Deferred inflows of resources	262,084	262,976	969,753	1,043,148	1,231,837	1,306,124
Net position:						
Net investment in capital assets	39,501,522	40,903,899	36,454,439	31,692,835	75,955,961	72,596,734
Restricted	1,953,049	1,718,989	-	-	1,953,049	1,718,989
Unrestricted	5,335,293	7,953,744	3,178,276	4,377,844	8,513,569	12,331,588
Total net position	\$ 46,789,864	\$ 50,576,632	\$ 39,632,715	\$ 36,070,679	\$ 86,422,579	\$ 86,647,311

City of Port Lavaca's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 570,745	\$ 567,617	\$ 8,398,783	\$ 8,212,109	\$ 8,969,528	\$ 8,779,726
Operating grants and contributions	593,783	486,946	623,207	-	1,216,990	486,946
Capital grants and contributions	547,707	1,128,091	468,154	2,615,626	1,015,861	3,743,717
General revenues:						
Property taxes	6,086,783	5,726,131	-	-	6,086,783	5,726,131
Sales taxes	3,536,850	3,671,868	-	-	3,536,850	3,671,868
Franchise taxes	592,812	586,034	-	-	592,812	586,034
Hotel occupancy taxes	720,357	701,302	-	-	720,357	701,302
Investment earnings	1,141,649	1,276,683	137,743	161,880	1,279,392	1,438,563
Other revenue	132,559	212,545	128,334	118,512	260,893	331,057
Total revenues	13,923,245	14,357,217	9,756,221	11,108,127	23,679,466	25,465,344
Expenses:						
General government	3,350,965	3,028,655	-	-	3,350,965	3,028,655
Public safety	5,485,590	5,065,178	-	-	5,485,590	5,065,178
Public works	3,012,116	2,395,874	-	-	3,012,116	2,395,874
Culture and recreational	1,337,021	1,250,529	-	-	1,337,021	1,250,529
Interest and fiscal charges	1,024,665	596,792	-	-	1,024,665	596,792
Public utilities	-	-	8,728,406	7,647,949	8,728,406	7,647,949
Port revenue	-	-	284,940	291,579	284,940	291,579
Beach operations	-	-	680,495	921,460	680,495	921,460
Total expenses	14,210,357	12,337,028	9,693,841	8,860,988	23,904,198	21,198,016
Increase (decrease) in net position before transfers	(287,112)	2,020,189	62,380	2,247,139	(224,732)	4,267,328
Transfers	(3,499,656)	(25,842)	3,499,656	25,842	-	-
Increase (decrease) in net position	(3,786,768)	1,994,347	3,562,036	2,272,981	(224,732)	4,267,328
Net position, beginning	50,576,632	48,582,285	36,070,679	33,797,698	86,647,311	82,379,983
Net position, ending	\$ 46,789,864	\$ 50,576,632	\$ 39,632,715	\$ 36,070,679	\$ 86,422,579	\$ 86,647,311

Governmental Activities. Governmental activities decreased the City's net position by \$3,786,768 in the current year compared with an increase of \$1,994,347 in the prior year.

Total governmental activities revenues decreased \$433,972 (3%) to \$13,923,245. Key elements of this change are as follows:

- Capital grants and contributions decreased \$580,384 due to decreased grant expenditures in the current year, mostly related to CDBG funding.
- Property taxes increased \$360,652 due to an increase in appraised property values.

Total governmental activities expenses increased \$1,873,329 (15%) to \$14,210,357. Key changes are as follows.

- General government expenses increased \$322,310 (11%) primarily due to increases in personnel costs and contracted services costs.
- Public safety expenses increased \$420,412 (8%) primarily due to increases in police and fire personnel costs.

Business-type activities. Business-type activities increased the City's net position by \$3,562,036 in the current year compared to an increase in net position of \$2,272,981 in the prior year.

Total revenues decreased \$1,351,906 (12%) to \$9,756,221. The primary reason for the change was decreased grant funding compared to the prior year.

Total expenses increased \$832,853 (9%) to \$9,693,841. This occurred mainly as a result of water system and wastewater improvement expenditures and increased personnel costs.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of \$15,371,184. \$3,306,416 (22%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been restricted or committed for projects and debt service.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,967,215. 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 31% of the total General Fund expenditures. Fund balance of the General Fund decreased by \$2,718,657, largely as a result of increased capital outlay expenditures during the year.

The 2022 Certificates of Obligation Fund decreased fund balance by \$4,895,789 as a result of capital expenditures that exceeded interest earnings during the current year.

The 2024 Certificates of Obligation Fund decreased fund balance by \$46,666,671 as a result of capital expenditures that exceeded interest earnings during the current year.

The CDBG Grant Fund reported no change in fund balance during the current year, as revenues equaled expenditures in the fund.

Proprietary funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City’s Public Utility, Port Revenue, and Beach Operating Funds are enterprise funds that comprise the City’s proprietary funds. Unrestricted net position for each fund at the end of the year amounted to \$1,009,977, \$1,392,423 and \$775,876 respectively. The total change in net position for the three funds was \$3,038,741, \$686,951 and (\$163,656), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

The budget was amended several times during the year. Expenditures were increased \$421,072.

During the year, actual revenues were \$236,477 lower than budgeted due to numerous factors. Property tax revenue increased due to values under review at the time of certification. Sales tax revenue decreased due to recovery of delinquent tax along with anticipated new businesses having a delayed opening. In addition, there was a decrease in investment revenue due to the slow decline in interest rates earned through the investment pool. Actual expenditures were \$560,053 lower than budget largely due to delayed capital projects. The police department also had savings in personnel costs due to turnovers. There was a delay in street rehabilitation projects, creating savings in Public Works.

Capital Assets

The City’s investment in capital assets for its governmental and business type activities as of September 30, 2025, amounts to \$91,595,249 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and wastewater systems, land improvements, machinery and equipment, vehicles, roads, and bridges.

Major capital asset events during the current fiscal year included various street and utility construction projects totaling \$15.2 million.

City of Port Lavaca Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 2,199,603	\$ 1,844,144	\$ 2,316,718	\$ 2,316,718	\$ 4,516,321	\$ 4,160,862
Construction in progress	20,737,979	12,083,218	12,062,760	6,710,062	32,800,739	18,793,280
Buildings and improvements	6,862,332	6,638,064	1,927,783	1,883,439	8,790,115	8,521,503
Machinery and equipment	2,616,915	1,599,634	381,910	509,851	2,998,825	2,109,485
Infrastructure	20,315,125	20,913,976	22,174,124	23,368,286	42,489,249	44,282,262
Total	\$ 52,731,954	\$ 43,079,036	\$ 38,863,295	\$ 34,788,356	\$ 91,595,249	\$ 77,867,392

Additional information on the City’s capital assets can be found in the notes to the financial statements.

Long-Term Debt

At year-end the City had \$23,786,769 in long-term liabilities outstanding, a decrease of \$902,485 from the prior year. \$20,820,000 are Certificates of Obligation secured by surplus revenues of the Public Utility Fund and ad valorem taxes, including the issuance of the City’s Series 2024 Certificates of Obligation for \$13,040,000 during the prior year.

City of Port Lavaca's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Certificates of Obligation	\$ 19,465,000	\$ 19,875,000	\$ 1,355,000	\$ 1,555,000	\$ 20,820,000	\$ 21,430,000
Financing arrangements	93,835	114,781	991,783	1,471,551	1,085,618	1,586,332
Compensated absences	433,540	168,781	54,404	29,200	487,944	197,981
Premiums	1,331,134	1,405,971	62,073	68,970	1,393,207	1,474,941
Total	<u>\$ 21,323,509</u>	<u>\$ 21,564,533</u>	<u>\$ 2,463,260</u>	<u>\$ 3,124,721</u>	<u>\$ 23,786,769</u>	<u>\$ 24,689,254</u>

More detailed information about the City's debt can be found in the notes to the financial statements, pages 38-40.

Economic factors and the Next Year's Budgets and Rates

General Fund

The rise of goods and service costs due to inflation continues to be a major challenge for essential operations and labor pool deficiencies. While the City has seen minimal impact, we also were fiscally sound to withstand the economic impacts brought by these increased prices, while still maintaining a healthy reserve to weather future storms.

During the fiscal year, the organization progressed through several significant capital improvement projects, with accomplishments that exceeded the challenges encountered. Throughout the year, the City completed several capital projects, including multiple AC replacements at City facilities and the installation of new shade structures at various parks. Additionally, the City made three significant equipment purchases during the fiscal year, expanding the fleet with a new street sweeper and two dump trucks. The City continued security upgrades to our City Hall for the year by adding ballistic glass for payment areas, and ADA compliance on entries to the building. City Hall upgrades will continue into the coming year with the addition of more office spaces. With the issuance of debt, the City successfully continued construction on two planned streets & drainage projects that are being funded with a \$14M Certificate of Obligation. Both projects are still in active construction with projected completion in the current fiscal year. Additional funds from the debt issuance will be dedicated to another council approved Street & Drainage project that is currently in the engineering phase.

The Matagorda Bay Mitigation Fund awarded \$400,000 to help the construction of improved access towards our downtown waterfront and have also awarded \$200,000 to be used for shoreline protection at our Harbor of Refuge. The City was also awarded \$500,000 to remove deteriorated barges from Smith Harbor that the City acquired a few years ago from the Texas Commission on Environmental Quality (TCEQ).

Public Utility Fund

The City's capital improvements to the Water System and Wastewater treatment plant with combined use of American Rescue Plan Act funds of \$2.94 million and bond funds of \$2.65 million was completed this past fiscal year. This capital improvement addressed water and wastewater infrastructure that was necessary to meet TCEQ requirements and strengthen the City's water distribution and wastewater treatment processes. In addition, the City continues to anticipate the need for an application for a Texas Water Development Board loan to expand on our wastewater improvements in the coming year.

Furthermore, we continue to monitor the major recovery in lost water revenue due to failing water meters within this coming fiscal year. We would like to thank the efforts of our staff members who have put many hours of effort into this project. With completion of this project, reaching its three-year mark we managed to have strong meter data to perform a water rate study for future revenue and expenses. A water rate study is currently in progress with completion anticipated for the current fiscal year.

Hotel Occupancy Tax Fund

The City continues to utilize Hotel Occupancy Tax (HOT) funds to promote tourism and attract visitors to our beautiful coastal community, supporting local businesses and enhancing our local economy. Over the past fiscal year, the City has reevaluated the range of tourism opportunities it can offer and host, looking beyond traditional community events to identify new initiatives that enhance visitor engagement and strengthen the local economy. With the introduction of the Texas Mid-Coast Birding Festival to our 2025 tourism lineup, we hosted a diverse group of visitors, providing them with the opportunity to experience all that Port Lavaca has to offer. Additionally, the City is working to ensure HOT taxes are collected from the numerous short-term rental properties in and around the City's extraterritorial jurisdiction (ETJ) by adding more compliance for these types of stays. The City currently has an additional hotel under active construction which brings anticipation of increased HOT taxes for the future fiscal year.

All Major Funds

We are excited to continue our partnership with the Victoria Economic Development Council to leverage our presence in the market throughout Calhoun County. Recent announcements of new industrial projects within the county are expected to generate approximately 240 new jobs and an estimated \$2.6 billion in capital investment. In anticipation of the housing, commercial, and retail growth that will accompany these projects, the City continues to invest in strategic infrastructure improvements and system upgrades to support long-term economic expansion.

Planned drawdowns of the City's unreserved fund balance, in excess of the required reserves, will be utilized to facilitate one-time purchases of park improvements, security renovations to City Hall, and major improvements to streets and city infrastructure for expected growth.

Request 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 information should be addressed to the Finance Department, 202 North Virginia, Port Lavaca, Texas 77979.

DRAFT

**BASIC
FINANCIAL STATEMENTS**

CITY OF PORT LAVACA, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 18,119,778	\$ 3,227,374	\$ 21,347,152
Receivables, net	781,106	1,845,190	2,626,296
Internal balances	33,354	(33,354)	-
Due from other governments	1,372,948	365,399	1,738,347
Prepaid items	294,568	65,143	359,711
Inventories	-	44,782	44,782
Capital assets:			
Nondepreciable	22,937,582	14,379,478	37,317,060
Depreciable, net	<u>29,794,372</u>	<u>24,483,817</u>	<u>54,278,189</u>
Total capital assets	<u>52,731,954</u>	<u>38,863,295</u>	<u>91,595,249</u>
Total assets	<u>73,333,708</u>	<u>44,377,829</u>	<u>117,711,537</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	258,195	28,688	286,883
Related to OPEB	<u>23,919</u>	<u>2,657</u>	<u>26,576</u>
Total deferred outflows of resources	<u>282,114</u>	<u>31,345</u>	<u>313,459</u>

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CITY OF PORT LAVACA, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 4,265,887	\$ 883,558	\$ 5,149,445
Payroll related liabilities	233,517	11,150	244,667
Due to other governments	3	10,084	10,087
Accrued interest payable	114,036	13,270	127,306
Unearned revenue	110,111	65,747	175,858
Customer deposits	32,680	305,845	338,525
Noncurrent liabilities:			
Due within one year			
Long-term debt	696,368	700,438	1,396,806
Compensated absences	86,708	10,881	97,589
Total OPEB liability	<u>9,833</u>	<u>1,093</u>	<u>10,926</u>
Due in more than one year			
Long-term debt	20,193,601	1,708,418	21,902,019
Compensated absences	346,832	43,523	390,355
Net pension liability	245,824	27,314	273,138
Total OPEB liability	<u>228,474</u>	<u>25,385</u>	<u>253,859</u>
Total liabilities	<u>26,563,874</u>	<u>3,806,706</u>	<u>30,370,580</u>
DEFERRED INFLOWS OF RESOURCES			
Related to leases	-	940,632	940,632
Related to pensions	194,638	21,627	216,265
Related to OPEB	<u>67,446</u>	<u>7,494</u>	<u>74,940</u>
Total deferred inflows of resources	<u>262,084</u>	<u>969,753</u>	<u>1,231,837</u>
NET POSITION			
Net investment in capital assets	39,501,522	36,454,439	75,955,961
Restricted for:			
Debt service	1,060,313	-	1,060,313
Economic development, tourism and conventions	788,308	-	788,308
Public safety	19,321	-	19,321
Municipal court	85,107	-	85,107
Unrestricted	<u>5,335,293</u>	<u>3,178,276</u>	<u>8,513,569</u>
Total net position	<u>\$ 46,789,864</u>	<u>\$ 39,632,715</u>	<u>\$ 86,422,579</u>

CITY OF PORT LAVACA, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,350,965	\$ 462,610	\$ -	\$ -
Public safety	5,485,590	27,300	590,281	-
Public works	3,012,116	-	-	547,707
Parks and recreation	1,337,021	80,835	3,502	-
Interest on long-term debt	1,024,665	-	-	-
Total governmental activities	<u>14,210,357</u>	<u>570,745</u>	<u>593,783</u>	<u>547,707</u>
Business-type activities:				
Public utilities	8,728,406	7,466,147	581,807	118,949
Port revenue	680,495	842,653	41,400	349,205
Beach operation	284,940	89,983	-	-
Total business-type activities	<u>9,693,841</u>	<u>8,398,783</u>	<u>623,207</u>	<u>468,154</u>
Total primary government	<u>\$ 23,904,198</u>	<u>\$ 8,969,528</u>	<u>\$ 1,216,990</u>	<u>\$ 1,015,861</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales and use

Franchise

Other taxes

Investment earnings

Other

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (2,888,355)	\$ -	\$ (2,888,355)
(4,868,009)	-	(4,868,009)
(2,464,409)	-	(2,464,409)
(1,252,684)	-	(1,252,684)
<u>(1,024,665)</u>	<u>-</u>	<u>(1,024,665)</u>
<u>(12,498,122)</u>	<u>-</u>	<u>(12,498,122)</u>
-	(561,503)	(561,503)
-	552,763	552,763
-	<u>(194,957)</u>	<u>(194,957)</u>
-	<u>(203,697)</u>	<u>(203,697)</u>
<u>(12,498,122)</u>	<u>(203,697)</u>	<u>(12,701,819)</u>
5,141,293	-	5,141,293
945,490	-	945,490
3,536,850	-	3,536,850
592,812	-	592,812
720,357	-	720,357
1,141,649	137,743	1,279,392
132,559	128,334	260,893
<u>(3,499,656)</u>	<u>3,499,656</u>	<u>-</u>
<u>8,711,354</u>	<u>3,765,733</u>	<u>12,477,087</u>
<u>(3,786,768)</u>	<u>3,562,036</u>	<u>(224,732)</u>
<u>50,576,632</u>	<u>36,070,679</u>	<u>86,647,311</u>
\$ <u>46,789,864</u>	\$ <u>39,632,715</u>	\$ <u>86,422,579</u>

CITY OF PORT LAVACA, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General	2022 Certificates of Obligation	2024 Certificates of Obligation
ASSETS			
Cash and cash equivalents	\$ 5,396,097	\$ 235,934	\$ 10,317,249
Receivables, net	620,754	-	-
Due from other governments	586,187	-	-
Due from other funds	1,115,190	-	-
Prepaid items	294,568	-	-
Total assets	<u>8,012,796</u>	<u>235,934</u>	<u>10,317,249</u>
LIABILITIES			
Accounts payable	671,949	2,813	3,195,030
Payroll related payables	233,495	-	-
Due to other governments	3	-	-
Due to other funds	-	-	-
Customer and other deposits	32,680	-	-
Unearned revenue	79,304	-	-
Total liabilities	<u>1,017,431</u>	<u>2,813</u>	<u>3,195,030</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	535,065	-	-
Total deferred inflows of resources	<u>535,065</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Prepays	294,568	-	-
Restricted			
Debt service	-	-	-
Capital projects	-	233,121	7,122,219
Tourism and conventions	-	-	-
Economic development	-	-	-
Public safety	-	-	-
Municipal court	-	-	-
Committed			
Capital asset replacement	349,773	-	-
Assigned			
Subsequent year's budget	1,848,744	-	-
Unassigned	3,967,215	-	-
Total fund balances	<u>6,460,300</u>	<u>233,121</u>	<u>7,122,219</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,012,796</u>	<u>\$ 235,934</u>	<u>\$ 10,317,249</u>

CDBG Grant	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,170,498	\$ 18,119,778
-	160,352	781,106
780,298	6,463	1,372,948
-	-	1,115,190
-	-	294,568
<u>780,298</u>	<u>2,337,313</u>	<u>21,683,590</u>
359,261	36,834	4,265,887
-	22	233,517
-	-	3
644,609	437,227	1,081,836
-	-	32,680
-	30,807	110,111
<u>1,003,870</u>	<u>504,890</u>	<u>5,724,034</u>
-	53,307	588,372
-	53,307	588,372
-	-	294,568
-	1,019,410	1,019,410
-	304,197	7,659,537
-	515,660	515,660
-	272,648	272,648
-	19,321	19,321
-	85,107	85,107
-	-	349,773
-	-	1,848,744
<u>(223,572)</u>	<u>(437,227)</u>	<u>3,306,416</u>
<u>(223,572)</u>	<u>1,779,116</u>	<u>15,371,184</u>
<u>\$ 780,298</u>	<u>\$ 2,337,313</u>	<u>\$ 21,683,590</u>

CITY OF PORT LAVACA, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

Total fund balances - governmental funds balance sheet \$ 15,371,184

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Capital assets - non-depreciable	22,937,582
Capital assets - net depreciable	29,794,372

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.

Property taxes	480,954
Court fines	83,772
Code enforcement	17,183
Grants	6,463

Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.

Related to pensions	258,195
Related to OPEB	23,919

Deferred inflows of resources, represents and acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Related to pensions	(194,638)
Related to OPEB	(67,446)

Some assets and liabilities, including bonds payable and compensated absences, are not reported as assets or liabilities in the governmental funds.

Net pension liability	(245,824)
Total OPEB liability	(238,307)
Accrued interest	(114,036)
Compensated absences	(433,540)
Non-current liabilities due in one year	(696,368)
Non-current liabilities due in more than one year	<u>(20,193,601)</u>

Total net position - governmental activities \$ 46,789,864

CITY OF PORT LAVACA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>General</u>	<u>Hurricane Harvey</u>	<u>ARPA/CLFRF Grant</u>
REVENUES			
Taxes:			
Property	\$ 5,116,037		
Sales	3,536,850		
Other	625,465		
Fines, fees, and forfeitures	182,397		
Intergovernmental	329,473		
Licenses and permits	289,176		
Investment earnings	372,065		
Rental	76,235		
Charges for services	2,115		
Miscellaneous	<u>78,413</u>		
Total revenues	<u>10,608,226</u>		
EXPENDITURES			
Current:			
General government	2,789,580		
Public safety	5,088,044		
Public works	2,000,663		
Parks and recreation	971,886		
Capital outlay	2,021,774		
Debt service:			
Principal	20,946		
Interest and fiscal charges	<u>2,139</u>		
Total expenditures	<u>12,895,032</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,286,806)</u>		
OTHER FINANCING SOURCES (USES)			
Transfers in	303,336		
Transfers out	<u>(735,187)</u>		
Total other financing sources and uses	<u>(431,851)</u>		
NET CHANGE IN FUND BALANCES	<u>(2,718,657)</u>		
FUND BALANCE, BEGINNING, AS PREVIOUSLY REPORTED	9,178,957	(652,493)	132,126
ADJUSTMENTS			
Change within the financial reporting entity - formerly a major fund	<u>-</u>	<u>652,493</u>	<u>(132,126)</u>
FUND BALANCES, BEGINNING, AS RESTATED	<u>9,178,957</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 6,460,300</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

2022 Certificates of Obligation	2024 Certificates of Obligation	CDBG Grant	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 939,549	\$ 6,055,586
-	-	-	-	3,536,850
-	-	-	687,704	1,313,169
-	-	-	9,315	191,712
-	-	547,707	264,310	1,141,490
-	-	-	-	289,176
143,160	530,479	-	95,945	1,141,649
-	-	-	-	76,235
-	-	-	-	2,115
-	-	-	54,146	132,559
<u>143,160</u>	<u>530,479</u>	<u>547,707</u>	<u>2,050,969</u>	<u>13,880,541</u>
-	-	-	474,875	3,264,455
-	-	-	24,221	5,112,265
-	-	291,305	-	2,291,968
-	-	-	-	971,886
5,038,949	7,197,150	256,402	14,546	14,528,821
-	-	-	410,000	430,946
-	-	-	1,159,243	1,161,382
<u>5,038,949</u>	<u>7,197,150</u>	<u>547,707</u>	<u>2,082,885</u>	<u>27,761,723</u>
<u>(4,895,789)</u>	<u>(6,666,671)</u>	<u>-</u>	<u>(31,916)</u>	<u>(13,881,182)</u>
-	-	-	775,633	1,078,969
-	-	-	(271,814)	(1,007,001)
-	-	-	503,819	71,968
<u>(4,895,789)</u>	<u>(6,666,671)</u>	<u>-</u>	<u>471,903</u>	<u>(13,809,214)</u>
5,128,910	13,788,890	(223,572)	1,827,580	29,180,398
-	-	-	(520,367)	-
<u>5,128,910</u>	<u>13,788,890</u>	<u>(223,572)</u>	<u>1,307,213</u>	<u>29,180,398</u>
<u>\$ 233,121</u>	<u>\$ 7,122,219</u>	<u>\$ (223,572)</u>	<u>\$ 1,779,116</u>	<u>\$ 15,371,184</u>

CITY OF PORT LAVACA, TEXAS

RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds:	\$ (13,809,214)
Amounts reported for governmental activities in the Statement of Activities are different	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost and accumulated depreciation of those assets is allocated over their estimated useful lives as depreciation expense. Other transactions involving capital assets include disposals.	
Capital additions	10,957,197
Capital disposals	(3,100)
Depreciation expense	(1,301,179)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	31,197
Court fines	11,507
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Payment on bonds	410,000
Payments on financing arrangements	20,946
Amortization of premium on bond issuance	74,837
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(264,759)
Accrued interest	61,880
Net pension liability	16,717
Total OPEB liability	<u>7,203</u>
Change in net position of governmental activities	\$ <u>(3,786,768)</u>

CITY OF PORT LAVACA, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,061,070	\$ 1,386,640	\$ 779,664	\$ 3,227,374
Receivables, net	843,268	1,001,471	451	1,845,190
Due from other governments	207,230	158,169	-	365,399
Prepaid items	40,304	19,356	5,483	65,143
Inventory	44,782	-	-	44,782
Total current assets	<u>2,196,654</u>	<u>2,565,636</u>	<u>785,598</u>	<u>5,547,888</u>
Capital assets				
Nondepreciable	11,179,426	2,856,239	343,813	14,379,478
Depreciable, net of accumulated depreciation	15,530,020	5,411,032	3,542,765	24,483,817
Total noncurrent assets	<u>26,709,446</u>	<u>8,267,271</u>	<u>3,886,578</u>	<u>38,863,295</u>
Total assets	<u>28,906,100</u>	<u>10,832,907</u>	<u>4,672,176</u>	<u>44,411,183</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	28,688	-	-	28,688
Related to OPEBs	2,657	-	-	2,657
Total deferred outflows of resources	<u>31,345</u>	<u>-</u>	<u>-</u>	<u>31,345</u>
LIABILITIES				
Current liabilities				
Accounts payable	692,423	185,782	5,353	883,558
Payroll related liabilities	9,601	1,065	484	11,150
Accrued interest payable	2,378	10,892	-	13,270
Due to other governments	10,084	-	-	10,084
Due to other funds	27,650	4,242	1,462	33,354
Unearned revenue	47,546	18,201	-	65,747
Customer deposits	302,021	2,774	1,050	305,845
Compensated absences	8,681	1,925	275	10,881
Total OPEB liability	1,093	-	-	1,093
Bonds payable	490,438	210,000	-	700,438
Total current liabilities	<u>1,591,915</u>	<u>434,881</u>	<u>8,624</u>	<u>2,035,420</u>
Noncurrent liabilities				
Compensated absences	34,725	7,700	1,098	43,523
Net pension liability	27,314	-	-	27,314
Total OPEB liability	25,385	-	-	25,385
Bonds payable	501,345	1,207,073	-	1,708,418
Total noncurrent liabilities	<u>588,769</u>	<u>1,214,773</u>	<u>1,098</u>	<u>1,804,640</u>
Total liabilities	<u>2,180,684</u>	<u>1,649,654</u>	<u>9,722</u>	<u>3,840,060</u>
DEFERRED INFLOWS OF RESOURCES				
Related to leases	-	940,632	-	940,632
Related to pensions	21,627	-	-	21,627
Related to OPEB	7,494	-	-	7,494
Total deferred inflows of resources	<u>29,121</u>	<u>940,632</u>	<u>-</u>	<u>969,753</u>
NET POSITION				
Net investment in capital assets	25,717,663	6,850,198	3,886,578	36,454,439
Unrestricted	<u>1,009,977</u>	<u>1,392,423</u>	<u>775,876</u>	<u>3,178,276</u>
Total net position	<u>\$ 26,727,640</u>	<u>\$ 8,242,621</u>	<u>\$ 4,662,454</u>	<u>\$ 39,632,715</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORT LAVACA, TEXAS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
OPERATING REVENUES				
Charges for services:				
Water sales	\$ 3,011,754	\$ -	\$ -	\$ 3,011,754
Sewer services	2,453,141	-	-	2,453,141
Waste collection	1,036,848	-	-	1,036,848
Tap and service fees	845,119	-	-	845,119
Gate fees	-	-	2,661	2,661
Leases and rentals	-	718,287	87,322	805,609
Port tariffs	-	123,290	-	123,290
Penalties	119,285	1,076	-	120,361
Miscellaneous	126,753	320	1,261	128,334
Total operating revenues	<u>7,592,900</u>	<u>842,973</u>	<u>91,244</u>	<u>8,527,117</u>
OPERATING EXPENSES				
Personnel services	1,260,111	154,494	45,766	1,460,371
Materials and supplies	86,989	13,453	560	101,002
Services	3,382,403	137,175	73,197	3,592,775
Water purchases	2,271,143	-	-	2,271,143
Maintenance and repairs	627,635	72,510	22,657	722,802
Depreciation	1,067,398	249,525	142,760	1,459,683
Total operating expenses	<u>8,695,679</u>	<u>627,157</u>	<u>284,940</u>	<u>9,607,776</u>
OPERATING INCOME (LOSS)	<u>(1,102,779)</u>	<u>215,816</u>	<u>(193,696)</u>	<u>(1,080,659)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	78,236	31,120	28,387	137,743
Intergovernmental	581,807	41,400	-	623,207
Interest and fiscal charges	(32,727)	(53,338)	-	(86,065)
Total nonoperating revenues (expenses)	<u>627,316</u>	<u>19,182</u>	<u>28,387</u>	<u>674,885</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(475,463)</u>	<u>234,998</u>	<u>(165,309)</u>	<u>(405,774)</u>
Capital contributions	3,690,573	349,205	-	4,039,778
Transfers in	93,955	125,069	10,854	229,878
Transfers out	(270,324)	(22,321)	(9,201)	(301,846)
CHANGE IN NET POSITION	<u>3,038,741</u>	<u>686,951</u>	<u>(163,656)</u>	<u>3,562,036</u>
NET POSITION, BEGINNING	<u>23,688,899</u>	<u>7,555,670</u>	<u>4,826,110</u>	<u>36,070,679</u>
NET POSITION, ENDING	<u>\$ 26,727,640</u>	<u>\$ 8,242,621</u>	<u>\$ 4,662,454</u>	<u>\$ 39,632,715</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORT LAVACA, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 7,841,742	\$ 699,487	\$ 91,394	\$ 8,632,623
Cash paid to employees	(1,247,798)	(149,134)	(45,266)	(1,442,198)
Cash paid to suppliers and service providers	(6,617,217)	(68,039)	(95,926)	(6,781,182)
Net cash provided (used) by operating activities	(23,273)	482,314	(49,798)	409,243
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental	581,807	41,400	-	623,207
Transfers from other funds	93,955	125,069	10,854	229,878
Transfers to other funds	(270,324)	(22,321)	(9,201)	(301,846)
Net cash provided (used) by noncapital financing activities	405,438	144,148	1,653	551,239
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	3,676,655	349,205	-	4,025,860
Acquisition and construction of capital assets	(4,670,242)	(825,487)	(38,893)	(5,534,622)
Principal payment on long-term debt	(479,768)	(190,000)	-	(669,768)
Interest paid on long-term debt	(32,727)	(70,235)	-	(102,962)
Net cash provided (used) by capital and related financing activities	(1,506,082)	(736,517)	(38,893)	(2,281,492)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	78,236	31,120	28,387	137,743
Net cash provided (used) by investing activities	78,236	31,120	28,387	137,743
NET INCREASE (DECREASE) IN CASH	(1,045,681)	(78,935)	(58,651)	(1,183,267)
CASH AND CASH EQUIVALENTS, BEGINNING	2,106,751	1,465,575	838,315	4,410,641
CASH AND CASH EQUIVALENTS, ENDING	\$ 1,061,070	\$ 1,386,640	\$ 779,664	\$ 3,227,374

The accompanying notes are an integral part of these financial statements.

CITY OF PORT LAVACA, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (1,102,779)	\$ 215,816	\$ (193,696)	\$ (1,080,659)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,067,398	249,525	142,760	1,459,683
(Increase) decrease in:				
Accounts receivable	200,492	(80,012)	-	120,480
Prepays	(6,656)	(4,004)	(25)	(10,685)
Inventory	(5,956)	-	-	(5,956)
Due from other funds	-	-	249	249
Increase (decrease) in:				
Accounts payable	256,881	153,266	264	410,411
Payroll related liabilities	1,109	386	215	1,710
Customer deposits	-	-	150	150
Due to other funds	(492,576)	1,833	-	(490,743)
Compensated absences	20,677	4,242	285	25,204
Net pension liability	(1,856)	-	-	(1,856)
Total OPEB liability	(801)	-	-	(801)
Deferred leases	-	(73,296)	-	(73,296)
Unearned revenue	(6,816)	13,826	-	7,010
Customer deposits	48,350	732	-	49,082
Due to other governments	(740)	-	-	(740)
Net cash provided (used) by operating activities	<u>\$ (23,273)</u>	<u>\$ 482,314</u>	<u>\$ (49,798)</u>	<u>\$ 409,243</u>

CITY OF PORT LAVACA, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

SEPTEMBER 30, 2025

	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ -	\$ 25,793
Due from other governments	<u>-</u>	<u>7,800</u>
Total assets	<u>-</u>	<u>33,593</u>
NET POSITION		
Restricted for individuals	<u>-</u>	<u>33,593</u>
Total net position	<u>\$ -</u>	<u>\$ 33,593</u>

DRAFT

CITY OF PORT LAVACA, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
	<u> </u>	<u> </u>
ADDITIONS		
Employer contributions	\$ 1,275	\$ -
Total additions	<u>1,275</u>	<u>-</u>
DEDUCTIONS		
Benefits paid	<u>1,275</u>	<u>-</u>
Total deductions	<u>1,275</u>	<u>-</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u>-</u>	<u>-</u>
NET POSITION, BEGINNING	<u>-</u>	<u>33,593</u>
NET POSITION, ENDING	<u>\$ -</u>	<u>\$ 33,593</u>

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CITY OF PORT LAVACA, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Port Lavaca, Texas (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

A. Reporting Entity

The City was incorporated November 1, 1919, and adopted a home rule charter January 31, 1956. The City is governed by an elected six-member council and mayor. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. As of September 30, 2025, no entities met the criteria to be considered a component unit of the City.

B. Description of governmental-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The governmental activities and business-type activities together constitute the primary government.

C. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category; governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and parks and recreation.

2022 Certificates of Obligation Fund

This fund is used to account for amounts provided by the passage of these obligations and amounts used as provided in the bond covenant.

2024 Certificates of Obligation Fund

This fund is used to account for amounts provided by the passage of these obligations and amounts used as provided in the bond covenant.

CDBG Grant

Accounts for funds received through the City’s Community Development Block Grant for street and drainage infrastructure.

The government reports the following major proprietary funds:

Public Utility Fund

Accounts for the City’s provision of water, wastewater, and sanitation services.

Port Revenue Fund

Accounts for the activities of the City’s port and harbor.

Beach Operating Fund

Accounts for the operation of the City’s Lighthouse Beach and adjacent RV park.

Additionally, the government reports the following fund types:

Debt Service Fund

The City’s debt service fund is the 2012 General Obligation Refunding Bonds Fund, which accounts for resources restricted to, or designated for, payment of principal and interest on the bonds.

Pension Trust Fund

The Firemen’s Relief and Retirement Fund accounts for the payment of benefits to the City’s eligible retired volunteer fire fighters.

Custodial Fund

The Police Seized Nonforfeiture Fund accounts for assets seized by the City’s police department which are awaiting disposition by a court order.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned 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.

The 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 government 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. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and 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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

Investments for the City are reported at fair value, except for the position in investment pools. The City's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Years
Vehicles	5
Machinery and equipment	5-10
Infrastructure	20-75
Buildings and improvements	5-50

5. Lease

The City is a lessor in an arrangement allowing for the use of dock and harbor space owned by the City. In both the government-wide financial statements and the proprietary fund financial statements, the City initially measured the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, and deferred amounts related to pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The deferred charge on refunding resulted from the differences between the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate differences between the estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, court fines, code enforcement and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In both the governmental funds and government-wide financial statements deferred amounts are reported related to leases, and in the government-wide financial statements the government reports deferred amounts related to pension and OPEB.

7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (Council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 nonspecific 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.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

11. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Other Postemployment Benefits ("OPEB")

The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary.

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. Change in Accounting Principle

During fiscal year 2025, the City adopted GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning certain previously required disclosures.

15. Adjustment - Change in Financial Reporting Entity

For the current year, the City reported a change in its financial reporting entity. The City previously reported its Hurricane Harvey and ARPA/CLFRF Grant funds as major governmental funds. These funds did not meet certain quantitative factors, in addition to management's conclusion that the funds were not significant enough to merit presentation as major funds for qualitative purposes. This resulted in the funds being reclassified as nonmajor funds in the current year.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Property taxes at the fund level are recorded as receivables and deferred inflows at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

Legislation was passed in 1979, and amended in 1981 and 2019, by the Texas Legislature which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislature creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operation in January 1980. The appraisal of property within the City is the responsibility of the Calhoun County Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment rations. The value of real property within the Appraisal District must be reviewed at least every four years. The City, at its own expense, may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. However, if the proposed tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements and revaluation, exceeds the voter-approved tax rate, qualified voters of the City have an automatic election to determine whether to limit the tax rate to no more than 3.5 percent above the no new revenue rate.

3. Compensated Absences

The City's policies permit employees to accumulate earned but unused vacation and sick pay benefits. Unused benefits are reported in the accompanying financial statements as a long-term liability to the extent they are considered more likely than not to be paid based on historical data.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 public utility fund, port revenue fund, and beach operating fund 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 of connecting new customers to the 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 non-operating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance

As of September 30, 2025, the Hurricane Harvey, Bulletproof Vest Grant, CDBG Grant and Restore Grant funds had reported deficit fund balances of \$395,714, \$39,919, \$223,572 and \$1,594, respectively. These were the result of timing differences between the grant expenditures and the recognition of revenue and are expected to reverse in future fiscal years.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The primary government may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposits, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987.

Interest rate risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the City's investment in external investment pools is less than 60 days.

Credit risk: The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

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. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2025, the market values of pledged securities and FDIC exceeded bank balances.

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 it will seek safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

At September 30, 2025, the City held the following investments:

Investment	Credit Rating	Weighted Average Maturity	Percentage of Total Investments	Reported Value
Investment in Logic	AAAm	54 days	100%	\$ 21,140,150
Total investments				\$ 21,140,150

B. Receivables

The following comprise receivable balances of the government at year end:

	General	Nonmajor Governmental	Public Utility	Port Revenue	Beach Operating	Totals
Property tax	\$ 456,958	\$ 49,309	\$ -	\$ -	\$ -	\$ 506,267
Court fines	186,160	-	-	-	-	186,160
Franchise tax	85,188	-	-	-	-	85,188
Other	500	113,508	-	-	451	114,459
Lease	-	-	-	940,632	-	940,632
Accounts	171,833	-	1,007,942	60,839	-	1,240,614
Allowance	(279,885)	(2,465)	(164,674)	-	-	(447,024)
Totals	\$ 620,754	\$ 160,352	\$ 843,268	\$ 1,001,471	\$ 451	\$ 2,626,296

C. Property Tax

The City's property tax is levied (assessed) each October 1, on the value listed as of the prior January 1, for all real property and personal property located in the City. Such assessed value for 2024 was computed based on 100% of appraised value. The government may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The combined tax rate to finance general governmental service and debt service for the period ended September 30, 2025, was \$0.8000 per \$100 of assessed valuation. Taxes are billed and due on October 1 of each year. The last date for payment without penalty is the following January 31. Delinquent penalties are added on February 1 with additional attorney fees being added on July 1. Lien attaches to properties on the January 1 following levy date. Calhoun County bills and collects the general property taxes for the City. During the fiscal year, the City collected approximately 97% of the 2024 tax levy.

In the governmental funds the City's property tax revenues are recognized when levied to the extent that they result in current receivables available for financing current operations. The remaining receivables are reflected in deferred inflows.

D. Deferred Inflows of Resources

At the end of the fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

Property taxes	\$ 480,954
Court fines	83,772
Code enforcement	17,183
Grants	<u>6,463</u>
Total	<u>\$ 588,372</u>

E. Interfund Transfers and Balances

The composition of interfund transfers for the City’s individual major funds and nonmajor funds at September 30, 2025 is as follows:

Transfer To	Transfer From	Amount	Purpose
General	Nonmajor Governmental	\$ 271,814	Administrative costs
General	Port Revenue	22,321	Administrative costs
General	Beach Operating	9,201	Administrative costs
Public Utility	General Fund	93,955	Administrative costs
Port Revenue	General Fund	125,069	Administrative costs
Beach Operating	General Fund	10,854	Administrative costs
Nonmajor Governmental	General Fund	5,309	Administrative costs
Nonmajor Governmental	General Fund	500,000	Debt service payments
Nonmajor Governmental	Public Utility	<u>270,324</u>	Debt service payments
Total		<u>\$ 1,308,847</u>	

Interfund balances as of September 30, 2025 are as follows:

Due To	Due From	Amount	Purpose
General	Nonmajor Governmental	\$ 437,227	Short-term cash loan
General	CDBG Grant	644,609	Short-term cash loan
General	Public Utility	27,650	Short-term cash loan
General	Beach Operating	1,462	Short-term cash loan
General	Port Revenue	<u>4,242</u>	Short-term cash loan
Total		<u>\$ 1,115,190</u>	

F. Capital Assets

Capital asset activity for the year ended September 30, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,844,144	\$ 355,459	\$ -	\$ 2,199,603
Construction in progress	<u>12,083,218</u>	<u>9,807,182</u>	<u>(1,152,421)</u>	<u>20,737,979</u>
Total assets not being depreciated	<u>13,927,362</u>	<u>10,162,641</u>	<u>(1,152,421)</u>	<u>22,937,582</u>
Capital assets, being depreciated:				
Building and improvements	12,099,464	496,144	(155,650)	12,439,958
Machinery and equipment	5,004,187	1,419,283	-	6,423,470
Infrastructure	<u>39,650,585</u>	<u>31,550</u>	<u>-</u>	<u>39,682,135</u>
Total capital assets being depreciated	<u>56,754,236</u>	<u>1,946,977</u>	<u>(155,650)</u>	<u>58,545,563</u>
Less accumulated depreciation:				
Building and improvements	(5,461,400)	(268,776)	152,550	(5,577,626)
Machinery and equipment	(3,404,553)	(402,002)	-	(3,806,555)
Infrastructure	<u>(18,736,609)</u>	<u>(630,401)</u>	<u>-</u>	<u>(19,367,010)</u>
Total accumulated depreciation	<u>(27,602,562)</u>	<u>(1,301,179)</u>	<u>152,550</u>	<u>(28,751,191)</u>
Total capital assets being depreciated, net	<u>29,151,674</u>	<u>645,798</u>	<u>(3,100)</u>	<u>29,794,372</u>
Governmental activities capital assets, net	<u>\$ 43,079,036</u>	<u>\$ 10,808,439</u>	<u>\$ (1,155,521)</u>	<u>\$ 52,731,954</u>
	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,316,718	\$ -	\$ -	\$ 2,316,718
Construction in progress	<u>6,710,062</u>	<u>5,408,451</u>	<u>(55,753)</u>	<u>12,062,760</u>
Total assets not being depreciated	<u>9,026,780</u>	<u>5,408,451</u>	<u>(55,753)</u>	<u>14,379,478</u>
Capital assets, being depreciated:				
Building and improvements	6,231,598	152,184	(93,461)	6,290,321
Machinery and equipment	1,386,142	29,740	(12,688)	1,403,194
Infrastructure	<u>52,852,548</u>	<u>-</u>	<u>-</u>	<u>52,852,548</u>
Total capital assets being depreciated	<u>60,470,288</u>	<u>181,924</u>	<u>(106,149)</u>	<u>60,546,063</u>
Less accumulated depreciation:				
Building and improvements	(4,348,159)	(107,839)	93,460	(4,362,538)
Machinery and equipment	(876,291)	(157,682)	12,689	(1,021,284)
Infrastructure	<u>(29,484,262)</u>	<u>(1,194,162)</u>	<u>-</u>	<u>(30,678,424)</u>
Total accumulated depreciation	<u>(34,708,712)</u>	<u>(1,459,683)</u>	<u>106,149</u>	<u>(36,062,246)</u>
Total capital assets being depreciated, net	<u>25,761,576</u>	<u>(1,277,759)</u>	<u>-</u>	<u>24,483,817</u>
Business-type activities capital assets, net	<u>\$ 34,788,356</u>	<u>\$ 4,130,692</u>	<u>\$ (55,753)</u>	<u>\$ 38,863,295</u>

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

Governmental activities:	
General government	\$ 41,555
Public safety	216,175
Public works	695,993
Parks and recreation	<u>347,456</u>
Total depreciation expense - governmental activities	<u>\$ 1,301,179</u>
Business-type activities:	
Public Utility	\$ 1,067,398
Port Commission	249,525
Beach Operating	<u>142,760</u>
Total depreciation expense - business-type activities	<u>\$ 1,459,683</u>

G. Long-Term Liabilities

1. Bonds Payable

The City issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds are direct obligations and pledge the full faith and credit of the government. All of the City's General Obligation bonds and Contractual Obligation-Private Placement are direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law. The City's Certificates of Obligation issues are direct obligations of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's utility system. General Obligation Bonds and Certificates of Obligation outstanding are as follows:

Purpose	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
Series 2022 Certificate of Obligation	2042	5%	\$ 7,335,000	\$ 6,590,000
Series 2024 Certificate of Obligation	2044	4%	<u>13,040,000</u>	<u>12,875,000</u>
Total governmental activities			<u>\$ 20,375,000</u>	<u>\$ 19,465,000</u>
Series 2008 Combination Tax & Revenue CO's	2028	3.93%	\$ 1,700,000	\$ 360,000
Series 2018 Combination Tax & Revenue CO's	2034	3.5 - 5.0%	<u>1,475,000</u>	<u>995,000</u>
Total business-type activities			<u>\$ 3,175,000</u>	<u>\$ 1,355,000</u>

The annual debt service requirements to maturity for Certificates of Obligation outstanding as of September 30, 2025, are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2026	\$ 675,000	\$ 945,413	\$ 1,620,413
2027	710,000	901,296	1,611,296
2028	745,000	855,106	1,600,106
2029	785,000	809,669	1,594,669
2030	825,000	744,675	1,569,675
2031-2035	4,805,000	3,044,125	7,849,125
2036-2040	6,100,000	1,618,950	7,718,950
2041-2044	<u>4,820,000</u>	<u>356,025</u>	<u>5,176,025</u>
Total	<u>\$ 19,465,000</u>	<u>\$ 9,275,259</u>	<u>\$ 28,740,259</u>

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 210,000	\$ 51,239	\$ 261,239
2027	220,000	40,546	260,546
2028	225,000	31,932	256,932
2029	105,000	66,470	171,470
2030	110,000	20,175	130,175
2031-2034	485,000	34,995	519,995
Total	\$ 1,355,000	\$ 245,357	\$ 1,600,357

2. Financing Arrangements

The City has acquired certain capital assets for governmental and business-type activities through the issuance of financing arrangements. The City's direct borrowings (financing arrangements) related to governmental and business-type activities are secured with equipment as collateral.

Financing arrangements are comprised of the following issue at September 30, 2025:

Purpose	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
SECO Loan	2030	2.00%	\$ 187,825	\$ 93,835
Total governmental activities			<u>\$ 187,825</u>	<u>\$ 93,835</u>
Water Meter Loan	2027	2.22%	\$ 2,400,000	\$ 991,783
Total business-type activities			<u>\$ 2,400,000</u>	<u>\$ 991,783</u>

The future minimum debt service payments to maturity for the financing arrangements as of September 30, 2025, were as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 21,368	\$ 1,717	\$ 23,085	\$ 490,438	\$ 22,057	\$ 512,495
2027	21,799	1,286	23,085	501,345	11,150	512,495
2028	22,238	847	23,085	-	-	-
2029	22,686	399	23,085	-	-	-
2030	5,744	29	5,773	-	-	-
Total	<u>\$ 93,835</u>	<u>\$ 4,278</u>	<u>\$ 98,113</u>	<u>\$ 991,783</u>	<u>\$ 33,207</u>	<u>\$ 1,024,990</u>

3. Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2025 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 19,875,000	\$ -	\$ 410,000	\$ 19,465,000	\$ 675,000
Premium on bonds	1,405,971	-	74,837	1,331,134	-
Financing arrangements	114,781	-	20,946	93,835	21,368
Compensated absences	168,781	264,759	-	433,540	86,708
Total long-term liabilities	<u>\$ 21,564,533</u>	<u>\$ 264,759</u>	<u>\$ 505,783</u>	<u>\$ 21,323,509</u>	<u>\$ 783,076</u>
Business-type activities:					
Certificates of obligation	\$ 1,555,000	\$ -	\$ 200,000	\$ 1,355,000	\$ 210,000
Premium on bonds	68,970	-	6,897	62,073	-
Financing arrangements	1,471,551	-	479,768	991,783	490,438
Compensated absences	29,200	25,204	-	54,404	10,881
Total long-term liabilities	<u>\$ 3,124,721</u>	<u>\$ 25,204</u>	<u>\$ 686,665</u>	<u>\$ 2,463,260</u>	<u>\$ 711,319</u>

The current year additions and reductions for the compensated absences liability are presented as a net change.

G. Risk Management

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City's general liability, automobile and property insurance is underwritten through a self-insurance fund for Texas political subdivisions. Premiums are paid to the carrier, and they administer all claims. The City is also insured for workers' compensation claims through a self-insurance fund for Texas political subdivisions. Rates are determined by the state, and the pool assigns discount rates to premiums based upon the City's claims history. The City retains, as a risk, only the deductible amount of each policy.

The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with no reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

H. Volunteer Firefighter's 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. Quarterly payments of \$75 are made to qualifying individuals until their death, at which time the surviving spouse, if any, is entitled to receive payments of \$50 per quarter until death. As of September 30, 2025, there were 7 individuals receiving benefits under the plan. Benefit payments for the year totaled \$1,275.

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, 2025.

I. 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 at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The City's responsibility is to transmit employee contributions to the third-party plan administrator for deposit to the credit of the individual participant accounts. The City does not have significant administrative involvement for the assets of the plan and does not perform the investment function for the plan.

J. Defined Benefit Pension Plan

1. Plan Description

The City participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

All eligible employees of the City are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

A summary of plan provisions for the City are as follows:

Employee deposit rate	5%
Matching ratio (city to employee)	1.5 to 1
Years required for vesting	5
Retirement eligibility (age/service)	60/5, 0/25
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefits	78
Inactive employees entitled to but not yet received benefits	146
Active employees	<u>98</u>
Total	<u><u>322</u></u>

3. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the City matching ratios are either 1:1 (1 to 1), 1.5:1 (1 1/2 to 1) or 2:1 (2 to 1), both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.13% and 5.56% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$330,047, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.6% to 11.85 including inflation
Investment rate of return	6.75%

Salary increases are assumed to occur once a year on January 1 so that the pay used for the period year following the valuation is equal to the reported pay for the prior year. Salaries are assumed to increase on a graduated service-based scale.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Public Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	<u>4.0%</u>	7.30%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2023	\$ 14,475,677	\$ 13,755,317	\$ 720,360
Changes for the year:			
Service cost	552,060	-	552,060
Interest	973,206	-	973,206
Difference between expected and actual experience	82,879	-	82,879
Contributions - employer	-	352,513	(352,513)
Contributions - employee	-	287,531	(287,531)
Net investment income	-	1,424,703	(1,424,703)
Benefits payments, including refunds of employee contributions	(667,670)	(667,670)	-
Administrative expense	-	(9,166)	9,166
Other change	-	(214)	214
Net changes	<u>940,475</u>	<u>1,387,697</u>	<u>(447,222)</u>
Balance at 12/31/2024	<u>\$ 15,416,152</u>	<u>\$ 15,143,014</u>	<u>\$ 273,138</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in in Discount Rate (7.75%)
City's net pension liability/(asset)	\$ 2,487,912	\$ 273,138	\$ (1,519,936)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

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

For the year ended September 30, 2025, the City recognized pension expense of 294,116.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 43,412	\$ 30,782
Changes in actuarial assumptions	-	37,657
Difference between projected and actual investment earnings	-	147,826
Contributions subsequent to the measurement date	<u>243,471</u>	<u>-</u>
Totals	<u>\$ 286,883</u>	<u>\$ 216,265</u>

\$243,471 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2026	\$ (19,773)
2027	164,534
2028	(218,369)
2029	(99,245)

K. Postemployment Benefits Other Than Pensions (OPEB)

1. Plan Description

The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City’s pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

2. Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered another post-employment benefit and is a fixed amount of \$7,500.

3. Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>98</u>
Total	<u><u>157</u></u>

4. Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.40% for 2024 and 0.37% for 2025, of which 0.19% and 0.21%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees’ entire careers. The City’s contributions to the SDBF for the years ended September 30, 2024 and 2025 were \$22,640 and \$21,852, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

5. Total OPEB Liability

The City’s total OPEB liability of \$264,785 was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Discount Rate	4.08%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

6. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.08%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB Liability	\$ 308,188	\$ 264,785	\$ 230,364

7. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of \$1,771. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

8. Changes in the OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2023	\$ 278,483
Changes for the year:	
Service cost	10,926
Interest	10,499
Difference between expected and actual experience	(11,894)
Changes of assumptions and other inputs	(12,303)
Benefit payments**	<u>(10,926)</u>
Net changes	<u>(13,698)</u>
Balance at 12/31/2024	<u>\$ 264,785</u>

*Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc).

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources relate to OPEB for the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 715	\$ 14,912
Changes in actuarial assumptions	9,661	60,028
Contributions subsequent to the measurement date	<u>16,200</u>	<u>-</u>
Totals	<u>\$ 26,576</u>	<u>\$ 74,940</u>

\$16,200 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2026	\$ (28,022)
2027	(26,346)
2028	(7,819)
2029	(2,377)

M. Contingent Liabilities

Contingencies

The City is exposed to various claims and litigation. The outcome of events are not presently determinable and the amount of the City's potential liability cannot be reasonably estimated at this time.

Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency. These programs are governed by various statutory rules and regulations of grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required. As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

N. Contracts and Commitments

Water Contract

The City has entered into an agreement with the Guadalupe Blanco River Authority (GBRA) that obligates the City to purchase its water from GBRA; this contract shall be in force until the latter of August 2035 or until the City has paid the part of any outstanding plant revenue bonds for which the City is at least partially responsible. This contract was sold to Undine, LLC in December 2022.

Construction Commitments

The City had the following commitments outstanding for construction projects as of September 30, 2025:

		Costs Incurred To Date	Estimated Remaining Costs
<u>Governmental Activities:</u>			
2020 Capital Improvements	Street & Drainage	\$ 7,551,663	\$ -
City Hall Master Plan	Building Improvements	551,362	450,000
Train Depot Renovation	Building Improvements	286,323	100,000
Corp. Ditch Rehab Austin	Infrastructure	110,402	-
Independence Paving/Drainage	Infrastructure	3,323,823	1,504,204
Alamo Heights Drainage	Infrastructure	6,994,192	2,719,003
Living Shoreline	Infrastructure	1,360,319	1,481,179
City Hall Drive Thru Awning	Building Improvements	6,550	6,550
Smith Rd Sidewalk Construction	Infrastructure	492,301	22,187
Western Heights Paving/Drainage	Infrastructure	27,000	1,481,179
Gateway Signage & Landscaping	Improvements	8,371	16,629
	Totals	<u>\$ 20,712,306</u>	<u>\$ 7,780,931</u>
<u>Business-type Activities:</u>			
Generators for Lift Stations	Equipment	\$ 847,824	\$ -
Ann St. Lift Station	Infrastructure	402,875	201,960
NL Breakwater	Infrastructure	483,435	-
Lynn's Bayou Improvements	Infrastructure	1,319,135	-
Lynn's Bayou Expansion	Infrastructure	1,428,402	537,387
Mass Meter Swap	Infrastructure	2,468,323	-
Water System Improvements	Infrastructure	4,466,240	-
Downtown Waterfront Access	Infrastructure	347,513	49,800
LH Beach Improvements	Infrastructure	70,000	-
Alcoa & Austin	Infrastructure	176,160	-
	Totals	<u>\$ 12,009,907</u>	<u>\$ 789,147</u>

O. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

DRAFT

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF PORT LAVACA, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 4,715,671	\$ 4,715,671	\$ 5,116,037	\$ 400,366
Sales and use	3,723,952	3,723,952	3,536,850	(187,102)
Other	652,750	652,750	625,465	(27,285)
Fines and forfeitures	294,000	294,000	182,397	(111,603)
Licenses and permits	268,410	268,410	289,176	20,766
Intergovernmental	520,120	520,120	329,473	(190,647)
Charges for services	2,500	2,500	2,115	(385)
Investment earnings	500,000	500,000	372,065	(127,935)
Rental	100,750	100,750	76,235	(24,515)
Miscellaneous	65,950	66,550	78,413	11,863
Total revenues	<u>10,844,103</u>	<u>10,844,703</u>	<u>10,608,226</u>	<u>(236,477)</u>
EXPENDITURES				
Current:				
General government	2,888,928	2,862,320	2,789,580	72,740
Public safety	5,194,194	5,207,977	5,088,044	119,933
Public works	2,131,126	2,166,245	2,000,663	165,582
Parks and recreation	1,003,417	1,007,117	971,886	35,231
Capital outlay	1,793,263	2,188,341	2,021,774	166,567
Debt Service				
Principal	20,127	20,946	20,946	-
Interest and fiscal charges	2,958	2,139	2,139	-
Total expenditures	<u>13,034,013</u>	<u>13,455,085</u>	<u>12,895,032</u>	<u>560,053</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,189,910)</u>	<u>(2,610,382)</u>	<u>(2,286,806)</u>	<u>323,576</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,567,641	1,567,641	303,336	(1,264,305)
Transfers out	(618,184)	(618,184)	(735,187)	(117,003)
Total other financing sources and uses	<u>949,457</u>	<u>949,457</u>	<u>(431,851)</u>	<u>(1,381,308)</u>
NET CHANGE IN FUND BALANCE	<u>(1,240,453)</u>	<u>(1,660,925)</u>	<u>(2,718,657)</u>	<u>(1,057,732)</u>
FUND BALANCE, BEGINNING	<u>9,178,957</u>	<u>9,178,957</u>	<u>9,178,957</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 7,938,504</u>	<u>\$ 7,518,032</u>	<u>\$ 6,460,300</u>	<u>\$ (1,057,732)</u>

The accompanying notes are an integral part of this schedule.

CITY OF PORT LAVACA, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date December 31,	2015	2016	2017
A. Total pension liability			
Service cost	\$ 358,107	\$ 365,217	\$ 348,599
Interest (on the Total Pension Liability)	688,461	696,229	726,299
Difference between expected and actual experience	(139,223)	14,276	(125,070)
Change of assumptions	88,376	-	-
Benefit payments, including refunds of employee contributions	<u>(465,578)</u>	<u>(574,303)</u>	<u>(669,541)</u>
Net change in total pension liability	<u>530,143</u>	<u>501,419</u>	<u>280,287</u>
Total pension liability - beginning	<u>9,888,897</u>	<u>10,419,040</u>	<u>10,920,459</u>
Total pension liability - ending (a)	<u>\$ 10,419,040</u>	<u>\$ 10,920,459</u>	<u>\$ 11,200,746</u>
B. Plan fiduciary net position			
Contributions - employer	\$ 241,857	\$ 213,193	\$ 219,660
Contributions - employee	195,047	187,676	182,513
Net investment income	13,784	629,604	1,353,359
Benefit payments, including refunds of employee contributions	(465,578)	(574,303)	(669,541)
Administrative expenses	(8,396)	(7,112)	(7,015)
Other	<u>(415)</u>	<u>(383)</u>	<u>(356)</u>
Net change in plan fiduciary net position	<u>(23,701)</u>	<u>448,675</u>	<u>1,078,620</u>
Plan fiduciary net position - beginning	<u>9,341,955</u>	<u>9,318,254</u>	<u>9,766,929</u>
Plan fiduciary net position - ending (b)	<u>\$ 9,318,254</u>	<u>\$ 9,766,929</u>	<u>\$ 10,845,549</u>
C. Net pension liability/(asset) - ending (a) - (b)	\$ 1,100,786	\$ 1,153,530	\$ 355,197
D. Plan fiduciary net position as a percentage of total pension liability	89.43%	89.44%	96.83%
E. Covered payroll	\$ 3,900,944	\$ 3,753,514	\$ 3,650,253
F. Net position liability as a percentage of covered payroll	28.22%	30.73%	9.73%

2018	2019	2020	2021	2022	2023	2024
\$ 340,363	\$ 366,719	\$ 378,215	\$ 438,548	\$ 487,642	\$ 522,343	\$ 552,060
741,373	761,419	789,013	828,696	867,315	941,101	973,206
(92,649)	(74,875)	44,412	(78,357)	367,640	(153,908)	82,879
-	270	-	-	-	(188,288)	-
<u>(775,245)</u>	<u>(635,339)</u>	<u>(665,615)</u>	<u>(642,202)</u>	<u>(640,392)</u>	<u>(653,268)</u>	<u>(667,670)</u>
<u>213,842</u>	<u>418,194</u>	<u>546,025</u>	<u>546,685</u>	<u>1,082,205</u>	<u>467,980</u>	<u>940,475</u>
<u>11,200,746</u>	<u>11,414,588</u>	<u>11,832,782</u>	<u>12,378,807</u>	<u>12,925,492</u>	<u>14,007,697</u>	<u>14,475,677</u>
<u>\$ 11,414,588</u>	<u>\$ 11,832,782</u>	<u>\$ 12,378,807</u>	<u>\$ 12,925,492</u>	<u>\$ 14,007,697</u>	<u>\$ 14,475,677</u>	<u>\$ 15,416,152</u>
\$ 213,037	\$ 221,708	\$ 231,808	\$ 263,678	\$ 289,254	\$ 292,877	\$ 352,513
177,828	190,800	196,782	228,887	252,402	268,695	287,531
(324,704)	1,563,243	868,360	1,572,789	(983,361)	1,434,117	1,424,703
(775,245)	(635,339)	(665,615)	(642,202)	(640,392)	(653,268)	(667,670)
(6,279)	(8,849)	(5,629)	(7,291)	(8,529)	(9,146)	(9,166)
<u>(327)</u>	<u>(265)</u>	<u>(220)</u>	<u>51</u>	<u>10,178</u>	<u>(64)</u>	<u>(214)</u>
<u>(715,690)</u>	<u>1,331,298</u>	<u>625,486</u>	<u>1,415,912</u>	<u>(1,080,448)</u>	<u>1,333,211</u>	<u>1,387,697</u>
<u>10,845,549</u>	<u>10,129,859</u>	<u>11,461,157</u>	<u>12,086,643</u>	<u>13,502,555</u>	<u>12,422,107</u>	<u>13,755,317</u>
<u>\$ 10,129,859</u>	<u>\$ 11,461,157</u>	<u>\$ 12,086,643</u>	<u>\$ 13,502,555</u>	<u>\$ 12,422,107</u>	<u>\$ 13,755,318</u>	<u>\$ 15,143,014</u>
\$ 1,284,729	\$ 371,625	\$ 292,164	\$ (577,063)	\$ 1,585,590	\$ 720,359	\$ 273,138
88.74%	96.86%	97.64%	104.46%	88.68%	95.02%	98.23%
\$ 3,556,564	\$ 3,816,010	\$ 3,935,641	\$ 4,577,749	\$ 5,048,052	\$ 5,373,894	\$ 5,750,617
36.12%	9.74%	7.42%	-12.61%	31.41%	31.40%	4.75%

CITY OF PORT LAVACA, TEXAS

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal Year Ended September 30,	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarial determined contribution	\$ 222,531	\$ 211,938	\$ 216,287
Contributions in relation to the actuarially determined contribution	<u>(232,147)</u>	<u>(220,357)</u>	<u>(224,324)</u>
Contribution deficiency (excess)	(9,616)	(8,419)	(8,037)
Covered payroll	3,822,573	3,575,417	3,605,556
Contributions as a percentage of covered payroll	6.07%	6.16%	6.22%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information: There were no benefit changes during the year.

2019	2020	2021	2022	2023	2024	2025
\$ 220,661	\$ 225,701	\$ 253,961	\$ 263,678	\$ 289,254	\$ 337,968	\$ 330,047
<u>(229,502)</u>	<u>(235,336)</u>	<u>(270,116)</u>	<u>(315,997)</u>	<u>(311,533)</u>	<u>(337,968)</u>	<u>(330,047)</u>
(8,841)	(9,635)	(16,155)	(52,319)	(22,279)	-	-
3,767,059	3,846,134	4,383,413	4,577,749	5,271,179	5,659,953	5,791,310
6.09%	6.12%	6.16%	6.90%	5.91%	5.97%	5.70%

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CITY OF PORT LAVACA, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date December 31,	2017	2018	2019
A. Total OPEB liability			
Service Cost	\$ 8,761	\$ 9,603	\$ 9,540
Interest on the total OPEB liability	8,383	8,424	9,460
Changes in benefit terms			
Difference between expected and actual experience	-	1,671	(10,459)
Changes of assumptions and other inputs	17,855	(16,237)	45,970
Benefit payments	<u>(2,555)</u>	<u>(2,845)</u>	<u>(3,053)</u>
Net change in Total OPEB liability	<u>32,444</u>	<u>616</u>	<u>51,458</u>
Total OPEB liability - beginning	<u>218,673</u>	<u>251,117</u>	<u>251,733</u>
Total OPEB liability - ending	<u>\$ 251,117</u>	<u>\$ 251,733</u>	<u>\$ 303,191</u>
B. Covered-employee payroll	\$ 3,650,253	\$ 3,556,564	\$ 3,816,010
C. Total OPEB liability as a percentage of covered-employee payroll	6.88%	7.08%	7.95%

Notes to Schedule:

- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 20,072	\$ 23,804	\$ 17,668	\$ 9,673	\$ 10,926
8,560	7,276	6,785	10,483	10,499
(13,467)	(20,257)	1,695	(2,280)	(11,894)
44,333	11,121	(119,596)	11,974	(12,303)
<u>(3,936)</u>	<u>(13,733)</u>	<u>(14,135)</u>	<u>(10,748)</u>	<u>(10,926)</u>
<u>55,562</u>	<u>8,211</u>	<u>(107,583)</u>	<u>19,102</u>	<u>(13,698)</u>
<u>303,191</u>	<u>358,753</u>	<u>366,964</u>	<u>259,381</u>	<u>278,483</u>
<u>\$ 358,753</u>	<u>\$ 366,964</u>	<u>\$ 259,381</u>	<u>\$ 278,483</u>	<u>\$ 264,785</u>
\$ 3,935,641	\$ 4,577,749	\$ 5,048,052	\$ 5,373,894	\$ 5,750,626
9.12%	8.02%	5.14%	5.18%	4.60%

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CITY OF PORT LAVACA, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2025

Summary of Significant Accounting Policies

A. Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General and the Debt Service Fund. The budgets for these funds are prepared in accordance with generally accepted accounting principles (GAAP). The CDBG Grant Fund do not have a legally adopted annual budget. All appropriations lapse at year end.

The City Council follows these procedures in establishing budgetary data reflected in the financial statements.

1. Prior to the beginning of the fiscal year, the City Manager submits to the City Council proposed operating budgets for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and the means of financing them for the general and certain special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized by the City Council to make adjustments to budgeted amounts between departments within an operating fund or line items within a single fund as well as transfer appropriations between departments. However, the City Council must approve any transfer of unencumbered appropriation balances or portions thereof from one fund to another as well as any increases in fund appropriations after a public hearing conducted in compliance with the Texas Open Meetings Act.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2024, individual amendments were not material in relation to the original appropriations for expenditures. All budget appropriations automatically lapse at year-end.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. All encumbrances lapse at the fiscal year-end.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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.

Court Technology Fund - Accounts for fees collected on certain municipal court offenses and building security revenues. These funds are intended to enhance court technology and building security areas.

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

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

Bulletproof Vest Grant Fund - Accounts for federal funds received to fund the purchase of protective armor vests for the City's police officers.

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.

TDHCA HOME Program Fund - Accounts for the City's participation and matching funds as administrator in the HOME reservation system in cooperation with the Texas Department of Housing and Community Affairs (TDHCA) as funded through the U.S. Department of Housing and Urban Development.

Street Construction Fund - Accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Veterans Memorial Fund - Accounts for the donations collected and expenditures to maintain the Port Lavaca Veterans Memorial.

Parks & Recreation Donations - Accounts for donations collected by the Parks and Recreation department.

Restore Grant Fund - This fund accounts for revenues and expenditures related to regenerative agriculture and habitat restoration projects.

Hurricane Harvey Fund - This fund accounts for revenues and expenditures related to disaster grants received by the City after Hurricane Harvey.

ARPA/CLFRF Fund - This fund accounts for revenues and expenditures related to the City's federal grant received under the American Rescue Plan Act for the COVID-19 pandemic.

DEBT SERVICE FUND

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

CITY OF PORT LAVACA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2025

	Special Revenue Funds		
	Hotel Occupancy Tax	Police Forfeitures	Building Security
ASSETS			
Cash and investments	\$ 404,895	\$ 19,321	\$ 50,771
Receivables, net	113,508	-	-
Due from other governments	-	-	-
Total assets	518,403	19,321	50,771
LIABILITIES			
Accounts payable	2,743	-	-
Payroll related payables	-	-	22
Due to other funds	-	-	-
Unearned Revenue	-	-	-
Total liabilities	2,743	-	22
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Restricted			
Debt service	-	-	-
Capital projects	-	-	-
Tourism and conventions	515,660	-	-
Economic development	-	-	-
Public safety	-	19,321	-
Municipal court	-	-	50,749
Unassigned	-	-	-
Total fund balances	515,660	19,321	50,749
Total liabilities, deferred inflows and fund balances	\$ 518,403	\$ 19,321	\$ 50,771

Special Revenue Funds

Court Technology	Economic Development	Bulletproof Vest Grant	Redflex Traffic System	Court Technology Fund	TDHCA HOME Program	Street Construction
\$ 1,884	\$ 12,300	\$ -	\$ -	\$ 32,474	\$ 41,012	\$ 338,268
-	-	-	-	-	-	-
-	-	6,463	-	-	-	-
<u>1,884</u>	<u>12,300</u>	<u>6,463</u>	<u>-</u>	<u>32,474</u>	<u>41,012</u>	<u>338,268</u>
-	-	-	-	-	20	34,071
-	-	-	-	-	-	-
-	-	39,919	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>39,919</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>34,071</u>
-	-	6,463	-	-	-	-
<u>-</u>	<u>-</u>	<u>6,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	304,197
-	-	-	-	-	-	-
-	12,300	-	-	-	40,992	-
-	-	-	-	-	-	-
1,884	-	-	-	32,474	-	-
<u>-</u>	<u>-</u>	<u>(39,919)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,884</u>	<u>12,300</u>	<u>(39,919)</u>	<u>-</u>	<u>32,474</u>	<u>40,992</u>	<u>304,197</u>
<u>\$ 1,884</u>	<u>\$ 12,300</u>	<u>\$ 6,463</u>	<u>\$ -</u>	<u>\$ 32,474</u>	<u>\$ 41,012</u>	<u>\$ 338,268</u>

CITY OF PORT LAVACA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2025

	Special Revenue Funds		
	Veterans Memorial	Parks & Recreation Donations	Restore Grant
ASSETS			
Cash and investments	\$ 25,448	\$ 5,089	\$ -
Receivables, net	-	-	-
Due from other governments	-	-	-
Total assets	25,448	5,089	-
LIABILITIES			
Accounts payable	-	-	-
Payroll related payables	-	-	-
Due to other funds	-	-	1,594
Unearned Revenue	-	-	-
Total liabilities	-	-	1,594
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Restricted			
Debt service	-	-	-
Capital projects	-	-	-
Tourism and conventions	-	-	-
Economic development	25,448	5,089	-
Public safety	-	-	-
Municipal court	-	-	-
Unassigned	-	-	(1,594)
Total fund balances	25,448	5,089	(1,594)
Total liabilities, deferred inflows and fund balances	\$ 25,448	\$ 5,089	\$ -

<u>Special Revenue Funds</u>			
<u>Hurricane Harvey</u>	<u>ARPA/CLFRF Grant</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 219,626	\$ 1,019,410	\$ 2,170,498
-	-	46,844	160,352
-	-	-	6,463
<u>-</u>	<u>219,626</u>	<u>1,066,254</u>	<u>2,337,313</u>
-	-	-	36,834
-	-	-	22
395,714	-	-	437,227
-	30,807	-	30,807
<u>395,714</u>	<u>30,807</u>	<u>-</u>	<u>504,890</u>
-	-	46,844	53,307
-	-	46,844	53,307
-	-	1,019,410	1,019,410
-	-	-	304,197
-	-	-	515,660
-	188,819	-	272,648
-	-	-	19,321
-	-	-	85,107
<u>(395,714)</u>	<u>-</u>	<u>-</u>	<u>(437,227)</u>
<u>(395,714)</u>	<u>188,819</u>	<u>1,019,410</u>	<u>1,779,116</u>
<u>\$ -</u>	<u>\$ 219,626</u>	<u>\$ 1,066,254</u>	<u>\$ 2,337,313</u>

CITY OF PORT LAVACA, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue Funds		
	Hotel Occupancy Tax	Police Forfeitures	Building Security
REVENUES			
Taxes:			
Property	\$ -	\$ -	\$ -
Other	687,704	-	-
Fines, fees, and forfeitures	-	-	4,877
Intergovernmental	-	-	-
Investment earnings	15,952	506	370
Miscellaneous	52,527	-	-
Total revenues	<u>756,183</u>	<u>506</u>	<u>5,247</u>
EXPENDITURES			
Current:			
General government	445,976	13,756	-
Public Safety	-	-	-
Capital outlay	8,371	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>454,347</u>	<u>13,756</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>301,836</u>	<u>(13,250)</u>	<u>5,247</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(270,614)	-	(1,200)
Total other financing sources (uses)	<u>(270,614)</u>	<u>-</u>	<u>(1,200)</u>
NET CHANGE IN FUND BALANCES	<u>31,222</u>	<u>(13,250)</u>	<u>4,047</u>
FUND BALANCE, BEGINNING, AS PREVIOUSLY REPORTED	424,592	19,808	43,875
ADJUSTMENT			
Change within the financial reporting entity - formerly a major fund	-	-	-
FUND BALANCES, BEGINNING, AS RESTATED	<u>484,438</u>	<u>32,571</u>	<u>46,702</u>
FUND BALANCES, ENDING	<u>\$ 515,660</u>	<u>\$ 19,321</u>	<u>\$ 50,749</u>

Special Revenue Funds

Court Technology	Economic Development	Bulletproof Vest Grant	Redflex Traffic System	Court Technology Fund	TDHCA HOME Program	Street Construction
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
1,884	-	-	-	2,554	-	-
-	-	-	-	-	-	-
-	91	-	-	457	-	7,557
-	-	-	-	-	-	-
<u>1,884</u>	<u>91</u>	<u>-</u>	<u>-</u>	<u>3,011</u>	<u>-</u>	<u>7,557</u>
-	-	-	-	-	2,698	-
-	-	24,221	-	-	-	-
-	-	-	-	-	-	6,175
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	<u>24,221</u>	-	-	<u>2,698</u>	<u>6,175</u>
<u>1,884</u>	<u>91</u>	<u>(24,221)</u>	<u>-</u>	<u>3,011</u>	<u>(2,698)</u>	<u>1,382</u>
-	-	2,000	3,309	-	-	-
-	-	-	-	-	-	-
-	-	<u>2,000</u>	<u>3,309</u>	-	-	-
<u>1,884</u>	<u>91</u>	<u>(22,221)</u>	<u>3,309</u>	<u>3,011</u>	<u>(2,698)</u>	<u>1,382</u>
-	11,978	(20,917)	(3,309)	27,092	44,150	305,373
-	-	-	-	-	-	-
-	<u>12,209</u>	<u>(17,698)</u>	<u>(3,309)</u>	<u>29,463</u>	<u>43,690</u>	<u>302,815</u>
<u>\$ 1,884</u>	<u>\$ 12,300</u>	<u>\$ (39,919)</u>	<u>\$ -</u>	<u>\$ 32,474</u>	<u>\$ 40,992</u>	<u>\$ 304,197</u>

CITY OF PORT LAVACA, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue Funds		
	Veterans Memorial	Parks & Recreation Donations	Restore Grant
REVENUES			
Taxes:			
Property	\$ -	\$ -	\$ -
Other	-	-	-
Fines, fees, and forfeitures	-	-	-
Intergovernmental	-	-	7,531
Investment earnings	199	-	-
Miscellaneous	1,530	89	-
Total revenues	<u>1,729</u>	<u>89</u>	<u>7,531</u>
EXPENDITURES			
Current:			
General government	3,508	-	8,937
Public Safety	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>3,508</u>	<u>-</u>	<u>8,937</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,779)</u>	<u>89</u>	<u>(1,406)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(1,779)</u>	<u>89</u>	<u>(1,406)</u>
FUND BALANCE, BEGINNING, AS PREVIOUSLY REPORTED	-	-	-
ADJUSTMENT			
Change within the financial reporting entity - formerly a major fund	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING RESTATED	<u>27,227</u>	<u>5,000</u>	<u>(188)</u>
FUND BALANCES, ENDING	<u>\$ 25,448</u>	<u>\$ 5,089</u>	<u>\$ (1,594)</u>

<u>Special Revenue Funds</u>			
<u>Hurricane Harvey</u>	<u>ARPA/CLFRF Grant</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 939,549	\$ 939,549
-	-	-	687,704
-	-	-	9,315
256,779	-	-	264,310
-	56,693	14,120	95,945
-	-	-	54,146
<u>256,779</u>	<u>56,693</u>	<u>953,669</u>	<u>2,050,969</u>
-	-	-	474,875
-	-	-	24,221
-	-	-	14,546
-	-	410,000	410,000
-	-	1,159,243	1,159,243
-	-	<u>1,569,243</u>	<u>2,082,885</u>
<u>256,779</u>	<u>56,693</u>	<u>(615,574)</u>	<u>(31,916)</u>
-	-	770,324	775,633
-	-	-	(271,814)
-	-	<u>770,324</u>	<u>503,819</u>
<u>256,779</u>	<u>56,693</u>	<u>154,750</u>	<u>471,903</u>
-	-	306,022	1,158,664
<u>(652,493)</u>	<u>132,126</u>	<u>-</u>	<u>(520,367)</u>
<u>(652,493)</u>	<u>132,126</u>	<u>864,660</u>	<u>1,307,213</u>
<u>\$ (395,714)</u>	<u>\$ 188,819</u>	<u>\$ 1,019,410</u>	<u>\$ 1,779,116</u>

CITY OF PORT LAVACA, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 666,230	\$ 666,230	\$ 939,549	\$ 273,319
Investment earnings	13,000	13,000	14,120	1,120
Total revenues	<u>679,230</u>	<u>679,230</u>	<u>953,669</u>	<u>274,439</u>
EXPENDITURES				
Debt Service				
Principal	410,000	410,000	410,000	-
Interest and fiscal charges	<u>1,158,943</u>	<u>1,158,943</u>	<u>1,159,243</u>	<u>(300)</u>
Total expenditures	<u>1,568,943</u>	<u>1,568,943</u>	<u>1,569,243</u>	<u>(300)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(889,713)</u>	<u>(889,713)</u>	<u>(615,574)</u>	<u>274,139</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	770,324	(770,324)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>770,324</u>	<u>(770,324)</u>
NET CHANGE IN FUND BALANCE	<u>(889,713)</u>	<u>(889,713)</u>	<u>154,750</u>	<u>1,044,463</u>
FUND BALANCE, BEGINNING	<u>864,660</u>	<u>864,660</u>	<u>864,660</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ (25,053)</u>	<u>\$ (25,053)</u>	<u>\$ 1,019,410</u>	<u>\$ 1,044,463</u>

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STATISTICAL SECTION

**STATISTICAL SECTION
(Unaudited)**

This part of the City of Port Lavaca's Annual Comprehensive 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.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	66 – 76
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	77 – 88
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	89 – 94
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	95 – 96
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	97 – 102

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COMPLIANCE SECTION

CITY OF PORT LAVACA, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(UNAUDITED)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities:			
Net investment in capital assets	\$ 20,549,966	\$ 21,310,618	\$ 22,482,158
Restricted	1,321,980	1,545,313	1,765,338
Unrestricted	<u>9,368,639</u>	<u>10,301,123</u>	<u>9,843,388</u>
Total governmental activities net position	<u>31,240,585</u>	<u>33,157,054</u>	<u>34,090,884</u>
Business-type activities:			
Net investment in capital assets	17,986,418	18,489,664	18,732,930
Unrestricted	<u>6,247,533</u>	<u>7,262,774</u>	<u>8,326,831</u>
Total business-type activities net position	<u>24,233,951</u>	<u>25,752,438</u>	<u>27,059,761</u>
Primary government:			
Net investment in capital assets	38,536,384	39,800,282	41,215,088
Restricted	1,321,980	1,545,313	1,765,338
Unrestricted	<u>15,616,172</u>	<u>17,563,897</u>	<u>18,170,219</u>
Total primary government net position	<u>\$ 55,474,536</u>	<u>\$ 58,909,492</u>	<u>\$ 61,150,645</u>

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TABLE 1

2019	2020	2021	2022	2023	2024	2025
\$ 23,390,026	\$ 26,755,385	\$ 28,656,325	\$ 34,463,945	\$ 38,401,727	\$ 40,903,899	\$ 39,501,522
990,959	1,065,732	1,112,272	736,922	923,072	1,718,989	1,953,049
<u>12,460,165</u>	<u>13,366,444</u>	<u>13,350,761</u>	<u>9,759,025</u>	<u>9,257,486</u>	<u>7,953,744</u>	<u>5,335,293</u>
<u>36,841,150</u>	<u>41,187,561</u>	<u>43,119,358</u>	<u>44,959,892</u>	<u>48,582,285</u>	<u>50,576,632</u>	<u>46,789,864</u>
21,173,355	23,856,570	27,712,054	28,941,132	29,675,929	31,692,835	36,454,439
<u>8,955,810</u>	<u>6,981,221</u>	<u>5,504,783</u>	<u>5,591,302</u>	<u>4,121,769</u>	<u>4,377,844</u>	<u>3,178,276</u>
<u>30,129,165</u>	<u>30,837,791</u>	<u>33,216,837</u>	<u>34,532,434</u>	<u>33,797,698</u>	<u>36,070,679</u>	<u>39,632,715</u>
44,563,381	50,611,955	56,368,379	63,405,077	68,077,656	72,596,734	75,955,961
990,959	1,065,732	1,112,272	736,922	923,072	1,718,989	1,953,049
<u>21,415,975</u>	<u>20,347,665</u>	<u>18,855,544</u>	<u>15,350,327</u>	<u>13,379,255</u>	<u>12,331,588</u>	<u>8,513,569</u>
<u>\$ 66,970,315</u>	<u>\$ 72,025,352</u>	<u>\$ 76,336,195</u>	<u>\$ 79,492,326</u>	<u>\$ 82,379,983</u>	<u>\$ 86,647,311</u>	<u>\$ 86,422,579</u>

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CITY OF PORT LAVACA, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(UNAUDITED)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
EXPENSES			
Governmental activities:			
General government	\$ 2,417,076	\$ 2,615,056	\$ 4,221,921
Public safety	3,200,259	3,460,733	3,411,589
Public works	1,592,784	1,423,250	1,653,462
Parks and recreation	697,230	748,171	758,143
Interest on long-term de	53,809	51,373	45,858
Total governmental activities expenses	<u>7,961,158</u>	<u>8,298,583</u>	<u>10,090,973</u>
Business-type activities:			
Public utilities	4,452,538	4,313,837	4,414,433
Port revenue	396,088	340,846	347,709
Beach operations	272,436	267,756	244,200
Total business-type activities	<u>5,121,062</u>	<u>4,922,439</u>	<u>5,006,342</u>
Total primary government program expenses	<u>\$ 13,082,220</u>	<u>\$ 13,221,022</u>	<u>\$ 15,097,315</u>
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government	\$ 337,865	\$ 451,257	\$ 348,096
Public safety	183,232	194,305	35,072
Parks and recreation	87,130	76,020	10,800
Operating grants and contributions	273,077	741,691	1,291,888
Capital grants and contributions	-	21,410	-
Total governmental activities program revenues	<u>881,304</u>	<u>1,484,683</u>	<u>1,685,856</u>
Business-type activities:			
Charges for services:			
Public utilities	5,586,184	5,702,881	5,770,068
Port commission	425,986	453,062	483,334
Beach operations	310,472	302,124	221,127
Operating grants and contributions	2,000	2,000	-
Capital grants and contributions	45,625	181,111	2,500
Total business-type activities program revenues	<u>6,370,267</u>	<u>6,641,178</u>	<u>6,477,029</u>
Total primary government program revenues	<u>\$ 7,251,571</u>	<u>\$ 8,125,861</u>	<u>\$ 8,162,885</u>

TABLE 2

	2019	2020	2021	2022	2023	2024	2025
\$	3,318,934	\$ 2,053,858	\$ 2,236,695	\$ 2,492,123	\$ 2,896,482	\$ 3,028,655	\$ 3,350,965
	3,355,541	3,533,380	3,577,687	4,158,956	4,941,909	5,065,178	5,485,590
	1,658,704	1,521,470	1,659,726	2,275,913	2,003,531	2,395,874	3,012,116
	790,807	716,662	796,615	1,016,236	1,227,015	1,250,529	1,337,021
	40,061	33,969	32,659	52,061	470,944	596,792	1,024,665
	<u>9,164,047</u>	<u>7,859,339</u>	<u>8,303,382</u>	<u>9,995,289</u>	<u>11,539,881</u>	<u>12,337,028</u>	<u>14,210,357</u>
	4,262,430	4,555,046	6,229,273	6,130,673	7,267,149	7,647,949	8,728,406
	595,580	555,137	872,257	700,500	664,730	921,460	680,495
	305,831	189,276	217,457	245,542	311,518	291,579	284,940
	<u>5,163,841</u>	<u>5,299,459</u>	<u>7,318,987</u>	<u>7,076,715</u>	<u>8,243,397</u>	<u>8,860,988</u>	<u>9,693,841</u>
\$	<u>14,327,888</u>	<u>13,158,798</u>	<u>15,622,369</u>	<u>17,072,004</u>	<u>19,783,278</u>	<u>21,198,016</u>	<u>23,904,198</u>
\$	293,452	\$ 272,534	\$ 286,162	\$ 395,339	\$ 445,044	\$ 468,172	\$ 462,610
	12,758	8,874	10,165	29,446	20,440	23,760	27,300
	51,785	30,345	59,655	66,800	73,115	75,685	80,835
	1,533,401	1,895,078	3,270,145	609,798	937,567	486,946	593,783
	-	336,700	172,848	1,824,340	2,563,889	1,128,091	547,707
	<u>1,891,396</u>	<u>2,543,531</u>	<u>3,798,975</u>	<u>2,925,723</u>	<u>4,040,055</u>	<u>2,182,654</u>	<u>1,712,235</u>
	5,824,260	5,629,845	5,414,992	5,345,804	6,747,961	7,254,840	7,466,147
	628,762	579,343	721,804	665,213	708,010	804,097	842,653
	324,004	272,788	204,457	89,148	176,451	153,172	89,983
	-	-	-	-	-	-	623,207
	<u>1,531,801</u>	<u>474,503</u>	<u>209,193</u>	<u>1,345,581</u>	<u>13,123</u>	<u>2,615,626</u>	<u>468,154</u>
	<u>8,308,827</u>	<u>6,956,479</u>	<u>6,550,446</u>	<u>7,445,746</u>	<u>7,645,545</u>	<u>10,827,735</u>	<u>9,490,144</u>
\$	<u>10,200,223</u>	<u>9,500,010</u>	<u>10,349,421</u>	<u>10,371,469</u>	<u>11,685,600</u>	<u>13,010,389</u>	<u>11,202,379</u>

CITY OF PORT LAVACA, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(UNAUDITED)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
NET (EXPENSE) REVENUES			
Governmental activities	\$ (7,079,854)	\$ (6,813,900)	\$ (8,405,117)
Business-type activities	<u>1,249,205</u>	<u>1,718,739</u>	<u>1,470,687</u>
Total primary government net expense	<u>(5,830,649)</u>	<u>(5,095,161)</u>	<u>(6,934,430)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities:			
Taxes			
Property	4,054,264	4,159,200	4,217,842
Sales	2,510,153	2,693,583	3,138,929
Franchise	587,153	583,034	588,803
Other taxes	427,960	615,385	692,232
Investment earnings	42,964	104,812	199,214
Miscellaneous	254,054	306,855	415,208
Transfers	269,501	267,500	267,500
Total governmental activities	<u>8,146,049</u>	<u>8,730,369</u>	<u>9,519,728</u>
Business-type activities:			
Investment earnings	38,787	67,248	136,038
Transfers	(269,501)	(267,500)	(267,500)
Miscellaneous	-	-	-
Total business-type activities	<u>(230,714)</u>	<u>(200,252)</u>	<u>(131,462)</u>
Total primary government	<u>7,915,335</u>	<u>8,530,117</u>	<u>9,388,266</u>
CHANGE IN NET POSITION			
Governmental activities	1,066,195	1,916,469	1,114,611
Business-type activities	<u>1,018,491</u>	<u>1,518,487</u>	<u>1,339,225</u>
Total primary government	<u>\$ 2,084,686</u>	<u>\$ 3,434,956</u>	<u>\$ 2,453,836</u>

TABLE 2

2019	2020	2021	2022	2023	2024	2025
\$ (7,272,651)	\$ (5,315,808)	\$ (4,504,407)	\$ (7,069,566)	\$ (7,499,826)	\$ (10,154,374)	\$ (12,498,122)
3,144,986	1,657,020	(768,541)	369,031	(597,852)	1,966,747	(203,697)
<u>(4,127,665)</u>	<u>(3,658,788)</u>	<u>(5,272,948)</u>	<u>(6,700,535)</u>	<u>(8,097,678)</u>	<u>(8,187,627)</u>	<u>(12,701,819)</u>
4,310,870	4,517,719	4,646,594	4,846,803	5,058,543	5,726,131	6,086,783
3,562,168	3,287,441	3,566,918	3,504,110	3,554,946	3,671,868	3,536,850
584,078	569,268	582,631	590,101	592,885	586,034	592,812
685,682	560,236	561,956	490,600	619,910	701,302	720,357
329,183	127,105	7,760	84,060	851,723	1,276,683	1,141,649
276,301	320,406	212,081	75,609	47,675	212,545	132,559
274,635	280,044	(3,141,736)	(681,183)	396,537	(25,842)	(3,499,656)
<u>10,022,917</u>	<u>9,662,219</u>	<u>6,436,204</u>	<u>8,910,100</u>	<u>11,122,219</u>	<u>12,148,721</u>	<u>8,711,354</u>
199,053	85,575	5,851	59,323	181,223	161,880	137,743
(274,635)	(280,044)	3,141,736	681,183	(396,537)	25,842	3,499,656
-	-	-	206,060	78,430	118,512	128,334
<u>(75,582)</u>	<u>(194,469)</u>	<u>3,147,587</u>	<u>946,566</u>	<u>(136,884)</u>	<u>306,234</u>	<u>3,765,733</u>
<u>9,947,335</u>	<u>9,467,750</u>	<u>9,583,791</u>	<u>9,856,666</u>	<u>10,985,335</u>	<u>12,454,955</u>	<u>12,477,087</u>
2,750,266	4,346,411	1,931,797	1,840,534	3,622,393	1,994,347	(3,786,768)
3,069,404	1,462,551	2,379,046	1,315,597	(734,736)	2,272,981	3,562,036
<u>\$ 5,819,670</u>	<u>\$ 5,808,962</u>	<u>\$ 4,310,843</u>	<u>\$ 3,156,131</u>	<u>\$ 2,887,657</u>	<u>\$ 4,267,328</u>	<u>\$ (224,732)</u>

CITY OF PORT LAVACA, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(UNAUDITED)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
General fund:			
Nonspendable	\$ 45,717	\$ 42,147	\$ 46,702
Committed	3,534,329	3,373,832	2,548,794
Assigned	-	-	-
Unassigned	<u>4,922,293</u>	<u>6,687,299</u>	<u>8,508,563</u>
Total general fund	<u>\$ 8,502,339</u>	<u>\$ 10,103,278</u>	<u>\$ 11,104,059</u>
All other governmental funds			
Restricted	\$ 2,259,195	\$ 1,907,218	\$ 1,748,089
Committed	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(908,694)</u>
Total all other governmental funds	<u>\$ 2,259,195</u>	<u>\$ 1,907,218</u>	<u>\$ 839,395</u>

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TABLE 3

2019	2020	2021	2022	2023	2024	2025
\$ 53,633	\$ 47,524	\$ 536,126	\$ 165,179	\$ 213,614	\$ 201,242	\$ 294,568
2,630,824	2,911,895	2,963,681	1,458,495	1,304,073	1,106,299	349,773
-	-	-	-	-	964,819	1,848,744
<u>11,137,483</u>	<u>10,714,713</u>	<u>9,368,362</u>	<u>8,762,124</u>	<u>7,479,005</u>	<u>6,906,597</u>	<u>3,967,215</u>
<u>\$ 13,821,940</u>	<u>\$ 13,674,132</u>	<u>\$ 12,868,169</u>	<u>\$ 10,385,798</u>	<u>\$ 8,996,692</u>	<u>\$ 9,178,957</u>	<u>\$ 6,460,300</u>
\$ 969,522	\$ 1,635,030	\$ 2,668,258	\$ 1,108,159	\$ 6,693,317	\$ 20,898,701	\$ 9,571,683
-	-	-	-	1,152,605	-	-
<u>(1,584,412)</u>	<u>(1,181,122)</u>	<u>(1,296,200)</u>	<u>(801,809)</u>	<u>(764,753)</u>	<u>(897,260)</u>	<u>(660,799)</u>
<u>\$ (614,890)</u>	<u>\$ 453,908</u>	<u>\$ 1,372,058</u>	<u>\$ 306,350</u>	<u>\$ 7,081,169</u>	<u>\$ 20,001,441</u>	<u>\$ 8,910,884</u>

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CITY OF PORT LAVACA, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(UNAUDITED)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
REVENUES			
Taxes	\$ 7,556,970	\$ 8,040,235	\$ 8,639,785
Fines and fees	508,347	524,683	347,588
Licenses and permits	109,637	231,321	154,056
Charges for services	2,744	2,176	4,079
Intergovernmental	273,077	763,101	1,291,888
Investment earnings	42,964	104,812	199,214
Rental	87,130	76,020	10,800
Miscellaneous	163,060	192,809	315,222
Total revenues	<u>8,743,929</u>	<u>9,935,157</u>	<u>10,962,632</u>
EXPENDITURES			
General government	2,430,712	2,597,561	4,198,251
Public safety	3,088,008	3,309,471	3,396,134
Public works	1,190,259	1,275,343	1,217,296
Parks and recreation	738,490	614,018	642,491
Capital outlay	88,715	830,641	1,517,027
Debt service			
Principal	280,000	285,000	290,000
Interest and fiscal charges	47,396	41,661	35,975
Total expenditures	<u>7,863,580</u>	<u>8,953,695</u>	<u>11,297,174</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 880,349</u>	<u>\$ 981,462</u>	<u>\$ (334,542)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital asset	\$ 3,617	\$ -	\$ -
Transfers in	1,126,774	498,161	1,588,152
Transfers out	(857,273)	(230,661)	(1,320,652)
Premium on debt	-	-	-
Issuance of debt	-	-	-
Total other financing sources (uses)	<u>273,118</u>	<u>267,500</u>	<u>267,500</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,153,467</u>	<u>\$ 1,248,962</u>	<u>\$ (67,042)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>4.41%</u>	<u>4.30%</u>	<u>3.42%</u>

TABLE 4

	2019	2020	2021	2022	2023	2024	2025
\$	9,114,573	\$ 8,864,777	\$ 9,362,338	\$ 9,431,614	\$ 9,805,480	\$ 10,773,059	\$ 10,905,605
	301,226	226,907	260,280	240,058	369,250	307,639	191,712
	120,897	168,367	161,772	181,583	158,513	111,673	289,176
	12,897	14,708	10,127	3,744	2,589	2,255	2,115
	864,617	2,181,264	3,918,483	2,634,908	3,475,029	1,678,040	1,141,490
	329,183	127,105	7,760	84,060	851,723	1,276,683	1,141,649
	51,785	30,345	59,655	66,200	71,250	73,785	76,235
	175,642	177,608	69,389	75,609	47,675	212,545	132,559
	<u>10,970,820</u>	<u>11,791,081</u>	<u>13,849,804</u>	<u>12,717,776</u>	<u>14,781,509</u>	<u>14,435,679</u>	<u>13,880,541</u>
	3,265,874	2,000,288	2,237,772	2,436,691	2,678,499	2,794,538	3,264,455
	3,287,595	3,618,499	3,677,212	4,210,570	4,523,496	4,840,993	5,112,265
	1,240,009	1,129,316	1,152,387	1,688,607	1,326,675	1,705,880	2,291,968
	624,107	557,569	743,956	834,691	889,282	940,672	971,886
	1,234,437	3,708,542	5,142,930	5,930,010	6,851,761	4,262,975	14,528,821
	300,000	300,000	317,655	461,106	726,506	442,297	430,946
	29,837	23,746	22,265	22,997	449,679	538,116	1,161,382
	<u>9,981,859</u>	<u>11,337,960</u>	<u>13,294,177</u>	<u>15,584,672</u>	<u>17,445,898</u>	<u>15,525,471</u>	<u>27,761,723</u>
\$	<u>988,961</u>	<u>453,121</u>	<u>555,627</u>	<u>(2,866,896)</u>	<u>(2,664,389)</u>	<u>(1,089,792)</u>	<u>(13,881,182)</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2,052,702	2,270,994	3,038,740	348,474	3,935,101	893,693	1,078,969
	(1,778,067)	(1,990,950)	(3,482,180)	(1,029,657)	(3,538,564)	(919,535)	(1,007,001)
	-	-	-	-	318,565	1,178,171	-
	-	187,825	-	-	7,335,000	13,040,000	-
	<u>274,635</u>	<u>467,869</u>	<u>(443,440)</u>	<u>(681,183)</u>	<u>8,050,102</u>	<u>14,192,329</u>	<u>71,968</u>
\$	<u>1,263,596</u>	<u>920,990</u>	<u>112,187</u>	<u>(3,548,079)</u>	<u>5,385,713</u>	<u>13,102,537</u>	<u>(13,809,214)</u>
	<u>3.90%</u>	<u>4.49%</u>	<u>3.26%</u>	<u>4.78%</u>	<u>10.98%</u>	<u>8.57%</u>	<u>9.48%</u>

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS (1)

LAST TEN FISCAL YEARS

Fiscal Year	Ad Valorem	Sales	Franchise	Hotel/Motel	Beverage	Total
2016	\$ 4,031,704	\$ 2,510,153	\$ 587,153	\$ 403,714	\$ 24,246	\$ 7,556,970
2017	4,148,233	2,693,583	583,034	585,491	29,894	8,040,235
2018	4,219,821	3,138,929	588,803	656,156	36,076	8,639,785
2019	4,282,645	3,562,168	584,078	650,174	35,508	9,114,573
2020	4,447,832	3,287,441	569,268	531,123	29,113	8,864,777
2021	4,650,833	3,566,918	582,631	528,147	33,809	9,362,338
2022	4,846,803	3,504,110	590,101	457,975	32,625	9,431,614
2023	5,037,739	3,554,946	592,885	591,294	28,616	9,805,480
2024	5,813,855	3,671,868	586,034	671,159	30,143	10,773,059
2025	6,055,586	3,536,850	592,812	687,704	32,653	10,905,605

(1) Modified accrual basis of accounting

NOTES: Fiscal years 2016 thru 2017 had an increase in revenue due to the hotel/motel audit performed and the payment of back taxes owed.

CITY OF PORT LAVACA, TEXAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Tax Roll	Real Property			Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value Before Freeze
		Residential Property	Non-Residential Property				
2016	2015	\$ 273,143,803	\$ 252,372,733	\$ 100,428,715	\$ 99,607,928	\$ 526,337,323	
2017	2016	282,739,771	260,500,871	102,055,513	103,951,981	541,344,174	
2018	2017	293,607,619	263,417,728	92,256,010	104,333,461	544,947,896	
2019	2018	295,325,973	266,692,835	98,370,030	103,782,635	556,606,203	
2020	2019	322,582,797	283,500,144	95,603,880	114,985,855	586,700,966	
2021	2020	339,679,410	303,827,759	97,480,380	143,503,319	597,484,230	
2022	2021	358,077,799	323,563,158	102,321,220	150,978,321	632,983,856	
2023	2022	388,354,296	330,840,788	110,936,910	163,970,096	666,161,898	
2024	2023	506,633,124	381,287,991	124,262,151	211,095,509	801,087,757	
2025	2024	510,015,859	376,658,211	123,994,251	212,420,310	798,248,011	

(1) Includes tax-exempt property

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

SOURCE: Calhoun County Appraisal District

TABLE 6

Total Freeze Taxable	Freeze Adjusted Taxable	Total Direct Tax Rate	Estimated Tax Value Before Freeze Ceiling	Freeze Ceiling	Estimated Tax Value Including Freeze Ceiling	Assessed Value (1) as a Percentage of Actual Value
\$ (72,637,802)	\$ 453,699,521	0.7900	\$ 4,049,095	\$ 464,869	\$ 4,513,964	100.00%
(75,865,635)	465,478,539	0.7900	4,154,852	477,572	4,632,424	100.00%
(77,851,764)	467,096,132	0.7944	3,710,612	489,316	4,199,928	100.00%
(78,616,548)	477,989,655	0.7944	3,797,150	498,326	4,295,476	100.00%
(85,258,876)	501,441,090	0.7944	3,983,448	518,351	4,501,799	100.00%
(79,517,061)	517,967,159	0.7944	4,114,731	517,024	4,631,755	100.00%
(84,587,681)	548,096,175	0.7944	4,354,076	535,355	4,889,431	100.00%
(91,392,517)	574,769,381	0.7944	4,565,968	549,875	5,115,843	100.00%
(115,831,281)	685,256,476	0.8000	5,482,052	624,177	6,106,228	100.00%
115,065,069	683,182,942	0.8000	5,465,464	621,343	6,086,807	100.00%

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CITY OF PORT LAVACA, TEXAS

TABLE 7

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUE**

LAST TEN FISCAL YEARS

Fiscal Year	Tax Roll	City Direct Rates			Overlapping Rates				
		Debt Service	General Fund	Total	School District	Calhoun County	Port Authority	Groundwater Conservation District	Total
2016	2015	\$ 0.0777	\$ 0.7123	\$ 0.7900	\$ 1.2936	\$ 0.4900	\$ 0.0025	\$ 0.0100	\$ 1.7961
2017	2016	0.0746	0.7154	0.7900	1.2936	0.4900	0.0010	0.0100	1.7946
2018	2017	0.0744	0.7200	0.7944	1.2936	0.4900	0.0010	0.0100	1.7946
2019	2018	0.0731	0.7213	0.7944	1.2936	0.4900	0.0010	0.0098	1.7944
2020	2019	0.0676	0.7268	0.7944	1.1936	0.5572	0.0010	0.0095	1.7613
2021	2020	0.0660	0.7284	0.7944	1.1649	0.5872	0.0009	0.0083	1.7613
2022	2021	0.0636	0.7308	0.7944	1.0963	0.6101	0.0009	0.0080	1.7153
2023	2022	0.0637	0.7307	0.7944	0.9567	0.5970	0.0008	0.0072	1.5617
2024	2023	0.0821	0.6986	0.7807	0.7949	0.5601	0.0007	0.0070	1.3627
2025	2024	0.1257	0.6743	0.8000	0.7548	0.6222	0.0006	0.0068	1.3844

SOURCE: Calhoun County Appraisal District

CITY OF PORT LAVACA, TEXAS

TABLE 8

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago
(UNAUDITED)

2025		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Helena Agri-Enterprises LLC	\$ 13,771,340	2.02%
Rexco Inc	11,981,830	1.75%
AEP Texas Inc	10,892,970	1.59%
118 Trinity Shores Dr LLC	9,588,080	1.40%
Momentum Rental & Sales Inc	7,940,000	1.16%
Stateline Holdings Lavaca LLC	7,700,000	1.13%
BKCK LTD	7,162,300	1.05%
Wal-Mart Real Estate Business Trust	7,150,000	1.05%
Inland Dredging Company LLC	7,053,540	1.03%
Butt H E Grocery Company	<u>6,738,338</u>	<u>0.99%</u>
	<u>\$ 89,978,398</u>	<u>13.17%</u>
2016		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Rexco, Inc.	\$ 12,867,650	2.84%
Wal-Mart Real Estate Business Trust	7,387,260	1.63%
Momentum Rental & Sales, Inc.	6,535,470	1.44%
Port Lavaca Dodge	6,233,150	1.37%
AEP Texas Central Company	6,167,325	1.36%
Port Lavaca Ford	5,889,210	1.30%
Grand Tejas Land LLC	5,704,300	1.26%
Butt H E Grocery Company	5,480,910	1.21%
MAXIM Crane Works LP	5,345,850	1.18%
BKCK LTD	<u>5,340,420</u>	<u>1.18%</u>
	<u>\$ 66,951,545</u>	<u>14.77%</u>

SOURCE: Calhoun County Appraisal District

CITY OF PORT LAVACA, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Tax Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collections within the Fiscal Year of the Levy	
					Amount	Percentage of Levy
2016	2015	\$ 4,065,656	\$ (10,885)	\$ 4,054,771	\$ 3,947,621	97.36%
2017	2016	4,166,147	(3,352)	4,162,795	4,046,380	97.20%
2018	2017	4,209,792	2,553	4,212,345	4,112,004	97.62%
2019	2018	4,308,690	(1,515)	4,307,175	4,182,712	97.11%
2020	2019	4,521,222	(6,560)	4,514,662	4,345,956	96.26%
2021	2020	4,562,185	84,797	4,646,982	4,536,162	97.62%
2022	2021	4,738,962	162,578	4,901,540	4,762,523	97.16%
2023	2022	5,090,650	35,356	5,126,006	4,892,265	95.44%
2024	2023	5,771,641	(51,431)	5,720,210	5,577,363	97.50%
2025	2024	6,100,284	(1,236)	6,099,048	5,934,368	97.30%

SOURCE: Calhoun County Appraisal District

TABLE 9

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 95,590	\$ 4,043,211	99.71%
99,746	4,146,126	99.60%
74,637	4,186,641	99.39%
77,123	4,259,835	98.90%
94,077	4,440,033	98.35%
19,570	4,555,732	98.04%
78,573	4,841,096	98.77%
156,244	5,048,509	98.49%
83,816	5,661,179	98.97%
-	5,934,368	97.30%

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CITY OF PORT LAVACA, TEXAS

WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED

LAST TEN FISCAL YEARS

Fiscal Year	Gallons of GBRA Water Purchased	Gallons of Metered Consumption	Gallons of Unmetered Consumption	Gallons of Water Unaccounted	Average Percent Unaccounted
2016	495,589,000	394,292,000	21,430	101,275,570	20%
2017	436,727,000	402,621,000	20,467	34,085,533	8%
2018	461,979,000	409,691,000	52,288	52,235,712	11%
2019	464,765,000	402,201,333	31,395	62,532,272	13%
2020	502,519,000	404,175,000	250,000	98,094,000	20%
2021	479,533,000	401,351,000	175,000	78,007,000	16%
2022	504,801,000	276,318,000	2,445,000	226,038,000	45%
2023	824,895,000	357,429,000	2,500,000	464,966,000	56%
2024	475,127,000	356,246,000	23,000	118,881,000	25%
2025	620,462,962	358,021,000	16,425,000	262,441,962	42%

NOTES: The City purchases water from the Guadalupe-Blanco River Authority. Water and Sewer Usage Rates shown are for 5,000 gallons usage. N/A denotes information not available. Unmetered consumption is an estimation (Water Main Breaks, Fire Drills, Line flushing, etc.)

SOURCE: City of Port Lavaca Utility Department

TABLE 10

Gallons of Wastewater Treated	Total Direct Rate			
	Water		Sewer	
	Base Rate	Usage Rate	Base Rate	Usage Rate
406,730,000	16.00	14.25	15.00	15.54
372,684,556	16.50	14.25	15.50	15.87
460,402,000	16.50	14.25	15.50	15.87
413,272,185	16.50	14.25	15.50	15.87
680,340,000	17.00	14.34	16.00	16.20
504,450,000	17.00	14.34	16.00	16.20
591,460,000	17.00	14.34	16.00	16.20
559,510,000	24.68	14.34	25.27	16.20
278,755,000	26.65	14.34	25.27	16.20
504,990,000	33.60	14.34	25.27	16.20

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CITY OF PORT LAVACA, TEXAS

WATER AND SEWER RATES

LAST TEN FISCAL YEARS

	2016		2017		2018	
	Res.	Comm.	Res.	Comm.	Res.	Comm.
Water Rates						
Base Rate (includes 2,000 gallons)						
Base Rate by Meter Size						
3/4" to 5/8"	\$ 16.00	\$ 18.50	\$ 16.50	\$ 19.00	\$ 16.50	\$ 19.00
1"	16.00	18.50	16.50	19.00	16.50	19.00
1 1/2"	16.00	18.50	16.50	19.00	16.50	19.00
2"	16.00	36.00	16.50	36.50	16.50	36.50
3"	16.00	36.00	16.50	36.50	16.50	36.50
4"	16.00	36.00	16.50	36.50	16.50	36.50
6"	16.00	36.00	16.50	36.50	16.50	36.50
Per 1,000 gallons over base charge	4.75	4.95	4.75	4.95	4.75	4.95
Conservation Rate Tiers for water						
Per 1,000 gallons 2,001 - 5,000	4.75	4.95	4.75	4.95	4.75	4.95
Per 1,000 gallons 5,001 - 25,000	5.03	5.03	5.14	5.14	5.14	5.14
Per 1,000 gallons Over 25,000	5.71	5.71	5.14	5.14	5.14	5.14
Sewer Rates						
Base Rate (includes 2,000 gallons)	15.00	16.75	15.50	17.25	15.50	17.25
Per 1,000 gallons over base charge	5.18	5.18	5.29	5.29	5.29	5.29

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 to a tiered conservation rate in 2013.

TABLE 11

2019		2020		2021		2022		2023	
Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.	Res.	Comm.
\$ 17.00	\$ 19.50	\$ 17.00	\$ 19.50	\$ 17.00	\$ 19.50	\$ 17.00	\$ 19.50	\$ 24.68	\$ 27.18
17.00	19.50	17.00	19.50	17.00	19.50	17.00	19.50	24.68	27.18
17.00	19.50	17.00	19.50	17.00	19.50	17.00	19.50	24.68	27.18
17.00	37.00	17.00	37.00	17.00	37.00	17.00	37.00	24.68	44.68
17.00	37.00	17.00	37.00	17.00	37.00	17.00	37.00	24.68	44.68
17.00	37.00	17.00	37.00	17.00	37.00	17.00	37.00	24.68	44.68
17.00	37.00	17.00	37.00	17.00	37.00	17.00	37.00	24.68	44.68
4.75	4.95	4.78	4.95	4.78	4.95	4.78	4.95	4.78	4.95
4.75	4.95	4.78	4.95	4.78	4.95	4.78	4.95	4.78	4.95
5.14	5.14	5.26	5.14	5.26	5.26	5.26	5.26	5.26	5.26
5.14	5.14	5.97	5.14	5.97	5.97	5.97	5.97	5.97	5.97
16.00	17.75	16.00	17.75	16.00	17.75	16.00	17.75	25.27	27.02
5.29	5.29	5.40	5.40	5.40	5.40	5.40	5.40	5.40	5.40

WATER AND SEWER RATES

LAST TEN FISCAL YEARS

	2024		2025	
	Res.	Comm.	Res.	Comm.
Water Rates				
Base Rate (includes 2,000 gallons)				
Base Rate by Meter Size				
3/4" to 5/8"	\$ 26.65	\$ 29.15	\$ 33.60	\$ 36.10
1"	26.65	29.15	33.60	36.10
1 1/2"	26.65	29.15	33.60	36.10
2"	26.65	46.65	33.60	53.60
3"	26.65	46.65	33.60	53.60
4"	26.65	46.65	33.60	53.60
6"	26.65	46.65	33.60	53.60
Per 1,000 gallons over base charge	4.78	4.95	4.78	4.95
Conservation Rate Tiers for water				
Per 1,000 gallons 2,001 - 5,000	4.78	4.95	4.78	4.95
Per 1,000 gallons 5,001 - 25,000	5.26	5.26	5.26	5.26
Per 1,000 gallons Over 25,000	5.97	5.97	5.97	5.97
Sewer Rates				
Base Rate (includes 2,000 gallons)				
Per 1,000 gallons over base charge	5.40	5.40	5.40	5.40

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.

TEN LARGEST WATER CUSTOMERS

(UNAUDITED)

Current Year and Nine Years Ago

2025			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
Viva Properties (Q-3)	Apartment Complex	4,992	1.40%
Sea Breeze Village Apt	Apartment Complex	4,395	1.23%
Calhoun County Adult Detention Center	County Jail	4,228	1.19%
Maruti 3 Lodging, LLC.	Hotel	3,734	1.05%
Regency Nursing & Rehab Center	Senior Citizen Home	3,618	1.02%
Memorial Medical Center	Hospital	3,578	1.00%
Clvr Acquisitions Ltd - Village Apts	Apartment Complex	3,138	0.88%
S&J Texas Lakeside RV Resort	RV Resort	3,125	0.88%
Prestige Oysters, Inc.	Fishing Industry	3,047	0.86%
Royal Inn	Hotel	2,730	0.77%
2016			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
City of Port Lavaca	City Government	18,186	4.18%
Calhoun County I.S.D	School District	13,093	3.01%
Hillman Shrimp & Oyster	Fishing Industry	11,729	2.69%
VIVA Properties	Apartment Complex	8,228	1.89%
Regency Nursing & Rehab Center	Senior Citizen Center	5,801	1.33%
Memorial Medical Center	Hospital	5,508	1.27%
Bordeaux Apartment	Apartment Complex	4,607	1.06%
Calhoun County	Government	4,167	0.96%
Splash & Dash	Commercial Car Wash	3,700	0.85%
Villa on Independence	Apartment Complex	3,384	0.78%

SOURCE: City of Port Lavaca Website - ACFR (for the oldest year)

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	Plus: Issuance Premium	Financing Arrangements	Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premium
2016	\$ -	\$ 2,180,000	\$ -	\$ 89,837	\$ 2,965,000	\$ 2,820,000	\$ -
2017	-	1,895,000	-	45,830	3,975,000	1,125,000	-
2018	-	1,605,000	-	-	3,255,000	1,040,000	-
2019	-	1,305,000	-	-	2,510,000	2,430,000	99,436
2020	-	1,005,000	-	187,825	2,270,000	1,750,000	94,717
2021	-	700,000	-	175,170	2,100,000	980,000	89,661
2022	-	380,000	-	406,450	1,925,000	200,000	82,764
2023	7,070,000	60,000	302,637	264,946	1,745,000	100,000	75,867
2024	19,875,000	-	1,405,971	114,781	1,555,000	-	68,970
2025	19,465,000	-	1,331,134	93,835	1,355,000	-	62,073

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

N/A denotes information not available

TABLE 13

Business-type Activities					
Less:		Total	Percentage		
Issuance	Financing	Primary	of Personal	Per	
Discount	Arrangements	Government	Income	Capita	
\$ (27,774)	\$ -	\$ 8,027,063	2%	\$	647
-	-	7,040,830	N/A		568
-	-	5,900,000	1%		483
-	-	6,344,436	1%		510
-	-	5,307,542	1%		459
-	-	4,044,831	0%		357
-	2,400,000	5,394,214	0%		476
-	1,940,881	11,559,331	1%		1,026
-	1,471,551	24,491,273	2%		2,184
-	991,783	23,298,825	2%		2,062

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	Plus: Issuance Premium	Total		
2016	\$ 2,965,000	\$ 5,000,000	\$ -	\$ 7,965,000	\$ 153,522	\$ 2,820,000
2017	3,975,000	3,020,000	-	6,995,000	165,276	1,125,000
2018	3,255,000	2,645,000	-	5,900,000	159,232	1,040,000
2019	2,510,000	3,735,000	99,436	6,344,436	166,022	2,529,436
2020	2,270,000	2,755,000	94,717	5,119,717	167,687	1,844,717
2021	2,100,000	1,680,000	89,661	3,869,661	176,757	1,069,661
2022	1,925,000	580,000	82,764	2,587,764	227,366	282,764
2023	8,815,000	160,000	378,504	9,353,504	306,022	1,820,867
2024	21,430,000	-	1,474,941	22,904,941	905,563	1,623,970
2025	20,820,000	-	1,393,207	22,213,207	1,060,313	1,417,073

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

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

TABLE 14

<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 4,991,478	0.95%	402.54
5,704,724	1.05%	459.87
4,700,768	0.86%	384.93
3,648,978	0.66%	293.49
3,107,313	0.53%	268.87
2,623,243	0.44%	231.37
2,077,634	0.33%	183.25
7,226,615	1.08%	641.68
20,375,408	2.54%	1,817.29
19,735,821	2.47%	1,746.69

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DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

(UNAUDITED)
September 30, 2025

	Gross Debt Outstanding		Percentage Applicable to City	Amount Applicable to City
	Date	Amount		
Direct Debt:				
City of Port Lavaca	9/30/2025	\$ 20,889,969	100.00%	\$ 20,889,969
Overlapping Debt:				
Calhoun County	9/30/2025	508,000	14.28%	72,542
Calhoun Independent School District	9/30/2025	8,184,750	13.74%	1,124,585
Calhoun Port Authority	9/30/2025	-	22.33%	-
Total Overlapping Debt		8,692,750		1,197,127
Total		\$ 29,582,719		\$ 22,087,096

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.

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

CITY OF PORT LAVACA, TEXAS

TABLE 16

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Average Debt Service Requirements</u>	<u>Times Debt Coverage</u>
2016	\$ 5,586,184	\$ 3,632,004	\$ 1,954,180	\$ 672,207	2.91
2017	5,702,881	3,505,491	2,197,390	583,944	3.76
2018	5,872,960	3,686,896	2,186,064	564,106	3.88
2019	5,959,149	3,565,859	2,393,290	517,925	4.62
2020	6,016,140	4,191,799	1,824,341	447,774	4.07
2021	5,419,799	5,094,926	324,873	331,820	0.98
2022	5,598,268	5,010,433	587,835	136,033	4.32
2023	6,947,788	6,147,463	800,325	136,033	5.88
2024	7,446,921	6,603,597	843,324	193,333	4.36
2025	7,671,136	7,628,281	42,855	200,000	0.21

NOTES: "Gross Revenue" as used herein refers to all operating revenues and all interest income of the Public Utility Fund, gross of bad debt expense. "Direct Operating Expenses" is defined as all operating expenses of the Public Utility Fund (which does not include interest expense) less depreciation plus bad debt expense.

Details regarding the City's outstanding bonds and certificates can be found in Note G of the notes to the financial statements.

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Personal Income (Calhoun County)	(3) School Enrollment	(4) Unemployment Rate
2016	12,400	\$ 450,516,800	\$ 36,332	4,022	5.6%
2017	12,405	N/A	N/A	3,802	N/A
2018	12,212	795,537,000	65,144	3,805	5.80%
2019	12,433	833,716,000	67,057	3,748	4.10%
2020	11,557	983,763,000	85,123	3,840	3.20%
2021	11,338	1,095,838,000	96,652	3,681	5.80%
2022	11,338	1,195,244,000	105,419	3,576	4.90%
2023	11,262	1,310,970,000	116,406	3,530	3.70%
2024	11,212	1,310,970,000	116,926	3,516	3.30%
2025	11,299	1,310,970,000	116,025	3,533	3.50%

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

N/A denotes information not available.

SOURCES: (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

TABLE 18

PRINCIPAL EMPLOYERS

(UNAUDITED)

Current Year and Nine Years Ago

2025		
Employer	Employees	Percentage of Total County Employment
Formosa	2,800	13.94%
Calhoun County ISD	664	5.91%
Testengeer Inc. / Taurus Industrial Group	499	4.44%
Memorial Medical Center	266	2.37%
Turner Industries	260	2.31%
PMIC, INC.	249	2.21%
Lester Contracting, Inc.	249	2.21%
Ineos Nitriles	249	2.21%
Walmart Supercenter	211	1.88%
Orion	185	1.65%
	<u>5,632</u>	<u>39.13%</u>
2016		
Employer	Employees	Percentage of Total County Employment
Formosa Plastics	2,400	10.94%
Inteplast Group	2,300	10.79%
Calhoun County I.S.D.	595	2.79%
Alcoa	650	6.69%
Dow Chemical	575	5.92%
Orion Marine Group, Inc.	389	4.00%
Calhoun County	215	2.21%
Seadrift Coke	125	1.29%
Memorial Medical Center	275	2.83%
INEOS Nitriles Formerly BP	133	1.37%
	<u>7,657</u>	<u>48.83%</u>

NOTES: Information is for the City and Calhoun County.

SOURCE: Texas Workforce Commission-Victoria Office

CITY OF PORT LAVACA, TEXAS

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2016	2017	2018	2019
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	2.0	2.0	2.0	2.0
Human resources	-	-	-	-
Economic development	1.0	1.0	1.0	1.0
Finance	3.0	3.0	3.0	3.0
Municipal court	3.0	3.0	3.0	3.0
City Hall - custodial services	1.0	1.0	1.0	1.0
Public safety				
Police	20.0	20.0	20.0	20.0
Communications	6.0	6.0	6.0	6.0
Fire	17.0	17.0	17.0	17.0
Development Services	3.0	3.0	3.0	3.0
Animal control	2.0	2.0	2.0	2.0
Public works				
Streets/maintenance	15.0	15.0	15.0	15.0
Water/Wastewater				
Customer service	3.0	3.0	3.0	3.0
Meter readers	2.0	2.0	2.0	1.0
Water and sewer	14.0	14.0	14.0	14.0
Parks and recreation	6.0	6.0	6.0	6.0
Bauer Center	2.0	2.0	2.0	2.0
Port Revenue	-	1.0	1.0	1.0
Beach Operating Fund	-	-	-	-
Total	102.0	103.0	103.0	102.0

SOURCE: Various City of Port Lavaca Departments

TABLE 19

Fiscal Year					
2020	2021	2022	2023	2024	2025
2.0	2.0	2.0	2.0	1.0	1.0
2.0	2.0	2.0	2.0	2.0	2.0
-	-	-	-	1.0	1.0
1.0	1.0	-	-	-	-
4.0	4.0	4.0	4.0	5.0	5.0
3.0	3.0	3.0	3.0	2.0	2.0
0.5	0.5	0.25	0.25	0.25	0.5
21.0	22.0	23.0	23.0	24.2	24.0
4.45	4.45	4.68	4.75	-	-
16.25	19.25	19.25	19.25	19.00	19.00
2.0	2.25	3.25	3.25	3.25	3.25
2.0	2.0	2.5	2.5	2.5	2.5
11.15	11.15	11.15	11.15	11.15	11.25
3.0	3.0	3.0	3.0	3.0	3.0
1.0	2.0	2.0	2.0	2.0	-
13.0	13.0	13.0	14.0	13.0	15.0
5.23	6.23	5.23	7.00	5.23	5.25
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0	2.0	2.0
-	-	1.0	1.0	1.0	1.0
<u>94.58</u>	<u>100.83</u>	<u>102.31</u>	<u>105.15</u>	<u>99.56</u>	<u>99.75</u>

CITY OF PORT LAVACA, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2016	2017	2018	2019
General government				
Building permits issued	782	965	890	879
Building inspections conducted	538	741	512	597
Public safety				
Police				
Physical arrests	1,064	790	927	901
Traffic violations	4,584	2,075	5,480	4,046
Fire				
Fire calls	664	881	862	802
Public works				
Streets (miles)	50	50	50	50
Culture and recreation				
Parks and recreation				
Bauer Center rentals	215	190	11	139
Lighthouse beach park Pavillion	41	42	11	31
Water and wastewater				
Water				
Water customers	4,630	4,590	4,773	4,582
Water taps	21	28	7	10
Average daily consumption	1.24 mgd	1.21 mgd	1.121 mgd	1.19 mgd
Peak daily consumption	1.71 mgd	2.36 mgd	1.833 mgd	1.967 mgd
Wastewater				
Sewer customers	4,335	4,318	4,450	4,319
Sewer taps	13	13	7	11
Average daily sewage treatment	1.11 mgd	1.08 mgd	0.933 mgd	1.041 mgd

NOTES: Bauer Center was closed for most of fiscal year 2018 due to damages from Hurricane Harvey. Police and parks and recreation activity decreased in FY19 and FY20 due to the effects of COVID-19.

SOURCE: Various City of Port Lavaca departments

TABLE 20

Fiscal Year					
2020	2021	2022	2023	2024	2025
1,028	1,014	910	1,149	722	706
591	893	1,584	1,869	991	1,131
436	357	469	257	378	366
4,182	4,046	962	2,319	3,625	6,606
898	589	747	704	526	653
50	60	86	86	86	86
119	157	126	213	203	111
1	1	-	18	9	13
4,688	4,736	4,642	4,635	4,612	5,032
28	30	22	33	22	5
1.07 mgd	1.1 mgd	.757 mgd	.979 mgd	.976 mgd	1.24 mgd
2.238 mgd	2.715 mgd	2.284 mgd	2.584 mgd	1.473 mgd	1.45 mgd
4,338	4,397	4,323	4,321	4,293	4,848
7	8	13	8	4	3
0.835 mgd	0.77 mgd	0.638 mgd	0.651 mgd	0.764 mgd	1.39 mgd

CITY OF PORT LAVACA, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2016	2017	2018	2019
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)	50	50.2	50.2	50.2
Streetlights	685	685	685	685
Parks and recreation				
Acreage	153	152.5	152.5	152.5
Parks	7	7	7	7
Baseball/softball diamonds	4	4	4	4
Community centers	1	1	1	1
Swimming pools	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	71	70.9	70.9	70.9
Fire hydrants	279	279	279	279
Storage capacity	1 mg	1 mg	1 mg	1 mg
Wastewater				
Sanitary sewers (miles)	59	58.9	58.9	58.9
Treatment capacity	2 mgd	2 mgd	2 mgd	2 mgd

SOURCE: Various City of Port Lavaca departments

TABLE 21

Fiscal Year					
2020	2021	2022	2023	2024	2025
1	1	1	1	1	1
7	7	7	7	7	7
2	2	2	2	2	2
60.09	85.5	86	86	86	86
685	685	696	696	696	696
152.5	152.5	154	154	172.6	172.6
7	7	8	8	8	8
4	4	4	4	4	4
1	1	1	1	1	1
1	1	1	1	1	1
87	88	90	90	90	90
279	289	469	469	469	469
1 mg	1 mg	1 mg	1 mg	1 mg	1 mg
61	65	65	65	65	65
2 mgd	2 mgd	2 mgd	2 mgd	2 mgd	2 mgd

INDEPENDENT AUDITOR'S 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

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

We have audited, in accordance with the 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2026.

Report on 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) as a basis for designing 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 and correct 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 entity's 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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 or other matters 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Waco, Texas
March 23, 2026

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Port Lavaca, Texas' (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Waco, Texas
March 23, 2026

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CITY OF PORT LAVACA, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing	Pass-through Entity Identifying Number	Federal Expenditures	Pass-through Expenditures
<u>U. S. Department of Housing and Urban Development:</u>				
Passed through the Texas General Land Office:				
Community Development Block Grant	14.228	MIT 22-087-001-D226	\$ 547,708	\$ -
Total Texas General Land Office			<u>547,708</u>	<u>-</u>
Passed through the Texas Department of Agriculture:				
Community Development Block Grant	14.228	CDV23-0209	24,388	-
Total Texas Department of Agriculture			<u>24,388</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>572,096</u>	<u>-</u>
<u>U.S. Department of the Interior</u>				
Passed through the Texas Parks and Wildlife Department:				
Sport Fish Restoration Grant - Fish and Wildlife Cluster	15.605	CH61XFADMHV7	349,205	-
Total Texas Parks and Wildlife Department			<u>349,205</u>	<u>-</u>
Total U. S. Department of the Interior			<u>349,205</u>	<u>-</u>
<u>U. S. Department of Treasury</u>				
Passed through the Texas Commission on Environmental Quality:				
City of Port Lavaca Shoreline Cleanup (RESTORE Act)	21.015	582-23-42179	7,531	-
Total Texas Commission on Environmental Quality			<u>7,531</u>	<u>-</u>
Passed through the Texas Division of Emergency Management:				
COVID-19 - State and Local Fiscal Recovery Funds (ARP Act)	21.027	TX-1255	557,419	-
Total Texas Division of Emergency Management			<u>557,419</u>	<u>-</u>
Total U. S. Department of Treasury			<u>564,950</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>				
Passed through the Texas Division of Emergency Management:				
Disaster Grants - Public Assistance	97.036	4332-1649-TX	256,779	-
Hazard Mitigation Grant Program	97.039	4332-341-TX	118,949	-
Total Texas Division of Emergency Management			<u>375,728</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>375,728</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>1,861,979</u>	\$ <u>-</u>

The accompanying notes are an integral part of this schedule.

CITY OF PORT LAVACA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of the City. The City's reporting entity is defined in Note I of the basic financial statements. Federal awards received directly from federal agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Indirect Costs

The City has elected not to use the de minimis indirect cost rate as allowed in the Uniform Guidance.

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CITY OF PORT LAVACA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered a material weakness?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered a material weakness?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 100.516(a) None

Identification of major programs:

Assistance Listing Number(s): 14.228	Name of Program or Cluster: Community Development Block Grant
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Dollar threshold used to distinguish between type A and type B federal programs. \$1,000,000

Auditee qualified as low-risk auditee for federal single audit? Yes

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

CITY OF PORT LAVACA, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

None

DRAFT

City of Port Lavaca, TX
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Port Lavaca, TX
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