

CITY OF PORT ARANSAS, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

SEPTEMBER 30, 2015

CITY OF PORT ARANSAS, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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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, the aggregate discretely presented component units, 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, 2015, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas, as of September 30, 2015, 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.

Change in Accounting Principle

As discussed in Note F to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statement No. 68 Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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 Employees Retirement System Information, and the budgetary comparison information on pages 3 through 12, 65 through 67, and 71 through 78, 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 non major 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 non major 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 non major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



BEYER & COMPANY
Certified Public Accountants
March 22, 2016

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, 2015. 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 \$30,034,341 (net position). Of this amount, \$5,618,746 (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 \$727,492 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 \$12,641,244. Approximately 50.6% of this amount, \$6,404,805 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 4,319,895 or 41.8% of General Fund expenditures.
- The City of Port Aransas' total bonded debt had an increase of \$575,000 during the current fiscal year. Debt was increased by the issuance of Certificates of Obligations used for the purpose of a land purchase for a new ferry stacking system.

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, Hotel Motel/Facility Fund, Recreational Development 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	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$13,445,995	\$14,067,350	\$1,917,526	\$1,508,495	\$15,363,521	\$15,575,845
Restricted Assets:	71,780	39,834	0	0	71,780	39,834
Capital Assets:	29,325,562	27,609,161	3,840,199	3,689,015	33,165,761	31,298,176
Total Deferred Outflows of Resources	708,223	557,917	73,308	57,750		0
Total Assets	43,551,560	42,274,262	5,831,033	5,197,510	48,601,062	46,913,855
Long-Term Liabilities	18,038,764	16,705,977	427,076	376,520	18,465,840	17,082,497
Other Liabilities (Payable from Restricted Assets)	0	0	146,264	140,808	146,264	140,808
Other Liabilities	490,559	802,084	236,866	197,284	727,425	999,368
Total Liabilities	18,529,323	17,508,061	810,206	714,612	19,339,529	18,222,673
Total Deferred Inflows of Resources	7,904	0	818	0		
Invested in Capital Assets, Net of Related Debt	16,936,960	15,609,523	3,840,198	3,689,015	20,777,158	19,298,538
Restricted	3,638,437	3,532,919	0	0	3,638,437	3,532,919
Unrestricted	4,438,936	5,623,759	1,179,810	851,633	5,618,746	6,475,392
Total Net Assets	\$25,014,333	\$24,766,201	\$5,020,008	\$4,540,648	\$30,034,341	\$29,306,849

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 \$25,014,333 at the close of the most recent fiscal year for governmental activities and \$5,020,008 for business-type activities.

A large portion of the City's net assets (67.7 percent in governmental activities and 76.4 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.

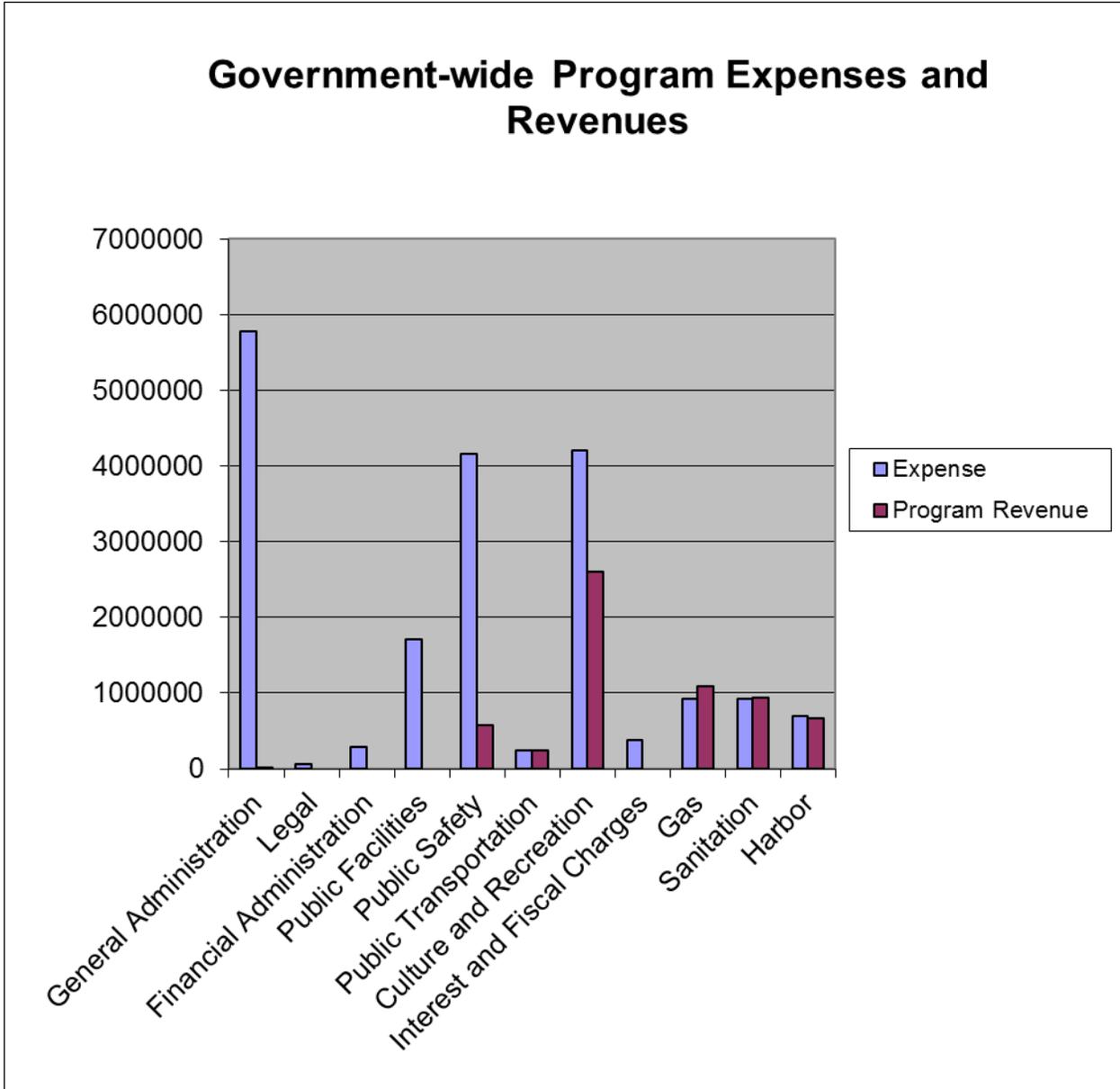
At the end of the current fiscal year, the City of Port Aransas is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Changes in Net Position. Governmental activities increased the City's net assets by \$248,132 and Business-type activities increased the City's net assets by \$479,360 for an increase of \$727,492.

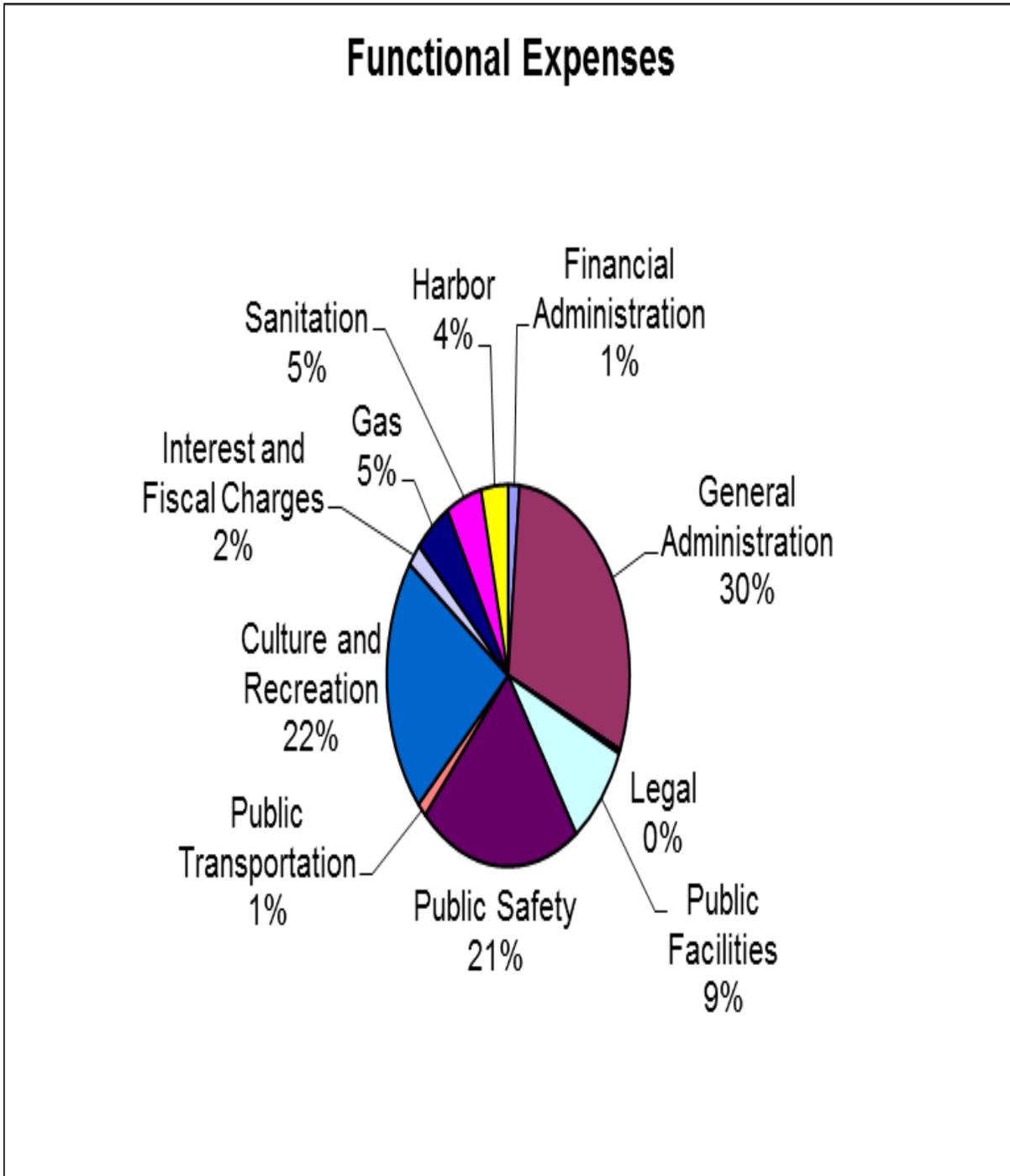
**TABLE A-2
CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$2,887,248	\$3,149,381	\$2,670,508	\$2,792,478	\$5,557,756	\$5,941,859
Operating Grants and Contributions	292,841	283,721	25,216	25,237	318,057	308,958
Capital Grants and Contributions	247,198	234,515	0	0	247,198	234,515
General Revenues:						
Property Taxes, Levies for General Purposes	4,935,821	4,802,829			4,935,821	4,802,829
Sales Taxes	2,008,236	1,896,931			2,008,236	1,896,931
Franchise Taxes	476,049	461,410			476,049	461,410
Hotel/Motel Taxes	4,805,981	4,588,383			4,805,981	4,588,383
Licenses and Permits	1,403,966	1,460,345			1,403,966	1,460,345
Unrestricted Investment Earnings	7,337	6,496	1,158	593	8,495	7,089
Grants and Contributions not Restricted to Specific Programs	178,653	162,698	0	0	178,653	162,698
Miscellaneous	151,064	298,499	3,035	2,225	154,099	300,724
Total Revenue	17,394,394	17,345,208	2,699,917	2,820,533	20,094,311	20,165,741
Expenses:						
General Administration	5,780,534	5,403,783			5,780,534	5,403,783
Legal	67,323	138,797			67,323	138,797
Financial Administration	289,876	261,794			289,876	261,794
Public Facilities	1,714,387	1,625,031			1,714,387	1,625,031
Public Safety	4,154,579	3,245,401			4,154,579	3,245,401
Public Transportation	239,841	170,582			239,841	170,582
Culture and Recreation	4,198,870	4,210,028			4,198,870	4,210,028
Interest and Fiscal Charges	378,269	356,981			378,269	356,981
Gas			930,096	1,034,496	930,096	1,034,496
Sanitation			917,945	834,931	917,945	834,931
Harbor			695,099	671,439	695,099	671,439
Total Expenses	16,823,679	15,412,397	2,543,140	2,540,866	19,366,819	17,953,263
Increase in Net Assets Before Transfers and Special Items	570,715	1,932,811	156,777	279,667	727,492	2,212,478
Transfers	(322,583)	(17,997)	322,583	17,997	0	0
Increase in Net Assets	248,132	1,914,814	479,360	297,664	727,492	2,212,478
Net Assets at 09/30/2014-Restated	24,766,201	22,851,387	4,540,648	4,242,984	29,306,849	27,094,371
Net Assets at 09/30/2015	\$25,014,333	\$24,766,201	\$5,020,008	\$4,540,648	\$30,034,341	\$29,306,849

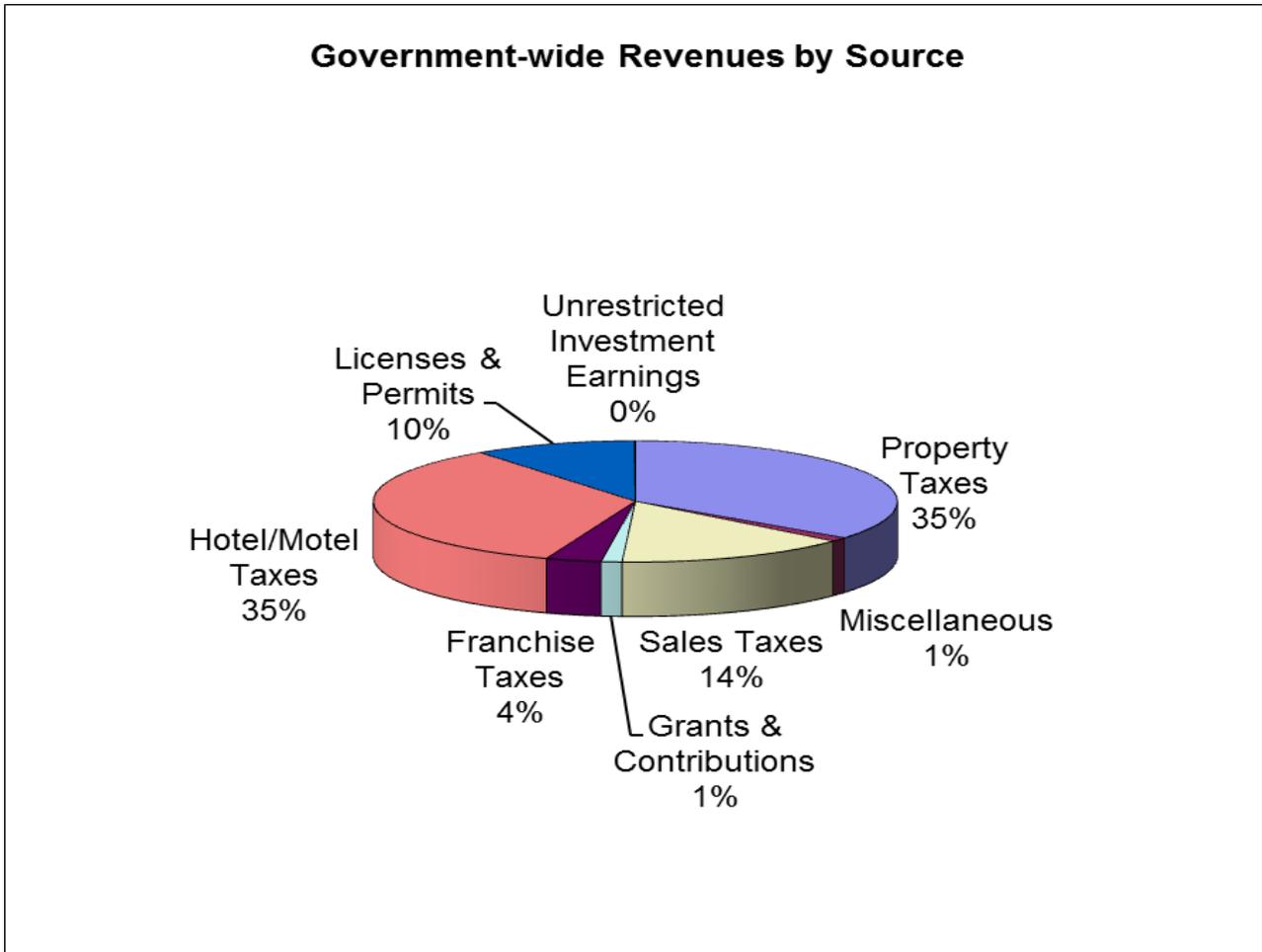
The chart below illustrates the City's expense and revenues by function: general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, interest and fiscal charges, gas, and harbor.



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 \$12,641,244, a decrease of \$340,951 in comparison with the prior year. Approximately 50.7%, or \$6,404,805, 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 (\$899,986), debt service (\$171,374), reserved for culture & recreation (\$1,730,759), prepaid items and

inventories (\$17,926), public safety (\$96,273), Economic Development (\$2,681,107), and public transportation (\$639,014).

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 \$4,319,895, while total fund balance reached \$4,391,675. 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 41.8% of total general fund expenditures, while total fund balance represents 42.5% of that same amount.

The fund balance of the City General Fund decreased by \$720,272 during the current fiscal year. Key factors in this decrease are as follows:

- Purchase of land for new ferry stacking system
- Transfer to Construction Fund for Port Street re-route project to accommodate ferry stacking system.

Budgetary Highlights

The City's budget was amended one time. The Hotel/Motel Occupancy Tax Fund, Construction Fund, and Sanitation Fund had a net change of \$0 (amounts were either shifted between departments or had excess revenue to cover expenses). The Debt Service Fund had a net change of (\$61,900) due to increased tax collections but also a payment of \$90,000 was structured for the new bond issue to hold down overall costs of the bond over the life of the loan. General Fund had an increase in expenses of \$133,235 but had corresponding revenues to offset all but \$235 of this amount. There were several departments where a salary adjustment was needed due to labor over-runs and an additional transfer to the Construction Fund was established for the Port Street re-route. The Hotel Motel Fund had an increase of \$400,000 for expenses to transfer excess collections and reserves to the Chamber of Commerce for sales and marketing as required. The Construction Fund was increased by \$1,650,000 to recognize the debt issuance that was approved by Council after the budget process. Impact Fees Zone 1 was increased due to the additional costs needed to complete the gas relocation for the Hwy. 361 project. The Street Maintenance Fund increased expenses by \$2,000 for some additional street repairs. The Sanitation Fund had increased revenues of \$50,000, with the corresponding amount also added for the contracted payment of waste disposal.

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 \$229,187 lower than budgeted. The expenditures were \$317,915 less than budgeted due to careful budget management.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for all activities as of September 30, 2015 amount to \$33,165,760 (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>2015</u>	Total Activities <u>2014</u>
<i>Governmental Activities:</i>		
Land	\$5,664,130	\$3,440,036
Construction in Progress	562,374	308,630
Infrastructure	19,062,666	19,030,424
Buildings	534,105	1,962,963
Machinery & Equipment	1,049,108	753,127
Vehicles	2,453,179	2,113,981
Total Governmental Activities	<u>29,325,562</u>	<u>27,609,161</u>
<i>Business-type Activities:</i>		
Construction in Progress	0	0
Infrastructure	3,290,001	3,177,154
Buildings	159,990	139,270
Machinery & Equipment	319,820	328,107
Vehicles	70,387	44,484
Total Business-type Activities	<u>3,840,198</u>	<u>3,689,015</u>
Total net assets	<u>\$33,165,760</u>	<u>\$31,298,176</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,894,058. 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>2015</u>	Total Governmental Activities <u>2014</u>
General Obligation Bonds	\$12,580,000	\$12,005,000
Bond Premium - Series 2009 & 2012	175,022	192,123
Capital Leases	1,139,036	890,777
Total Bonds Payable	<u>\$13,894,058</u>	<u>\$13,087,900</u>

The City's total bonded outstanding debt increased by \$806,158 during the current fiscal year. The key factor in this increase was the issuance of debt for a land purchase and the capital lease issuance for a fire truck.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2015-2016 fiscal year.

The tax rate for the year has decreased to 27.5666 cents per hundred. The tax rate has been split with .211042 for maintenance and operations and .064624 for interest and sinking for the retirement of the bonds.

Overall, the General Fund is budgeted to end the fiscal year 2015-2016 with an estimated fund balance of \$4,316,570. This is approximately 51.4% 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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$12,540,352	\$1,833,015	\$14,373,367
Receivables (net of allowance for uncollectibles)	813,692	84,060	897,752
Inventories	17,925		17,925
Prepaid Items	74,026	451	74,477
Restricted Assets:			
Cash and Cash Equivalents	71,780		71,780
Capital Assets Not Being Depreciated:			
Land	5,664,130		5,664,130
Construction in Progress	562,374		562,374
Total Capital Assets Being Depreciated, Net			
Infrastructure	19,062,666	3,290,001	22,352,667
Buildings	534,105	159,990	694,095
Machinery and Equipment	1,049,108	319,820	1,368,928
Vehicles	2,453,179	70,388	2,523,567
Total Assets	\$42,843,337	\$5,757,724	\$48,601,061
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow of Resources-Contributions (after 12/31/14)	630,124	65,224	695,348
Deferred Outflow-Investment Experience	78,099	8,084	86,183
Total Deferred Inflows of Resources	708,223	73,308	781,531
LIABILITIES:			
Accounts Payable	\$230,138	\$221,684	\$451,822
Accrued Wages Payable	173,506	15,182	188,688
Accrued Interest Payable	54,970		54,970
Unearned Revenues	31,945		31,945
Consumer Meter Deposits		146,264	146,264
Noncurrent Liabilities:			
Due Within One Year	1,545,349	19,625	1,564,974
Due in More Than One Year	16,493,415	407,451	16,900,866
Total Liabilities	18,529,323	810,206	19,339,529
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow-Actual Experience vs. Assumption	7,904	818	8,722
Total Deferred Inflows of Resources	7,904	818	8,722
LIABILITIES:			
Net Position			
Invested in Capital Assets, Net of Related Debt	16,936,960	3,840,198	20,777,158
Restricted for:			
Debt Service	761,463		761,463
Culture and Recreation	171,374		171,374
Public Safety	2,681,107		2,681,107
Economic Development	24,493		24,493
Unrestricted	4,438,936	1,179,810	5,618,746
Total Net Position	\$25,014,333	\$5,020,008	\$30,034,341

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015

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	Business-type Activities	
Primary Government							
Government Activities:							
General Administration	\$5,780,534		\$376		(\$5,780,158)		(\$5,780,158)
Legal	67,323				(67,323)		(67,323)
Financial Administration	289,876				(289,876)		(289,876)
Public Facilities	1,714,387				(1,714,387)		(1,714,387)
Public Safety	4,154,579	536,817	45,577		(3,572,185)		(3,572,185)
Public Transportation	239,841			247,198	7,357		7,357
Culture and Recreation	4,198,870	2,350,431	246,888		(1,601,551)		(1,601,551)
Interest and Fiscal Charges	378,269				(378,269)		(378,269)
Total Government Activities	16,823,679	2,887,248	292,841	247,198	(13,396,392)	0	(13,396,392)
Business-Type Activities:							
Gas	930,096	1,070,056	25,216			165,176	165,176
Sanitation	917,945	931,382				13,437	13,437
Harbor	695,099	669,070				(26,029)	(26,029)
Total Business-Type Activities	2,543,140	2,670,508	25,216	0		152,584	152,584
Total Primary Government	\$19,366,819	\$5,557,756	\$318,057	\$247,198	(13,396,392)	152,584	(13,243,808)
General Revenues							
Property Taxes, Levies for General Purposes					4,935,821		4,935,821
Sales Taxes					2,008,236		2,008,236
Franchise Taxes					476,049		476,049
Hotel/Motel Taxes					4,805,981		4,805,981
Licenses and Permits					1,403,966		1,403,966
Unrestricted Investment Earnings					7,337	1,158	8,495
Grants and Contributions not Restricted to Specific Programs					178,653		178,653
Miscellaneous					151,064	3,035	154,099
Transfers					(322,583)	322,583	0
Total General Revenues and Transfers					13,644,524	326,776	13,971,300
Change in Net Position					248,132	479,360	727,492
Net Position - Beginning - Restated					24,766,201	4,540,648	29,306,849
Net Position - Ending					\$25,014,333	\$5,020,008	\$30,034,341

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Advertising Fund	Beach Cleaning Funds	Hotel-Motel/ Facility Fund	Recreational Development Fund	Construction Funds	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$4,442,568	\$46,816	\$2,469,223	\$2,187,355	\$674,931	\$761,911	\$1,957,548	\$12,540,352
Receivables (net of allowance for uncollectibles)	302,951		165,919		68,032		29,583	566,485
Restricted Assets:								
Cash and Cash Equivalents	71,780							71,780
Inventories							17,925	17,925
Total Assets	\$4,817,299	\$46,816	\$2,635,142	\$2,187,355	\$742,963	\$761,911	\$2,005,056	\$13,196,542
LIABILITIES AND FUND BALANCES:								
Accounts Payable	\$133,566		\$851	\$1,733	\$91,350	\$448	\$2,190	\$230,138
Accrued Wages	160,684			712	10,348		1,762	173,506
Deferred Revenue	31,945							31,945
Total Liabilities	326,195	0	851	2,445	101,698	448	3,952	435,589
DEFERRED INFLOWS OF RESOURCES								
Deferred Property Taxes	99,429						20,280	119,709
Fund Balances:								
Non-Spendable								
Inventories							17,926	17,926
Prepaid Items								0
Restricted								
Construction						761,463		761,463
Culture and Recreation				100,000	641,265		589,169	1,330,434
Debt Service							171,374	171,374
Economic Development		46,816	2,634,291					2,681,107
Public Safety							24,493	24,493
Committed								
Construction							138,523	138,523
Culture and Recreation							400,325	400,325
Public Safety	71,780							71,780
Public Transportation							639,014	639,014
Unassigned	4,319,895			2,084,910				6,404,805
Total Fund Balance	4,391,675	46,816	2,634,291	2,184,910	641,265	761,463	1,980,824	12,641,244
Total Liabilities and Fund Balances	\$4,817,299	\$46,816	\$2,635,142	\$2,187,355	\$742,963	\$761,911	\$2,005,056	\$13,196,542

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, 2015

Total Fund Balances - governmental funds balance sheet

Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	\$12,641,244
Capital assets used in governmental activities are not reported in the funds.	29,325,562
Some expenses are not expensed in the current period but rather are deferred in the funds.	74,026
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	119,709
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	947,526
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(18,093,734)
Net Position of governmental activities - statement of Net Position	<u>\$25,014,333</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, 2015

	General Fund	Advertising Fund	Beach Cleaning Funds	Hotel-Motel/Facility Fund	Recreational Development Fund	Construction Funds	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes								
Property	\$3,872,922	\$0	\$0	\$0	\$0	\$0	\$1,052,083	\$4,925,005
Sales	1,338,824				669,412		0	2,008,236
Franchise	476,049							476,049
Hotel/Motel		2,118,592	2,082,077	605,312				4,805,981
Intergovernmental	471,804		237,425				9,463	718,692
Licenses and Permits	678,932		725,034					1,403,966
Charges for Services	2,177,418						415,576	2,592,994
Fines and Forfeitures	246,189						7,820	254,009
Interest	3,100	440	947	527	328	381	1,614	7,337
Miscellaneous	98,325				25,417		27,322	151,064
Total Revenues	9,363,563	2,119,032	3,045,483	605,839	695,157	381	1,513,878	17,343,333
EXPENDITURES								
Current:								
General Administration	2,475,143	2,019,205						4,494,348
Legal	67,323							67,323
Financial Administration	269,776							269,776
Public Facilities	1,920,613							1,920,613
Public Safety	4,364,746						3,477	4,368,223
Public Transportation	156,061						28,794	184,855
Culture and Recreation	813,962		2,506,305	281,428	619,654		201,820	4,423,169
Capital Projects -								
Capital Outlay and Other						2,028,120		2,028,120
Debt Service								
Principal Retirement	216,143		74,650	185,000			925,000	1,400,793
Interest and Fiscal Charges	42,119		1,785	12,851			336,777	393,532
Total Expenditures	10,325,886	2,019,205	2,582,740	479,279	619,654	2,028,120	1,495,868	19,550,752
Excess (Deficiency) of Revenues Over (Under) Expenditures	(962,323)	99,827	462,743	126,560	75,503	(2,027,739)	18,010	(2,207,419)
OTHER FINANCING SOURCES (USES):								
Other Financing Sources - Bond						1,685,000		1,685,000
Other Financing Sources - Capital Lease	539,051							539,051
Bond Issuance Cost						(35,000)		(35,000)
Operating Transfers In	8,000			302,656	85,000	280,000	232,542	908,198
Operating Transfers Out	(305,000)	(302,656)		(57,542)			(565,583)	(1,230,781)
Total Other Financing Sources (Uses)	242,051	(302,656)	0	245,114	85,000	1,930,000	(333,041)	1,866,468
Net Changes in Fund Balances	(720,272)	(202,829)	462,743	371,674	160,503	(97,739)	(315,031)	(340,951)
Fund Balances - Beginning	5,111,947	249,645	2,171,548	1,813,236	480,762	859,202	2,295,855	12,982,195
Fund Balances - Ending	\$4,391,675	\$46,816	\$2,634,291	\$2,184,910	\$641,265	\$761,463	\$1,980,824	\$12,641,244

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, 2015

Net Changes in Fund Balances - total governmental funds (\$340,951)

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.	1,716,401
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.	40,245
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	10,816
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	72,207
Deferred Outflow-Investment Experience. This is the change in these amounts this year.	78,099
Deferred Outflow-Actual Experience vs. Assumption. This is the change in these amounts this year.	(7,904)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	1,400,792
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(2,224,051)
(Increase) decrease in accrued interest payable from beginning of period to end of period.	(1,837)
(Increase) decrease in compensated absences payable from beginning of period to end of period.	(23,811)
Increase in debt due to the implementation of GASB 45 - Other Post Employment Benefits	(454,722)
(Increase) decrease in bond premium payable from beginning of period to end of period.	17,101
(Increase) decrease in Net Pension Liability from beginning of period to end of period.	(48,096)
(Decrease) increase in prepaid items from beginning of period to end of period.	13,843
Change in Net Position of governmental activities - statement of activities	<u>\$248,132</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$3,913,000	\$3,913,000	\$3,872,922	(\$40,078)
Sales	1,250,000	1,335,000	1,338,824	3,824
Franchise	452,500	469,500	476,049	6,549
Intergovernmental	441,150	441,150	471,804	30,654
Licenses and Permits	649,000	680,000	678,932	(1,068)
Charges for Services	2,365,900	2,365,900	2,177,418	(188,482)
Fines and Forfeitures	290,000	290,000	246,189	(43,811)
Interest	5,000	5,000	3,100	(1,900)
Miscellaneous	93,200	93,200	98,325	5,125
Total Revenues	<u>9,459,750</u>	<u>9,592,750</u>	<u>9,363,563</u>	<u>(229,187)</u>
EXPENDITURES				
Current:				
General Administration				
Administration	251,125	251,125	249,628	1,497
Central Operating	1,849,300	1,649,300	1,642,066	7,234
City Secretary	157,050	157,050	153,833	3,217
Information Technology	222,815	251,615	216,774	34,841
Mayor and Council	55,900	55,900	31,361	24,539
Planning	220,325	190,325	181,481	8,844
Legal				
City Attorney	140,000	130,000	67,323	62,677
Financial Administration				
Finance Department	272,690	272,690	269,776	2,914
Public Facilities				
Public Buildings	329,885	351,885	353,409	(1,524)
Public Works	1,567,620	1,576,745	1,567,204	9,541
Public Safety				
EMS	1,019,585	1,019,585	1,028,281	(8,696)
Fire Department	171,160	202,900	178,158	24,742
Inspection	154,260	163,760	162,606	1,154
Municipal Court	115,190	115,190	113,987	1,203
Police	2,436,430	2,411,430	2,342,663	68,767
Public Transportation				
Regional Transit	169,150	169,150	156,061	13,089
Culture and Recreation				
Beach Services	90,330	90,330	75,371	14,959
Library	269,125	256,725	231,520	25,205
Parks and Recreation	494,645	523,645	507,071	16,574
Debt Service				
Principal Retirement	220,000	220,000	216,143	3,857
Interest Retirement	43,660	43,660	42,119	1,541
Total Expenditures	<u>10,250,245</u>	<u>10,103,010</u>	<u>9,786,835</u>	<u>316,175</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(790,495)	(510,260)	(423,272)	86,988
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	8,000	8,000	8,000	0
Operating Transfers Out	(25,000)	(305,000)	(305,000)	0
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>(297,000)</u>	<u>(297,000)</u>	<u>0</u>
Net Changes in Fund Balances	<u>(\$807,495)</u>	<u>(\$807,260)</u>	<u>(720,272)</u>	<u>\$86,988</u>

Reconciliation from cash basis to modified accrual:

Other Financing Sources - Capital Lease	539,051
Purchase of Fire Truck	(539,051)
Net Changes in Fund Balances - Modified Accrual Basis	(720,272)
Fund Balances - Beginning	5,111,947
Fund Balances - Ending	<u>\$4,391,675</u>

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	\$1,889,075	\$2,289,075	\$2,118,592	(\$170,483)
Interest	300	300	440	140
Total Revenues	<u>1,889,375</u>	<u>2,289,375</u>	<u>2,119,032</u>	<u>(170,343)</u>
EXPENDITURES				
General Administration				
Mayor and Council	1,619,205	2,019,205	2,019,205	0
Total Expenditures	<u>1,619,205</u>	<u>2,019,205</u>	<u>2,019,205</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	270,170	270,170	99,827	(170,343)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(269,870)	(269,870)	(302,656)	(32,786)
Total Other Financing Sources (Uses)	<u>(269,870)</u>	<u>(269,870)</u>	<u>(302,656)</u>	<u>(32,786)</u>
Net Changes in Fund Balances	300	300	(202,829)	(203,129)
Fund Balances - Beginning	249,645	249,645	249,645	
Fund Balances - Ending	<u>\$249,945</u>	<u>\$249,945</u>	<u>\$46,816</u>	<u>(\$203,129)</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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Hotel/Motel	\$1,906,340	\$1,906,340	\$2,082,077	\$175,737
Intergovernmental	221,000	221,000	237,425	16,425
Licenses and Permits	680,000	680,000	725,034	45,034
Interest	750	750	947	197
Total Revenues	<u>2,808,090</u>	<u>2,808,090</u>	<u>3,045,483</u>	<u>237,393</u>
EXPENDITURES				
Culture and Recreation				
Beach	3,068,659	3,068,659	2,506,305	562,354
Debt Service				
Principal Retirement	74,650	74,650	74,650	0
Interest and Fiscal Charges	1,850	1,850	1,785	65
Total Expenditures	<u>3,145,159</u>	<u>3,145,159</u>	<u>2,582,740</u>	<u>562,419</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(337,069)	(337,069)	462,743	799,812
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	(337,069)	(337,069)	462,743	799,812
Fund Balances - Beginning	2,171,548	2,171,548	2,171,548	
Fund Balances - Ending	<u>\$1,834,479</u>	<u>\$1,834,479</u>	<u>\$2,634,291</u>	<u>\$799,812</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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Hotel/Motel	\$809,605	\$809,605	\$605,312	(\$204,293)
Interest	500	500	527	27
Total Revenues	810,105	810,105	605,839	(204,266)
EXPENDITURES				
Culture and Recreation				
Culture and Recreation	428,085	428,085	281,428	146,657
Debt Service				
Principal Retirement	185,000	185,000	185,000	0
Interest Retirement	13,355	13,355	12,851	504
Total Expenditures	626,440	626,440	479,279	147,161
Excess (Deficiency) of Revenues Over (Under) Expenditures	183,665	183,665	126,560	(57,105)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out	(59,325)	(59,325)	245,114	304,439
Total Other Financing Sources (Uses)	(59,325)	(59,325)	245,114	304,439
Net Changes in Fund Balances	124,340	124,340	371,674	247,334
Fund Balances - Beginning	1,813,236	1,813,236	1,813,236	
Fund Balances - Ending	\$1,937,576	\$1,937,576	\$2,184,910	\$247,334

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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Sales	\$613,500	\$613,500	\$669,412	\$55,912
Interest	300	300	328	28
Miscellaneous	13,850	13,850	25,417	11,567
Total Revenues	<u>627,650</u>	<u>627,650</u>	<u>695,157</u>	<u>67,507</u>
EXPENDITURES				
Current:				
Culture and Recreation				
Parks	672,585	672,585	619,654	52,931
Total Expenditures	<u>672,585</u>	<u>672,585</u>	<u>619,654</u>	<u>52,931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(44,935)	(44,935)	75,503	120,438
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	85,000	85,000	85,000	0
Total Other Financing Sources (Uses)	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>0</u>
Net Changes in Fund Balances	40,065	40,065	160,503	120,438
Fund Balances - Beginning	480,762	480,762	480,762	
Fund Balances - Ending	<u>\$520,827</u>	<u>\$520,827</u>	<u>\$641,265</u>	<u>\$120,438</u>

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

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	\$1,031,860	\$842,763	\$124,777	\$123,732	\$676,378	\$466,830	\$1,833,015
Accounts Receivables (net of allowance for uncollectibles)	1,223	5,375	82,484	69,795	353	0	84,060
Prepaid Items	451						451
Total Current Assets	1,033,534	848,138	207,261	193,527	676,731	466,830	1,917,526
Noncurrent Assets							
Capital Assets							
Infrastructure	939,096	608,513			6,741,828	6,702,614	7,680,924
Buildings	51,404	51,404	35,787	8,225	130,129	130,129	217,320
Machinery and Equipment	266,839	246,888			334,817	334,818	601,656
Vehicles	217,478	184,549			40,246	33,571	257,724
Total Capital Assets	1,474,817	1,091,354	35,787	8,225	7,247,020	7,201,132	8,757,624
Less Accumulated Depreciation	(950,619)	(898,239)	(6,354)	(5,072)	(3,960,453)	(3,708,385)	(4,917,426)
Total Capital Assets (net of accumulated depreciation)	524,198	193,115	29,433	3,153	3,286,567	3,492,747	3,840,198
Total Noncurrent Assets	524,198	193,115	29,433	3,153	3,286,567	3,492,747	3,840,198
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Outflow of Resources-Contributions (after 12/31/13)		35,506		3,748		18,496	0
Deferred Outflow of Resources-Contributions (after 12/31/14)	40,100		4,233		20,891		65,224
Deferred Outflow-Investment Experience	4,970		525		2,589		8,084
Deferred Outflow-Actual Experience vs. Assumption							0
Total Deferred Outflow of Resources	45,070	35,506	4,758	3,748	23,480	18,496	73,308
TOTAL ASSETS	\$1,602,802	\$1,076,759	\$241,452	\$200,428	\$3,986,778	\$3,978,073	\$5,831,032
(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	\$37,164	\$45,663	\$92,018	\$68,199	\$92,502	\$70,259	\$221,684
Compensated Absences	10,119	13,175	895	1,047	8,611	6,886	19,625
Accrued Wages Payable	8,315	7,594	1,257	893	5,610	4,676	15,182
Total Current Liabilities (Payable from Current Assets)	55,598	66,432	94,170	70,139	106,723	81,821	256,491
Current Liabilities (Payable from Restricted Assets)							
Consumer Meter Deposits	133,564	128,608			12,700	12,200	146,264
Total Current Liabilities Payable from Restricted Assets	133,564	128,608	0	0	12,700	12,200	146,264
Total Current Liabilities	189,162	195,040	94,170	70,139	119,423	94,021	402,755
Noncurrent Liabilities							
Accrued Other Post Employment Benefits	73,201	44,261	7,716	4,664	38,549	23,473	119,466
Net Pension Liability	177,059	173,996	18,691	18,368	92,235	90,650	287,985
Total Noncurrent Liabilities	250,260	218,257	26,407	23,032	130,784	114,123	407,451
Total Liabilities	439,422	413,297	120,577	93,171	250,207	208,144	810,206
DEFERRED INFLOWS OF RESOURCES							
Deferred Inflow-Actual Experience vs. Assumption	503		53		262		818
Total Deferred Inflow of Resources	503	0	53	0	262	0	818
Invested in Capital Assets, Net of Related Debt	524,198	193,115	29,433	3,153	3,286,567	3,492,747	3,840,198
Unrestricted	638,679	470,347	91,389	104,104	449,742	277,182	1,179,810
Total Net Position	\$1,162,877	\$663,462	\$120,822	\$107,257	\$3,736,309	\$3,769,929	\$5,020,008

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, 2015

BUSINESS TYPE ACTIVITIES
- ENTERPRISE FUNDS

	GAS	GAS	SANITATION	SANITATION	HARBOR	HARBOR	TOTALS
	CURRENT	PRIOR	CURRENT	PRIOR	CURRENT	PRIOR	CURRENT
	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
OPERATING REVENUES:							
Charges for Services	\$1,070,056	\$1,194,684	\$931,382	\$893,991	\$669,070	\$703,803	\$2,670,508
Total Operating Revenues	1,070,056	1,194,684	931,382	893,991	669,070	703,803	2,670,508
OPERATING EXPENSES:							
Personal Services	419,800	394,264	49,013	44,514	238,750	213,335	707,563
Supplies and Other Services and Charges	457,916	595,576	867,650	789,595	204,281	207,983	1,529,847
Depreciation	52,380	44,656	1,282	822	252,068	250,121	305,730
Total Operating Expenses	930,096	1,034,496	917,945	834,931	695,099	671,439	2,543,140
Operating Income (Loss)	139,960	160,188	13,437	59,060	(26,029)	32,364	127,368
NON-OPERATING REVENUES (EXPENSES):							
Interest Income	621	313	128	44	409	236	1,158
Sale of Fixed Assets	3,035	2,225					3,035
Federal and State Grants	25,216	25,237					25,216
Total Non-Operating Revenues (Expenses)	28,872	27,775	128	44	409	236	29,409
Income Before Transfers	168,832	187,963	13,565	59,104	(25,620)	32,600	156,777
Transfers In (Out) - Net	330,583	37,476	0	0	(8,000)	(19,479)	322,583
Change in Net Position	499,415	225,439	13,565	59,104	(33,620)	13,121	479,360
Total Net Position - Beginning - Restated	663,462	438,023	107,257	48,153	3,769,929	3,756,808	4,540,648
Total Net Position - Ending	\$1,162,877	\$663,462	\$120,822	\$107,257	\$3,736,309	\$3,769,929	\$5,020,008

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, 2015

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	\$1,079,164	\$1,202,362	\$918,693	\$881,334	\$669,217	\$686,404	\$2,667,074
Payments to Suppliers	(437,926)	(609,428)	(840,779)	(793,967)	(166,962)	(160,047)	(1,445,667)
Payments to Employees	(428,133)	(390,267)	(49,435)	(44,326)	(239,228)	(211,935)	(707,027)
Net Cash Provided (Used) by Operating Activities	213,105	202,667	28,479	43,041	263,027	314,422	514,380
Cash Flows from Non-Capital and Related Financing Activities							
Federal Grants and Contributions	25,216	25,237	0	0			25,216
Sale of Fixed Assets	3,035	2,225	0	0			3,035
Transfers In/Out	330,583	37,476	0	0	(8,000)	(19,479)	322,583
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	358,834	64,938	0	0	(8,000)	(19,479)	350,834
Cash Flows from Capital and Related Financing Activities							
Purchases of Capital Assets	(383,463)	(90,008)	(27,562)	0	(45,888)	(206,869)	(456,913)
Net Cash Provided (Used) by Capital and Related Financing Activities	(383,463)	(90,008)	(27,562)	0	(45,888)	(206,869)	(456,913)
Cash Flows from Investing Activities							
Interest Received	621	313	128	44	409	236	1,158
Net Cash Provided (Used) by Investment Activities	621	313	128	44	409	236	1,158
Net Increase (Decrease) in Cash Equivalents	189,097	177,910	1,045	43,085	209,548	88,310	399,690
Cash and Cash Equivalents at Beginning of Year	842,763	664,853	123,732	80,647	466,830	378,520	1,433,325
Cash and Cash Equivalents at End of Year	\$1,031,860	\$842,763	\$124,777	\$123,732	\$676,378	\$466,830	\$1,833,015

(continued)

(continued)

BUSINESS TYPE ACTIVITIES
- ENTERPRISE FUNDS

	GAS	GAS	SANITATION	SANITATION	HARBOR	HARBOR	TOTALS
	CURRENT	PRIOR	CURRENT	PRIOR	CURRENT	PRIOR	CURRENT
	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating Income (Loss)	\$139,960	\$160,188	\$13,437	\$59,060	(\$26,029)	\$32,364	127,368
Adjustments to Reconcile to Net Cash Flow							
Non-Cash Items Included in Net Income							
Depreciation	52,380	44,656	1,282	822	252,068	250,121	305,730
Changes in Current Items							
Decrease (Increase) in Accounts Receivable	4,152	2,631	(12,689)	(12,657)	(353)	0	(8,890)
Decrease (Increase) Deferred Outflow of Resources-Contributions	(4,594)		(485)		(2,395)		
Decrease (Increase) Deferred Outflow-Investment Experience	(4,970)		(525)		(2,589)		
Decrease (Increase) Deferred Outflow-Actual Experience vs Assumption	503		53		262		
Decrease (Increase) in Prepaid Items	(451)		0		0		(451)
Increase (Decrease) in Accounts Payable	(8,499)	(13,852)	23,819	(4,372)	22,243	47,936	37,563
Increase (Decrease) Compensated Absences	(3,056)	2,012	(152)	55	1,725	766	(1,483)
Increase (Decrease) Accrued Wages Payable	721	1,985	364	133	934	634	2,019
Increase (Decrease) in Consumer Meter Deposits	4,956	5,047	0	0	500	(17,399)	5,456
Increase (Decrease) in Net pension Liability	3,063		323		1,585		
Increase (Decrease) in Accrued Other Post Employment Benefits	28,940	0	3,052	0	15,076	0	47,068
Net Cash Provided (Used) By Operating Activities	\$213,105	\$202,667	\$28,479	\$43,041	\$263,027	\$314,422	\$514,380
Noncash Investing, Capital, and Financing Activities:							
Grants	\$25,216	\$25,237	\$0	\$0	\$0	\$0	\$25,216

Note: The above funds are all Enterprise Funds.

City of Port Aransas, Texas
Notes to the Financial Statements
September 30, 2015

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

The Hotel-Motel / Facility Funds account for the portion of sales taxes and hotel/motel taxes that the Council requires to be set aside for recreational development.

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 10 percent of outstanding trade accounts receivable at September 30, 2015, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2015, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2015, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2015. The property tax receivable allowance is equal to 10 percent of current outstanding property taxes at September 30, 2015, and 10 percent of delinquent outstanding property taxes at September 30, 2015. 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	\$71,780
	<u>\$71,780</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 \$378,269. Of this amount, \$-0- was included as part of the cost of capital assets. Significant construction activity during the year was \$253,744 for the JC Barr. Blvd. Rehab.

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, 2015, 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, 2015, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Inventories	\$17,926
Prepaid Items	0
Restricted	
Construction	761,463
Culture and Recreation	1,330,434
Debt Service	171,374
Economic Development	2,681,107
Public Safety	24,493
Committed	
Construction	138,523
Culture and Recreation	400,325
Public Safety	71,780
Public Transportation	639,014
Unassigned	6,404,805
Total Fund Balance	<u>\$12,641,244</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 \$18,093,734 difference are as follows:

Capital Lease	\$1,139,036
Bonds Payable	12,580,000
Bond Premium	175,022
Other Post Employment Benefits	1,153,599
Net Pension Liability	2,782,293
Accrued Interest Payable	54,970
Compensated Absences	208,814
	<u>\$18,093,734</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 \$29,325,562 difference are as follows:

Capital assets not being depreciated	\$6,226,504
Capital assets being depreciated	45,809,681
Depreciation expense	(22,710,623)

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	<u>\$29,325,562</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 \$119,709 difference are as follows:

Property Taxes Receivable	\$126,009
Allowance for Doubtful Accounts	<u>(6,300)</u>
Net	<u>\$119,709</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 \$947,526 difference are as follows:

Fines and Fees Receivable	\$465,767
Allowance for Doubtful Accounts	(218,560)
Deferred Outflow of Resources-Contributions (after 12/31/14)	630,124
Deferred Outflow-Investment Experience	78,099
Deferred Outflow-Actual Experience vs. Assumption	<u>(7,904)</u>
Net	<u>\$947,526</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 \$1,716,401 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$2,477,838
Capital Outlay - Additions - Being Depreciated	1,877,737
Capital Outlay - Deletions	(47,324)
Depreciation Expense	(2,591,850)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$1,716,401</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, 2015, expenditures did not exceed appropriations in any funds.

C. Deficit fund equity

There were no deficit fund balances for any fund at September 30, 2015.

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, 2015, the government's bank balance of \$1,057,360 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 \$1,152,926 and the FDIC coverage is \$250,000. The City also had a bank balance of \$188,524 in American Bank at September 30, 2015. The fair market value of the securities pledged is \$188,524 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, 2015 is \$570,777.

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, 2015 the local investment pools Texpool (78% of portfolio) and Texas Class (22% 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. 78 percent of the City's investments are in an insured Texpool account and 22 percent are in an insured Texas Class 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, 2015, the City had \$13,874,370 in investments in insured TexPool and Texas Class accounts.

As of September 30, 2015, the government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$10,872,876	Less than 1 year	Less than 1 year
Texas Class Funds	\$ 3,001,494	Less than 1 year	Less than 1 year

The City participates in two Local Government Investment Pools: TexPool and Texas Class. The City invests in TexPool and Texas Class to provide its liquidity needs. They are local government investment pools 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 and Texas Class are 2(a) 7 like funds meaning that they are 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 and Texas Class funds are 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	Debt Service	Airport	Recreat- ional Develop- ment	Gas	Sani- tation	Harbor	Total
<u>Receivables</u>									
Taxes - Ad Valorem	\$104,662		\$21,347						\$126,009
Intergovernmental Accounts	167,666			9,303	68,032				245,001
Municipal Court Fines	198,952					6,251	147,305		153,556
Grant		165,919							165,919
EMS Fees	266,815								266,815
Other	35,856							353	36,209
Gross Receivables	773,951	165,919	21,347	9,303	68,032	6,251	147,305	353	1,192,461
Less: Allowance for Uncollectibles	223,793		1,067			5,028	64,821		294,709
Net Total Receivables	\$550,158	\$165,919	\$20,280	\$9,303	\$68,032	\$1,223	\$82,484	\$353	\$897,752

The receivables are expected to be collected within one year.

C. Capital assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$3,440,036	\$2,224,094	\$0	\$5,664,130
Construction in Progress	308,630	253,744	0	562,374
Total Capital Assets Not Being Depreciated	3,748,666	2,477,838	0	6,226,504
Capital assets being depreciated:				
Infrastructure	31,360,282	175,007	0	31,535,289
Buildings	4,437,341	204,953	0	4,642,294
Machinery and Equipment	4,577,308	807,391	199,598	5,185,101
Vehicles	3,868,107	690,386	111,496	4,446,997
Total Capital Assets Being Depreciated	44,243,038	1,877,737	311,094	45,809,681
Less Accumulated Depreciation for:				
Infrastructure	12,329,858	142,765	0	12,472,623
Buildings	2,474,378	1,633,811	0	4,108,189
Machinery and Equipment	3,824,181	464,086	152,274	4,135,993
Vehicles	1,754,126	351,188	111,496	1,993,818
Total Accumulated Depreciation	20,382,543	2,591,850	263,770	22,710,623
Total Capital Assets Being Depreciated, Net	23,860,495	(714,113)	47,324	23,099,058
Governmental Activities Capital Assets, Net	\$27,609,161	\$1,763,725	\$47,324	\$29,325,562
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	7,311,126	369,797	0	7,680,923
Buildings	189,758	27,562	0	217,320
Machinery and Equipment	581,707	19,950	0	601,657
Vehicles	179,389	39,604	20,404	198,589
Total Capital Assets Being Depreciated	8,261,980	456,913	20,404	8,698,489
Less Accumulated Depreciation for:				
Infrastructure	4,133,972	256,950	0	4,390,922
Buildings	50,488	6,842	0	57,330
Machinery and Equipment	253,600	28,237	0	281,837
Vehicles	134,904	13,701	20,404	128,201
Total Accumulated Depreciation	4,572,965	305,730	20,404	4,858,291
Total Capital Assets Being Depreciated, Net	3,689,015	151,183	0	3,840,198
Business-Type Activities Capital Assets, Net	\$3,689,015	\$151,183	\$0	\$3,840,198

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

Governmental Activities	
General Administration	\$1,895,762
Public Facilities	42,434
Public Safety	374,140
Public Transportation	459
Culture and Recreation	<u>279,055</u>
Total Depreciation Expense - Governmental Activities	<u>\$2,591,850</u>

Business-Type Activities	
Gas	\$52,380
Harbor	252,068
Sanitation	<u>1,282</u>
Total Depreciation Expense - Business-Type Activities	<u>\$305,730</u>

Construction commitments

The government has active construction projects as of September 30, 2015: Significant construction activity during the year was \$253,744 for the JC Barr. Blvd. Rehab.

Discretely presented component units

The City had no discretely presented component units as of September 30, 2015.

D. Interfund receivables, payables, and transfers

There were no interfund balances as of September 30, 2015.

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, 2015, the government made the following one-time transfers:

INTER-GOVERNMENTAL		TRANSFER TO					
FUNDS	NATURE PRE- SERVE FUND	RECRE- ATIONAL DEVELOP- MENT FUND	HOTEL- MOTEL/ FACILITY FUND	AIRPORT FUND	CON- STRUC- TION FUNDS	DEBT SERVICE FUND	TOTAL
TRANSFER FROM							
GENERAL FUND				\$25,000	\$280,000		\$305,000
RECREATIONAL DEVELOPMENT FUND	57,542						57,542
ADVERTISING FUND			302,656				302,656
DEDICATION FEES FUND		85,000					85,000
IMPACT FEES FUND						150,000	150,000
TOTALS	<u>\$57,542</u>	<u>\$85,000</u>	<u>\$302,656</u>	<u>\$25,000</u>	<u>\$280,000</u>	<u>\$150,000</u>	<u>\$900,198</u>

INTER-GOVERNMENTAL		TRANSFER TO	
UTILITY	GAS FUND	TOTAL	
TRANSFER FROM			
IMPACT FEES FUND	<u>\$330,583</u>	<u>\$330,583</u>	
TOTALS	<u>\$330,583</u>	<u>\$330,583</u>	

INTRA-GOVERNMENTAL		TRANSFER TO	
TRANSFER FROM	GENERAL FUND	TOTAL	
HARBOR FUND	<u>\$8,000</u>	<u>\$8,000</u>	
TOTALS	<u>\$8,000</u>	<u>\$8,000</u>	

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 \$26,967 for the year ended September 30, 2015. The future minimum lease payments for this lease are as follows:

<u>Year Ending Sept. 30</u>	<u>Amount</u>
2016	\$ 36,509
2017	20,590
2018	18,736
2019	<u>17,633</u>
Total	<u>\$ 93,468</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 \$16,625,000.

The City sold Series 2014 bonds during the year. The amount was \$1,685,000. The proceeds were put into the construction fund.

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

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities – Series 2014	2.49	\$1,595,000
Governmental activities – Series 2007	4.00	\$1,475,000
Governmental activities – Series 2009	3.00-4.125	\$3,330,000
Governmental activities – Series 2012	1.75-2.125	\$5,410,000
Governmental activities – Series 2013	1.49	\$ 770,000 Refunding

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2016	\$1,140,000	\$332,000
2017	1,185,000	301,380
2018	1,225,000	268,797
2019	1,275,000	234,103
2020	1,110,000	198,747
2021-2025	5,040,000	491,099
2026-2029	1,605,000	49,258
TOTALS	<u>\$12,580,000</u>	<u>\$1,875,384</u>

Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of two ambulances, a motor grader/wheel loader, a fire pumper truck, 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
	Fire Ladder Truck	Fire Pumper Truck	Ambulance	Ambulance	
COST	\$924,357	\$539,051	\$130,000	\$145,250	\$1,738,658
ACCUMULATED DEPRECIATION	(792,306)	(77,007)	(37,142)	(41,500)	(947,955)
NET ASSET	\$132,051	\$462,044	\$92,858	\$103,750	\$790,703

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, were as follows:

YEAR	Governmental Activities				Total
	Fire Ladder Truck Amount	Fire Pumper Truck Amount	Ambulance Amount	Ambulance Amount	Amount
2016	\$116,876	\$61,091	\$27,318	\$31,144	\$236,429
2017	116,876	61,091	27,319	31,144	236,430
2018	116,876	61,091		31,145	209,112
2019	116,876	61,091			177,967
2020	116,876	61,091			177,967
2021		61,091			61,091
2022		61,091			61,091
2023		61,091			61,091
2024		61,091			61,091
Total Minimum Lease Payments	584,380	549,819	54,637	93,433	1,282,269
Less: Amount Representing Interest	71,441	63,331	1,891	6,570	143,233
Present Value of Net Minimum Lease Payments	\$512,939	\$486,488	\$52,746	\$86,863	\$1,139,036

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2015, 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	\$12,005,000	\$1,685,000	\$1,110,000	\$12,580,000	\$1,140,000	\$11,440,000
Bond Premium - Series 2009	192,123		17,101	175,022		175,022
Total Bonds Payable	<u>12,197,123</u>	<u>1,685,000</u>	<u>1,127,101</u>	<u>12,755,022</u>	<u>1,140,000</u>	<u>11,615,022</u>
Capital Lease Purchases	890,777	539,051	290,792	1,139,036	196,535	942,501
OPEB Liability	698,877	454,722		1,153,599		1,153,599
Net Pension Liability	2,734,197	48,096		2,782,293		2,782,293
Compensated Absences	185,003	208,814	185,003	208,814	208,814	0
Total Other	<u>4,508,854</u>	<u>1,250,683</u>	<u>475,795</u>	<u>5,283,742</u>	<u>405,349</u>	<u>4,878,393</u>
Total Governmental Activities	<u>16,705,977</u>	<u>2,935,683</u>	<u>1,602,896</u>	<u>18,038,764</u>	<u>1,545,349</u>	<u>16,493,415</u>
<u>Business-Type Activities:</u>						
OPEB Liability	72,398	47,068		119,466		119,466
Net Pension Liability	283,016	4,969		287,985		287,985
Compensated Absences	21,108	19,625	21,108	19,625	19,625	0
Total Business-Type Activities	<u>376,522</u>	<u>71,662</u>	<u>21,108</u>	<u>427,076</u>	<u>19,625</u>	<u>407,451</u>
Grand Total	<u>\$17,082,499</u>	<u>\$3,007,345</u>	<u>\$1,624,004</u>	<u>\$18,465,840</u>	<u>\$1,564,974</u>	<u>\$16,900,866</u>

The government-wide statement of net position includes \$1,564,974 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 2013 is serviced by the Hotel Motel Special Fund, the Series 2007, 2009, 2012, 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>09/30/15</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 15, 2015

- Approved Resolution No. 2015-42 authorizing the purchase of a new Tymco Model #600 street sweeper along with 8 options; funding from FY 2015-2016 General Fund Public Works Account 050-62310 in the amount of \$217,000 through BuyBoard.

On November 19, 2015

- Approved Resolution No. 2015-R-48 authorizing the purchase of 2 new Model M2-106 dump trucks from Corpus Christi Freightliner, Inc. in the amount of \$169,878.16.

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) Cause No. 2-15-CV-00317 *Coffin, et als v. City* **settled** for less than \$40,000 in District Court. This was filed with TML.
- 2) Cause No. 2-14-CV-00115; *Williams v. City*. Filed April 7, 2014 is **pending**. Plaintiff is also suing arresting officer and made settlement demand of \$1,500,000 after he received injuries during arrest on March 16, 2014. Also claims false arrest. The claims should be covered by insurance.

E. 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, 2015, the City paid \$73,242 in premiums for eleven 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, 2015, 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	\$316,374
Contributions Made	<u>(93,203)</u>
Increase in Net OPEB	223,171
Net OPEB Obligation, Beginning of Year	<u>1,049,894</u>
Net OPEB Obligation, End of Year	<u><u>\$1,273,065</u></u>
Net OPEB Obligation Reported by Governmental Funds	\$1,153,599
Net OPEB Obligation Reported in Business-Type Activities Funds	<u>119,466</u>
	<u><u>\$1,273,065</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, 2015 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
9/30/2015	\$ 316,374	29.46%	\$1,273,065

* GASB 45 reporting not required for these periods

Funded Status and Funding Progress: As of October 1, 2014, 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 \$2,653,283 million, and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,653,283 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4,553,818 million, and the ratio of the UAAL to covered payroll was 58.27%.

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, 2014 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% in 2015, reduced by decrements to an ultimate rate of 5.0% in 2020 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.

F. Prior Period Adjustments

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

The City had a prior period adjustment where by both business-type activities and governmental activities Net Pension Liability were decreased by \$225,264 and \$2,176,280, respectively, as a result of the City implementing GASB 68. These restatements had a corresponding effect on the beginning net assets.

The City also had a prior period adjustment where by governmental activities Net Pension Liability was decreased by \$216,715 as a result of the City writing off old outstanding ambulance receivables on October 1, 2014. This restatement had a corresponding effect on the beginning net assets.

	Net Assets, as Previously Reported	GASB 68 RESTATEMENT	GASB 34 RESTATEMENT	Net Assets As Restated
Governmental Activities:				
Net Assets	\$27,159,196	(\$2,176,280)	(\$216,715)	\$24,766,201
Total Governmental Activities	<u>\$27,159,196</u>	<u>(\$2,176,280)</u>	<u>(\$216,715)</u>	<u>\$24,766,201</u>

	Net Assets, as Previously Reported	GASB 68 RESTATEMENT	Net Assets As Restated
Business-Type Activities:			
Net Assets	\$4,765,912	(\$225,264)	\$4,540,648
Total Business-Type Activities	<u>\$4,765,912</u>	<u>(\$225,264)</u>	<u>\$4,540,648</u>

G. Defined Benefit Pension Plans

A. Plan Description

The City of Port Aransas participates as one of 860 plans in the nontraditional, joint, contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

Employees covered by benefit terms.

Actuarial Valuation and Measurement Date, December 31, 2013 2014

Membership

Number of

- Inactive employees or beneficiaries currently receiving benefits	34	37
- Inactive employees entitled to but not yet receiving benefits	53	56
- Active employees	<u>106</u>	<u>107</u>
- Total	193	200

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Port Aransas were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Port Aransas were 12.56% and 12.75% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$66,013, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS CURRENT PERIOD

A. Total pension liability

1. Service Cost	\$	571,442
2. Interest (on the Total Pension Liability)		803,551
3. Changes of benefit terms		0
4. Difference between expected and actual experience		(11,868)
5. Changes of assumptions		0
6. Benefit payments, including refunds of employee contributions		(489,225)
7. Net change in total pension liability	\$	873,900
8. Total pension liability –beginning		11,438,194
9. Total pension liability –ending	\$	<u>12,312,094</u>

B. Plan fiduciary net position

1. Contributions – employer	\$	560,988
2. Contributions – employee		272,766
3. Net investment income		481,740
4. Benefit payments, including refunds of employee contributions		(489,225)
5. Administrative Expense		(5,029)
6. Other		<u>(414)</u>
7. Net change in plan fiduciary net position	\$	820,826
8. Plan fiduciary net position –beginning		<u>8,420,983</u>
9. Plan fiduciary net position -ending	\$	<u>9,241,809</u>
	\$	<u>3,070,285</u>

C. Net pension liability [A.9-B.9]

D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9] 75.06%

E. Covered-employee payroll \$ 4,546,100

F. Net pension liability as a percentage of covered employee payroll [C / E] 67.54%

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

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

1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
\$4,840,041	\$3,070,285	\$1,622,558

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2015, the City recognized pension expense of \$536,601.

SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$	571,442
2. Interest on the Total Pension Liability		803,551
3. Current Period Benefit Changes		0
4. Employee Contributions (Reduction of Expense)		(272,766)
5. Projected Earnings on Plan Investments (Reduction of Expense)		(589,469)
6. Administrative Expense		5,029
7. Other Changes in Fiduciary Net Position		414
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities		(3,146)
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets		21,546
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities		0
11. Amortization of Prior Year Outflows (inflows) of Resources-Assets		0
12. Total Pension Expense	\$	536,601

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2014 Recognized in current	Deferred (Inflow)/Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	3.7720	\$ (11,868)	\$ (3,146)	\$ (8,722)
Difference in assumption changes [actuarial (gains) or losses]	3.7720	\$ 0	\$ 0	\$ 0
			<u>\$ (3,146)</u>	<u>\$ (8,722)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ 107,729	\$ 21,546	\$ 86,183
			<u>\$ 21,546</u>	<u>\$ 86,183</u>
<u>Total:</u>				<u>\$ 77,461</u>

\$695,347 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

		Net deferred outflows (inflows) of resources
2015	\$	18,400
2016		18,400
2017		19,116
2018		21,545
2019		0
Thereafter		0
Total	\$	<u>77,461</u>

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	2014	2015	2016	2017
Total pension liability				
Service Cost	\$ 571,442	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Interest (on the Total Pension Liability)	803,551	xxx,xxx	xxx,xxx	xxx,xxx
Changes of benefit terms	0	xxx,xxx	xxx,xxx	xxx,xxx
Difference between expected and actual experience	(11,868)	xxx,xxx	xxx,xxx	xxx,xxx
Change of assumptions	0	xxx,xxx	xxx,xxx	xxx,xxx
Benefit payments, including refunds of employee contributions	(489,225)	xxx,xxx	xxx,xxx	xxx,xxx
Net Change in Total Pension Liability	873,900	xxx,xxx	xxx,xxx	xxx,xxx
Total Pension Liability - Beginning	11,438,194	xxx,xxx	xxx,xxx	xxx,xxx
Total Pension Liability - Ending (a)	\$ 12,312,094	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Plan Fiduciary Net Position				
Contributions - Employer	\$ 560,988	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions - Employee	272,766	xxx,xxx	xxx,xxx	xxx,xxx
Net Investment Income	481,740	xxx,xxx	xxx,xxx	xxx,xxx
Benefit payments, including refunds of employee contributions	(489,225)	xxx,xxx	xxx,xxx	xxx,xxx
Administrative Expense	(5,029)	xxx,xxx	xxx,xxx	xxx,xxx
Other	(414)	xxx,xxx	xxx,xxx	xxx,xxx
Net Change in Plan Fiduciary Net Position	820,826	xxx,xxx	xxx,xxx	xxx,xxx
Plan Fiduciary Net Position - Beginning	8,420,983	xxx,xxx	xxx,xxx	xxx,xxx
Plan Fiduciary Net Position - Ending (b)	\$ 9,241,809	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Net Pension Liability - Ending (a) - (b)	\$ 3,070,285	xxx,xxx	xxx,xxx	xxx,xxx
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.06%	x.xx%	x.xx%	x.xx%
Covered Employee Payroll	\$ 4,546,100	xxx,xxx	xxx,xxx	xxx,xxx
Net Pension Liability as a Percentage of Covered Employee Payroll	67.54%	x.xx%	x.xx%	x.xx%
Notes to Schedule:				
<i>N/A</i>				

Note to City: GASB 68 requires 10 fiscal years of data to be provided in this schedule. GRS will provide the current year results. The employer will be required to build this schedule over the next 10-year period.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered employee payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered employee payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no benefit changes during the year.

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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Interest	\$2,500	\$2,500	\$381	(\$2,119)
Total Revenues	<u>2,500</u>	<u>2,500</u>	<u>381</u>	<u>(2,119)</u>
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	1,000,000	2,650,000	2,028,120	621,880
Total Expenditures	<u>1,000,000</u>	<u>2,650,000</u>	<u>2,028,120</u>	<u>621,880</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(997,500)</u>	<u>(2,647,500)</u>	<u>(2,027,739)</u>	<u>619,761</u>
Net Changes in Fund Balances	<u>(\$997,500)</u>	<u>(\$2,647,500)</u>	<u>(2,027,739)</u>	<u>\$619,761</u>
Reconciliation from cash basis to modified accrual:				
Other Financing Sources - Bond			1,685,000	
Bond Issuance Cost			(35,000)	
Operating Transfers In			280,000	
Net Changes in Fund Balances - Modified Accrual Basis			<u>(97,739)</u>	
Fund Balances - Beginning			859,202	
Fund Balances - Ending			<u>\$761,463</u>	

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF PORT ARANSAS, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	SPECIAL REVENUE								TOTAL	
	AIRPORT FUND	COURT SECURITY FUND	COURT TECH- NOLOGY FUND	LIBRARY FUND	IMPACT FEES FUND	NATURE PRESERVE FUNDS	PARK DEDICA- TION FEES	STREET MAIN- TENANCE FUND		DEBT SERVICE FUND
ASSETS										
Cash and Cash Equivalents	\$414,744	\$11,345	\$13,148	\$166,273	\$140,303	\$275,216	\$126,131	\$639,014	\$171,374	\$1,957,548
Receivables (net of allowance for uncollectibles)	9,303								20,280	29,583
Inventories	17,925									17,925
Total Assets	\$441,972	\$11,345	\$13,148	\$166,273	\$140,303	\$275,216	\$126,131	\$639,014	\$191,654	\$2,005,056
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts Payable	\$410				\$1,780					\$2,190
Accrued Wages	740					1,022				1,762
Total Liabilities	1,150	0	0	0	1,780	1,022	0	0	0	3,952
DEFERRED INFLOWS OF RESOURCES										
Deferred Property Taxes									20,280	20,280
Fund Balances										
Non-Spendable										
Inventories	17,926									17,926
Restricted										
Culture and Recreation	422,896			166,273						589,169
Debt Service									171,374	171,374
Public Safety		11,345	13,148							24,493
Committed										
Construction					138,523					138,523
Culture and Recreation						274,194	126,131			400,325
Public Transportation								639,014		639,014
Total Fund Balances	440,822	11,345	13,148	166,273	138,523	274,194	126,131	639,014	171,374	1,980,824
TOTAL LIABILITIES AND FUND BALANCES	\$441,972	\$11,345	\$13,148	\$166,273	\$140,303	\$275,216	\$126,131	\$639,014	\$191,654	\$2,005,056

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, 2015

	SPECIAL REVENUE								TOTAL	
	AIRPORT	COURT	COURT	LIBRARY	IMPACT	NATURE	PARK	STREET		
	FUND	SECURITY	TECH- NOLOGY	FUND	FUND	PRESERVE FUNDS	DEDICA- TION FEES	MAIN- TENANCE FUND		
REVENUES										
Taxes										
Property									\$1,052,083	\$1,052,083
Sales										0
Intergovernmental	8,863			600						9,463
Charges for Services	151,026				204,131		60,419			415,576
Fines and Forfeitures	1,448	2,730	3,642							7,820
Interest		7	8	628	168	136	123	417	127	1,614
Miscellaneous				11,391		15,931				27,322
Total Revenues	161,337	2,737	3,650	12,619	204,299	16,067	60,542	417	1,052,210	1,513,878
EXPENDITURES										
Current:										
Public Safety										
Municipal Court		501	2,976							3,477
Public Transportation										
Regional Transit								28,794		28,794
Culture and Recreation										
Airport	139,796									139,796
Library				1,326						1,326
Nature Preserve						60,698				60,698
Debt Service										
Principal Retirement									925,000	925,000
Interest and Fiscal Charges									336,777	336,777
Total Expenditures	139,796	501	2,976	1,326	0	60,698	0	28,794	1,261,777	1,495,868
Excess (Deficiency) of Revenues Over (Under)										
Expenditures	21,541	2,236	674	11,293	204,299	(44,631)	60,542	(28,377)	(209,567)	18,010
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	25,000					57,542			150,000	232,542
Operating Transfers Out					(480,583)		(85,000)			(565,583)
Total Other Financing Sources (Uses)	25,000	0	0	0	(480,583)	57,542	(85,000)	0	150,000	(333,041)
Net Changes in Fund Balances	46,541	2,236	674	11,293	(276,284)	12,911	(24,458)	(28,377)	(59,567)	(315,031)
Fund Balances - Beginning	394,281	9,109	12,474	154,980	414,807	261,283	150,589	667,391	230,941	2,295,855
Fund Balances - Ending	\$440,822	\$11,345	\$13,148	\$166,273	\$138,523	\$274,194	\$126,131	\$639,014	\$171,374	\$1,980,824

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$30,000	\$30,000	\$8,863	(\$21,137)
Charges for Services	140,500	140,500	151,026	10,526
Interest	100	100	1,448	1,348
Total Revenues	170,600	170,600	161,337	(9,263)
EXPENDITURES				
Current:				
Culture and Recreation				
Airport	552,213	552,213	139,796	412,417
Total Expenditures	552,213	552,213	139,796	412,417
Excess (Deficiency) of Revenues Over (Under) Expenditures	(381,613)	(381,613)	21,541	403,154
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	86,175	86,175	25,000	(61,175)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	86,175	86,175	25,000	(61,175)
Net Changes in Fund Balances	(295,438)	(295,438)	46,541	341,979
Fund Balances - Beginning	394,281	394,281	394,281	
Fund Balances - Ending	\$98,843	\$98,843	\$440,822	\$341,979

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$3,300	\$3,300	\$2,730	(\$570)
Interest	10	10	7	(3)
Total Revenues	3,310	3,310	2,737	(573)
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	10,400	10,400	501	9,899
Total Expenditures	10,400	10,400	501	9,899
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,090)	(7,090)	2,236	9,326
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	(7,090)	(7,090)	2,236	9,326
Fund Balances - Beginning	9,109	9,109	9,109	
Fund Balances - Ending	\$2,019	\$2,019	\$11,345	\$9,326

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$4,400	\$4,400	\$3,642	(\$758)
Interest	20	20	8	(12)
Total Revenues	4,420	4,420	3,650	(770)
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	6,550	6,550	2,976	3,574
Total Expenditures	6,550	6,550	2,976	3,574
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,130)	(2,130)	674	2,804
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	(2,130)	(2,130)	674	2,804
Fund Balances - Beginning	12,474	12,474	12,474	
Fund Balances - Ending	\$10,344	\$10,344	\$13,148	\$2,804

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$200,000	\$200,000	\$204,131	\$4,131
Interest	250	250	168	(82)
Total Revenues	200,250	200,250	204,299	4,049
EXPENDITURES				
Current:				
Capital Projects -				
Capital Outlay and Other	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	200,250	200,250	204,299	4,049
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(325,000)	(479,000)	(480,583)	(1,583)
Total Other Financing Sources (Uses)	(325,000)	(479,000)	(480,583)	(1,583)
Net Changes in Fund Balances	(124,750)	(278,750)	(276,284)	2,466
Fund Balances - Beginning	414,807	414,807	414,807	
Fund Balances - Ending	\$290,057	\$136,057	\$138,523	\$2,466

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$200	\$200	\$136	(\$64)
Miscellaneous	0	0	15,931	15,931
Total Revenues	200	200	16,067	15,867
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	324,325	324,325	60,698	263,627
Total Expenditures	324,325	324,325	60,698	263,627
Excess (Deficiency) of Revenues Over (Under) Expenditures	(324,125)	(324,125)	(44,631)	279,494
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	59,325	59,325	57,542	(1,783)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	59,325	59,325	57,542	(1,783)
Net Changes in Fund Balances	(264,800)	(264,800)	12,911	277,711
Fund Balances - Beginning	261,283	261,283	261,283	
Fund Balances - Ending	(\$3,517)	(\$3,517)	\$274,194	\$277,711

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

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$55,000	\$55,000	\$60,419	\$5,419
Interest	100	100	123	23
Total Revenues	55,100	55,100	60,542	5,442
EXPENDITURES				
Current:				
Culture and Recreation				
Park Dedication	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	55,100	55,100	60,542	5,442
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(85,000)	(85,000)	(85,000)	0
Total Other Financing Sources (Uses)	(85,000)	(85,000)	(85,000)	0
Net Changes in Fund Balances	(29,900)	(29,900)	(24,458)	5,442
Fund Balances - Beginning	150,589	150,589	150,589	
Fund Balances - Ending	\$120,689	\$120,689	\$126,131	\$5,442

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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Interest	\$200	\$200	\$417	\$217
Total Revenues	200	200	417	217
EXPENDITURES				
Current:				
Public Transportation				
Regional Transit	30,000	30,000	28,794	1,206
Total Expenditures	30,000	30,000	28,794	1,206
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,800)	(29,800)	(28,377)	1,423
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(29,800)	(29,800)	(28,377)	1,423
Fund Balances - Beginning	667,391	667,391	667,391	
Fund Balances - Ending	\$637,591	\$637,591	\$639,014	\$1,423

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>REVENUES</i>				
Taxes				
Property	\$992,105	\$1,049,105	\$1,052,083	\$2,978
Interest	50	50	127	77
Total Revenues	992,155	1,049,155	1,052,210	3,055
<i>EXPENDITURES</i>				
Debt Service				
Principal Retirement	925,000	925,000	925,000	0
Interest Retirement	218,105	337,005	336,777	228
Total Expenditures	1,143,105	1,262,005	1,261,777	228
Excess (Deficiency) of Revenues Over (Under) Expenditures	(150,950)	(212,850)	(209,567)	3,283
<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)	150,000	150,000	150,000	0
Net Changes in Fund Balances	(950)	(62,850)	(59,567)	3,283
Fund Balances - Beginning	230,941	230,941	230,941	
Fund Balances - Ending	\$229,991	\$168,091	\$171,374	\$3,283