

CITY OF PORT ARANSAS, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
SEPTEMBER 30, 2014

CITY OF PORT ARANSAS, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Port Aransas, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that that the management's discussion and analysis, the schedule of funding progress for the Public Employees Retirement System and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budgetary Basis - Budget and Actual – Construction Fund, and the budgetary comparison information on pages 3 through 12, 60 through 61, and 64 through 71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Aransas, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



BEYER & CO.
Certified Public Accountants
April 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Port Aransas' (the City) annual financial report presents an overview, through management's discussion and analysis (MD&A), of the City's financial activities and performance during the fiscal year ended September 30, 2014. Please read it in conjunction with the independent auditors' report and the City's financial statements and disclosures, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Port Aransas exceeded its liabilities at the close of the most recent fiscal year by \$31,925,108 (net position). Of this amount, \$9,093,651 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.
- Total net position for the City of Port Aransas increased by \$2,212,478 during the fiscal year.
- As of the close of the current fiscal year, the City of Port Aransas governmental funds reported combined ending fund balances of \$12,982,195. Approximately 52.3% of this amount, \$6,785,349 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was 5,072,113 or 59.1% of General Fund expenditures.
- The City of Port Aransas' total bonded debt had a decrease of \$912,145 during the current fiscal year. Debt was reduced by payment of bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City of Port Aransas' basic financial statements are comprised of 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, including information on individual funds.

Government-wide financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City of Port Aransas finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, including capital assets and long-term obligations. The difference between the two is 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. Other indicators of the City's financial position should also be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (i.e. roads and drainage systems), in order to more accurately assess the overall financial condition of the City.

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 of Port Aransas include general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, and interest and fiscal charges. The business-type activities include gas, sanitation, and harbor.

Fund financial statements. The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Port Aransas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance, related legal requirements.

- Some funds are required by State law and by covenants of bonds/certificates of obligation.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes, fees and grants.

Governmental funds – Except for the operations of the Harbor, Gas, and Sanitation funds, the City's services are included in governmental funds. These funds focus on how cash and other financial assets can readily be converted to available resources and on the available balances left at year-end. This information may be useful in determining what financial resources are available in the near future to finance the City's programs. Other funds are referred to as non-major funds and are presented as summary data.

Because the focus of governmental fund level statements 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. In addition to the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Advertising Fund, Beach Cleaning Fund, Recreational Development Fund, Nature Preserve Fund, and the Construction Fund, all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds – The City accounts for the harbor, gas and sanitation operations in the Proprietary Funds.

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.

Government-wide Financial Analysis

The following table reflects a summary of Net Position compared to prior year:

**TABLE A-1
SUMMARY STATEMENT OF NET POSITION
SEPTEMBER 30,**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$14,284,065	\$14,905,714	\$1,508,495	\$1,189,164	\$15,792,560	\$16,094,878
Restricted Assets:	39,834	13,704	0	0	39,834	13,704
Capital Assets:	27,609,161	26,822,509	3,689,015	3,687,739	31,298,176	30,510,248
Total Assets	41,933,060	41,741,927	5,197,510	4,876,903	47,130,570	46,618,830
Long-Term Liabilities	13,971,780	15,021,255	93,506	90,673	14,065,286	15,111,928
Other Liabilities (Payable from Restricted Assets)	0	0	140,808	153,160	140,808	153,160
Other Liabilities	802,084	1,176,428	197,284	164,822	999,368	1,341,250
Total Liabilities	14,773,864	16,197,683	431,598	408,655	15,205,462	16,606,338
Invested in Capital Assets, Net of Related Debt	15,609,523	15,778,177	3,689,015	3,687,739	19,298,538	19,465,916
Restricted	3,532,919	2,951,264	0	0	3,532,919	2,951,264
Unrestricted	8,016,754	6,814,803	1,076,897	780,509	9,093,651	7,595,312
Total Net Assets	\$27,159,196	\$25,544,244	\$4,765,912	\$4,468,248	\$31,925,108	\$30,012,492

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 of Port Aransas, assets exceeded liabilities by \$27,159,196 at the close of the most recent fiscal year for governmental activities and \$4,765,912 for business-type activities.

A large portion of the City's net assets (57.4 percent in governmental activities and 77.7 percent in business type activities) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is 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 the capital assets themselves cannot be used to liquidate these liabilities.

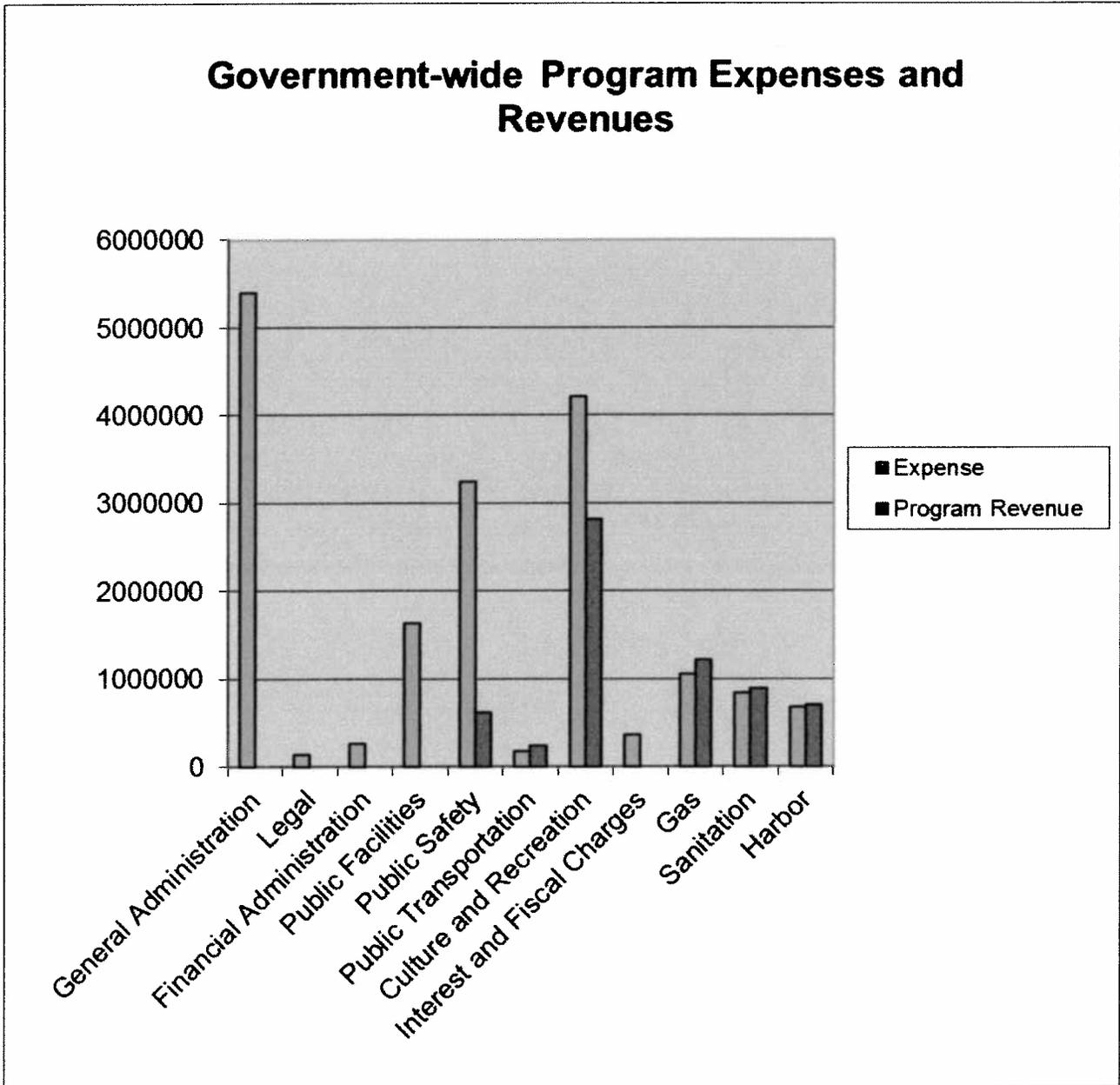
At the end of the current fiscal year, the City of Port Aransas is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Changes in Net Position. Governmental activities increased the City's net assets by \$1,914,814 and Business-type activities increased the City's net assets by \$297,664 for an increase of \$2,212,478.

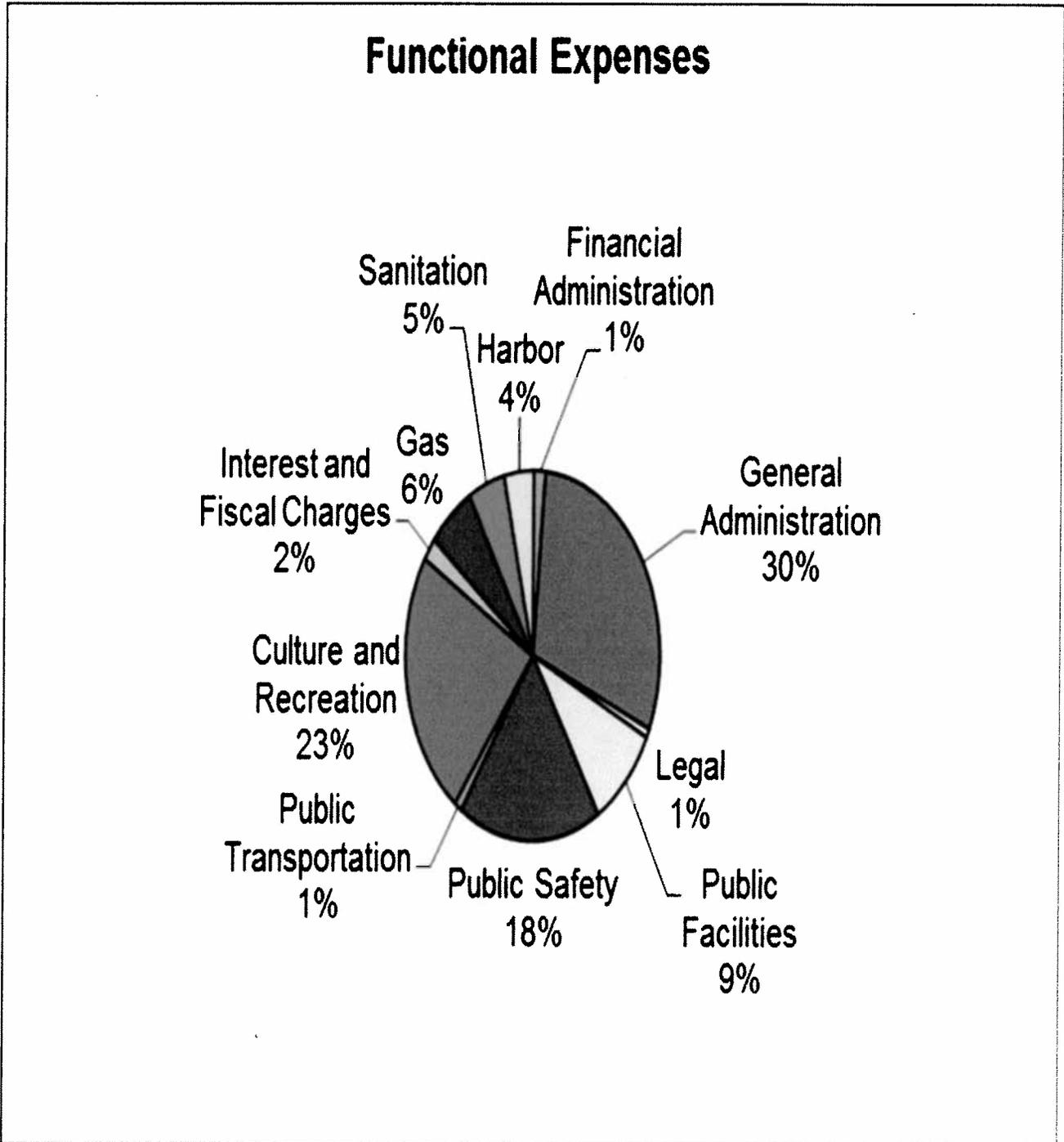
**TABLE A-2
CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$3,149,381	\$2,626,879	\$2,792,478	\$2,476,689	\$5,941,859	\$5,103,568
Operating Grants and Contributions	283,721	530,630	25,237		308,958	530,630
Capital Grants and Contributions	234,515	0	0	0	234,515	0
General Revenues:						
Property Taxes, Levies for General Purposes	4,802,829	4,436,317			4,802,829	4,436,317
Sales Taxes	1,896,931	1,814,299			1,896,931	1,814,299
Franchise Taxes	461,410	422,886			461,410	422,886
Hotel/Motel Taxes	4,588,383	4,030,444			4,588,383	4,030,444
Licenses and Permits	1,460,345	1,387,772			1,460,345	1,387,772
Unrestricted Investment Earnings	6,496	17,165	593	1,549	7,089	18,714
Grants and Contributions not Restricted to Specific Programs	162,698	106,296	0	202	162,698	106,498
Miscellaneous	298,499	83,039	2,225	0	300,724	83,039
Total Revenue	17,345,208	15,455,727	2,820,533	2,478,440	20,165,741	17,934,167
Expenses:						
General Administration	5,403,783	5,012,949			5,403,783	5,012,949
Legal	138,797	109,750			138,797	109,750
Financial Administration	261,794	251,949			261,794	251,949
Public Facilities	1,625,031	1,602,759			1,625,031	1,602,759
Public Safety	3,245,401	3,375,274			3,245,401	3,375,274
Public Transportation	170,582	168,714			170,582	168,714
Culture and Recreation	4,210,028	3,498,690			4,210,028	3,498,690
Interest and Fiscal Charges	356,981	417,992			356,981	417,992
Gas			1,034,496	859,085	1,034,496	859,085
Sanitation			834,931	821,866	834,931	821,866
Harbor			671,439	631,228	671,439	631,228
Total Expenses	15,412,397	14,438,077	2,540,866	2,312,179	17,953,263	16,750,256
Increase in Net Assets Before Transfers and Special Items	1,932,811	1,017,650	279,667	166,261	2,212,478	1,183,911
Transfers	(17,997)	62,899	17,997	(62,899)	0	0
Increase in Net Assets	1,914,814	1,080,549	297,664	103,362	2,212,478	1,183,911
Net Assets at 09/30/2013-Restated	25,244,382	24,463,695	4,468,248	4,364,886	29,712,630	28,828,581
Net Assets at 09/30/2014	\$27,159,196	\$25,544,244	\$4,765,912	\$4,468,248	\$31,925,108	\$30,012,492

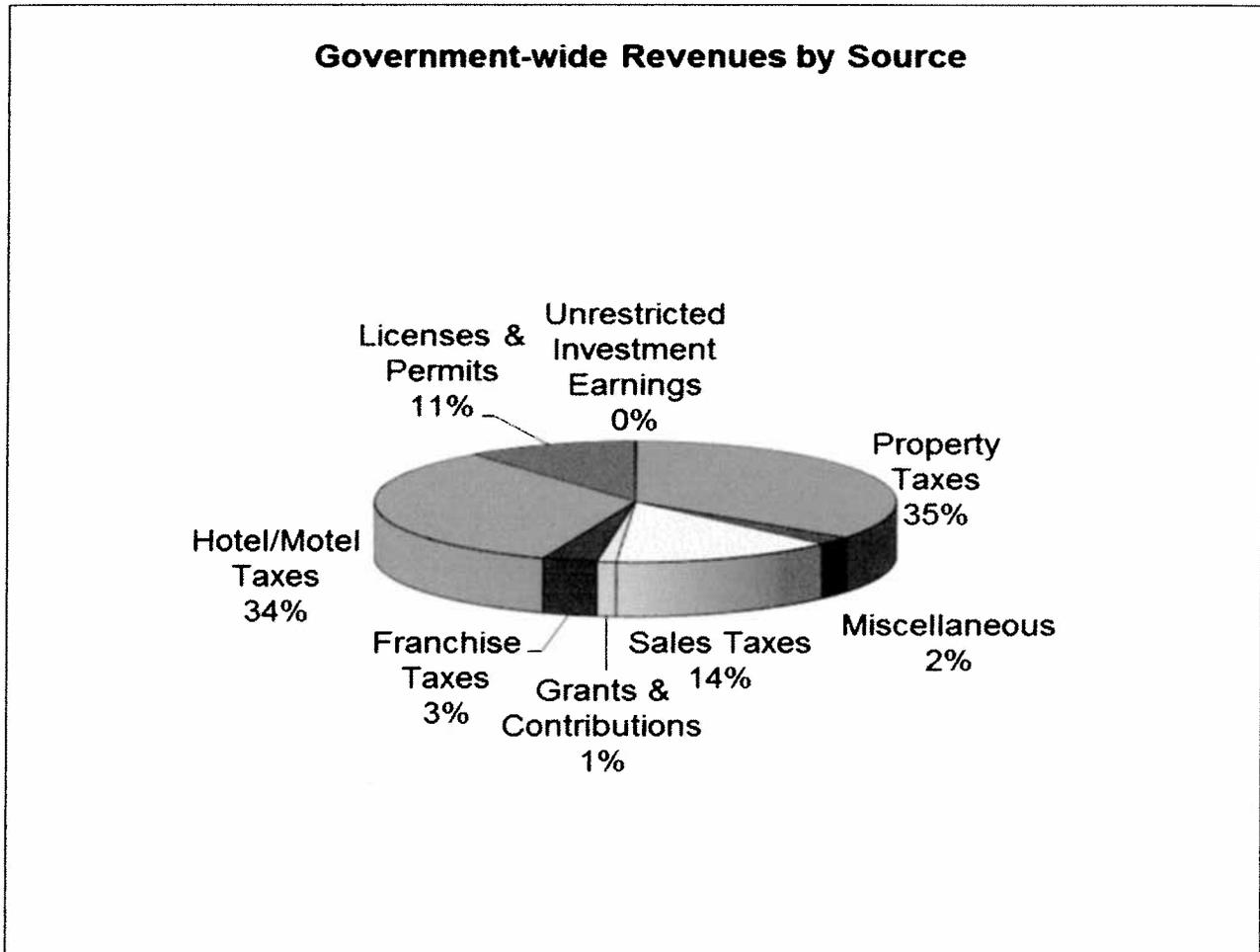
The chart below illustrates the City's expense and revenues by function: general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, interest and fiscal charges, gas, and harbor.



Expenses are broken down by governmental function and are presented below.



General revenues such as property taxes, sales taxes and franchise fees are not shown by program, but are used to support all governmental activities. Property taxes are the largest source of general governmental revenues, followed by hotel/motel tax and sales tax.



Financial Analysis of the Government's Funds

In comparison to the government-wide statements, the fund level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Port Aransas' 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Port Aransas' governmental funds reported combined ending fund balances of \$12,982,195, an increase of \$146,223 in comparison with the prior year. Approximately 52.3%, or \$6,785,349, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted or committed and is not available for new spending because it has already been committed/restricted to pay for construction (\$1,274,009), debt service (\$230,941), reserved for culture & recreation (\$1,527,490), prepaid items and inventories (\$14,405), public safety (\$61,417), Economic Development (\$2,421,193), and public transportation (\$667,391).

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 \$5,072,113, while total fund balance reached \$5,111,947. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 59.1% of total general fund expenditures, while total fund balance represents 59.6% of that same amount.

The fund balance of the City General Fund increased by \$396,033 during the current fiscal year. Key factors in this increase are as follows:

- Sales Tax increased by \$55,088.
- Licenses and permits increased by \$85,411.
- Property taxes increased by \$273,215
- Charges for services increased by \$405,949
- Expenditures were under budgeted amounts mainly due to shortage of key personnel during the fiscal year which provided a savings in personnel costs.

Budgetary Highlights

The City's budget was amended one time. The General Fund, Hotel/Motel Occupancy Tax Fund, Beach Fund, Harbor Fund and Gas Department Fund had a net change of \$0 (amounts were either shifted between departments or had excess revenue to cover expenses). The General Fund had an increase in expenses of \$322,000 but had corresponding revenues to offset this amount. There were several departments where a salary adjustment was needed due to labor over-runs and an additional transfer to the Street Maintenance Fund was established. The Hotel Motel Fund had an increase of \$380,000 for expenses to transfer excess collections and reserves to the Chamber of Commerce for sales and marketing as required. The Beach Fund was amended for additional expenses for heavy equipment repairs and heavy seaweed removal efforts. The Harbor Fund had additional expenses for paving a parking lot (bids were higher than initial estimate). The Gas Fund had an increase in the purchase of gas but also had a corresponding increase to the sale of the same gas.

Budget variances are "Favorable" if actual revenues exceed budgeted amounts and if actual expenditures are under budgeted amounts. Variances are "Unfavorable" if actual revenues are under budgeted amounts and if actual expenditures are over budgeted amounts. Favorable variances are indicated by showing amounts without brackets and unfavorable variances are indicated by bracketed amounts.

In the General Fund, during the year, the revenues were \$458,036 higher than budgeted. An increase in all categories except interest were realized.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for all activities as of September 30, 2014 amount to \$30,510,248 (net of accumulated depreciation). This investment in capital assets includes both governmental activities and business type activities such as land, construction in progress, buildings, equipment, fleet, streets, and other infrastructure. Additional information on capital assets can be found in Note C. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation 30-Sep

	Total Activities <u>2014</u>	Total Activities <u>2013</u>
<i>Governmental Activities:</i>		
Land	\$3,440,036	\$3,440,036
Construction in Progress	308,630	4,449,268
Infrastructure	19,030,424	15,162,609
Buildings	1,962,963	1,388,536
Machinery & Equipment	753,127	611,000
Vehicles	2,113,981	1,771,060
Total Governmental Activities	<u>27,609,161</u>	<u>26,822,509</u>
<i>Business-type Activities:</i>		
Construction in Progress	0	0
Infrastructure	3,177,154	3,391,834
Buildings	139,270	145,653
Machinery & Equipment	328,107	122,818
Vehicles	44,484	27,434
Total Business-type Activities	<u>3,689,015</u>	<u>3,687,739</u>
Total net assets	<u>\$31,298,176</u>	<u>\$30,510,248</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$14,977,345. The table below reflects the outstanding debt at September 30. Additional information can be found in Note F.

Outstanding Debt September 30

	Total Governmental Activities <u>2014</u>	Total Governmental Activities <u>2013</u>
General Obligation Bonds	\$12,005,000	\$12,810,000
Bond Premium - Series 2009 & 2012	192,123	209,224
Capital Leases	890,777	980,821
Total Bonds Payable	<u>\$13,087,900</u>	<u>\$14,000,045</u>

The City's total bonded outstanding debt decreased by \$912,145 during the current fiscal year. The key factor in this decrease was the payment of debt.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2014-2015 fiscal year.

Certificate of Obligations were issued in the fall of 2014 in order to purchase land to construct a new ferry stacking system. In addition to the C.O.'s being used for this purpose, approximately \$800,000 of General Fund reserves was budgeted for a cash payment for this land.

The tax rate for the year has decreased to 29.9118 cents per hundred. The tax rate has been split with .235228 for maintenance and operations and .063890 for interest and sinking for the retirement of the bonds.

Overall, the General Fund is budgeted to end the fiscal year 2014-2015 with an estimated fund balance of \$4,392,505. This is approximately 51.2% of General Fund operating expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 710 W. Avenue A., Port Aransas, TX 78373 or call 361-749-4111. Information is also available on the City's web-site at www.cityofportaransas.org.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$13,224,253	\$1,433,325	\$14,657,578
Receivables (net of allowance for uncollectibles)	985,224	75,170	1,060,394
Inventories	14,405		14,405
Prepaid Items	60,183		60,183
Unamortized Bond Issuance Cost			0
Restricted Assets:			
Cash and Cash Equivalents	39,834		39,834
Capital Assets Not Being Depreciated:			
Land	3,440,036		3,440,036
Construction in Progress	308,630		308,630
Total Capital Assets Being Depreciated, Net			
Infrastructure	19,030,424	3,177,154	22,207,578
Buildings	1,962,963	139,270	2,102,233
Machinery and Equipment	753,127	328,106	1,081,233
Vehicles	2,113,981	44,485	2,158,466
Total Assets	\$41,933,060	\$5,197,510	\$47,130,570
LIABILITIES:			
Accounts Payable	\$608,610	\$184,121	\$792,731
Accrued Wages Payable	140,341	13,163	153,504
Accrued Interest Payable	53,133		53,133
Consumer Meter Deposits		140,808	140,808
Noncurrent Liabilities:			
Due Within One Year	1,448,995	21,108	1,470,103
Due in More Than One Year	12,522,785	72,398	12,595,183
Total Liabilities	14,773,864	431,598	15,205,462
Net Position			
Invested in Capital Assets, Net of Related Debt	15,609,523	3,689,015	19,298,538
Restricted for:			
Debt Service	859,202		859,202
Culture and Recreation	230,941		230,941
Public Safety	2,421,193		2,421,193
Economic Development	21,583		21,583
Unrestricted	8,016,754	1,076,897	9,093,651
Total Net Position	\$27,159,196	\$4,765,912	\$31,925,108

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in		Net (Expense) Revenue and Changes in Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government						
Government Activities:						
General Administration	\$5,403,783				(\$5,403,783)	(\$5,403,783)
Legal	138,797				(138,797)	(138,797)
Financial Administration	261,794				(261,794)	(261,794)
Public Facilities	1,625,031				(1,625,031)	(1,625,031)
Public Safety	3,245,401	570,539	40,250		(2,634,612)	(2,634,612)
Public Transportation	170,582			234,515	63,933	63,933
Culture and Recreation	4,210,028	2,578,842	243,471		(1,387,715)	(1,387,715)
Interest and Fiscal Charges	356,981				(356,981)	(356,981)
Total Government Activities	15,412,397	3,149,381	283,721	234,515	(11,744,780)	0
Business-Type Activities:						
Gas	1,034,496	1,194,684	25,237			185,425
Sanitation	834,931	893,991				59,060
Harbor	671,439	703,803				32,364
Total Business-Type Activities	2,540,866	2,792,478	25,237	0		276,849
Total Primary Government	\$17,953,263	\$5,941,859	\$308,958	\$234,515	(11,744,780)	276,849
General Revenues						
Property Taxes, Levies for General Purposes					4,802,829	4,802,829
Sales Taxes					1,896,931	1,896,931
Franchise Taxes					461,410	461,410
Hotel/Motel Taxes					4,588,383	4,588,383
Licenses and Permits					1,460,345	1,460,345
Unrestricted Investment Earnings					6,496	593
Grants and Contributions not Restricted to Specific Programs					162,698	162,698
Miscellaneous					298,499	2,225
Transfers					(17,997)	17,997
Total General Revenues and Transfers					13,659,594	20,815
Change in Net Position					1,914,814	297,664
Net Position - Beginning - Restated					25,244,382	4,468,248
Net Position - Ending					\$27,159,196	\$4,765,912

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Advertising Fund	Beach Cleaning Funds	Recreational Development Fund	Nature Preserve Funds	Construction Funds	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$5,094,142	\$476,609	\$2,253,244	\$1,814,804	\$262,149	\$861,042	\$2,462,263	\$13,224,253
Receivables (net of allowance for uncollectibles)	310,282		158,517				92,748	561,547
Restricted Assets:								
Cash and Cash Equivalents	39,834							39,834
Inventories							14,405	14,405
Total Assets	\$5,444,258	\$476,609	\$2,411,761	\$1,814,804	\$262,149	\$861,042	\$2,569,416	\$13,840,039
LIABILITIES AND FUND BALANCES:								
Accounts Payable	\$111,424	\$226,964	\$240,213	\$996		\$1,840	\$27,173	\$608,610
Accrued Wages	129,674			572	866		9,229	140,341
Total Liabilities	241,098	226,964	240,213	1,568	866	1,840	36,402	748,951
DEFERRED INFLOWS OF RESOURCES								
Deferred Property Taxes	91,213						17,680	108,893
Fund Balances:								
Non-Spendable								
Inventories							14,405	14,405
Prepaid Items								0
Restricted								
Construction						859,202		859,202
Culture and Recreation				100,000	261,283		534,856	896,139
Debt Service							230,941	230,941
Economic Development		249,645	2,171,548					2,421,193
Public Safety							21,583	21,583
Committed								
Construction							414,807	414,807
Culture and Recreation							631,351	631,351
Public Safety	39,834							39,834
Public Transportation							667,391	667,391
Unassigned	5,072,113			1,713,236				6,785,349
Total Fund Balance	5,111,947	249,645	2,171,548	1,813,236	261,283	859,202	2,515,334	12,982,195
Total Liabilities and Fund Balances	\$5,444,258	\$476,609	\$2,411,761	\$1,814,804	\$262,149	\$861,042	\$2,569,416	\$13,840,039

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2014

Total Fund Balances - governmental funds balance sheet

Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	\$12,982,195
Capital assets used in governmental activities are not reported in the funds. Some expenses are not expensed in the current period but rather are deferred in the funds.	27,609,161
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	60,183
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	108,893
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	423,677
	(14,024,913)
Net Position of governmental activities - statement of Net Position	<u>\$27,159,196</u>

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Advertising Fund	Beach Cleaning Funds	Recreational Development Fund	Nature Preserve Funds	Construction Funds	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes								
Property	\$3,749,390	\$0	\$0	\$0	\$0	\$0	\$1,049,418	\$4,798,808
Sales	1,264,621						632,310	1,896,931
Franchise	461,410							461,410
Hotel/Motel		2,159,614	1,996,846	431,923				4,588,383
Intergovernmental	437,463		233,070				10,401	680,934
Licenses and Permits	705,757		754,588					1,460,345
Charges for Services	2,209,522						554,904	2,764,426
Fines and Forfeitures	293,477						7,599	301,076
Interest	2,305	277	588	305	83	833	2,105	6,496
Miscellaneous	248,099					15,105	35,295	298,499
Total Revenues	9,372,044	2,159,891	2,985,092	432,228	83	15,938	2,292,032	17,257,308
EXPENDITURES								
Current:								
General Administration	1,814,922	1,902,856						3,717,778
Legal	138,797							138,797
Financial Administration	258,939							258,939
Public Facilities	1,833,278							1,833,278
Public Safety	3,430,569						6,566	3,437,135
Public Transportation	152,138						3,325	155,463
Culture and Recreation	755,247		2,717,972	208,399	48,403		685,697	4,415,718
Capital Projects -								
Capital Outlay and Other						1,863,225		1,863,225
Debt Service								
Principal Retirement	162,387		72,907				805,000	1,040,294
Interest and Fiscal Charges	34,784		3,527	8,933			330,467	377,711
Total Expenditures	8,581,061	1,902,856	2,794,406	217,332	48,403	1,863,225	1,831,055	17,238,338
Excess (Deficiency) of Revenues Over (Under)								
Expenditures	790,983	257,035	190,686	214,896	(48,320)	(1,847,287)	460,977	18,970
OTHER FINANCING SOURCES (USES):								
Other Financing Sources - Capital Lease	145,250							145,250
Operating Transfers In	8,000			287,948	43,959		709,679	1,049,586
Operating Transfers Out	(548,200)	(287,948)		(43,959)			(187,476)	(1,067,583)
Total Other Financing Sources (Uses)	(394,950)	(287,948)	0	243,989	43,959	0	522,203	127,253
Net Changes in Fund Balances	396,033	(30,913)	190,686	458,885	(4,361)	(1,847,287)	983,180	146,223
Fund Balances - Beginning	4,715,914	280,558	1,980,862	1,354,351	265,644	2,706,489	1,532,154	12,835,972
Fund Balances - Ending	\$5,111,947	\$249,645	\$2,171,548	\$1,813,236	\$261,283	\$859,202	\$2,515,334	\$12,982,195

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 SEPTEMBER 30, 2014

Net Changes in Fund Balances - total governmental funds	\$146,223
Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	786,652
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	83,879
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	4,021
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	1,040,294
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(145,250)
Increase in debt due to the implementation of GASB 45 - Other Post Employment Benefits	0
(Increase) decrease in accrued interest payable from beginning of period to end of period.	3,629
(Increase) decrease in compensated absences payable from beginning of period to end of period.	(22,670)
(Increase) decrease in bond premium payable from beginning of period to end of period.	17,101
(Decrease) increase in prepaid items from beginning of period to end of period.	935
Change in Net Position of governmental activities - statement of activities	<u>\$1,914,814</u>

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Property	\$3,685,049	\$3,685,049	\$3,749,390	\$64,341
Sales	1,170,000	1,240,000	1,264,621	24,621
Franchise	425,500	425,500	461,410	35,910
Intergovernmental	362,615	414,615	437,463	22,848
Licenses and Permits	502,500	602,500	705,757	103,257
Charges for Services	2,069,144	2,069,144	2,209,522	140,378
Fines and Forfeitures	280,000	280,000	293,477	13,477
Interest	10,000	10,000	2,305	(7,695)
Miscellaneous	87,200	187,200	248,099	60,899
Total Revenues	8,592,008	8,914,008	9,372,044	458,036
EXPENDITURES				
Current:				
General Administration				
Administration	250,095	250,095	232,960	17,135
Central Operating	998,650	1,013,650	1,033,226	(19,576)
City Secretary	169,290	169,290	144,424	24,866
Information Technology	177,050	177,050	153,222	23,828
Mayor and Council	79,900	79,900	70,194	9,706
Planning	203,090	203,090	180,896	22,194
Legal				
City Attorney	150,000	150,000	138,797	11,203
Financial Administration				
Finance Department	258,690	258,690	258,939	(249)
Public Facilities				
Public Buildings	294,755	324,755	318,177	6,578
Public Works	1,557,285	1,557,285	1,515,101	42,184
Public Safety				
EMS	609,070	659,070	648,828	10,242
Fire Department	187,760	187,760	172,051	15,709
Inspection	146,960	168,960	161,746	7,214
Municipal Court	117,495	122,495	116,619	5,876
Police	2,314,445	2,284,445	2,186,075	98,370
Public Transportation				
Regional Transit	160,615	160,615	152,138	8,477
Culture and Recreation				
Beach Services	83,911	83,911	63,357	20,554
Library	256,920	256,920	247,322	9,598
Parks and Recreation	421,965	451,965	444,568	7,397
Debt Service				
Principal Retirement	162,500	162,500	162,387	113
Interest Retirement	31,280	31,280	34,784	(3,504)
Total Expenditures	8,631,726	8,753,726	8,435,811	317,915
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(39,718)	160,282	936,233	775,951
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	8,000	8,000	8,000	0
Operating Transfers Out	(348,200)	(548,200)	(548,200)	0
Total Other Financing Sources (Uses)	(340,200)	(540,200)	(540,200)	0
Net Changes in Fund Balances	(379,918)	(379,918)	396,033	775,951
Fund Balances - Beginning	4,715,914	4,715,914	4,715,914	
Fund Balances - Ending	\$4,335,996	\$4,335,996	\$5,111,947	\$775,951

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
 ADVERTISING FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	\$1,757,142	\$2,137,142	\$2,159,614	\$22,472
Interest	500	500	277	(223)
Total Revenues	<u>1,757,642</u>	<u>2,137,642</u>	<u>2,159,891</u>	<u>22,249</u>
EXPENDITURES				
General Administration				
Mayor and Council	1,522,856	1,902,856	1,902,856	0
Total Expenditures	<u>1,522,856</u>	<u>1,902,856</u>	<u>1,902,856</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	234,786	234,786	257,035	22,249
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(234,286)	(234,286)	(287,948)	(53,662)
Total Other Financing Sources (Uses)	<u>(234,286)</u>	<u>(234,286)</u>	<u>(287,948)</u>	<u>(53,662)</u>
Net Changes in Fund Balances	500	500	(30,913)	(31,413)
Fund Balances - Beginning	280,558	280,558	280,558	
Fund Balances - Ending	<u>\$281,058</u>	<u>\$281,058</u>	<u>\$249,645</u>	<u>(\$31,413)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
 BEACH FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	\$1,621,429	\$1,721,429	\$1,996,846	\$275,417
Intergovernmental	211,000	211,000	233,070	22,070
Licenses and Permits	540,000	540,000	754,588	214,588
Interest	750	750	588	(162)
Total Revenues	<u>2,373,179</u>	<u>2,473,179</u>	<u>2,985,092</u>	<u>511,913</u>
EXPENDITURES				
Culture and Recreation				
Beach	2,668,095	2,768,095	2,717,972	50,123
Debt Service				
Principal Retirement	72,950	72,950	72,907	43
Interest and Fiscal Charges	3,550	3,550	3,527	23
Total Expenditures	<u>2,744,595</u>	<u>2,844,595</u>	<u>2,794,406</u>	<u>50,189</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(371,416)	(371,416)	190,686	562,102
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	(371,416)	(371,416)	190,686	562,102
Fund Balances - Beginning	1,980,862	1,980,862	1,980,862	
Fund Balances - Ending	<u>\$1,609,446</u>	<u>\$1,609,446</u>	<u>\$2,171,548</u>	<u>\$562,102</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
 RECREATIONAL DEVELOPMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	\$351,429	\$351,429	\$431,923	\$80,494
Interest	500	500	305	(195)
Total Revenues	<u>351,929</u>	<u>351,929</u>	<u>432,228</u>	<u>80,299</u>
EXPENDITURES				
Culture and Recreation				
Culture and Recreation	371,350	371,350	208,399	162,951
Debt Service				
Principal Retirement	160,000	160,000	0	160,000
Interest Retirement	12,236	12,236	8,933	3,303
Total Expenditures	<u>543,586</u>	<u>543,586</u>	<u>217,332</u>	<u>326,254</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(191,657)	(191,657)	214,896	406,553
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	234,286	234,286	287,948	53,662
Operating Transfers Out	(54,404)	(54,404)	(43,959)	10,445
Total Other Financing Sources (Uses)	<u>179,882</u>	<u>179,882</u>	<u>243,989</u>	<u>64,107</u>
Net Changes in Fund Balances	(11,775)	(11,775)	458,885	470,660
Fund Balances - Beginning	1,354,351	1,354,351	1,354,351	
Fund Balances - Ending	<u>\$1,342,576</u>	<u>\$1,342,576</u>	<u>\$1,813,236</u>	<u>\$470,660</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
 NATURE PRESERVE PROJECT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$0	\$0	\$0	\$0
Interest	200	200	83	(117)
Total Revenues	200	200	83	(117)
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	318,995	318,995	48,403	270,592
Total Expenditures	318,995	318,995	48,403	270,592
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(318,795)	(318,795)	(48,320)	270,475
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	53,995	53,995	43,959	(10,036)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	53,995	53,995	43,959	(10,036)
Net Changes in Fund Balances	(264,800)	(264,800)	(4,361)	260,439
Fund Balances - Beginning	265,644	265,644	265,644	
Fund Balances - Ending	\$844	\$844	\$261,283	\$260,439

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

BUSINESS TYPE ACTIVITIES
- ENTERPRISE FUNDS

	GAS CURRENT YEAR	GAS PRIOR YEAR	SANITATION CURRENT YEAR	SANITATION PRIOR YEAR	HARBOR CURRENT YEAR	HARBOR PRIOR YEAR	TOTALS CURRENT YEAR
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$842,763	\$664,853	\$123,732	\$80,647	\$466,830	\$378,520	\$1,433,325
Accounts Receivables (net of allowance for uncollectibles)	5,375	8,006	69,795	57,138	0	0	75,170
Total Current Assets	848,138	672,859	193,527	137,785	466,830	378,520	1,508,495
Noncurrent Assets							
Capital Assets							
Infrastructure	608,513	571,036			6,909,482	6,702,613	7,517,995
Buildings	51,404	51,404	8,225	8,225	130,129	130,129	189,758
Machinery and Equipment	246,888	220,057			127,950	127,950	374,838
Vehicles	184,549	158,849			33,571	33,571	218,120
Total Capital Assets	1,091,354	1,001,346	8,225	8,225	7,201,132	6,994,263	8,300,711
Less Accumulated Depreciation	(898,239)	(853,582)	(5,072)	(4,250)	(3,708,385)	(3,458,263)	(4,611,696)
Total Capital Assets (net of accumulated depreciation)	193,115	147,764	3,153	3,975	3,492,747	3,536,000	3,689,015
Total Noncurrent Assets	193,115	147,764	3,153	3,975	3,492,747	3,536,000	3,689,015
TOTAL ASSETS	\$1,041,253	\$820,623	\$196,680	\$141,760	\$3,959,577	\$3,914,520	\$5,197,510

(continued)

(continued)

BUSINESS TYPE ACTIVITIES
- ENTERPRISE FUNDS

	GAS CURRENT YEAR	GAS PRIOR YEAR	SANITATION CURRENT YEAR	SANITATION PRIOR YEAR	HARBOR CURRENT YEAR	HARBOR PRIOR YEAR	TOTALS CURRENT YEAR
LIABILITIES, FUND EQUITY AND OTHER CREDITS							
Liabilities							
Current Liabilities (Payable from Current Assets)							
Accounts Payable	\$45,663	\$59,515	\$68,199	\$72,571	\$70,259	\$22,323	\$184,121
Compensated Absences	13,175	11,163	1,047	992	6,886	6,120	21,108
Accrued Wages Payable	7,594	5,610	893	760	4,676	4,043	13,163
Total Current Liabilities (Payable from Current Assets)	66,432	76,288	70,139	74,323	81,821	32,486	218,392
Current Liabilities (Payable from Restricted Assets)							
Consumer Meter Deposits	128,608	123,561			12,200	29,599	140,808
Total Current Liabilities Payable from Restricted Assets	128,608	123,561	0	0	12,200	29,599	140,808
Total Current Liabilities	195,040	199,849	70,139	74,323	94,021	62,085	359,200
Noncurrent Liabilities							
Accrued Other Post Employment Benefits	44,261	44,261	4,664	4,664	23,473	23,473	72,398
Total Noncurrent Liabilities	44,261	44,261	4,664	4,664	23,473	23,473	72,398
Total Liabilities	239,301	244,110	74,803	78,987	117,494	85,558	431,598
Invested in Capital Assets, Net of Related Debt	193,115	147,764	3,153	3,975	3,492,747	3,536,000	3,689,015
Unrestricted	608,837	428,749	118,724	58,798	349,336	292,962	1,076,897
Total Net Position	\$801,952	\$576,513	\$121,877	\$62,773	\$3,842,083	\$3,828,962	\$4,765,912

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

BUSINESS TYPE ACTIVITIES
- ENTERPRISE FUNDS

	GAS CURRENT YEAR	GAS PRIOR YEAR	SANITATION CURRENT YEAR	SANITATION PRIOR YEAR	HARBOR CURRENT YEAR	HARBOR PRIOR YEAR	TOTALS CURRENT YEAR
OPERATING REVENUES:							
Charges for Services	\$1,194,684	\$952,528	\$893,991	\$853,147	\$703,803	\$671,014	\$2,792,478
Total Operating Revenues	1,194,684	952,528	893,991	853,147	703,803	671,014	2,792,478
OPERATING EXPENSES:							
Personal Services	394,264	379,214	44,514	42,759	213,335	210,738	652,113
Supplies and Other Services and Charges	595,576	435,992	789,595	778,285	207,983	176,310	1,593,154
Depreciation	44,656	43,879	822	822	250,121	244,180	295,599
Total Operating Expenses	1,034,496	859,085	834,931	821,866	671,439	631,228	2,540,866
Operating Income (Loss)	160,188	93,443	59,060	31,281	32,364	39,786	251,612
NON-OPERATING REVENUES (EXPENSES):							
Interest Income	313	737	44	133	236	679	593
Sale of Fixed Assets	2,225	0					2,225
Federal and State Grants	25,237	202					25,237
Total Non-Operating Revenues (Expenses)	27,775	939	44	133	236	679	28,055
Income Before Transfers	187,963	94,382	59,104	31,414	32,600	40,465	279,667
Transfers In (Out) - Net	37,476	0	0	0	(19,479)	(62,899)	17,997
Change in Net Position	225,439	94,382	59,104	31,414	13,121	(22,434)	297,664
Total Net Position - Beginning	576,513	482,131	62,773	31,359	3,828,962	3,851,396	4,468,248
Total Net Position - Ending	\$801,952	\$576,513	\$121,877	\$62,773	\$3,842,083	\$3,828,962	\$4,765,912

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

BUSINESS TYPE ACTIVITIES
- ENTERPRISE FUNDS

	GAS CURRENT YEAR	GAS PRIOR YEAR	SANITATION CURRENT YEAR	SANITATION PRIOR YEAR	HARBOR CURRENT YEAR	HARBOR PRIOR YEAR	TOTALS CURRENT YEAR
Cash Flows from Operating Activities							
Receipts from Customers and Users	\$1,202,362	\$955,907	\$881,334	\$845,845	\$686,404	\$674,325	\$2,770,100
Payments to Suppliers	(609,428)	(416,003)	(793,967)	(770,403)	(160,047)	(167,463)	(1,563,442)
Payments to Employees	(390,267)	(376,541)	(44,326)	(42,546)	(211,935)	(208,138)	(646,528)
Net Cash Provided (Used) by Operating Activities	202,667	163,363	43,041	32,896	314,422	298,724	560,130
Cash Flows from Non-Capital and Related Financing Activities							
Federal Grants and Contributions	25,237	202	0	0			25,237
Sale of Fixed Assets	2,225	0	0	0			2,225
Transfers In/Out	37,476	0	0	0	(19,479)	(62,899)	17,997
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	64,938	202	0	0	(19,479)	(62,899)	45,459
Cash Flows from Capital and Related Financing Activities							
Purchases of Capital Assets	(90,008)	(24,636)	0	0	(206,869)	(237,668)	(296,877)
Net Cash Provided (Used) by Capital and Related Financing Activities	(90,008)	(24,636)	0	0	(206,869)	(237,668)	(296,877)
Cash Flows from Investing Activities							
Interest Received	313	737	44	133	236	679	593
Net Cash Provided (Used) by Investment Activities	313	737	44	133	236	679	593
Net Increase (Decrease) in Cash Equivalents	177,910	139,666	43,085	33,029	88,310	(1,164)	309,305
Cash and Cash Equivalents at Beginning of Year	664,853	525,187	80,647	47,618	378,520	379,684	1,124,020
Cash and Cash Equivalents at End of Year	\$842,763	\$664,853	\$123,732	\$80,647	\$466,830	\$378,520	\$1,433,325

(continued)

(continued)

BUSINESS TYPE ACTIVITIES
- ENTERPRISE FUNDS

	GAS CURRENT YEAR	GAS PRIOR YEAR	SANITATION CURRENT YEAR	SANITATION PRIOR YEAR	HARBOR CURRENT YEAR	HARBOR PRIOR YEAR	TOTALS CURRENT YEAR
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating Income (Loss)	\$160,188	\$93,443	\$59,060	\$31,281	\$32,364	\$39,786	251,612
Adjustments to Reconcile to Net Cash Flow							
Non-Cash Items Included in Net Income							
Depreciation	44,656	43,879	822	822	250,121	244,180	295,599
Changes in Current Items							
Decrease (Increase) in Accounts Receivable	2,631	(5,058)	(12,657)	(7,302)	0	0	(10,026)
Increase (Decrease) in Accounts Payable	(13,852)	4,365	(4,372)	6,214	47,936	(265)	29,712
Increase (Decrease) Compensated Absences	2,012	2,535	55	97	766	2,003	2,833
Increase (Decrease) Accrued Wages Payable	1,985	138	133	116	634	597	2,752
Increase (Decrease) in Consumer Meter Deposits	5,047	8,437	0	0	(17,399)	3,311	(12,352)
Increase (Decrease) in Accrued Other Post Employment Benefits	0	15,624	0	1,668	0	9,112	0
Net Cash Provided (Used) By Operating Activities	\$202,667	\$163,363	\$43,041	\$32,896	\$314,422	\$298,724	\$560,130
Noncash Investing, Capital, and Financing Activities:							
Grants	\$25,237	\$202	\$0	\$0	\$0	\$0	\$25,237

Note: The above funds are all Enterprise Funds.

City of Port Aransas, Texas
Notes to the Financial Statements
September 30, 2014

I. Summary of significant accounting policies

A. Reporting entity

The City of Port Aransas, Texas (the “City”) was incorporated as a general law city in November 1955. In August 1978 the City adopted the Mayor-Council-Manager form of government. The principal services accounted for as general governmental functions include public safety, health, streets, sanitation, park and recreation, planning, zoning and general administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United State of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting principles and practices are discussed in subsequent sections of these Notes.

Blended Component Unit

The Port Aransas Recreational Development Corporation (PARDC) was chartered on November 27, 1995. The public purposes for which the Corporation is organized and for which it may issue bonds are as follows: construction, development, expansion, maintenance, operation and promotion of recreational and sports fields and stadiums, swimming pool, sports complexes, and related facilities and improvements. The Board of Directors consisting of seven members is appointed by the City Council. PARDC’s main source of revenue is the additional one-half cent sales tax approved by voters.

Although they are legally separate from the City, the Port Aransas Recreational Development Corporation (PARDC) is reported as if they are a part of the primary government because their primary purpose is to provide services to the citizens of the City. The general fund of this entity is reported as a special revenue fund of the City. Separate financial statements are not prepared for the blended component unit.

B. Government-wide and fund financial statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities those transactions between governmental and business-type activities have not been eliminated.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when

received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

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 Advertising Fund accounts for the portion of occupancy taxes that are required to be spent for advertising and promoting the City.

The Beach Fund accounts for the portion of sales taxes required to provide beach cleaning and safety.

The Recreational Development Fund accounts for the portion of sales taxes that the Council requires to be set aside for recreational development.

The Nature Preserve Capital Projects Fund was established to account for the proceeds of the Certificates of Obligation that were issued during the year ended September 30, 2004. Certificates of Obligation will be used to provide a nature preserve.

The Construction Fund accounts for bond proceeds, grant from other governmental agencies and transfers from the General Fund that are used for streets, miscellaneous projects and land acquisitions other than for the Nature Preserve.

C. Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The government reports the following major proprietary funds:

The Gas Fund accounts for the activities of the gas distribution system.

The Sanitation Fund accounts for the garbage collection activities of the City.

The Harbor Fund accounts for activities associated with harbor rental and maintenance.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

The government’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.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer’s Investment Pool.

Investments for the government are reported at fair value. The State Treasurer’s Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as fair value of the pool shares.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from” other funds (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. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2014, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2014, the trade accounts receivable allowance in excess of 90 days is equal to 20 percent of outstanding trade accounts receivable at September 30, 2014, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2014. The property tax receivable allowance is equal to 5 percent of current outstanding property taxes at September 30, 2014, and 5 percent of delinquent outstanding property taxes at September 30, 2014. Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds are set aside in the general fund for future projects and are maintained in a separate bank account. The restricted assets are as follows:

Type	Governmental Activities
Public Service	\$39,834
	<u>\$39,834</u>

5. *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, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was \$417,992. Of this amount, \$-0- was included as part of the cost of capital assets. Significant construction activity during the year was \$1,699,232 for the 11th street project in the Construction fund.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than	
Buildings	20
Gas Pipelines	30
Infrastructure	50
Runways and Related	
Improvements	50
Vehicles	5
Machinery and Equipment	5
Office Furniture	5

6. *Compensated absences*

It is the government’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, governmental funds and proprietary financial statements.

7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. Fund Balances – Governmental Funds

As of September 30, 2014, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

As of September 30, 2014, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Inventories	\$14,405
Restricted	
Construction	859,202
Culture and Recreation	896,139
Debt Service	230,941
Economic Development	2,421,193
Public Safety	21,583
Committed	
Construction	414,807
Culture and Recreation	631,351
Public Safety	39,834
Public Transportation	667,391
Unassigned	6,785,349
Total Fund Balance	<u>\$12,982,195</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 25 to 50 percent of the subsequent year's budgeted General Fund expenditures.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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

In addition to liabilities, the statement of 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 position 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 only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet

11. 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.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$14,024,913 difference are as follows:

Capital Lease	\$890,777
Bonds Payable	12,005,000
Bond Premium	192,123
Other Post Employment Benefits	698,877
Accrued Interest Payable	53,133
Compensated Absences	185,003
	<u>\$14,024,913</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$27,609,161 difference are as follows:

Capital assets not being depreciated	\$3,748,666
Capital assets being depreciated	44,243,038
Depreciation expense	(20,382,543)

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	<u>\$27,609,161</u>
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The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$108,893 difference are as follows:

Property Taxes Receivable	\$114,625
Allowance for Doubtful Accounts	<u>(5,732)</u>
Net	<u>\$108,893</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$423,677 difference are as follows:

Fines and Fees Receivable	\$1,188,259
Allowance for Doubtful Accounts	<u>(764,582)</u>
Net	<u>\$423,677</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$786,652 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	(\$4,140,638)
Capital Outlay - Additions - Being Depreciated	7,377,853
Capital Outlay - Deletions	(35,769)
Depreciation Expense	(2,414,794)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$786,652</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for the Library fund. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the city council. The legal level of budgetary control is the fund; whereby budgeted expenditures may not exceed budgeted revenues plus beginning unrestricted equity. The supplemental budgetary appropriations made in the general fund were not material.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Excess of expenditures over appropriations

For the year ended September 30, 2014, expenditures did not exceed appropriations in any funds.

C. Deficit fund equity

There were no deficit fund balances for any fund at September 30, 2014.

IV. Detailed notes on all funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments:

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a deposit policy for custodial credit risk. As of September 30, 2014, the government's bank balance of \$894,792 in the City depository (Value Bank) was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$1,333,118 and the FDIC coverage is \$250,000. The City also had a bank balance of \$173,210 in American Bank at September 30, 2014. The fair market value of the securities pledged is \$173,205 and the FDIC coverage is \$250,000; therefore the bank balance was not exposed to custodial credit risk. The book balance of the City's bank balances at September 30, 2014 is \$1,122,464.

Interest rate risk: In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than twelve months.

Credit risk: State law limits investments in commercial paper and corporate bonds to the top two rating issued by nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2014 the local investment pool Texpool (100% of portfolio) were rated AAAM by Standard and Poor's.

Concentration of credit risk: The City places no limit on the amount the City may invest in any one issuer. 100 percent of the City's investments are in an insured Texpool account.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2014, the City had \$11,563,542 in investments in an insured TexPool account.

As of September 30, 2014, the government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$13,674,949	Less than 1 year	Less than 1 year

The City participates in one Local Government Investment Pool: TexPool. The City invests in TexPool to provide its liquidity needs. It is a local government investment pool established in conformity with the Inter-local Cooperation Act Chapter 791 of the Texas Government Code and the Public Investment Act Chapter 2256 of the Code. TexPool is 2(a) 7 like fund meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are adjusted daily and the fund seeks to maintain a constant net asset value of \$1.00, although this cannot be guaranteed. The City considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder short of a significant change in value. The TexPool fund is within the Governmental Activities.

B. Receivables

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

	General	Beach	Nature Preserve	Debt Service	Airport	RECREAT- IONAL DEVELOP- MENT	Gas	Sani- tation	Total
<u>Receivables</u>									
Taxes - Ad Valorem	\$96,014			\$18,611					\$114,625
Intergovernmental	173,554				3,935	71,133			248,622
Accounts		20,328					10,631	125,624	156,583
Municipal Court Fines	189,066								189,066
Grant		138,189							138,189
EMS Fees	999,193								999,193
Other	45,515								45,515
Gross Receivables	1,503,342	158,517	0	18,611	3,935	71,133	10,631	125,624	1,891,793
Less: Allowance for Uncollectibles	769,383			931			5,256	55,829	831,399
Net Total Receivables	<u>\$733,959</u>	<u>\$158,517</u>	<u>\$0</u>	<u>\$17,680</u>	<u>\$3,935</u>	<u>\$71,133</u>	<u>\$5,375</u>	<u>\$69,795</u>	<u>\$1,060,394</u>

The receivables are expected to be collected within one year.

C. Capital assets

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning		Ending	
	Balances	Increases	Decreases	Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$3,440,036	\$0	\$0	\$3,440,036
Construction in Progress	4,449,268	0	4,140,638	308,630
Total Capital Assets Not Being Depreciated	7,889,304	0	4,140,638	3,748,666
Capital assets being depreciated:				
Infrastructure	25,931,902	5,428,380	0	31,360,282
Buildings	3,731,840	705,501	0	4,437,341
Machinery and Equipment	4,181,561	581,801	186,054	4,577,308
Vehicles	3,459,517	662,171	253,581	3,868,107
Total Capital Assets Being Depreciated	37,304,820	7,377,853	439,635	44,243,038
Less Accumulated Depreciation for:				
Infrastructure	10,769,293	1,560,565	0	12,329,858
Buildings	2,343,304	131,074	0	2,474,378
Machinery and Equipment	3,570,561	417,361	163,741	3,824,181
Vehicles	1,688,457	305,794	240,125	1,754,126
Total Accumulated Depreciation	18,371,615	2,414,794	403,866	20,382,543
Total Capital Assets Being Depreciated, Net	18,933,205	4,963,059	35,769	23,860,495
Governmental Activities Capital Assets, Net	\$26,822,509	\$4,963,059	\$4,176,407	\$27,609,161
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$0	\$0	\$0	\$0
Total Capital Assets Not Being Depreciated	0	0	0	0
Capital Assets Being Depreciated:				
Infrastructure	7,273,650	37,476		7,311,126
Buildings	189,758	0		189,758
Machinery and Equipment	348,007	233,700		581,707
Vehicles	168,089	25,700	14,400	179,389
Total Capital Assets Being Depreciated	7,979,504	296,876	14,400	8,261,980
Less Accumulated Depreciation for:				
Infrastructure	3,881,816	252,156		4,133,972
Buildings	44,105	6,383		50,488
Machinery and Equipment	225,189	28,411		253,600
Vehicles	140,655	8,649	14,400	134,904
Total Accumulated Depreciation	4,291,765	295,600	14,400	4,572,965
Total Capital Assets Being Depreciated, Net	3,687,739	1,276	0	3,689,015
Business-Type Activities Capital Assets, Net	\$3,687,739	\$1,276	\$0	\$3,689,015

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

Governmental Activities	
General Administration	\$1,698,248
Public Facilities	38,109
Public Safety	399,084
Public Transportation	459
Culture and Recreation	278,894
Total Depreciation Expense - Governmental Activities	<u>\$2,414,794</u>
Business-Type Activities	
Gas	\$44,656
Harbor	250,121
Sanitation	822
Total Depreciation Expense - Business-Type Activities	<u>\$295,599</u>

Construction commitments

The government has active construction projects as of September 30, 2014: Significant construction activity during the year was \$1,699,232 for the 11th street project in the Construction fund.

Discretely presented component units

The City had no discretely presented component units as of September 30, 2014.

D. Interfund receivables, payables, and transfers

There were no interfund balances as of September 30, 2014.

Inter-fund transfers:

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

In the year ended September 30, 2014, the government made the following one-time transfers:

INTER-GOVERNMENTAL		TRANSFER TO					
TRANSFER FROM	NATURE PRE- SERVE FUND	RECRE- ATIONAL DEVELOP- MENT FUND	AIRPORT FUND	STREET MAINT- ENANCE FUND	DEBT SERVICE FUND	TOTAL	
GENERAL FUND			\$248,200	\$300,000		\$548,200	
RECREATIONAL DEVELOPMENT FUND	43,959					43,959	
ADVERTISING FUND		287,948				287,948	
IMPACT FEES FUND					150,000	150,000	
TOTALS	\$43,959	\$287,948	\$248,200	\$300,000	\$150,000	\$1,030,107	

INTRA-GOVERNMENTAL		TRANSFER TO			
TRANSFER FROM	GENERAL FUND	AIRPORT FUND	GAS FUND	TOTAL	
HARBOR FUND		\$11,479		\$11,479	
HARBOR FUND	8,000			8,000	
IMPACT FEES FUND			(37,476)	(37,476)	
TOTALS	\$8,000	\$11,479	(\$37,476)	(\$17,997)	

E. Leases

Operating Leases

The City had a land lease with the General Land Office under a noncancellable operating lease. Total costs for this lease was \$25,864 for the year ended September 30, 2014. The future minimum lease payments for this lease is as follows:

<u>Year Ending Sept. 30</u>	<u>Amount</u>
2015	\$ 25,864
2016	16,318
2017	7,354
2018	<u>5,500</u>
Total	<u>\$ 55,036</u>

F. Long-term debt

General Obligation Bonds and Revenue Bonds

The government issues Certificates of Obligation and General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. Certificates of Obligation and General Obligation bonds have been issued for governmental activities. The Certificates of Obligation bonds are direct obligations and pledge the full faith and credit of the government. The original amount of the Certificates of Obligation and General Obligation Bonds issued was \$17,190,000.

The County refunded the Series 2004 bonds during the year. The amount refunded was \$755,000 and the amount of the refunding bonds was \$955,000 thus resulting in a refunding loss of \$200,000. The present value gain of the refunding is \$36,906.

Certificates of Obligation and General Obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities – Series 2007	4.00	\$1,655,000
Governmental activities – Series 2009	3.00-4.125	\$3,640,000
Governmental activities – Series 2012	1.75-2.125	\$5,755,000
Governmental activities – Series 2014	1.49	\$ 955,000 Refunding

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2015	\$1,020,000	\$319,950
2016	1,045,000	293,469
2017	1,085,000	265,275
2018	1,125,000	235,182
2019	1,170,000	203,040
2020-2024	4,955,000	532,826
2025-2027	1,605,000	51,087
TOTALS	<u>\$12,005,000</u>	<u>\$1,900,829</u>

Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of three ambulances, a motor grader/wheel loader and a ladder truck. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of its inception date.

ASSET	Governmental Activities					TOTAL
	Ladder Truck	Motor Grader/ Wheel Loader	Ambulance	Ambulance	Ambulance	
COST	\$924,357	\$364,338	\$124,067	\$130,000	\$145,250	\$1,688,012
ACCUMULATED DEPRECIATION	(660,255)	(208,193)	(70,895)	(18,571)	(20,750)	(978,664)
NET ASSET	\$264,102	\$156,145	\$53,172	\$111,429	\$124,500	\$709,348

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

YEAR	Governmental Activities					Total
	Ladder Truck	Motor Grader/ Wheel Loader	Ambulance	Ambulance	Ambulance	
	Amount	Amount	Amount	Amount	Amount	Amount
2015	\$116,876	\$76,434	\$21,833	\$27,318	\$31,144	\$273,605
2016	116,876			27,318	31,144	175,338
2017	116,876			27,319	31,144	175,339
2018	116,876				31,145	148,021
2019	116,876					116,876
2020	116,876					116,876
Total Minimum Lease Payments	701,256	76,434	21,833	81,955	124,577	1,006,055
Less: Amount Representing Interest	98,621	1,784	650	3,752	10,471	115,278
Present Value of Net Minimum Lease Payments	\$602,635	\$74,650	\$21,183	\$78,203	\$114,106	\$890,777

Changes in long-term liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds	\$12,810,000		\$805,000	\$12,005,000	\$1,020,000	\$10,985,000
Bond Premium - Series 2009	209,224		17,101	192,123		192,123
Total Bonds Payable	<u>13,019,224</u>	<u>0</u>	<u>822,101</u>	<u>12,197,123</u>	<u>1,020,000</u>	<u>11,177,123</u>
Capital Lease Purchases	980,821	145,250	235,294	890,777	243,992	646,785
OPEB Liability	698,877			698,877		698,877
Compensated Absences	162,333	185,003	162,333	185,003	185,003	0
Total Other	<u>1,842,031</u>	<u>330,253</u>	<u>397,627</u>	<u>1,774,657</u>	<u>428,995</u>	<u>1,345,662</u>
Total Governmental Activities	<u>14,861,255</u>	<u>330,253</u>	<u>1,219,728</u>	<u>13,971,780</u>	<u>1,448,995</u>	<u>12,522,785</u>
<u>Business-Type Activities:</u>						
OPEB Liability	72,398			72,398		72,398
Compensated Absences	18,275	21,108	18,275	21,108	21,108	0
Total Business-Type Activities	<u>90,673</u>	<u>21,108</u>	<u>18,275</u>	<u>93,506</u>	<u>21,108</u>	<u>72,398</u>
Grand Total	<u>\$14,951,928</u>	<u>\$351,361</u>	<u>\$1,238,003</u>	<u>\$14,065,286</u>	<u>\$1,470,103</u>	<u>\$12,595,183</u>

The government-wide statement of net position includes \$1,470,103 as "noncurrent liabilities, due within one year". There was no interest capitalized in the Capital assets but rather was expended in the financial statements. Note: Compensated absences are considered to be short term liabilities. The governmental activities bonds Series 2014 is serviced by the Hotel Motel Special Fund, the Series 2007, 2009 and 2014 are serviced by the Debt Service Fund, the capital leases are serviced by the General Fund and the Beach fund, and the compensated absences are serviced by the General Fund. The Business-type activities compensated absences are serviced by the Gas Fund, the Sanitation Fund, and the Harbor Fund.

G. Segment information

Because the gas fund, the sanitation fund, and the harbor fund are reported as major funds in the fund financial statements, separate segment disclosures for them are not required.

V. Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year ended <u>09/30/14</u>	Year ended <u>09/30/13</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

General Liability Insurance

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined together with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance

Property, casualty, mobile equipment, boiler and machinery insurance is provided by TML.

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. Subsequent Events

On October 16, 2014, the City Council:

Approved Ordinance No. 2014-14 authorizing the issuance of “City of Port Aransas, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014” in an amount not to exceed \$1,690,000.00 for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) acquisition of land to implement a ferry vehicle stacking system, (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects.

C. Related Party Transactions

None

D. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The City is participating in the following causes of action:

- 1) Civil Action No. 2-14-CV-0080; *Davis v. City, et al*; In the US Dist. Ct., So. Dist, Corpus Christi Div. Filed 3/23/14-Plaintiff alleges false arrest, was injured during arrest by officers alleged to be City officers. Arresting officers were actually State officers for the TDPS and TP&W. Case was **dismissed** without any payment after counsel for the City filed a Motion for Summary Judgment.
- 2) Cause No. 2-14-CV-00115; *Williams v. City*; US Dist. Ct., So. Dist. Filed 4/7/14. Plaintiff was arrested on 3/16/14, claims false arrest, received injuries during the arrest. Scheduled for trial 4/13/15. City will likely contest case. Claims should be covered by insurance.

E. Employee retirement systems and pension plans

Texas Municipal Retirement System

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

PLAN YEAR	2013	2014
EMPLOYEE DEPOSIT RATE	5.00%	5.00%
MATCHING RATIO (city to employee)	2 to 1	2 to 1
YEARS REQUIRED FOR VESTING	5	5
SERVICE RETIREMENT ELIGIBILITY (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
UPDATED SERVICE CREDIT	100% repeating, transfers	100% repeating, transfers
ANNUITY INCREASE (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

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

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

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09-30-12	392,709	100%	-0-
09-30-13	423,540	100%	-0-
09-30-14	536,185	100%	-0-

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

VALUATION DATE	12/31/2011	12/31/2012	12/31/2013
ACTUARIAL COST METHOD	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
AMORTIZATION METHOD	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 EQUIVALENT SINGLE AMORTIZATION PERIOD	26.6 years; closed period	27.1 years; closed period	30.0 years; closed period
AMORTIZATION PERIOD FOR NEW GAINS/LOSSES	30 years	30 years	30 years
ASSET VALUATION METHOD	10-year smoothed market	10-year smoothed market	10-year smoothed market
INVESTMENT RATE OF RETURN	7.0%	7.0%	7.0%
PROJECTED SALARY INCREASES	Varies by age and service	Varies by age and service	Varies by age and service
INCLUDES INFLATION AT COST-OF-LIVING ADJUSTMENTS	3.00%	3.00%	3.00%
	2.1%	2.1%	2.1%

The funded status as of December 31, 2013, the most actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
12/31/2013	\$7,944,585	\$11,438,194	\$3,493,609	69.5%	\$4,198,556	83.2%

The schedule of funding progress presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

F. Other Post Employment Benefits

Health Care Benefits - Retirees

Plan Description: The City of Port Aransas Post-retirement Healthcare Benefits Program is a single-employer defined benefit healthcare plan administered by the City's Finance department. The Post-retirement Healthcare Benefits Program was initiated in 2007 by action of the City Council. The Post-retirement Healthcare Benefits Program provides medical benefits to eligible retirees; no medical benefits are provided to spouses of retirees. Eligible retirees include (i) employees who retire at age 65 or later with at least 15 years of service, or (ii) retire at any age after 30 years of service, or (iii) retire at age 60 with at least 20 years of service. Medicare eligible retirees are covered by an AARP Medicare Supplemental policies (medical and prescription drugs), while pre-65 retirees are covered by the same group medical plan applicable to active employees (a United Healthcare PPO arrangement).

Funding Policy: The City currently funds the benefits provided through the Program on a pay-as-you-go basis. Since the City does not prefund future benefits to be provided under the Program, there are no accumulated plan assets. The City pays for 100% of the cost of medical benefits for eligible retirees; covered retirees are not required to contribute. During the fiscal year ending September 30, 2014, the City paid \$55,423 in premiums for eight current retirees receiving benefits under the Program.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year ended September 30, 2013, the amount actually contributed to the plan during the year, and changes in the City's net OPEB obligation to Post-retirement Healthcare Benefits Program:

Annual OPEB Cost	\$338,093
Contributions Made	<u>(59,474)</u>
Increase in Net OPEB	278,619
Net OPEB Obligation, Beginning of Year	<u>492,656</u>
Net OPEB Obligation, End of Year	<u><u>\$771,275</u></u>
Net OPEB Obligation Reported by Governmental Funds	\$698,877
Net OPEB Obligation Reported in Business-Type Activities Funds	<u>72,398</u>
	<u><u>\$771,275</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2014 and the two preceding years were as follows:

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>% of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
9/30/2009	\$ 249,041	3.55%	\$ 240,200
*9/30/2010	n/a	n/a	n/a
9/30/2011	\$ 277,974	9.18%	\$ 492,655
*9/30/2012	n/a	n/a	n/a
9/30/2013	\$ 338,093	17.59%	\$ 771,275
*9/30/2014	n/a	n/a	n/a

* GASB 45 reporting not required for these periods

Funded Status and Funding Progress: As of October 1, 2012, the most recent valuation date, the plan *City of Port Aransas* was 0% funded (the City does not prefund these benefits). The actuarial accrued liability for benefits was \$2.789 million, and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.789 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.587 million, and the ratio of the UAAL to covered payroll was 77.74%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employers and members to that point. The actuarial assumptions and methods used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2012 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate for valuing the liability for benefits, and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% in 2018 and later years. The UAAL is being amortized as a level dollar amount over a period of 30 years (the maximum permitted period).

Health Care Benefits - Cobra

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. Although premiums are paid in full by the insured for the actual months covered, the City pays a fee for the administration of the COBRA plan. This program is offered for a period of 18 months after the termination date. The expense amount to the City is considered immaterial and thus is not included in the City-wide financial statements either as an expense or as a liability.

Supplemental Death Benefits

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500.00; this coverage is an "other postemployment benefit," or OPEB.

Your city offers supplemental death to:	Plan Year 2013	Plan Year 2014
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

Contributions

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

The city's contributions to the TMRS SDBF for the years ended 2014, 2013, 2012, and 2011 were equal to the required contributions for each respective year. The expense amount to the City is considered immaterial and thus is not included in the City-wide financial statements either as a liability.

**Schedule of Contribution Rates:
(RETIREE-only portion of the rate)**

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.02%	0.02%	100.0%
2013	0.02%	0.02%	100.0%
2014	0.03%	0.03%	100.0%
2015	0.04%	0.04%	100.0%

G. Prior Period Adjustments

The City has determined that certain transactions were recorded incorrectly in a prior year.

Governmental Activities: In the Government-Wide statements and in the Funds, the City expensed Bond Issuance Costs as per GASB Statement 65. This restatement had a corresponding effect on change in net assets.

	Net Assets, as Previously Reported	Bond Issuance Costs	Net Assets As Restated
Governmental Activities:			
Net Assets	\$25,544,244	(\$299,862)	\$25,244,382
Total Governmental Activities	\$25,544,244	(\$299,862)	\$25,244,382

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

ANALYSIS OF FUNDING PROGRESS

EMPLOYEE RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
12/31/09	\$4,111,312	\$6,419,503	\$2,308,191	64.0%	\$3,916,657	58.9%
12/31/10	5,908,409	7,508,721	1,600,312	78.7%	3,626,664	44.1%
12/31/11	6,610,971	8,621,042	2,010,071	76.7%	3,791,303	53.0%
12/31/12	7,352,453	9,095,644	1,743,191	80.8%	4,014,994	43.4%
12/31/13	7,944,585	11,438,194	3,493,609	69.5%	4,198,556	83.2%

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

ANALYSIS OF FUNDING PROGRESS

OTHER POST EMPLOYMENT RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
10/01/09	\$0	\$1,883,529	\$1,883,520	00.0%	\$3,995,000	47.0%
10/01/10	n/a	n/a	n/a	n/a	n/a	n/a
10/01/11	\$0	\$2,153,432	\$2,153,432	00.0%	\$3,316,466	64.9%
10/01/12	n/a	n/a	n/a	n/a	n/a	n/a
10/01/13	\$0	\$2,788,720	\$2,788,720	00.0%	\$3,587,184	77.7%
10/01/14	n/a	n/a	n/a	n/a	n/a	n/a

CITY OF PORT ARANSAS, TEXAS
 CONSTRUCTION FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$2,500	\$2,500	\$833	(\$1,667)
Miscellaneous	0	0	15,105	15,105
Total Revenues	<u>2,500</u>	<u>2,500</u>	<u>15,938</u>	<u>13,438</u>
EXPENDITURES				
Capital Projects - Capital Outlay and Other	2,100,000	2,100,000	1,863,225	236,775
Total Expenditures	<u>2,100,000</u>	<u>2,100,000</u>	<u>1,863,225</u>	<u>236,775</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,097,500)</u>	<u>(2,097,500)</u>	<u>(1,847,287)</u>	<u>250,213</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	(2,097,500)	(2,097,500)	(1,847,287)	250,213
Fund Balances - Beginning	2,706,489	2,706,489	2,706,489	
Fund Balances - Ending	<u>\$608,989</u>	<u>\$608,989</u>	<u>\$859,202</u>	<u>\$250,213</u>

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF PORT ARANSAS, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014

	SPECIAL REVENUE									TOTAL
	AIRPORT	COURT	COURT	LIBRARY	IMPACT	PARK	RECREAT-	STREET	DEBT	
	FUND	SECURITY	TECH-NOLOGY	FUND	FUND	DEDICA-TION	IONAL DEVELOP-MENT	MAIN-TENANCE FUND	SERVICE FUND	
ASSETS										
Cash and Cash Equivalents	\$376,941	\$9,109	\$12,474	\$154,980	\$414,807	\$150,589	\$445,031	\$667,391	\$230,941	\$2,462,263
Receivables (net of allowance for uncollectibles)	3,935						71,133		17,680	92,748
Inventories	14,405									14,405
Total Assets	\$395,281	\$9,109	\$12,474	\$154,980	\$414,807	\$150,589	\$516,164	\$667,391	\$248,621	\$2,569,416
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts Payable	\$353						\$26,820			\$27,173
Bank Overdraft										0
Accrued Wages	647						8,582			9,229
Total Liabilities	1,000	0	0	0	0	0	35,402	0	0	36,402
DEFERRED INFLOWS OF RESOURCES										
Deferred Property Taxes									17,680	17,680
Fund Balances										
Non-Spendable										
Inventories	14,405									14,405
Restricted										
Culture and Recreation	379,876			154,980						534,856
Debt Service									230,941	230,941
Public Safety		9,109	12,474							21,583
Committed										
Construction					414,807					414,807
Culture and Recreation						150,589	480,762			631,351
Public Transportation								667,391		667,391
Unassigned										0
Total Fund Balances	394,281	9,109	12,474	154,980	414,807	150,589	480,762	667,391	230,941	2,515,334
TOTAL LIABILITIES AND FUND BALANCES	\$395,281	\$9,109	\$12,474	\$154,980	\$414,807	\$150,589	\$516,164	\$667,391	\$248,621	\$2,569,416

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	SPECIAL REVENUE									TOTAL
	AIRPORT	COURT	COURT	LIBRARY	IMPACT	PARK	RECREAT-	STREET	DEBT	
	FUND	SECURITY	TECH- NOLOGY	FUND	FUND	DEDICA- TION	IONAL DEVELOP- MENT	MAIN- TENANCE	SERVICE	
REVENUES										
Taxes										
Property									\$1,049,418	\$1,049,418
Sales							632,310			632,310
Intergovernmental	9,801			600						10,401
Charges for Services	251,768				234,510	68,626				554,904
Fines and Forfeitures		3,306	4,293							7,599
Interest	931	3	6	627	166	58	140	132	42	2,105
Miscellaneous				18,772			16,523			35,295
Total Revenues	262,500	3,309	4,299	19,999	234,676	68,684	648,973	132	1,049,460	2,292,032
EXPENDITURES										
Current:										
Public Safety										
Municipal Court		598	5,968							6,566
Public Transportation										
Regional Transit								3,325		3,325
Culture and Recreation										
Airport	138,979									138,979
Library				1,730						1,730
Parks							544,988			544,988
Debt Service										
Principal Retirement									805,000	805,000
Interest and Fiscal Charges									330,467	330,467
Total Expenditures	138,979	598	5,968	1,730	0	0	544,988	3,325	1,135,467	1,831,055
Excess (Deficiency) of Revenues Over (Under)										
Expenditures	123,521	2,711	(1,669)	18,269	234,676	68,684	103,985	(3,193)	(86,007)	460,977
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	259,679							300,000	150,000	709,679
Operating Transfers Out					(187,476)					(187,476)
Total Other Financing Sources (Uses)	259,679	0	0	0	(187,476)	0	0	300,000	150,000	522,203
Net Changes in Fund Balances	383,200	2,711	(1,669)	18,269	47,200	68,684	103,985	296,807	63,993	983,180
Fund Balances - Beginning	11,081	6,398	14,143	136,711	367,607	81,905	376,777	370,584	166,948	1,532,154
Fund Balances - Ending	\$394,281	\$9,109	\$12,474	\$154,980	\$414,807	\$150,589	\$480,762	\$667,391	\$230,941	\$2,515,334

The notes to the financial statements are an integral part of this statement.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL

CITY OF PORT ARANSAS, TEXAS
 AIRPORT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$30,000	\$30,000	\$9,801	(\$20,199)
Charges for Services	149,000	149,000	251,768	102,768
Interest	100	100	931	831
Total Revenues	179,100	179,100	262,500	83,400
EXPENDITURES				
Current:				
Culture and Recreation				
Airport	315,942	315,942	138,979	176,963
Total Expenditures	315,942	315,942	138,979	176,963
Excess (Deficiency) of Revenues Over (Under) Expenditures	(136,842)	(136,842)	123,521	260,363
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	297,042	297,042	259,679	(37,363)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	297,042	297,042	259,679	(37,363)
Net Changes in Fund Balances	160,200	160,200	383,200	223,000
Fund Balances - Beginning	11,081	11,081	11,081	
Fund Balances - Ending	\$171,281	\$171,281	\$394,281	\$223,000

CITY OF PORT ARANSAS, TEXAS
 COURT SECURITY FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Fines and Forfeitures	\$3,150	\$3,150	\$3,306	\$156
Interest	20	20	3	(17)
Total Revenues	3,170	3,170	3,309	139
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	3,400	3,400	598	2,802
Total Expenditures	3,400	3,400	598	2,802
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(230)	(230)	2,711	2,941
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(230)	(230)	2,711	2,941
Fund Balances - Beginning	6,398	6,398	6,398	
Fund Balances - Ending	\$6,168	\$6,168	\$9,109	\$2,941

CITY OF PORT ARANSAS, TEXAS
 COURT TECHNOLOGY FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Fines and Forfeitures	\$4,200	\$4,200	\$4,293	\$93
Interest	20	20	6	(14)
Total Revenues	4,220	4,220	4,299	79
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	15,625	15,625	5,968	9,657
Total Expenditures	15,625	15,625	5,968	9,657
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,405)	(11,405)	(1,669)	9,736
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(11,405)	(11,405)	(1,669)	9,736
Fund Balances - Beginning	14,143	14,143	14,143	
Fund Balances - Ending	\$2,738	\$2,738	\$12,474	\$9,736

CITY OF PORT ARANSAS, TEXAS

IMPACT FEES

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$140,000	\$140,000	\$234,510	\$94,510
Interest	250	250	166	(84)
Total Revenues	140,250	140,250	234,676	94,426
EXPENDITURES				
Current:				
General Administration				
Administration	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	140,250	140,250	234,676	94,426
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(361,500)	(361,500)	(187,476)	174,024
Total Other Financing Sources (Uses)	(361,500)	(361,500)	(187,476)	174,024
Net Changes in Fund Balances	(221,250)	(221,250)	47,200	268,450
Fund Balances - Beginning	367,607	367,607	367,607	
Fund Balances - Ending	\$146,357	\$146,357	\$414,807	\$268,450

CITY OF PORT ARANSAS, TEXAS
 PARK DEDICATION FEES
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$40,000	\$40,000	\$68,626	\$28,626
Interest	100	100	58	(42)
Total Revenues	40,100	40,100	68,684	28,584
EXPENDITURES				
Current:				
Culture and Recreation				
Park Dedication	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,100	40,100	68,684	28,584
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	40,100	40,100	68,684	28,584
Fund Balances - Beginning	81,905	81,905	81,905	
Fund Balances - Ending	\$122,005	\$122,005	\$150,589	\$28,584

CITY OF PORT ARANSAS, TEXAS
 RECREATIONAL DEVELOPMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Sales	\$585,000	\$585,000	\$632,310	\$47,310
Interest	300	300	140	(160)
Miscellaneous	15,350	15,350	16,523	1,173
Total Revenues	600,650	600,650	648,973	48,323
EXPENDITURES				
Current:				
Culture and Recreation				
Parks	560,540	560,540	544,988	15,552
Total Expenditures	560,540	560,540	544,988	15,552
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	40,110	40,110	103,985	63,875
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	40,110	40,110	103,985	63,875
Fund Balances - Beginning	376,777	376,777	376,777	
Fund Balances - Ending	\$416,887	\$416,887	\$480,762	\$63,875

CITY OF PORT ARANSAS, TEXAS
 STREET MAINTENANCE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$200	\$200	\$132	(\$68)
Total Revenues	200	200	132	(68)
EXPENDITURES				
Current:				
Public Transportation				
Regional Transit	30,000	30,000	3,325	26,675
Total Expenditures	30,000	30,000	3,325	26,675
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,800)	(29,800)	(3,193)	26,607
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	100,000	100,000	300,000	200,000
Total Other Financing Sources (Uses)	100,000	100,000	300,000	200,000
Net Changes in Fund Balances	70,200	70,200	296,807	226,607
Fund Balances - Beginning	370,584	370,584	370,584	
Fund Balances - Ending	\$440,784	\$440,784	\$667,391	\$226,607

CITY OF PORT ARANSAS, TEXAS
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>REVENUES</i>				
Taxes				
Property	\$1,019,455	\$1,019,455	\$1,049,418	\$29,963
Interest	0	0	42	42
Total Revenues	<u>1,019,455</u>	<u>1,019,455</u>	<u>1,049,460</u>	<u>30,005</u>
<i>EXPENDITURES</i>				
Debt Service				
Principal Retirement	805,000	805,000	805,000	0
Interest Retirement	330,490	330,490	330,467	23
Total Expenditures	<u>1,135,490</u>	<u>1,135,490</u>	<u>1,135,467</u>	<u>23</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(116,035)	(116,035)	(86,007)	30,028
<i>OTHER FINANCING SOURCES (USES):</i>				
Operating Transfers In	150,000	150,000	150,000	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>0</u>
Net Changes in Fund Balances	33,965	33,965	63,993	30,028
Fund Balances - Beginning	166,948	166,948	166,948	
Fund Balances - Ending	<u>\$200,913</u>	<u>\$200,913</u>	<u>\$230,941</u>	<u>\$30,028</u>

