

CITY OF PORT ARANSAS, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2013

CITY OF PORT ARANSAS, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Port Aransas, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that that the management's discussion and analysis, the schedule of funding progress for the Public Employees Retirement System, and the budgetary comparison information on pages 3 through 11, 59, and 63 through 70, 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 & CO.
Certified Public Accountants
Port Aransas, Texas
May 8, 2014

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, 2013. 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 \$30,012,492 (net position). Of this amount, \$7,595,312 (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 \$1,183,911 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 \$12,835,972. Approximately 46.3% of this amount, \$5,949,202 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 4,702,210 or 59.4% of General Fund expenditures.
- The City of Port Aransas' total debt had a decrease of \$545,482 during the current fiscal year. Debt was reduced by payment of bonds and refunding a 2004 issue.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise

to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Port Aransas include general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, and interest and fiscal charges. The business-type activities include gas, sanitation, and harbor.

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

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

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

Because the focus of governmental fund level statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In addition to the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

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

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$14,905,714	\$14,760,920	\$1,189,164	\$1,005,273	\$16,094,878	\$15,766,193
Restricted Assets:	13,704	13,704	0	0	13,704	13,704
Capital Assets:	26,822,509	25,975,532	3,687,739	3,714,315	30,510,248	29,689,847
Total Assets	41,741,927	40,750,156	4,876,903	4,719,588	46,618,830	45,469,744
Long-Term Liabilities	15,021,255	15,597,776	90,673	59,634	15,111,928	15,657,410
Other Liabilities (Payable from Restricted Assets)	0	0	153,160	141,412	153,160	141,412
Other Liabilities	1,176,428	688,685	164,822	153,656	1,341,250	842,341
Total Liabilities	16,197,683	16,286,461	408,655	354,702	16,606,338	16,641,163
Invested in Capital Assets, Net of Related Debt	15,778,177	15,803,523	3,687,739	3,714,315	19,465,916	19,517,838
Restricted	2,951,264	2,379,329	0	0	2,951,264	2,379,329
Unrestricted	6,814,803	6,280,843	780,509	650,571	7,595,312	6,931,414
Total Net Position	\$25,544,244	\$24,463,695	\$4,468,248	\$4,364,886	\$30,012,492	\$28,828,581

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 \$25,544,244 at the close of the most recent fiscal year for governmental activities and \$4,468,248 for business-type activities.

A large portion of the City’s net assets (61.8 percent in governmental activities and 82.5 percent in business type activities) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

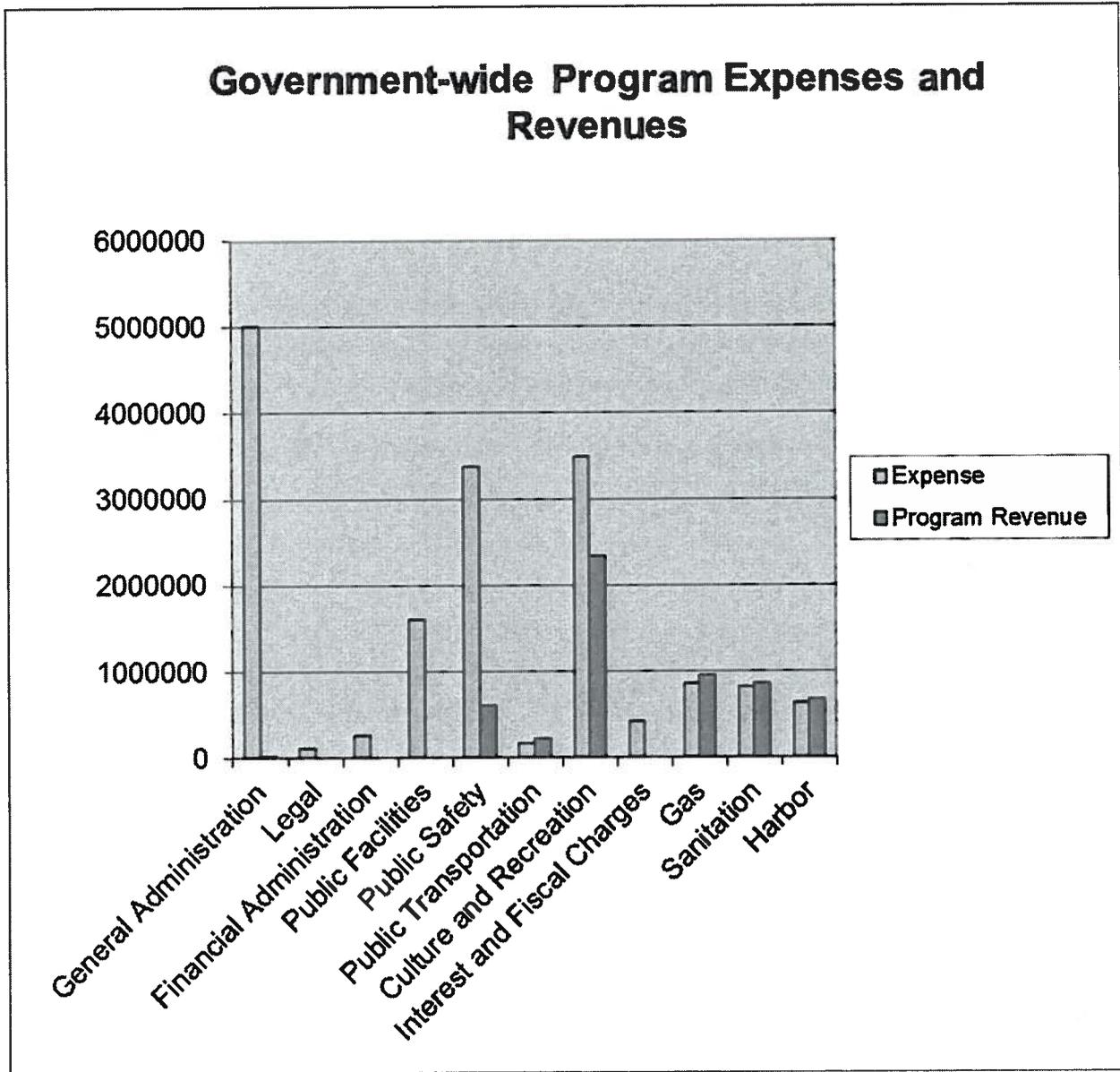
At the end of the current fiscal year, the City of Port Aransas is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Changes in Net Position. Governmental activities increased the City's net assets by \$1,080,549 and Business-type activities increased the City's net assets by \$103,362 for an increase of \$1,183,911.

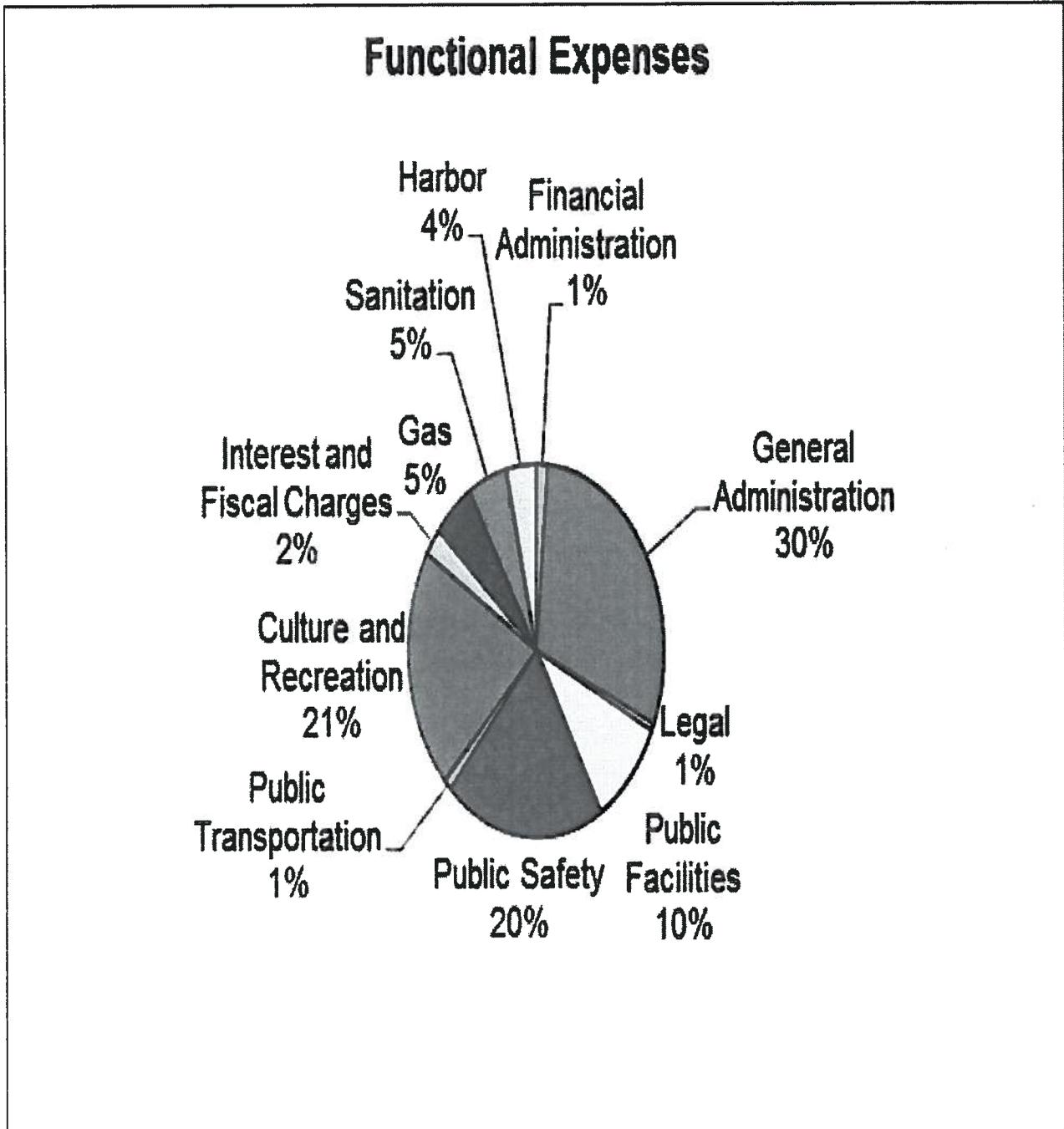
**TABLE A-2
CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$2,626,879	\$2,354,792	\$2,476,689	\$2,268,046	\$5,103,568	\$4,622,838
Operating Grants and Contributions	530,630	551,447			530,630	551,447
Capital Grants and Contributions	0	21,100	0	0	0	21,100
General Revenues:						
Property Taxes, Levies for General Purposes	4,436,317	4,209,932			4,436,317	4,209,932
Sales Taxes	1,814,299	1,588,128			1,814,299	1,588,128
Franchise Taxes	422,886	445,061			422,886	445,061
Hotel/Motel Taxes	4,030,444	3,573,749			4,030,444	3,573,749
Licenses and Permits	1,387,772	1,143,707			1,387,772	1,143,707
Unrestricted Investment Earnings	17,165	15,116	1,549	1,611	18,714	16,727
Grants and Contributions not Restricted to Specific Programs	106,296	96,020	202	183	106,498	96,203
Miscellaneous	83,039	81,159	0	0	83,039	81,159
Total Revenue	15,455,727	14,080,211	2,478,440	2,269,840	17,934,167	16,350,051
Expenses:						
General Administration	5,012,949	4,353,239			5,012,949	4,353,239
Legal	109,750	133,265			109,750	133,265
Financial Administration	251,949	232,186			251,949	232,186
Public Facilities	1,602,759	1,687,743			1,602,759	1,687,743
Public Safety	3,375,274	2,662,907			3,375,274	2,662,907
Public Transportation	168,714	157,607			168,714	911,281
Culture and Recreation	3,498,690	3,440,773			3,498,690	2,687,099
Interest and Fiscal Charges	417,992	406,542			417,992	406,542
Gas			859,085	741,837	859,085	741,837
Sanitation			821,866	823,203	821,866	823,203
Harbor			631,228	646,528	631,228	646,528
Total Expenses	14,438,077	13,074,262	2,312,179	2,211,568	16,750,256	15,285,830
Increase in Net Position Before Transfers and Special Items	1,017,650	1,005,949	166,261	58,272	1,183,911	1,064,221
Transfers	62,899	46,855	(62,899)	(46,855)	0	0
Increase in Net Position	1,080,549	1,052,804	103,362	11,417	1,183,911	1,064,221
Net Position at 09/30/2012	24,463,695	23,410,891	4,364,886	4,353,469	28,828,581	27,764,360
Net Position at 09/30/2013	\$25,544,244	\$24,463,695	\$4,468,248	\$4,364,886	\$30,012,492	\$28,828,581

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.

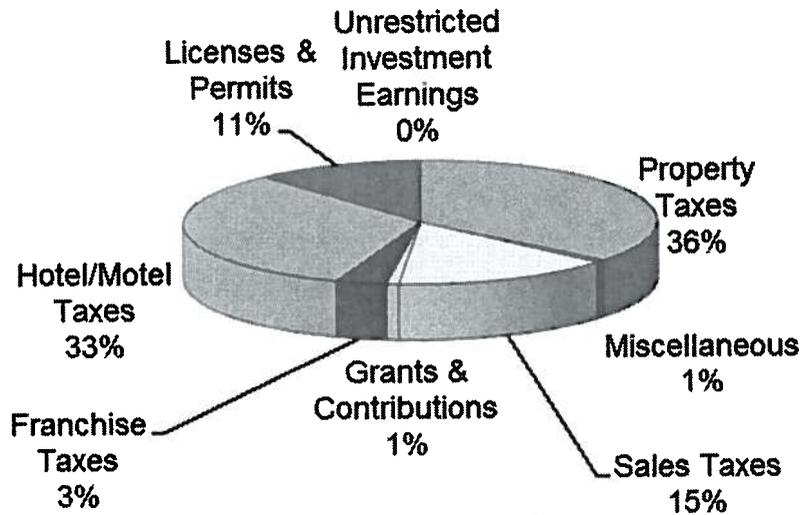


Expenses are broken down by governmental function and are presented below.



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.

Government-wide Revenues by Source



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 \$12,835,972, a decrease of \$638,347 in comparison with the prior year. Approximately 46.3%, or \$5,949,202, 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 (\$3,074,096), debt service (\$166,948), reserved for culture & recreation (\$961,037), prepaid items and inventories (\$18,440), public safety (\$34,245), Economic Development (\$2,030,420), and public transportation (\$370,584).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,702,210, while total fund balance reached \$4,715,914. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 59.4% of total general fund expenditures, while total fund balance represents 59.6% of that same amount.

The fund balance of the City General Fund increased by \$57,862 during the current fiscal year. Key factors in this increase are as follows:

- Sales Tax increased by \$150,781.
- Licenses and permits increased by \$132,447.
- Property taxes decreased by \$211,425 (rate stayed at the effective rate but the debt portion of the rate had to be increased to pay for the new bond)
- Expenditures were under budgeted amounts mainly due to shortage of key personnel during the fiscal year which provided a savings in personnel costs.
- City Hall expansion was done with cash vs. financing which made the increase to fund balance not as high

Budgetary Highlights

The City's budget was amended one time. The Debt Service, Beach Fund, Harbor Fund and Recreation Development Fund had a net change of \$0 (amounts were either shifted between departments or had excess revenue to cover expenses). The General Fund had an increase in expenses of \$243,160. These are monies that were needed to complete the City Hall expansion project. The project required a budget increase of approximately \$180,000 to complete. The project was not finished in the fiscal year so the budgeted amount that was not expended this year was transferred to the Construction (Capital Project) Fund. The Hotel Motel Fund had an increase of \$550,000 for expenses to transfer excess collections and reserves to the Chamber of Commerce for sales and marketing as required. The Airport Fund was amended for an increase to the fund balance of \$12,000 to replace the above ground fuel tank. The Street Maintenance Fund received a larger transfer than anticipated from the General Fund due to increases in Sales Tax revenues. The Park Dedication Fund had a budget increase in expenses of \$17,000 due to the construction of the dog park costing more than anticipated.

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 \$156,434 lower than budgeted. An increase in property tax, sales tax, franchise tax and licenses and permits were realized, but there was a decrease in charges for services and miscellaneous that offset this amount.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for all activities as of September 30, 2013 amount to \$30,510,248 (net of accumulated depreciation). This investment in capital assets includes both governmental activities and business type activities such as land, construction in progress, buildings, equipment, fleet, streets, and other infrastructure. Additional information on capital assets can be found in Note C. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation 30-Sep

	Total Activities	Total Activities
	2013	2012
<i>Governmental Activities:</i>		
Land	\$3,440,036	\$3,440,036
Construction in Progress	4,449,268	1,862,610
Infrastructure	15,162,609	16,510,041
Buildings	1,388,536	1,416,050
Machinery & Equipment	611,000	835,623
Vehicles	1,771,060	1,911,172
Total Governmental Activities	<u>26,822,509</u>	<u>25,975,532</u>
<i>Business-type Activities:</i>		
Construction in Progress	0	0
Infrastructure	3,391,834	3,398,476
Buildings	145,653	152,036
Machinery & Equipment	122,818	149,777
Vehicles	27,434	14,026
Total Business-type Activities	<u>3,687,739</u>	<u>3,714,315</u>
Total net assets	<u><u>\$30,510,248</u></u>	<u><u>\$29,689,847</u></u>

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

Outstanding Debt September 30

	Total Governmental Activities	Total Governmental Activities
	2013	2012
General Obligation Bonds	\$12,970,000	\$13,700,000
Bond Premium - Series 2009 & 2012	209,224	226,325
Capital Leases	980,821	1,051,020
Total Bonds Payable	<u><u>\$14,160,045</u></u>	<u><u>\$14,977,345</u></u>

The City's total bonded outstanding debt decreased by \$817,300 during the current fiscal year. The key factor in this increase was the payment of debt and a refunding of the 2004 bond issue.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2013-2014 fiscal year.

The tax rate for the year has decreased to 32.2615 cents per hundred. The tax rate has been split with .252004 for maintenance and operations and .070611 for interest and sinking for the retirement of the bonds.

Overall, the General Fund is budgeted to end the fiscal year 2013-2014 with an estimated fund balance of \$4,620,082. This is approximately 58.9% 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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$13,416,596	\$1,124,020	\$14,540,616
Receivables (net of allowance for uncollectibles)	951,568	65,144	1,016,712
Inventories	18,440		18,440
Prepaid Items	59,248		59,248
Unamortized Bond Issuance Cost	459,862		459,862
Restricted Assets:			
Cash and Cash Equivalents	13,704		13,704
Capital Assets Not Being Depreciated:			
Land	3,440,036		3,440,036
Construction in Progress	4,449,268		4,449,268
Total Capital Assets Being Depreciated, Net			
Infrastructure	15,162,609	3,391,834	18,554,443
Buildings	1,388,536	145,653	1,534,189
Machinery and Equipment	611,000	122,818	733,818
Vehicles	1,771,060	27,434	1,798,494
Total Assets	\$41,741,927	\$4,876,903	\$46,618,830
LIABILITIES:			
Accounts Payable	\$1,009,335	\$154,409	\$1,163,744
Accrued Wages Payable	110,331	10,413	120,744
Accrued Interest Payable	56,762		56,762
Consumer Meter Deposits		153,160	153,160
Noncurrent Liabilities:			
Due Within One Year	1,516,483	18,275	1,534,758
Due in More Than One Year	13,504,772	72,398	13,577,170
Total Liabilities	16,197,683	408,655	16,606,338
Net Position			
Invested in Capital Assets, Net of Related Debt	15,778,177	3,687,739	19,465,916
Restricted for:			
Debt Service	166,948		166,948
Culture and Recreation	502,355		502,355
Public Safety	20,541		20,541
Economic Development	2,261,420		2,261,420
Unrestricted	6,814,803	780,509	7,595,312
Total Net Position	\$25,544,244	\$4,468,248	\$30,012,492

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in		Net (Expense) Revenue and Changes in Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government						
Government Activities:						
General Administration	\$5,012,949	\$2,847			(\$5,010,102)	(\$5,010,102)
Legal	109,750				(109,750)	(109,750)
Financial Administration	251,949				(251,949)	(251,949)
Public Facilities	1,602,759				(1,602,759)	(1,602,759)
Public Safety	3,375,274	567,247	35,029		(2,772,998)	(2,772,998)
Public Transportation	168,714		220,743		52,029	52,029
Culture and Recreation	3,498,690	2,056,785	274,858		(1,167,047)	(1,167,047)
Interest and Fiscal Charges	417,992				(417,992)	(417,992)
Total Government Activities	14,438,077	2,626,879	530,630	0	(11,280,568)	0
Business-Type Activities:						
Gas	859,085	952,528				93,443
Sanitation	821,866	853,147				31,281
Harbor	631,228	671,014				39,786
Total Business-Type Activities	2,312,179	2,476,689	0	0		164,510
Total Primary Government	\$16,750,256	\$5,103,568	\$530,630	\$0	(11,280,568)	164,510
General Revenues						
Property Taxes, Levies for General Purposes					4,436,317	4,436,317
Sales Taxes					1,814,299	1,814,299
Franchise Taxes					422,886	422,886
Hotel/Motel Taxes					4,030,444	4,030,444
Licenses and Permits					1,387,772	1,387,772
Unrestricted Investment Earnings					17,165	1,549
Grants and Contributions not Restricted to Specific Programs					106,296	202
Miscellaneous					83,039	83,039
Transfers					62,899	(62,899)
Total General Revenues and Transfers					12,361,117	(61,148)
Change in Net Position					1,080,549	103,362
Net Position - Beginning					24,463,695	4,364,886
Net Position - Ending					\$25,544,244	\$4,468,248

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Advertising Fund	Beach Cleaning Funds	Recreational Development Fund	Nature Preserve Funds	Construction Funds	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$4,780,051	\$1,031,567	\$1,845,160	\$1,362,512	\$265,430	\$2,706,489	\$1,470,926	\$13,462,135
Receivables (net of allowance for uncollectibles)	346,355		142,388		214		122,813	611,770
Restricted Assets:								
Cash and Cash Equivalents	13,704							13,704
Inventories							18,440	18,440
Total Assets	\$5,140,110	\$1,031,567	\$1,987,548	\$1,362,512	\$265,644	\$2,706,489	\$1,612,179	\$14,106,049
LIABILITIES AND FUND BALANCES:								
Accounts Payable	\$230,863	\$751,009	\$6,686	\$7,756			\$13,021	\$1,009,335
Accrued Wages	103,979			405			5,947	110,331
Bank Overdraft							45,539	45,539
Unearned Revenues	89,354						15,518	104,872
Total Liabilities	424,196	751,009	6,686	8,161	0	0	80,025	1,270,077
Fund Balances:								
Non-Spendable								
Inventories							18,440	18,440
Prepaid Items								0
Restricted								
Debt Service							166,948	166,948
Construction						2,706,489		2,706,489
Culture and Recreation				100,000	265,644		136,711	502,355
Public Safety							20,541	20,541
Economic Development		280,558	1,980,862					2,261,420
Committed								
Public Transportation							370,584	370,584
Construction							367,607	367,607
Culture and Recreation							458,682	458,682
Public Safety	13,704							13,704
Unassigned	4,702,210			1,254,351			(7,359)	5,949,202
Total Fund Balance	4,715,914	280,558	1,980,862	1,354,351	265,644	2,706,489	1,532,154	12,835,972
Total Liabilities and Fund Balances	\$5,140,110	\$1,031,567	\$1,987,548	\$1,362,512	\$265,644	\$2,706,489	\$1,612,179	\$14,106,049

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, 2013

Total Fund Balances - governmental funds balance sheet

Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	\$12,835,972
Capital assets used in governmental activities are not reported in the funds.	26,822,509
Bond Issuance Costs are expenditures in the funds but are recorded as assets in the governmental activities.	459,862
Some expenses are not expensed in the current period but rather are deferred in the funds.	59,248
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	104,872
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	339,798
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(15,078,017)
Net Position of governmental activities - statement of Net Position	<u>\$25,544,244</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, 2013

	General Fund	Advertising Fund	Beach Cleaning Funds	Recreational Development Fund	Nature Preserve Funds	Construction Funds	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes								
Property	\$3,476,175			\$0	\$0		\$961,635	\$4,437,810
Sales	1,209,533						604,766	1,814,299
Franchise	422,886							422,886
Hotel/Motel		1,906,195	1,743,010	381,239				4,030,444
Intergovernmental	362,068		235,721				39,137	636,926
Licenses and Permits	620,346		767,426					1,387,772
Charges for Services	1,803,573						385,410	2,188,983
Fines and Forfeitures	312,103						8,898	321,001
Interest	7,027	706	616	638	212	4,325	3,641	17,165
Miscellaneous	57,334						25,705	83,039
Total Revenues	8,271,045	1,906,901	2,746,773	381,877	212	4,325	2,029,192	15,340,325
EXPENDITURES								
Current:								
General Administration	1,619,000	1,869,035					950	3,488,985
Legal	109,750							109,750
Financial Administration	247,020							247,020
Public Facilities	1,962,086							1,962,086
Public Safety	2,934,590						4,871	2,939,461
Public Transportation	166,958							166,958
Culture and Recreation	704,917		1,937,272	66,208	37,834		923,669	3,669,900
Capital Projects -								
Capital Outlay and Other						2,040,857		2,040,857
Debt Service								
Principal Retirement	128,993		71,205	160,000			770,000	1,130,198
Interest and Fiscal Charges	36,809		5,229	22,356			351,962	416,356
Total Expenditures	7,910,123	1,869,035	2,013,706	248,564	37,834	2,040,857	2,051,452	16,171,571
Excess (Deficiency) of Revenues Over (Under)								
Expenditures	360,922	37,866	733,067	133,313	(37,622)	(2,036,532)	(22,260)	(831,246)
OTHER FINANCING SOURCES (USES):								
Other Financing Sources - Capital Lease	130,000							130,000
Operating Transfers In	8,000			254,159	37,834	164,010	588,949	1,052,952
Operating Transfers Out	(441,060)	(254,159)		(37,834)			(257,000)	(990,053)
Total Other Financing Sources (Uses)	(303,060)	(254,159)	0	216,325	37,834	164,010	331,949	192,899
Net Changes in Fund Balances	57,862	(216,293)	733,067	349,638	212	(1,872,522)	309,689	(638,347)
Fund Balances - Beginning	4,658,052	496,851	1,247,795	1,004,713	265,432	4,579,011	1,222,465	13,474,319
Fund Balances - Ending	\$4,715,914	\$280,558	\$1,980,862	\$1,354,351	\$265,644	\$2,706,489	\$1,532,154	\$12,835,972

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, 2013

Net Changes in Fund Balances - total governmental funds	(\$638,347)
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.	846,977
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.	116,895
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(1,493)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	1,130,199
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(130,000)
Increase in debt due to the implementation of GASB 45 - Other Post Employment Benefits	(252,215)
(Increase) decrease in accrued interest payable from beginning of period to end of period.	3,469
(Increase) decrease in compensated absences payable from beginning of period to end of period.	11,436
(Increase) decrease in bond premium payable from beginning of period to end of period.	17,101
(Decrease) increase in bond issuance costs from beginning of period to end of period.	(22,207)
(Decrease) Increase in prepaid items from beginning of period to end of period.	(1,266)
Change in Net Position of governmental activities - statement of activities	<u>\$1,080,549</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$3,470,040	\$3,470,040	\$3,476,175	\$6,135
Sales	1,057,000	1,187,000	1,209,533	22,533
Franchise	412,500	412,500	422,886	10,386
Intergovernmental	325,478	325,478	362,068	36,590
Licenses and Permits	401,500	583,500	620,346	36,846
Charges for Services	2,085,161	2,082,161	1,803,573	(278,588)
Fines and Forfeitures	240,300	275,300	312,103	36,803
Interest	10,000	10,000	7,027	(2,973)
Miscellaneous	78,500	81,500	57,334	(24,166)
Total Revenues	8,080,479	8,427,479	8,271,045	(156,434)
EXPENDITURES				
Current:				
General Administration				
Administration	253,604	219,604	202,787	16,817
Central Operating	955,675	990,675	951,195	39,480
City Secretary	251,201	251,201	203,561	47,640
Information Technology	150,216	150,216	133,209	17,007
Mayor and Council	47,700	47,700	17,211	30,489
Planning	122,794	122,794	111,037	11,757
Legal				
City Attorney	91,700	113,700	109,750	3,950
Financial Administration				
Finance Department	251,229	251,229	247,020	4,209
Public Facilities				
Public Buildings	674,717	853,517	681,479	172,038
Public Works	1,404,700	1,374,700	1,280,607	94,093
Public Safety				
EMS	566,971	586,971	582,345	4,626
Fire Department	158,436	158,436	133,386	25,050
Inspection	151,117	151,117	133,342	17,775
Municipal Court	118,617	122,617	122,646	(29)
Police	1,920,396	1,920,396	1,832,871	87,525
Public Transportation				
Regional Transit	167,978	167,978	166,958	1,020
Culture and Recreation				
Beach Services	83,411	83,411	75,413	7,998
Library	246,551	246,551	233,267	13,284
Parks and Recreation	430,957	430,957	396,237	34,720
Debt Service				
Principal Retirement	128,993	128,993	128,993	0
Interest Retirement	34,887	34,887	36,809	(1,922)
Total Expenditures	8,211,850	8,407,650	7,780,123	627,527
Excess (Deficiency) of Revenues Over (Under) Expenditures	(131,371)	19,829	490,922	471,093
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	8,000	8,000	8,000	0
Operating Transfers Out	(115,050)	(509,410)	(441,060)	68,350
Total Other Financing Sources (Uses)	(107,050)	(501,410)	(433,060)	68,350
Net Changes in Fund Balances	(238,421)	(481,581)	57,862	539,443
Fund Balances - Beginning	4,658,052	4,658,052	4,658,052	
Fund Balances - Ending	\$4,419,631	\$4,176,471	\$4,715,914	\$539,443

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	\$1,521,964	\$1,521,964	\$1,906,195	\$384,231
Interest	500	500	706	206
Total Revenues	<u>1,522,464</u>	<u>1,522,464</u>	<u>1,906,901</u>	<u>384,437</u>
EXPENDITURES				
General Administration				
Mayor and Council	1,319,035	1,869,035	1,869,035	0
Total Expenditures	<u>1,319,035</u>	<u>1,869,035</u>	<u>1,869,035</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	203,429	(346,571)	37,866	384,437
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(202,928)	(202,928)	(254,159)	(51,231)
Total Other Financing Sources (Uses)	<u>(202,928)</u>	<u>(202,928)</u>	<u>(254,159)</u>	<u>(51,231)</u>
Net Changes in Fund Balances	501	(549,499)	(216,293)	333,206
Fund Balances - Beginning	496,851	496,851	496,851	
Fund Balances - Ending	<u>\$497,352</u>	<u>(\$52,648)</u>	<u>\$280,558</u>	<u>\$333,206</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	\$1,429,643	\$1,464,643	\$1,743,010	\$278,367
Intergovernmental	221,000	221,000	235,721	14,721
Licenses and Permits	530,000	530,000	767,426	237,426
Interest	750	750	616	(134)
Total Revenues	2,181,393	2,216,393	2,746,773	530,380
EXPENDITURES				
Culture and Recreation				
Beach	2,271,161	2,306,161	1,937,272	368,889
Debt Service				
Principal Retirement	71,205	71,205	71,205	0
Interest and Fiscal Charges	5,295	5,295	5,229	66
Total Expenditures	2,347,661	2,382,661	2,013,706	368,955
Excess (Deficiency) of Revenues Over (Under) Expenditures	(166,268)	(166,268)	733,067	899,335
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(166,268)	(166,268)	733,067	899,335
Fund Balances - Beginning	1,247,795	1,247,795	1,247,795	
Fund Balances - Ending	\$1,081,527	\$1,081,527	\$1,980,862	\$899,335

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	\$304,393	\$304,393	\$381,239	\$76,846
Interest	700	700	638	(62)
Total Revenues	<u>305,093</u>	<u>305,093</u>	<u>381,877</u>	<u>76,784</u>
EXPENDITURES				
Culture and Recreation				
Culture and Recreation	134,022	134,022	66,208	67,814
Capital Projects -				
Capital Outlay and Other	114,000	114,000	0	114,000
Debt Service				
Principal Retirement	155,000	155,000	160,000	(5,000)
Interest Retirement	42,325	42,325	22,356	19,969
Total Expenditures	<u>445,347</u>	<u>445,347</u>	<u>248,564</u>	<u>196,783</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(140,254)	(140,254)	133,313	273,567
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	202,928	202,928	254,159	51,231
Operating Transfers Out	(61,484)	(61,484)	(37,834)	23,650
Total Other Financing Sources (Uses)	<u>141,444</u>	<u>141,444</u>	<u>216,325</u>	<u>74,881</u>
Net Changes in Fund Balances	1,190	1,190	349,638	348,448
Fund Balances - Beginning	1,004,713	1,004,713	1,004,713	
Fund Balances - Ending	<u>\$1,005,903</u>	<u>\$1,005,903</u>	<u>\$1,354,351</u>	<u>\$348,448</u>

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

CITY OF PORT ARANSAS, TEXAS
 NATURE PRESERVE PROJECT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$0	\$0	\$0	\$0
Interest	500	500	212	(288)
Total Revenues	500	500	212	(288)
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	322,921	322,921	37,834	285,087
Total Expenditures	322,921	322,921	37,834	285,087
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(322,421)	(322,421)	(37,622)	284,799
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	61,484	61,484	37,834	(23,650)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	61,484	61,484	37,834	(23,650)
Net Changes in Fund Balances	(260,937)	(260,937)	212	261,149
Fund Balances - Beginning	265,432	265,432	265,432	
Fund Balances - Ending	\$4,495	\$4,495	\$265,644	\$261,149

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

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

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	\$664,853	\$525,187	\$80,647	\$47,618	\$378,520	\$379,684	\$1,124,020
Accounts Receivables (net of allowance for uncollectibles)	8,006	2,948	57,138	49,836	0	0	65,144
Total Current Assets	672,859	528,135	137,785	97,454	378,520	379,684	1,189,164
Noncurrent Assets							
Capital Assets							
Infrastructure	571,036	571,036			6,702,613	6,464,945	7,273,649
Buildings	51,404	51,404	8,225	8,225	130,129	130,129	189,758
Machinery and Equipment	220,057	220,057			127,950	127,950	348,007
Vehicles	158,849	134,213			33,571	33,571	192,420
Total Capital Assets	1,001,346	976,710	8,225	8,225	6,994,263	6,756,595	8,003,834
Less Accumulated Depreciation	(853,582)	(809,704)	(4,250)	(3,427)	(3,458,263)	(3,214,084)	(4,316,095)
Total Capital Assets (net of accumulated depreciation)	147,764	167,006	3,975	4,798	3,536,000	3,542,511	3,687,739
Total Noncurrent Assets	147,764	167,006	3,975	4,798	3,536,000	3,542,511	3,687,739
TOTAL ASSETS	\$820,623	\$695,141	\$141,760	\$102,252	\$3,914,520	\$3,922,195	\$4,876,903

(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	\$59,515	\$55,150	\$72,571	\$66,357	\$22,323	\$22,588	\$154,409
Compensated Absences	11,163	8,628	992	895	6,120	4,117	18,275
Accrued Wages Payable	5,610	5,471	760	645	4,043	3,445	10,413
Total Current Liabilities (Payable from Current Assets)	76,288	69,249	74,323	67,897	32,486	30,150	183,097
Current Liabilities (Payable from Restricted Assets)							
Consumer Meter Deposits	123,561	115,124			29,599	26,288	153,160
Total Current Liabilities Payable from Restricted Assets	123,561	115,124	0	0	29,599	26,288	153,160
Total Current Liabilities	199,849	184,373	74,323	67,897	62,085	56,438	336,257
Noncurrent Liabilities							
Accrued Other Post Employment Benefits	44,261	28,637	4,664	2,996	23,473	14,361	72,398
Total Noncurrent Liabilities	44,261	28,637	4,664	2,996	23,473	14,361	72,398
Total Liabilities	244,110	213,010	78,987	70,893	85,558	70,799	408,655
Invested in Capital Assets, Net of Related Debt	147,764	167,006	3,975	4,798	3,536,000	3,542,511	3,687,739
Unrestricted	428,749	315,125	58,798	26,561	292,962	308,885	780,509
Total Net Position	\$576,513	\$482,131	\$62,773	\$31,359	\$3,828,962	\$3,851,396	\$4,468,248

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, 2013

BUSINESS TYPE ACTIVITIES
- ENTERPRISE FUNDS

	GAS CURRENT YEAR	GAS PRIOR YEAR	SANITATION CURRENT YEAR	SANITATION PRIOR YEAR	HARBOR CURRENT YEAR	HARBOR PRIOR YEAR	TOTALS CURRENT YEAR
OPERATING REVENUES:							
Charges for Services	\$952,528	\$806,023	\$853,147	\$858,587	\$671,014	\$603,436	\$2,476,689
Total Operating Revenues	952,528	806,023	853,147	858,587	671,014	603,436	2,476,689
OPERATING EXPENSES:							
Personal Services	379,214	326,126	42,759	40,542	210,738	184,912	632,711
Supplies and Other Services and Charges	435,992	369,501	778,285	781,839	176,310	225,023	1,390,587
Depreciation	43,879	46,210	822	822	244,180	236,593	288,881
Total Operating Expenses	859,085	741,837	821,866	823,203	631,228	646,528	2,312,179
Operating Income (Loss)	93,443	64,186	31,281	35,384	39,786	(43,092)	164,510
NON-OPERATING REVENUES (EXPENSES):							
Interest Income	737	759	133	64	679	788	1,549
Sale of Fixed Assets	0	0					0
Federal and State Grants	202	183					202
Total Non-Operating Revenues (Expenses)	939	942	133	64	679	788	1,751
Income Before Transfers	94,382	65,128	31,414	35,448	40,465	(42,304)	166,261
Transfers In (Out) - Net	0	0	0	0	(62,899)	(46,855)	(62,899)
Change in Net Position	94,382	65,128	31,414	35,448	(22,434)	(89,159)	103,362
Total Net Position - Beginning	482,131	417,003	31,359	(4,089)	3,851,396	3,940,555	4,364,886
Total Net Position - Ending	\$576,513	\$482,131	\$62,773	\$31,359	\$3,828,962	\$3,851,396	\$4,468,248

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, 2013

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	\$955,907	\$809,435	\$845,845	\$849,605	\$674,325	\$664,876	\$2,476,077
Payments to Suppliers	(416,003)	(344,394)	(770,403)	(781,689)	(167,463)	(211,869)	(1,353,869)
Payments to Employees	(376,541)	(326,160)	(42,546)	(40,024)	(208,138)	(183,309)	(627,225)
Net Cash Provided (Used) by Operating Activities	163,363	138,881	32,896	27,892	298,724	269,698	494,983
Cash Flows from Non-Capital and Related Financing Activities							
Federal Grants and Contributions	202	183	0	0			202
Transfers In/Out	0	0	0	0	(62,899)	(46,855)	(62,899)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	202	183	0	0	(62,899)	(46,855)	(62,697)
Cash Flows from Capital and Related Financing Activities							
Purchases of Capital Assets	(24,636)	(16,828)	0	0	(237,668)	(36,812)	(262,304)
Net Cash Provided (Used) by Capital and Related Financing Activities	(24,636)	(16,828)	0	0	(237,668)	(36,812)	(262,304)
Cash Flows from Investing Activities							
Interest Received	737	759	133	64	679	788	1,549
Net Cash Provided (Used) by Investment Activities	737	759	133	64	679	788	1,549
Net Increase (Decrease) in Cash Equivalents	139,666	122,995	33,029	27,956	(1,164)	186,819	171,531
Cash and Cash Equivalents at Beginning of Year	525,187	402,192	47,618	19,662	379,684	192,865	952,489
Cash and Cash Equivalents at End of Year	\$664,853	\$525,187	\$80,647	\$47,618	\$378,520	\$379,684	\$1,124,020

(continued)

(continued)

BUSINESS TYPE ACTIVITIES
- ENTERPRISE FUNDS

	GAS CURRENT YEAR	GAS PRIOR YEAR	SANITATION CURRENT YEAR	SANITATION PRIOR YEAR	HARBOR CURRENT YEAR	HARBOR PRIOR YEAR	TOTALS CURRENT YEAR
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating Income (Loss)	\$93,443	\$64,186	\$31,281	\$35,384	\$39,786	(\$43,092)	164,510
Adjustments to Reconcile to Net Cash Flow							
Non-Cash Items Included in Net Income							
Depreciation	43,879	46,210	822	822	244,180	236,593	288,881
Changes in Current Items							
Decrease (Increase) in Accounts Receivable	(5,058)	78	(7,302)	(8,982)	0	67,651	(12,360)
Increase (Decrease) in Accounts Payable	4,365	25,107	6,214	150	(265)	13,154	10,314
Increase (Decrease) Compensated Absences	2,535	(558)	97	484	2,003	1,373	4,635
Increase (Decrease) Accrued Wages Payable	138	524	116	34	597	230	851
Increase (Decrease) in Consumer Meter Deposits	8,437	3,334	0	0	3,311	(6,211)	11,748
Increase (Decrease) in Accrued Other Post Employment Benefits	15,624	0	1,668	0	9,112	0	26,404
Net Cash Provided (Used) By Operating Activities	\$163,363	\$138,881	\$32,896	\$27,892	\$298,724	\$269,698	\$494,983
Noncash Investing, Capital, and Financing Activities:							
Grants	\$202	\$183	\$0	\$0	\$0	\$0	\$202

Note: The above funds are all Enterprise Funds.

City of Port Aransas, Texas
Notes to the Financial Statements
September 30, 2013

I. Summary of significant accounting policies

A. Reporting entity

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

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

Blended Component Unit

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

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

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

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

C. Proprietary fund financial statements

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

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

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

The government reports the following major proprietary funds:

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

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

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

D. Assets, liabilities, and net position or equity

1. Deposits and investments

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

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

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

2. *Receivables and payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from” other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2013, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2013, the trade accounts receivable allowance in excess of 90 days is equal to 20 percent of outstanding trade accounts receivable at September 30, 2013, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2013. The property tax receivable allowance is equal to 5 percent of current outstanding property taxes at September 30, 2013, and 5 percent of delinquent outstanding property taxes at September 30, 2013. 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	\$13,704
	<u>\$13,704</u>

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was \$417,992. Of this amount, \$-0- was included as part of the cost of capital assets. Significant construction activity during the year was \$2,040,857 for the 11th street project in the Construction fund.

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

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

6. Compensated absences

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

7. Long-term obligations

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

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

8. Fund Balances – Governmental Funds

As of September 30, 2013, 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, 2013, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Inventories	\$18,440
Restricted	
Debt Service	166,948
Construction	2,706,489
Culture and Recreation	502,355
Public Safety	20,541
Economic Development	2,261,420
Committed	
Public Transportation	370,584
Construction	367,607
Culture and Recreation	458,682
Public Safety	13,704
Unassigned	5,949,202
Total Fund Balance	<u>\$12,835,972</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 \$15,078,017 difference are as follows:

Capital Lease	\$980,821
Bonds Payable	12,970,000
Bond Premium	209,224
Other Post Employment Benefits	698,877
Accrued Interest Payable	56,762
Compensated Absences	162,333
	<u>\$15,078,017</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 \$26,822,509 difference are as follows:

Capital assets not being depreciated	\$7,889,304
Capital assets being depreciated	37,304,820
Depreciation expense	(18,371,615)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	<u>\$26,822,509</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 "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$104,872 difference are as follows:

Property Taxes Receivable	\$110,205
Allowance for Doubtful Accounts	<u>(5,333)</u>
Net	<u>\$104,872</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 \$339,798 difference are as follows:

Fines and Fees Receivable	\$851,569
Allowance for Doubtful Accounts	<u>(511,771)</u>
Net	<u>\$339,798</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 \$866,977 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$2,586,658
Capital Outlay - Additions - Being Depreciated	533,180
Capital Outlay - Deletions	(87,634)
Depreciation Expense	(2,185,227)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$846,977</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, 2013, expenditures did not exceed appropriations in any fund except for the airport fund where total expenditures of \$316,499 exceeded budgeted expenditures of \$313,997 by \$2,502 and the impact fees fund where total expenditures of \$950 exceeded budgeted expenditures of \$00 by \$950.

C. Deficit fund equity

There were no deficit fund balances for any fund at September 30, 2013.

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, 2013, the government's bank balance of \$874,194 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 \$2,538,935 and the FDIC coverage is \$250,000. The City also had a bank balance of \$2,218,541 in American Bank at September 30, 2013. The fair market value of the securities pledged is \$2,788,935 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, 2013 is \$3,355,876.

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, 2013 the local investment pool Texpool (100% of portfolio) were rated AAAM by Standard and Poor’s.

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

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2013, the City had \$11,563,542 in investments in an insured TexPool account.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$11,563,542	Less than 1 year	Less than 1 year

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

B. Receivables

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

	General	Beach	Nature Preserve	Debt Service	Airport	RECREAT- IONAL DEVELOP- MENT	Gas	Sani- tation	Total
<u>Receivables</u>									
Taxes - Ad Valorem	\$94,057			\$16,148					\$110,205
Sales Taxes	135,626					67,813			203,439
Accounts		7,968			945		12,370	102,667	123,950
Municipal Court Fines	180,125								180,125
Grant		134,420			38,537				172,957
EMS Fees	671,444								671,444
Other	121,375		214						121,589
Gross Receivables	<u>1,202,627</u>	<u>142,388</u>	<u>214</u>	<u>16,148</u>	<u>39,482</u>	<u>67,813</u>	<u>12,370</u>	<u>102,667</u>	<u>1,583,709</u>
Less: Allowance for Uncollectibles	<u>516,474</u>			<u>630</u>			<u>4,364</u>	<u>45,529</u>	<u>566,997</u>
Net Total Receivables	<u>\$686,153</u>	<u>\$142,388</u>	<u>\$214</u>	<u>\$15,518</u>	<u>\$39,482</u>	<u>\$67,813</u>	<u>\$8,006</u>	<u>\$57,138</u>	<u>\$1,016,712</u>

The receivables are expected to be collected within one year.

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

	Unavailable	Unearned
Delinquent Property Taxes Receivable (General Fund)	\$104,872	\$0
Deposits and Advances	0	0
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$104,872</u>	<u>\$0</u>

C. Capital assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$3,440,036	\$0	\$0	\$3,440,036
Construction in Progress	1,862,610	2,586,658	0	4,449,268
Total Capital Assets Not Being Depreciated	5,302,646	2,586,658	0	7,889,304
Capital assets being depreciated:				
Infrastructure	25,849,571	82,331	0	25,931,902
Buildings	3,658,801	73,039	0	3,731,840
Machinery and Equipment	4,068,016	155,635	42,090	4,181,561
Vehicles	3,868,725	222,175	631,383	3,459,517
Total Capital Assets Being Depreciated	37,445,113	533,180	673,473	37,304,820
Less Accumulated Depreciation for:				
Infrastructure	9,339,530	1,429,763		10,769,293
Buildings	2,242,751	100,553		2,343,304
Machinery and Equipment	3,232,393	380,258	42,090	3,570,561
Vehicles	1,957,553	274,653	543,749	1,688,457
Total Accumulated Depreciation	16,772,227	2,185,227	585,839	18,371,615
Total Capital Assets Being Depreciated, Net	20,672,886	(1,652,047)	87,634	18,933,205
Governmental Activities Capital Assets, Net	\$25,975,532	\$934,611	\$87,634	\$26,822,509
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	7,035,981	237,669		7,273,650
Buildings	189,758			189,758
Machinery and Equipment	348,007			348,007
Vehicles	143,452	24,637		168,089
Total Capital Assets Being Depreciated	7,717,198	262,306	0	7,979,504
Less Accumulated Depreciation for:				
Infrastructure	3,637,505	244,311		3,881,816
Buildings	37,722	6,383		44,105
Machinery and Equipment	198,230	26,959		225,189
Vehicles	129,426	11,229		140,655
Total Accumulated Depreciation	4,002,883	288,882	0	4,291,765
Total Capital Assets Being Depreciated, Net	3,714,315	(26,576)	0	3,687,739
Business-Type Activities Capital Assets, Net	\$3,714,315	(\$26,576)	\$0	\$3,687,739

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

Governmental Activities	
General Administration	\$1,518,396
Public Facilities	42,968
Public Safety	346,811
Public Transportation	459
Culture and Recreation	276,593
Total Depreciation Expense - Governmental Activities	<u>\$2,185,227</u>
Business-Type Activities	
Gas	\$43,879
Harbor	244,180
Sanitation	822
Total Depreciation Expense - Business-Type Activities	<u>\$288,881</u>

Construction commitments

The government has active construction projects as of September 30, 2013: Significant construction activity during the year was \$2,040,857 for the 11th street project in the Construction fund.

Discretely presented component units

The City had no discretely presented component units as of September 30, 2013.

D. Interfund receivables, payables, and transfers

There were no interfund balances as of September 30, 2013.

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, 2013, the government made the following one-time transfers:

INTER-GOVERNMENTAL		TRANSFER TO							
TRANSFER FROM	NATURE PRE- SERVE FUND	RECRE- ATIONAL DEVELOP- MENT FUND	RECRE- ATIONAL DEVELOP- MENT FUND	AIRPORT FUND	STREET MAINT- ENANCE FUND	CONST- RUCTION FUND	DEBT SERVICE FUND	TOTAL	
GENERAL FUND				\$75,050	\$202,000	\$164,010		\$441,060	
RECREATIONAL DEVELOPMENT FUND	37,834							37,834	
ADVERTISING FUND		254,159						254,159	
IMPACT FEES FUND							200,000	200,000	
PARK DEDICATION FEES			57,000					57,000	
TOTALS	\$37,834	\$254,159	\$57,000	\$75,050	\$202,000	\$164,010	\$200,000	\$990,053	

INTRA-GOVERNMENTAL		TRANSFER TO		
TRANSFER FROM	GENERAL FUND	AIRPORT FUND	TOTAL	
HARBOR FUND		\$54,899	\$54,899	
HARBOR FUND	8,000		8,000	
TOTALS	\$8,000	\$54,899	\$62,899	

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 \$22,192 for the year ended September 30, 2013. The future minimum lease payments for this lease is as follows:

<u>Year Ending Sept. 30</u>	<u>Amount</u>
2014	\$ 22,192
2015	22,192
2016	13,846
2017	5,500
Total	\$ 63,730

F. Long-term debt

General Obligation Bonds and Revenue Bonds

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

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

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

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities – Series 2004	3.00-4.00	\$ 160,000
Governmental activities – Series 2007	4.00	\$1,830,000
Governmental activities – Series 2009	3.00-4.125	\$3,940,000
Governmental activities – Series 2012	1.75-2.125	\$6,085,000
Governmental activities – Series 2013	1.49	\$ 955,000 Refunding

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2014	\$965,000	\$341,420
2015	1,020,000	319,950
2016	1,045,000	293,469
2017	1,085,000	265,275
2018	1,125,000	235,182
2019-2023	5,200,000	688,986
2024-2027	2,530,000	97,967
TOTALS	\$12,970,000	\$2,242,249

Capital Leases

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

ASSET	Ladder Truck	Grader/ Wheel Loader	Ambulance	Ambulance	TOTAL
COST	\$924,357	\$364,338	\$124,067	\$130,000	\$1,542,762
ACCUMULATED DEPRECIATION	(528,204)	(156,144)	(53,172)	0	(737,520)
NET ASSET	\$396,153	\$208,194	\$70,895	\$130,000	\$805,242

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013, were as follows:

YEAR	Governmental Activities				Total
	Ladder Truck	Motor Grader/ Wheel Loader	Ambulance	Ambulance	
	Amount	Amount	Amount	Amount	
2014	\$116,876	\$76,434	\$21,833	\$27,318	\$242,461
2015	116,876	76,434	21,833	27,318	242,461
2016	116,876			27,318	144,194
2017	116,876			27,319	144,195
2018	116,876				116,876
2019	116,876				116,876
2020	116,876				116,876
Total Minimum Lease Payments	818,132	152,868	43,666	109,273	1,123,939
Less: Amount Representing Interest	129,671	5,311	1,931	6,205	143,118
Present Value of Net Minimum Lease Payments	\$688,461	\$147,557	\$41,735	\$103,068	\$980,821

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	REFUNDING		Ending Balance	Due Within One Year	Due After One Year
				Additions	Reductions			
Governmental Activities:								
General Obligation Bonds	\$13,700,000		\$930,000	\$955,000	\$755,000	\$12,970,000	\$1,150,000	\$11,820,000
Bond Premium - Series 2009	226,325		17,101			209,224		209,224
Total Bonds Payable	13,926,325	0	947,101	955,000	755,000	13,179,224	1,150,000	12,029,224
Capital Lease Purchases	1,051,020	130,000	200,199			980,821	204,150	776,671
OPEB Liability	446,662	252,215				698,877		698,877
Compensated Absences	173,769	162,333	173,769			162,333	162,333	0
Total Other	1,671,451	544,548	373,968	0	0	1,842,031	366,483	1,475,548
Total Governmental Activities	15,597,776	544,548	1,321,069	955,000	755,000	15,021,255	1,516,483	13,504,772
Business-Type Activities:								
OPEB Liability	45,994	26,404				72,398		72,398
Compensated Absences	13,640	18,275	13,640			18,275	18,275	0
Total Business-Type Activities	59,634	44,679	13,640	0	0	90,673	18,275	72,398
Grand Total	\$15,657,410	\$589,227	\$1,334,709	\$955,000	\$755,000	\$15,111,928	\$1,534,758	\$13,577,170

The government-wide statement of net position includes \$1,534,758 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 2004 and Series 2013 are serviced by the Hotel Motel Special Fund, the Series 2007, 2009 and 2013 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>09/30/12</u>	Year ended <u>09/30/13</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

B. Subsequent Events

There were no subsequent events requiring disclosure.

C. Related Party Transactions

City Council member, John Price, sold a battery to the fire dept. for under \$500, through his business, Island Boat Works.

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) *Romanchak v. City*-Plaintiff alleges false arrest and excessive force. Case was settled with insurance proceeds in Dec. 2013, without funds from the City.
- 2) Civil Action No. 2:14-CV-0080 *Davis v. City, et al*; In the US Dist Ct, So Dist, Corpus Christi Div-Filed 3/23/14-Plaintiff alleges false arrest, was injured during arrest by officers alleged to be City officers. Arresting officers were actually State officers for the TDPS and TP&W; and have not been served and have not filed an answer. Scheduled for trial 3/23/2015.
- 3) Cause No. 2-14-CV-00115; *Williams v. City*, US Dist Ct, So Dist. Filed 4/7/14. Plaintiff arrested on 3/16/14, claims false arrest, received injuries during the arrest. Scheduled for trial 4/13/15. City will likely contest case. Claims should be covered by insurance.
- 4) Cause No. 09-1340-G; *LRM Properties, LLC d/b/a San Sil Apartments v. City & Clark; & Chloes & Way, LLC*; 319th JDC; Nueces Co. Suit to correct water damage & prevent future damage. Case settled. No loss to City.

E. Employee retirement systems and pension plans

Texas Municipal Retirement System

Plan Description

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

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

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

PLAN YEAR	2012	2013
EMPLOYEE DEPOSIT RATE	5.00%	5.00%
MATCHING RATIO (city to employee)	2 to 1	2 to 1
YEARS REQUIRED FOR VESTING	5	5
SERVICE RETIREMENT ELIGIBILITY (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
UPDATED SERVICE CREDIT	100% repeating, transfers	100% repeating, transfers
ANNUITY INCREASE (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

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

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

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09-30-11	393,581	100%	-0-
09-30-12	392,709	100%	-0-
09-30-13	423,540	100%	-0-

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

VALUATION DATE	12/31/2010	12/31/2011	12/31/2012
ACTUARIAL COST METHOD	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
AMORTIZATION METHOD	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 EQUIVALENT SINGLE AMORTIZATION PERIOD	27.0 years; closed period	26.6 years; closed period	25.8 years; closed period
AMORTIZATION PERIOD FOR NEW GAINS/LOSSES	30 years	30 years	30 years
ASSET VALUATION METHOD	10-year smoothed market	10-year smoothed market	10-year smoothed market
INVESTMENT RATE OF RETURN	7.0%	7.0%	7.0%
PROJECTED SALARY INCREASES	Varies by age and service	Varies by age and service	Varies by age and service
INCLUDES INFLATION AT	3.00%	3.00%	3.00%
COST-OF-LIVING ADJUSTMENTS	2.1%	2.1%	2.1%

The funded status as of December 31, 2012, the most actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
12/31/2012	\$7,352,453	\$9,095,644	\$1,743,191	80.8%	\$4,014,994	43.4%

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

Texas Emergency Services Retirement System

Plan Description

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2010, there was 199 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department. At August 31, 2012, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	2,758
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	2,260
Active Participants (Vested and Nonvested)	<u>4,230</u>
	<u>9,248</u>

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contribution provisions were established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions, up a limited amount, to make TESRS actuarially sound.

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2012 total contributions (dues and prior service) of \$3,517,455 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. In addition, the state did not appropriate for the fiscal year ending August 31, 2010 and 2012. Total contributions made were greater than the contributions required by the state statute and were greater than the contributions required based on the August 31, 2010 actuarial valuation and revised in April 2011.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2010 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2010 (\$502,941 to help pay for the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$500,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2010 are equal to the contributions required. The City's expense for the year ended September 30, 2013 is \$9,505.92.

F. Other Post Employment Benefits

Health Care Benefits - Retirees

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

Funding Policy: The City currently funds the benefits provided through the Program on a pay-as-you-go basis. Since the City does not prefund future benefits to be provided under the Program, there are no accumulated plan assets. The City pays for 100% of the cost of medical benefits for eligible retirees; covered retirees are not required to contribute. During the fiscal year ending September 30, 2013, the City paid \$10,808 in premiums for the two 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, the amount actually contributed to the plan during the year, and changes in the City's net OPEB obligation to Post-retirement Healthcare Benefits Program:

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2013 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

* GASB 45 reporting not required for these periods

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

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

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

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

Health Care Benefits - Cobra

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

Supplemental Death Benefits

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

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

Your city offers supplemental death to:	Plan Year 2012	Plan Year 2013
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

Contributions

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

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

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2008	0.03%	0.03%	100.0%
2009	0.03%	0.03%	100.0%
2010	0.03%	0.03%	100.0%
2011	0.02%	0.02%	100.0%
2012	0.02%	0.02%	100.0%
2013	0.03%	0.03%	100.0%

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

ANALYSIS OF FUNDING PROGRESS

EMPLOYEE RETIREMENT PLAN

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

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

ANALYSIS OF FUNDING PROGRESS

OTHER POST EMPLOYMENT RETIREMENT PLAN

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

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$0	\$0	\$0	\$0
Interest	3,000	3,000	4,325	1,325
Total Revenues	3,000	3,000	4,325	1,325
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	5,000,000	5,000,000	2,040,857	2,959,143
Total Expenditures	5,000,000	5,000,000	2,040,857	2,959,143
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,997,000)	(4,997,000)	(2,036,532)	2,960,468
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	232,360	164,010	(68,350)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	232,360	164,010	(68,350)
Net Changes in Fund Balances	(4,997,000)	(4,764,640)	(1,872,522)	2,892,118
Fund Balances - Beginning	4,579,011	4,579,011	4,579,011	
Fund Balances - Ending	(\$417,989)	(\$185,629)	\$2,706,489	\$2,892,118

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF PORT ARANSAS, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	SPECIAL REVENUE									TOTAL
	AIRPORT FUND	COURT SECURITY FUND	COURT TECH- NOLOGY FUND	LIBRARY FUND	IMPACT FEES FUND	PARK DEDICA- TION FEES	RECREAT- IONAL DEVELOP- MENT	STREET MAIN- TENANCE FUND	DEBT SERVICE FUND	
ASSETS										
Cash and Cash Equivalents	\$0	\$6,398	\$14,143	\$136,711	\$367,607	\$81,905	\$326,630	\$370,584	\$166,948	\$1,470,926
Receivables (net of allowance for uncollectibles)	39,482						67,813		15,518	122,813
Inventories	18,440									18,440
Total Assets	\$57,922	\$6,398	\$14,143	\$136,711	\$367,607	\$81,905	\$394,443	\$370,584	\$182,466	\$1,612,179
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts Payable	\$739						\$12,282			\$13,021
Bank Overdraft	45,539									45,539
Accrued Wages	563						5,384			5,947
Unearned Revenues									15,518	15,518
Total Liabilities	46,841	0	0	0	0	0	17,666	0	15,518	80,025
Fund Balances										
Non-Spendable										
Inventories	18,440									18,440
Restricted										
Debt Service									166,948	166,948
Culture and Recreation				136,711						136,711
Public Safety		6,398	14,143							20,541
Committed										
Construction					367,607					367,607
Culture and Recreation						81,905	376,777			458,682
Public Transportation								370,584		370,584
Unassigned	(7,359)									(7,359)
Total Fund Balances	11,081	6,398	14,143	136,711	367,607	81,905	376,777	370,584	166,948	1,532,154
TOTAL LIABILITIES AND FUND BALANCES	\$57,922	\$6,398	\$14,143	\$136,711	\$367,607	\$81,905	\$394,443	\$370,584	\$182,466	\$1,612,179

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, 2013

	SPECIAL REVENUE									TOTAL
	AIRPORT FUND	COURT SECURITY FUND	COURT TECH- NOLOGY FUND	LIBRARY FUND	IMPACT FEES FUND	PARK DEDICA- TION FEES	RECREAT- IONAL DEVELOP- MENT	STREET MAIN- TENANCE FUND	DEBT SERVICE FUND	
REVENUES										
Taxes										
Property									\$961,635	\$961,635
Sales							604,766			604,766
Intergovernmental	38,537			600						39,137
Charges for Services	147,966				182,015	55,429				385,410
Fines and Forfeitures		3,813	5,085							8,898
Interest	47	8	15	2,129	582	149	372	250	89	3,641
Miscellaneous				9,649			16,056			25,705
Total Revenues	186,550	3,821	5,100	12,378	182,597	55,578	621,194	250	961,724	2,029,192
EXPENDITURES										
Current:										
General Administration										
Administration					950					950
Public Safety										
Municipal Court		1,896	2,975							4,871
Culture and Recreation										
Airport	316,499									316,499
Library				1,241						1,241
Parks							605,929			605,929
Debt Service										
Principal Retirement									770,000	770,000
Interest and Fiscal Charges									351,962	351,962
Total Expenditures	316,499	1,896	2,975	1,241	950	0	605,929	0	1,121,962	2,051,452
Excess (Deficiency) of Revenues Over (Under)										
Expenditures	(129,949)	1,925	2,125	11,137	181,647	55,578	15,265	250	(160,238)	(22,260)
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	129,949						57,000	202,000	200,000	588,949
Operating Transfers Out					(200,000)	(57,000)				(257,000)
Total Other Financing Sources (Uses)	129,949	0	0	0	(200,000)	(57,000)	57,000	202,000	200,000	331,949
Net Changes in Fund Balances	0	1,925	2,125	11,137	(18,353)	(1,422)	72,265	202,250	39,762	309,689
Fund Balances - Beginning	11,081	4,473	12,018	125,574	385,960	83,327	304,512	168,334	127,186	1,222,465
Fund Balances - Ending	\$11,081	\$6,398	\$14,143	\$136,711	\$367,607	\$81,905	\$376,777	\$370,584	\$166,948	\$1,532,154

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$30,000	\$30,000	\$38,537	\$8,537
Charges for Services	131,200	131,200	147,966	16,766
Interest	250	250	47	(203)
Total Revenues	161,450	161,450	186,550	25,100
EXPENDITURES				
Current:				
Culture and Recreation				
Airport	301,997	313,997	316,499	(2,502)
Total Expenditures	301,997	313,997	316,499	(2,502)
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(140,547)	(152,547)	(129,949)	22,598
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	140,547	140,547	127,557	(12,990)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	140,547	140,547	127,557	(12,990)
Net Changes in Fund Balances	0	(12,000)	(2,392)	9,608
Fund Balances - Beginning	11,081	11,081	11,081	
Fund Balances - Ending	\$11,081	(\$919)	\$8,689	\$9,608

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$2,500	\$2,500	\$3,813	\$1,313
Interest	30	30	8	(22)
Total Revenues	<u>2,530</u>	<u>2,530</u>	<u>3,821</u>	<u>1,291</u>
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	15,855	15,855	1,896	13,959
Total Expenditures	<u>15,855</u>	<u>15,855</u>	<u>1,896</u>	<u>13,959</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,325)	(13,325)	1,925	15,250
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	(13,325)	(13,325)	1,925	15,250
Fund Balances - Beginning	4,473	4,473	4,473	
Fund Balances - Ending	<u>(\$8,852)</u>	<u>(\$8,852)</u>	<u>\$6,398</u>	<u>\$15,250</u>

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$3,500	\$3,500	\$5,085	\$1,585
Interest	20	20	15	(5)
Total Revenues	<u>3,520</u>	<u>3,520</u>	<u>5,100</u>	<u>1,580</u>
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	6,325	6,325	2,975	3,350
Total Expenditures	<u>6,325</u>	<u>6,325</u>	<u>2,975</u>	<u>3,350</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,805)	(2,805)	2,125	4,930
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	(2,805)	(2,805)	2,125	4,930
Fund Balances - Beginning	12,018	12,018	12,018	
Fund Balances - Ending	<u>\$9,213</u>	<u>\$9,213</u>	<u>\$14,143</u>	<u>\$4,930</u>

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$120,000	\$120,000	\$182,015	\$62,015
Interest	250	250	582	332
Total Revenues	120,250	120,250	182,597	62,347
EXPENDITURES				
Current:				
General Administration				
Administration	0	0	950	(950)
Total Expenditures	0	0	950	(950)
Excess (Deficiency) of Revenues Over (Under) Expenditures	120,250	120,250	181,647	61,397
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(200,000)	(200,000)	(200,000)	0
Total Other Financing Sources (Uses)	(200,000)	(200,000)	(200,000)	0
Net Changes in Fund Balances	(79,750)	(79,750)	(18,353)	61,397
Fund Balances - Beginning	385,960	385,960	385,960	
Fund Balances - Ending	\$306,210	\$306,210	\$367,607	\$61,397

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Charges for Services	\$30,000	\$30,000	\$55,429	\$25,429
Interest	75	75	149	74
Total Revenues	30,075	30,075	55,578	25,503
EXPENDITURES				
Current:				
Culture and Recreation				
Park Dedication				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,075	30,075	55,578	25,503
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(40,000)	(57,000)	(57,000)	0
Total Other Financing Sources (Uses)	(40,000)	(57,000)	(57,000)	0
Net Changes in Fund Balances	(9,925)	(26,925)	(1,422)	25,503
Fund Balances - Beginning	83,327	83,327	83,327	
Fund Balances - Ending	\$73,402	\$56,402	\$81,905	\$25,503

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Sales	\$528,000	\$528,000	\$604,766	\$76,766
Interest	250	250	372	122
Miscellaneous	18,350	18,350	16,056	(2,294)
Total Revenues	<u>546,600</u>	<u>546,600</u>	<u>621,194</u>	<u>74,594</u>
EXPENDITURES				
Current:				
Culture and Recreation				
Parks	642,746	659,746	605,929	53,817
Total Expenditures	<u>642,746</u>	<u>659,746</u>	<u>605,929</u>	<u>53,817</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,146)	(113,146)	15,265	128,411
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	40,000	57,000	57,000	0
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>57,000</u>	<u>57,000</u>	<u>0</u>
Net Changes in Fund Balances	(56,146)	(56,146)	72,265	128,411
Fund Balances - Beginning	304,512	304,512	304,512	
Fund Balances - Ending	<u>\$248,366</u>	<u>\$248,366</u>	<u>\$376,777</u>	<u>\$128,411</u>

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$100	\$100	\$250	\$150
Miscellaneous	0	0	0	0
Total Revenues	100	100	250	150
EXPENDITURES				
Current:				
Public Transportation				
Regional Transit	30,000	30,000	0	30,000
Total Expenditures	30,000	30,000	0	30,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,900)	(29,900)	250	30,150
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	40,000	202,000	202,000	0
Total Other Financing Sources (Uses)	40,000	202,000	202,000	0
Net Changes in Fund Balances	10,100	172,100	202,250	30,150
Fund Balances - Beginning	168,334	168,334	168,334	
Fund Balances - Ending	\$178,434	\$340,434	\$370,584	\$30,150

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$920,981	\$921,581	\$961,635	\$40,054
Interest	400	400	89	(311)
Total Revenues	<u>921,381</u>	<u>921,981</u>	<u>961,724</u>	<u>39,743</u>
EXPENDITURES				
Debt Service				
Principal Retirement	770,000	770,000	770,000	0
Interest Retirement	351,381	351,981	351,962	19
Total Expenditures	<u>1,121,381</u>	<u>1,121,981</u>	<u>1,121,962</u>	<u>19</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200,000)	(200,000)	(160,238)	39,762
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	200,000	200,000	200,000	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>0</u>
Net Changes in Fund Balances	0	0	39,762	39,762
Fund Balances - Beginning	127,186	127,186	127,186	
Fund Balances - Ending	<u>\$127,186</u>	<u>\$127,186</u>	<u>\$166,948</u>	<u>\$39,762</u>

