CITY OF PORT ARANSAS, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2018

CITY OF PORT ARANSAS, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Port Aransas, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Port Aransas, Texas' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Beach Cleaning Fund, and the Hotel-Motel/Facility Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Employees Retirement System Information, and the OPEB information on pages 3–12, 83-84, and 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The City of Port Aransas, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2019, on our consideration of The City of Port Aransas, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The City of Port Aransas, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Port Aransas, Texas' internal control over financial reporting and compliance.

Wayne R. Beyer

BEYER & COMPANY
Certified Public Accountants
July 17, 2019

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, 2018. 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 $32,006,798 (net position). Of this amount, $4,294,489 (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 decreased by $1,949,800 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 $17,121,544. Approximately 31% of this amount, $5,277,088 is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the general fund was 5,397,705 or 57% of General Fund expenditures.

- The City of Port Aransas' total bonded debt had an increase of $4,805,000 during the current fiscal year. Debt was increased due to the issuance of a $6,205,000 Certificate of Obligation to start the Marina repair damages from Hurricane Harvey.

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, Beach Cleaning Fund, Hotel Motel/Facility Fund, Hurricane Recovery Fund, and the Construction Fund all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Government-wide Financial Analysis

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

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	$18,623,404	$22,836,667	$1,494,165	$1,793,833	$20,117,569	$24,630,500
Restricted Assets:	65,756	65,741	0	0	65,756	65,741
Capital Assets:	30,553,580	27,950,547	6,445,061	4,725,356	36,998,641	32,675,903
Total Deferred Outflows of Resources	755,322	834,777	72,610	81,352		0
Total Assets	49,998,062	51,687,732	8,011,836	6,600,541	57,181,966	57,372,144
Long-Term Liabilities	23,513,931	19,195,547	283,009	349,737	23,796,940	19,545,284
Other Liabilities (Payable from Restricted Assets)	0	0	160,486	157,844	160,486	157,844
Other Liabilities	1,208,998	4,439,202	164,470	128,860	1,373,468	4,568,062
Total Liabilities	24,722,929	23,634,749	607,965	636,441	25,330,894	24,271,190
Total Deferred Inflows of Resources	558,516	442	53,690	43		
Invested in Capital Assets, Net of Related Debt	16,468,245	16,898,774	6,445,061	4,725,356	22,913,306	21,624,130
Restricted	4,859,003	5,270,857	0	0	4,859,003	5,270,857
Unrestricted	3,389,369	5,882,910	905,120	1,238,701	4,294,489	7,121,611
Total Net Assets	$24,716,617	$28,052,541	$7,350,181	$5,964,057	$32,066,798	$34,016,598

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 $24,716,617 at the close of the most recent fiscal year for governmental activities and $7,350,181 for business-type activities.

A large portion of the City's net assets (66.6 percent in governmental activities and 87.6 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.

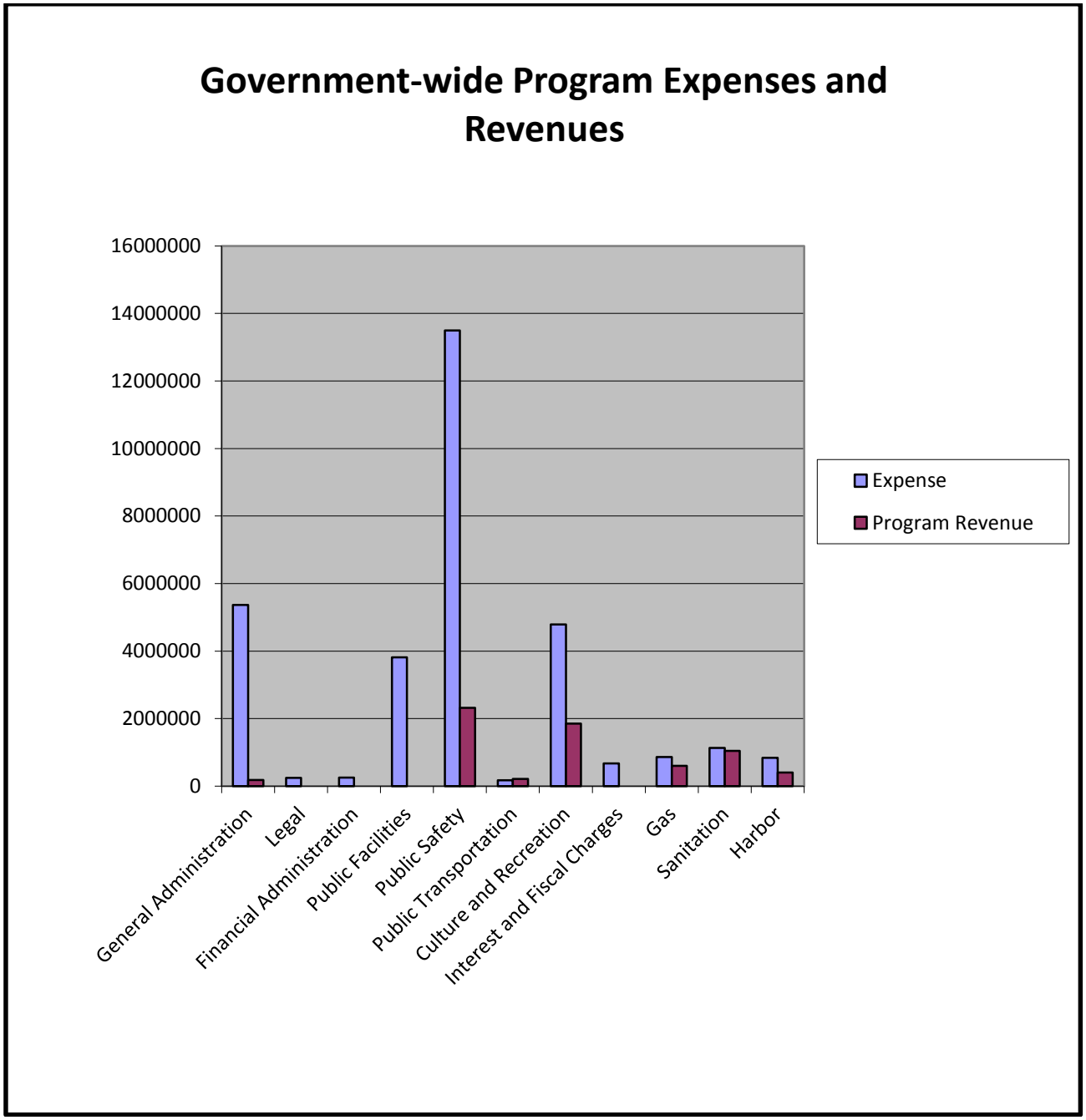
At the end of the current fiscal year, the City of Port Aransas is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Changes in Net Position. Governmental activities decreased the City's net assets by $3,335,924 and Business-type activities increased the City's net assets by $1,386,124 for an decrease of $1,949,800.

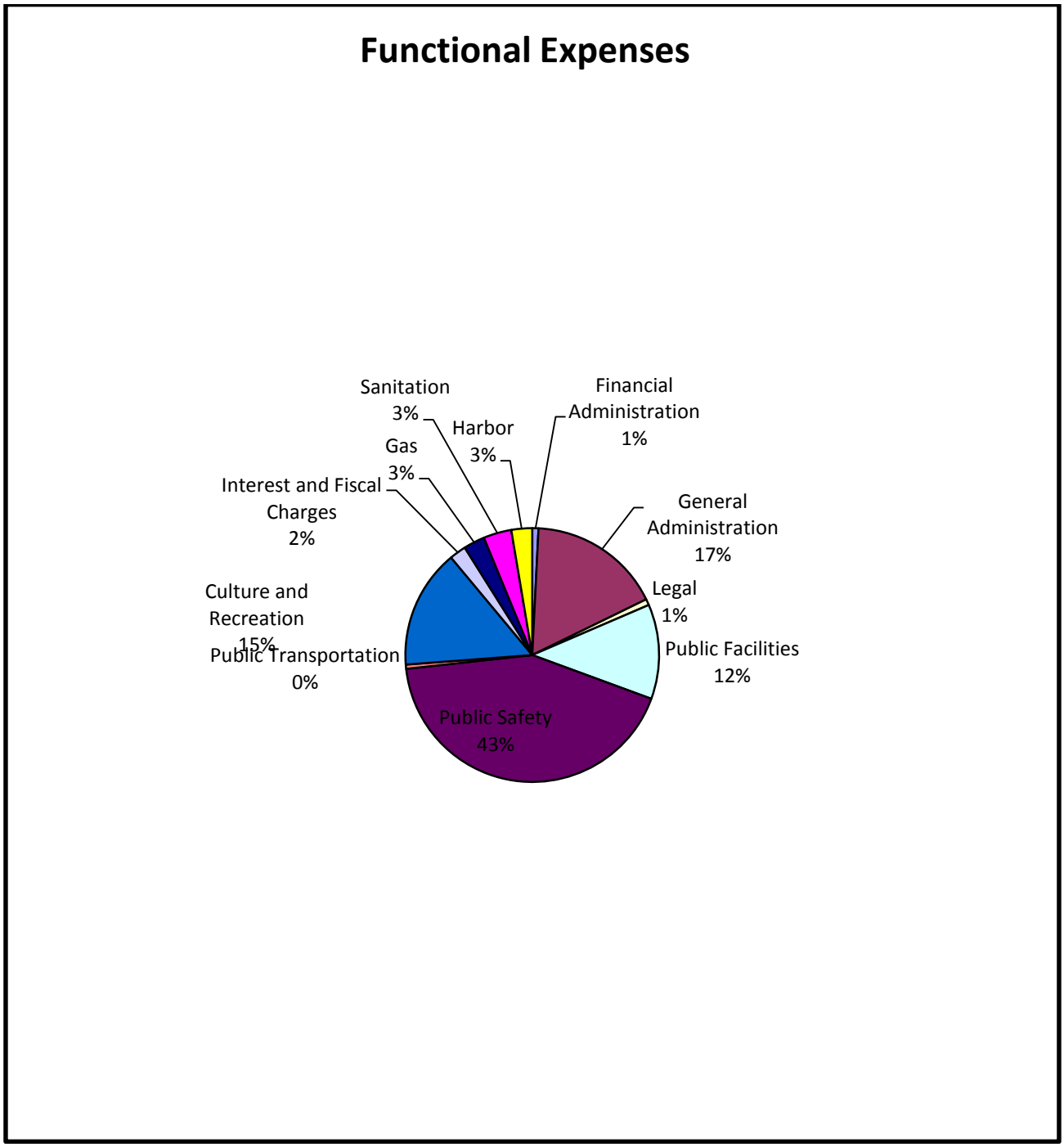
TABLE A-2
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	$1,673,777	$2,258,095	$2,055,449	$2,647,565	$3,729,226	$4,905,660
Operating Grants and Contributions	2,678,221	3,794,918	100	220	2,678,321	3,795,138
Capital Grants and Contributions	210,288	224,694	0	0	210,288	224,694
General Revenues:						
Property Taxes, Levies for General Purposes	6,365,345	5,655,350			6,365,345	5,655,350
Sales Taxes	2,049,104	2,100,446			2,049,104	2,100,446
Franchise Taxes	396,933	508,154			396,933	508,154
Hotel/Motel Taxes	4,159,085	6,208,634			4,159,085	6,208,634
Licenses and Permits	2,279,518	1,865,429			2,279,518	1,865,429
Unrestricted Investment Earnings	349,399	131,891	25,112	15,794	374,511	147,685
Insurance Recover - Hurricane Harvey	6,640,551				6,640,551	
Grants and Contributions not Restricted to Specific Programs	135,554	183,830	0	0	135,554	183,830
Miscellaneous	563,160	198,880	100,120	0	663,280	198,880
Total Revenue	27,500,935	23,130,321	2,180,781	2,663,579	29,681,716	25,793,900
Expenses:						
General Administration	5,369,334	5,561,302			5,369,334	5,561,302
Legal	245,553	122,072			245,553	122,072
Financial Administration	250,735	246,172			250,735	246,172
Public Facilities	3,814,331	1,070,264			3,814,331	1,070,264
Public Safety	13,493,350	8,494,880			13,493,350	8,494,880
Public Transportation	170,802	216,190			170,802	216,190
Culture and Recreation	4,789,574	5,152,315			4,789,574	5,152,315
Interest and Fiscal Charges	671,538	466,171			671,538	466,171
Gas			858,699	1,188,029	858,699	1,188,029
Sanitation			1,129,387	1,120,414	1,129,387	1,120,414
Harbor			838,213	771,814	838,213	771,814
Total Expenses	28,805,217	21,329,366	2,826,299	3,080,257	31,631,516	24,409,623
Increase in Net Assets Before Transfers and Special Items	(1,304,282)	1,800,955	(645,518)	(416,678)	(1,949,800)	1,384,277
Transfers	(2,031,642)	(1,314,747)	2,031,642	1,314,747	0	0
Increase in Net Assets	(3,335,924)	486,208	1,386,124	898,069	(1,949,800)	1,384,277
Net Assets at 09/30/2017 (restated)	28,052,541	27,566,333	5,964,057	5,065,988	34,016,598	32,632,321
Net Assets at 09/30/2018	$24,716,617	$28,052,541	$7,350,181	$5,964,057	$32,066,798	$34,016,598

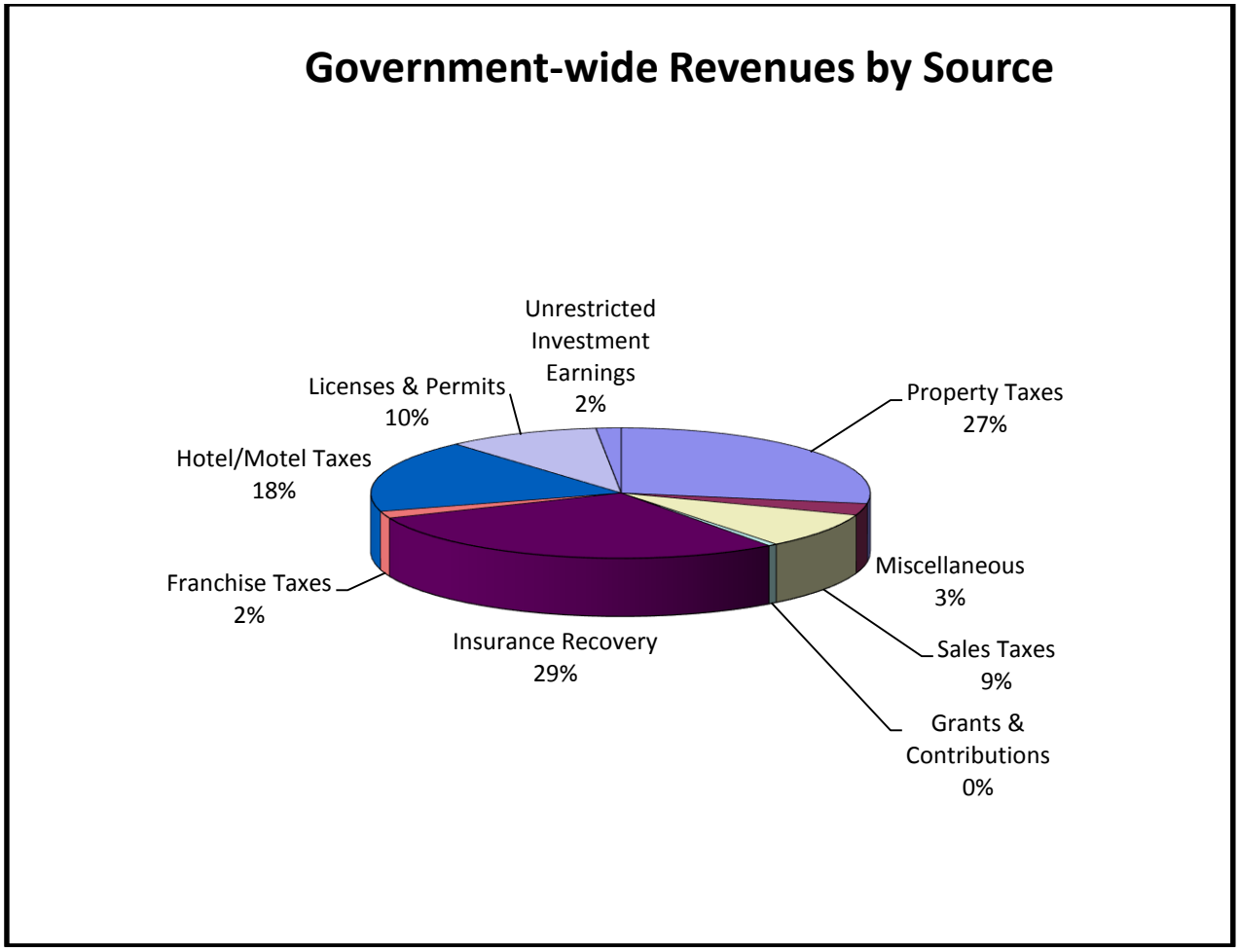
The chart below illustrates the City's expense and revenues by function: general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, interest and fiscal charges, gas, and harbor.



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. Insurance Recover funds and Property Taxes are the largest source of general governmental revenues, followed by hotel/motel tax and sales tax.



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Port Aransas' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Port Aransas' governmental funds reported combined ending fund balances of $17,121,544, a decrease of $937,599 in comparison with the prior year. Approximately 30.8%, or $5,277,088, 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 ($6,215,929), debt service ($201,745), reserved for culture & recreation ($2,394,391), inventories ($15,249), public safety ($81,494), Economic Development ($2,460,588), and public transportation ($471,999) and prepaid items ($3,061).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $5,397,705, while total fund balance reached $5,466,522. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 56.9% of total general fund expenditures, while total fund balance represents 57.7% of that same amount.

The fund balance of the City General Fund increased by $1,145,838 during the current fiscal year. The key factor for this increase is the increase to licenses and permits and the decreased expenditures due to hiring freeze post Hurricane Harvey.

Budgetary Highlights

The City's budget was amended one time. The Debt Service and Construction Fund had a net change of $0 (amounts were either shifted between departments or had excess revenue to cover expenses). The General Fund had a net change of $127,000. This change was due to several revenue categories performing better than anticipated for a total of $420,500. The revenue increase was offset by an increase to expenditures totaling $293,500. The two largest increase line items were due to the additional dollars needed for contracted building inspectors of $355,000 and increases to legal expenses of $175,000. There were also multiple departments that had savings in expenditures mainly due to personal savings due to the hiring freeze. The Court Technology Fund had added expenditures of $2,800 for backup tapes for the new server that was replaced due to one being damaged during Hurricane Harvey. The Hotel Motel Fund had a decrease of $915,000 in revenues as the tax collections were down due to damaged short-term rental property. The allocation to the Chamber was also decreased for this reason. The Hotel Motel Special Fund and Facility Fund both had decreases for the same proportionate amount of allocation from the Hotel Motel Fund. Due to decreased tax revenues. The Airport Fund had decreased revenues due to the fuel system not being operational for most of the year due to damages suffered. This also decreased needed operations and fuel purchases for the year. The Beach Fund had a net change of ($104,000) due to decrease in revenues of $104,000 due to a lower rebate from the State for Hotel Motel Taxes as these revenues were down due to damaged properties. There were also adjustments made to expenditures as the lifeguard operations were increased but the beach workers in public workers were diminished. The Hurricane Recovery Fund was not initially a budgeted Fund as the efforts were completely unexpected and unplanned.

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.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for all activities as of September 30, 2018 amount to $36,998,641 (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 IV C. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation
30-Sep

	Total Activities 2018	Total Activities 2017
Governmental Activities:		
Land	$5,669,307	$5,669,307
Construction in Progress	2,999,160	486,955
Infrastructure	15,695,178	17,199,612
Buildings	1,156,534	818,977
Machinery & Equipment	2,096,080	1,535,466
Vehicles	2,937,321	2,240,230
Total Governmental Activities	30,553,580	27,950,547
Business-type Activities:		
Construction in Progress	2,031,642	0
Infrastructure	3,731,341	4,165,188
Buildings	222,590	161,976
Machinery & Equipment	443,608	366,571
Vehicles	15,880	31,620
Total Business-type Activities	6,445,061	4,725,355
Total net assets	$36,998,641	$32,675,902

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and capital leases outstanding of $20,677,614. 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 2018	Total Governmental Activities 2017
General Obligation Bonds	$19,440,000	$14,635,000
Bond Premium - Series 2009 &2012	530,454	382,925
Capital Leases	707,160	738,844
Total Bonds Payable	$20,677,614	$15,756,769

The City's total bonded debt and capital leases increased by $4,920,845 during the current fiscal year. The key factor in this increase was the issuance of debt for $6,205,000 for the Harbor repair project.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2018-2019 fiscal year. At the end of the fiscal year, the economic impact of the Hurricane is still not completely known. The City will rely on insurance proceeds and Grant assistance to assist in the recovery efforts. The State is assisting the City with the required FEMA 10% match. The State has committed to paying 75% of that 10% match which will greatly assist the City on the road to recovery.

The tax rate for the year has increased to 31.0906 cents per hundred. The tax rate has been split with .236918 for maintenance and operations and .073988 for interest and sinking for the retirement of the bonds. Even though this an increase to the tax rate, it was actually a tax decrease as this rate is below the effective rate (the tax rate that would produce the same amount of tax revenue as prior year plus new construction demands).

Overall, the General Fund is budgeted to end the fiscal year 2018-2019 with an estimated fund balance of $5,313,890. This is approximately 57.8% 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, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	17,796,417	1,388,053	19,184,470
Receivables (Net of Allowance for Uncollectibles)	739,318	105,161	844,479
Inventories	15,249		15,249
Prepaid Items	72,420	951	73,371
Restricted Assets:			
Cash and Cash Equivalents	65,756		65,756
Capital Assets Not Being Depreciated:			
Land	5,669,307		5,669,307
Construction in Progress	2,999,160	2,031,642	5,030,802
Total Capital Assets Being Depreciated, Net			
Infrastructure	15,695,178	3,731,341	19,426,519
Buildings	1,156,534	222,590	1,379,124
Machinery and Equipment	2,096,080	443,608	2,539,688
Vehicles	2,937,321	15,880	2,953,201
Total Assets	49,242,740	7,939,226	57,181,966
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Deferred Outflow of Resources-Contributions (after 12/31/17)	738,591	71,001	809,592
Difference in expected and actual experience	1,107	107	1,214
GASB 75			
Difference in assumption changes	15,624	1,502	17,126
Total Deferred Outflows of Resources	755,322	72,610	827,932
LIABILITIES:			
Accounts Payable	1,015,650	160,743	1,176,393
Accrued Wages Payable	43,011	3,632	46,643
Accrued Interest Payable	97,026		97,026
Unearned Revenues	53,311	95	53,406
Consumer Meter Deposits		160,486	160,486
Noncurrent Liabilities:			
Due Within One Year	1,978,732	14,848	1,993,580
Due in More Than One Year	21,535,199	268,161	21,803,360
Total Liabilities	24,722,929	607,965	25,330,894
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in projected and actual earnings	558,516	53,690	612,206
Total Deferred Inflows of Resources	558,516	53,690	612,206
LIABILITIES:			
Net Position			
Invested in Capital Assets, Net of Related Debt	16,468,245	6,445,061	22,913,306
Restricted for:			
Culture and Recreation	2,180,932		2,180,932
Debt Service	201,745		201,745
Economic Development	2,460,588		2,460,588
Public Safety	15,738		15,738
Unrestricted	3,389,369	905,120	4,294,489
Total Net Position	24,716,617	7,350,181	32,066,798

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in: Governmental Activities	Net (Expense) Revenue and Changes in: Business-Type Activities	Net (Expense) Revenue and Changes in Total
Primary Government							
Government Activities:							
General Administration	5,369,334	176,393	8,750		(5,184,191)		(5,184,191)
Legal	245,553				(245,553)		(245,553)
Financial Administration	250,735				(250,735)		(250,735)
Public Facilities	3,814,331				(3,814,331)		(3,814,331)
Public Safety	13,493,350	415,188	1,903,817		(11,174,345)		(11,174,345)
Public Transportation	170,802			210,288	39,486		39,486
Culture and Recreation	4,789,574	1,082,196	765,654		(2,941,724)		(2,941,724)
Interest and Fiscal Charges	671,538				(671,538)		(671,538)
Total Government Activities	28,805,217	1,673,777	2,678,221	210,288	(24,242,931)	0	(24,242,931)
Business-Type Activities:							
Gas	858,699	603,634	100			(254,965)	(254,965)
Sanitation	1,129,387	1,047,578				(81,809)	(81,809)
Harbor	838,213	404,237				(433,976)	(433,976)
Total Business-Type Activities	2,826,299	2,055,449	100	0		(770,750)	(770,750)
Total Primary Government	31,631,516	3,729,226	2,678,321	210,288	(24,242,931)	(770,750)	(25,013,681)
General Revenues							
Property Taxes, Levies for General Purposes					6,365,345		6,365,345
Sales Taxes					2,049,104		2,049,104
Franchise Taxes					396,933		396,933
Hotel/Motel Taxes					4,159,085		4,159,085
Licenses and Permits					2,279,518		2,279,518
Unrestricted Investment Earnings					349,399	25,112	374,511
Insurance Recovery - Hurricane Harvey					6,640,551		6,640,551
Grants and Contributions Not Restricted to Specific Programs					135,554		135,554
Miscellaneous					563,160	100,120	663,280
Transfers					(2,031,642)	2,031,642	0
Total General Revenues and Transfers					20,907,007	2,156,874	23,063,881
Change in Net Position					(3,335,924)	1,386,124	(1,949,800)
Net Position - Beginning - Restated					28,052,541	5,964,057	34,016,598
Net Position - Ending					24,716,617	7,350,181	32,066,798

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Beach Cleaning Funds	Hotel-Motel/ Facility Fund	Hurricane Recovery Fund	Construc- tion Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	5,799,911	2,432,369	4,803,979	0	6,004,965	3,376,815	22,418,039
Receivables (Net of Allowance for Uncollectibles)	283,102	26,643			74,203	104,631	488,579
Restricted Assets:							
Cash and Cash Equivalents	65,756						65,756
Inventories						15,249	15,249
Prepaid Expenses	3,061						3,061
Total Assets	6,151,830	2,459,012	4,803,979	0	6,079,168	3,496,695	22,990,684
LIABILITIES AND FUND BALANCES:							
Accounts Payable	488,396	10,897	17,703	184,657	17,343	296,654	1,015,650
Bank Overdraft				4,621,622		3,032	4,624,654
Accrued Wages Payable	34,193	5,220	566				
Deferred Revenue	53,263		48				53,311
Total Liabilities	575,852	16,117	18,317	4,806,279	17,343	299,686	5,733,594
DEFERRED INFLOWS OF RESOURCES							
Deferred Property Taxes	109,456					26,090	135,546
Fund Balances:							
Non-Spendable							
Prepaid Items	3,061						3,061
Inventories						15,249	15,249
Restricted							
Construction					6,061,825		6,061,825
Culture and Recreation			100,000			2,080,932	2,180,932
Debt Service						201,745	201,745
Economic Development		2,442,895				17,693	2,460,588
Public Safety						15,738	15,738
Committed							
Construction						154,104	154,104
Culture and Recreation						213,459	213,459
Public Safety	65,756						65,756
Public Transportation						471,999	471,999
Unassigned	5,397,705		4,685,662	(4,806,279)			5,277,088
Total Fund Balance	5,466,522	2,442,895	4,785,662	(4,806,279)	6,061,825	3,170,919	17,121,544
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	6,151,830	2,459,012	4,803,979	0	6,079,168	3,496,695	22,990,684

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, 2018

Total Fund Balances - Governmental Funds Balance Sheet	
Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	17,121,544
Capital assets used in governmental activities are not reported in the funds.	30,553,580
Some expenses are not expensed in the current period but rather are deferred in the funds.	69,359
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	135,546
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	447,545
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(23,610,957)
Net Position of Governmental Activities - Statement of Net Position	24,716,617

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, 2018

	General Fund	Beach Cleaning Funds	Hotel-Motel/ Facility Fund	Hurricane Recovery Fund	Construc- tion Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes							
Property	4,967,933					1,414,839	6,382,772
Sales	1,366,654					682,450	2,049,104
Franchise	396,933						396,933
Hotel/Motel		1,146,749	1,506,168			1,506,168	4,159,085
Intergovernmental	471,424	291,162		1,849,577		411,900	3,024,063
Licenses and Permits	1,656,697	622,821					2,279,518
Charges for Services	1,125,706					302,076	1,427,782
Fines and Forfeitures	264,421					7,592	272,013
Interest	82,556	44,788	32,601	6,484	129,474	53,496	349,399
Insurance Recovery - Hurricane Harvey				6,640,551			6,640,551
Miscellaneous	93,269			20,000	258,697	130,371	502,337
Total Revenues	10,425,593	2,105,520	1,538,769	8,516,612	388,171	4,508,892	27,483,557
EXPENDITURES							
Current:							
General Administration	1,949,197					1,693,997	3,643,194
Legal	245,553						245,553
Financial Administration	250,957						250,957
Public Facilities	829,991						829,991
Public Safety	5,000,286			13,043,932		9,073	18,053,291
Public Transportation	166,358					3,615	169,973
Culture and Recreation	779,846	2,420,888	170,812			1,163,967	4,535,513
Capital Projects -							
Capital Outlay and Other					2,912,349		2,912,349
Debt Service							
Bond Issuance Costs					90,197		90,197
Principal Retirement	224,104		195,000			1,205,000	1,624,104
Interest and Fiscal Charges	25,883		4,433			582,267	612,583
Total Expenditures	9,472,175	2,420,888	370,245	13,043,932	3,002,546	4,657,919	32,967,705
Excess (Deficiency) of Revenues Over (Under) Expenditures	953,418	(315,368)	1,168,524	(4,527,320)	(2,614,375)	(149,027)	(5,484,148)
OTHER FINANCING SOURCES (USES):							
Other Financing Sources - Bond Proceeds					6,205,000		6,205,000
Other Financing Sources - Bond Premium					180,771		180,771
Capital Lease Proceeds - Ambulance	192,420						192,420
Operating Transfers In			215,167			512,490	727,657
Operating Transfers Out			(262,490)		(2,031,642)	(465,167)	(2,759,299)
Total Other Financing Sources (Uses)	192,420	0	(47,323)	0	4,354,129	47,323	4,546,549
Net Changes in Fund Balances	1,145,838	(315,368)	1,121,201	(4,527,320)	1,739,754	(101,704)	(937,599)
Fund Balances - Beginning	4,320,684	2,758,263	3,664,461	(278,959)	4,322,071	3,272,623	18,059,143
Fund Balances - Ending	5,466,522	2,442,895	4,785,662	(4,806,279)	6,061,825	3,170,919	17,121,544

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, 2018

Net Changes in Fund Balances - Total Governmental Funds	(937,599)
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.	2,603,033
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.	(26,018)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(17,427)
GASB 68	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	(65,579)
Deferred Outflow-Difference in projected and actual earnings. This is the change in these amounts this year.	(558,074)
Deferred Inflow-Difference in expected and actual experience. This is the change in these amounts this year.	(29,500)
GASB 75	
Deferred Outflow-Difference in assumption changes. This is the change in these amounts this year.	15,624
Bond and Capital Lease Issuance Proceeds	(6,397,420)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	1,624,104
(Increase) decrease in accrued interest payable from beginning of period to end of period.	(2,000)
(Increase) decrease in compensated absences payable from beginning of period to end of period.	(24,684)
(Increase) decrease in bond premium payable from beginning of period to end of period.	(147,529)
(Increase) decrease in net pension liability from beginning of period to end of period.	669,033
(Decrease) increase in OPEB Liability.	(41,888)
Change in Net Position of Governmental Activities - Statement of Activities	(3,335,924)

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 BALANCE - (CASH BASIS) - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Budgetary	Variance with Final Budget - Positive
	Original	Final	Basis	(Negative)
REVENUES				
Taxes				
Property	4,945,275	4,945,275	4,967,933	22,658
Sales	1,397,425	1,397,425	1,366,654	(30,771)
Franchise	499,000	499,000	396,933	(102,067)
Intergovernmental	530,000	592,500	471,424	(121,076)
Licenses and Permits	908,000	1,266,000	1,656,697	390,697
Charges for Services	1,580,400	1,588,400	1,125,706	(462,694)
Fines and Forfeitures	330,000	330,000	264,421	(65,579)
Interest	35,000	35,000	82,556	47,556
Miscellaneous	101,500	101,500	93,269	(8,231)
Total Revenues	10,326,600	10,755,100	10,425,593	(329,507)
EXPENDITURES				
Current:				
General Administration				
Administration	271,000	263,500	256,406	7,094
Central Operating	1,048,850	1,170,350	1,077,006	93,344
City Secretary	173,750	153,750	141,685	12,065
Information Technology	260,915	260,915	218,274	42,641
Mayor and Council	38,550	38,550	20,091	18,459
Planning	255,975	261,975	235,735	26,240
Legal				
City Attorney	75,500	250,500	245,553	4,947
Financial Administration				
Finance Department	245,750	257,250	250,957	6,293
Public Facilities				
Public Buildings	294,375	294,375	225,084	69,291
Public Works	1,066,575	803,575	604,907	198,668
Public Safety				
EMS	1,300,885	1,310,885	1,319,799	(8,914)
Fire Department	467,415	467,415	172,924	294,491
Inspection	205,400	563,400	543,518	19,882
Municipal Court	166,500	121,500	93,295	28,205
Police	3,041,675	2,916,675	2,678,330	238,345
Public Transportation				
Regional Transit	209,500	209,500	166,358	43,142
Culture and Recreation				
Library	292,925	364,925	253,691	111,234
Parks and Recreation	648,150	648,150	526,155	121,995
Debt Service				
Principal Retirement	224,104	224,104	224,104	0
Interest Retirement	33,026	33,026	25,883	7,143
Total Expenditures	10,320,820	10,614,320	9,279,755	1,334,565
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,780	140,780	1,145,838	1,005,058
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	8,000	0	0	0
Total Other Financing Sources (Uses)	8,000	0	0	0
Net Changes in Fund Balances - Budgetary Basis	13,780	140,780	1,145,838	1,005,058

Reconcilation from cash basis to modified accrual basis:	
Capital Lease Proceeds - Ambulance	192,420
Capital Lease Expenditure - Ambulance	(192,420)
Net Changes in Fund Balances - Modified Accrual Basis	1,145,838
Fund Balances - Beginning	4,320,684
Fund Balances - Ending	5,466,522

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Hotel/Motel	1,250,000	1,146,000	1,146,749	749
Intergovernmental	314,000	314,000	291,162	(22,838)
Licenses and Permits	777,000	777,000	622,821	(154,179)
Interest	15,000	15,000	44,788	29,788
Total Revenues	2,356,000	2,252,000	2,105,520	(146,480)
EXPENDITURES				
Culture and Recreation				
Beach	3,240,400	3,240,400	2,420,888	819,512
Total Expenditures	3,240,400	3,240,400	2,420,888	819,512
Excess (Deficiency) of Revenues Over (Under) Expenditures	(884,400)	(988,400)	(315,368)	673,032
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(35,000)	(35,000)	0	35,000
Total Other Financing Sources (Uses)	(35,000)	(35,000)	0	35,000
Net Changes in Fund Balances	(919,400)	(1,023,400)	(315,368)	708,032
Fund Balances - Beginning	2,758,263	2,758,263	2,758,263	
Fund Balances - Ending	1,838,863	1,734,863	2,442,895	708,032

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

CITY OF PORT ARANSAS, TEXAS
HOTEL-MOTEL/FACILITY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Hotel/Motel	2,296,000	1,316,000	1,506,168	190,168
Interest	9,000	9,000	32,601	23,601
Total Revenues	2,305,000	1,325,000	1,538,769	213,769
EXPENDITURES				
Culture and Recreation				
Culture and Recreation	2,177,100	240,100	170,812	69,288
Debt Service				
Principal Retirement	195,000	195,000	195,000	0
Interest Retirement	4,450	4,450	4,433	17
Total Expenditures	2,376,550	439,550	370,245	69,305
Excess (Deficiency) of Revenues Over (Under) Expenditures	(71,550)	885,450	1,168,524	283,074
OTHER FINANCING SOURCES (USES):	328,000	188,000	215,167	27,167
Operating Transfers Out	(748,750)	(748,750)	(262,490)	486,260
Total Other Financing Sources (Uses)	(420,750)	(560,750)	(47,323)	513,427
Net Changes in Fund Balances	(492,300)	324,700	1,121,201	796,501
Fund Balances - Beginning	3,664,461	3,664,461	3,664,461	
Fund Balances - Ending	3,172,161	3,989,161	4,785,662	796,501

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, 2018

	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	647,777	814,519	(44,829)	(13,315)	785,105	865,028	1,388,053
Accounts Receivables (Net of Allowance for Uncollectibles)	2,985	18,900	99,867	107,397	2,309	353	105,161
Prepaid Items	951	951					951
Total Current Assets	651,713	834,370	55,038	94,082	787,414	865,381	1,494,165
Noncurrent Assets							
Capital Assets							
Construction in Progress					2,031,642		2,031,642
Infrastructure	1,094,894	1,094,894	22,614	22,614	8,064,575	8,064,575	9,182,083
Buildings	56,777	51,404	35,788	35,788	196,448	130,129	289,013
Machinery and Equipment	352,450	266,839			414,414	411,188	766,864
Vehicles	202,023	217,479			64,165	64,164	266,188
Total Capital Assets	1,706,144	1,630,616	58,402	58,402	10,771,244	8,670,056	12,535,790
Less Accumulated Depreciation	(1,118,257)	(1,080,018)	(30,278)	(21,662)	(4,942,194)	(4,532,038)	(6,090,729)
Total Capital Assets (Net of Accumulated Depreciation)	587,887	550,598	28,124	36,740	5,829,050	4,138,018	6,445,061
Total Noncurrent Assets	587,887	550,598	28,124	36,740	5,829,050	4,138,018	6,445,061
DEFERRED OUTFLOWS OF RESOURCES							
GASB 68							
Deferred Outflow of Resources-Contributions (after 12/31/16)		48,746		5,219		24,404	0
Deferred Outflow of Resources-Contributions (after 12/31/17)	44,447		5,062		21,492		71,001
Difference in expected and actual experience	67	1,855	8	199	32	929	107
GASB 75							
Difference in assumption changes	940	0	107	0	455	0	1,502
Total Deferred Outflow of Resources	45,454	50,601	5,177	5,418	21,979	25,333	72,610
TOTAL ASSETS	1,285,054	1,435,569	88,339	136,240	6,638,443	5,028,732	8,011,836

(continued)

(continued)

	Business-Type Activities Enterprise Funds						
	Gas	Gas	Sanitation	Sanitation	Harbor	Harbor	Totals
LIABILITIES, FUND EQUITY AND OTHER CREDITS	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
Liabilities							
Current Liabilities (Payable from Current Assets)							
Accounts Payable	44,580	44,181	41,883	8,228	74,280	76,356	160,743
Accrued Wages	2,123		311		1,198		3,632
Compensated Absences	8,762	12,117	292	1,310	5,794	7,861	14,848
Deferred Revenue	95	95		0		0	95
Total Current Liabilities (Payable from Current Assets)	55,560	56,393	42,486	9,538	81,272	84,217	179,318
Current Liabilities (Payable from Restricted Assets)							
Consumer Meter Deposits	141,986	143,544			18,500	14,300	160,486
Total Current Liabilities Payable from Restricted Assets	141,986	143,544	0	0	18,500	14,300	160,486
Total Current Liabilities	197,546	199,937	42,486	9,538	99,772	98,517	339,804
Noncurrent Liabilities							
OPEB Payable	14,856	12,335	1,692	1,405	7,184	5,965	23,732
Net Pension Liability	149,600	189,861	15,461	20,047	79,368	98,836	244,429
Total Noncurrent Liabilities	164,456	202,196	17,153	21,452	86,552	104,801	268,161
Total Liabilities	362,002	402,133	59,639	30,990	186,324	203,318	607,965
DEFERRED INFLOWS OF RESOURCES							
GASB 68							
Difference in projected and actual earnings	33,610	27	3,828	3	16,252	13	53,690
Total Deferred Inflow of Resources	33,610	27	3,828	3	16,252	13	53,690
Invested in Capital Assets, Net of Related Debt	587,887	550,598	28,124	36,740	5,829,050	4,138,018	6,445,061
Unrestricted	301,555	482,811	(3,252)	68,507	606,817	687,383	905,120
Total Net Position	889,442	1,033,409	24,872	105,247	6,435,867	4,825,401	7,350,181

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, 2018

	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	603,634	986,334	1,047,578	1,064,428	404,237	596,803	2,055,449
Total Operating Revenues	603,634	986,334	1,047,578	1,064,428	404,237	596,803	2,055,449
OPERATING EXPENSES:							
Personal Services	493,121	556,335	60,366	59,865	246,324	270,678	799,811
Supplies and Other Services and Charges	302,747	566,217	1,060,405	1,051,953	181,734	197,865	1,544,886
Depreciation	62,831	65,477	8,616	8,596	410,155	303,271	481,602
Total Operating Expenses	858,699	1,188,029	1,129,387	1,120,414	838,213	771,814	2,826,299
Operating Income (Loss)	(255,065)	(201,695)	(81,809)	(55,986)	(433,976)	(175,011)	(770,850)
NON-OPERATING REVENUES (EXPENSES):							
Interest Income	10,878	7,708	1,434	442	12,800	7,644	25,112
Donated Assets	100,120	0					100,120
Federal and State Grants	100	220					100
Total Non-Operating Revenues (Expenses)	111,098	7,928	1,434	442	12,800	7,644	125,332
Income Before Transfers	(143,967)	(193,767)	(80,375)	(55,544)	(421,176)	(167,367)	(645,518)
Transfers In (Out) - Net	0	0	0	0	2,031,642	1,314,747	2,031,642
Change in Net Position	(143,967)	(193,767)	(80,375)	(55,544)	1,610,466	1,147,380	1,386,124
Total Net Position - Beginning - Restated	1,033,409	1,227,176	105,247	160,791	4,825,401	3,678,021	5,964,057
Total Net Position - Ending	889,442	1,033,409	24,872	105,247	6,435,867	4,825,401	7,350,181

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, 2018

	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	617,991	972,552	1,055,108	1,046,555	406,481	597,903	2,079,580
Payments to Suppliers	(299,827)	(559,968)	(1,026,463)	(1,048,828)	(182,591)	(192,491)	(1,508,881)
Payments to Employees	(495,884)	(552,138)	(61,593)	(58,804)	(247,068)	(265,942)	(804,545)
Net Cash Provided (Used) by Operating Activities	(177,720)	(139,554)	(32,948)	(61,077)	(23,178)	139,470	(233,846)
Cash Flows from Non-Capital and Related Financing Activities							
Federal Grants and Contributions	100	220	0	0	0	0	100
Sale of Fixed Assets	100,120	0	0	0	0	0	100,120
Transfers In/Out	0	0	0	0	2,031,642	1,314,747	2,031,642
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	100,220	220	0	0	2,031,642	1,314,747	2,131,862
Cash Flows from Capital and Related Financing Activities							
Purchases of Capital Assets	(100,120)	0	0	(1)	(2,101,187)	(1,414,886)	(2,201,307)
Net Cash Provided (Used) by Capital and Related Financing Activities	(100,120)	0	0	(1)	(2,101,187)	(1,414,886)	(2,201,307)
Cash Flows from Investing Activities							
Interest Received	10,878	7,708	1,434	442	12,800	7,644	25,112
Net Cash Provided (Used) by Investment Activities	10,878	7,708	1,434	442	12,800	7,644	25,112
Net Increase (Decrease) in Cash Equivalents	(166,742)	(131,626)	(31,514)	(60,636)	(79,923)	46,975	(278,179)
Cash and Cash Equivalents at Beginning of Year	814,519	946,145	(13,315)	47,321	865,028	818,053	1,666,232
Cash and Cash Equivalents at End of Year	647,777	814,519	(44,829)	(13,315)	785,105	865,028	1,388,053

(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)	(255,065)	(201,695)	(81,809)	(55,986)	(433,976)	(175,011)	(770,850)
Adjustments to Reconcile to Net Cash Flow							
Non-Cash Items Included in Net Income							
Depreciation	62,831	65,477	8,616	8,596	410,155	303,271	481,602
Changes in Current Items							
Decrease (Increase) in Accounts Receivable	15,915	(16,542)	7,530	(17,873)	(1,956)	0	21,489
GASB 68							
Decrease (Increase) Deferred Outflow of Resources-Contributions	4,299	(1,947)	157	(280)	2,912	(27)	7,368
Decrease (Increase) Difference in projected and actual earnings	33,583	29,248	3,825	3,087	16,239	15,234	53,647
Decrease (Increase) Difference in assumption changes		4,469		472		2,328	0
Decrease (Increase) Difference in expected and actual experience	1,788	(25,716)	191	(2,717)	897	(13,358)	2,876
GASB 75							
Decrease (Increase) Difference in assumption changes	(940)		(107)		(455)		(1,502)
Decrease (Increase) in Prepaid Items	0	0	0	0	0	0	0
Increase (Decrease) in Accounts Payable	399	(15,949)	33,655	630	(2,076)	(3,836)	31,978
Increase (Decrease) Compensated Absences	(3,355)	(5,165)	(1,018)	145	(2,067)	(1,097)	(6,440)
Increase (Decrease) Accrued Wages Payable	2,123		311	0	1,198	0	3,632
Increase (Decrease) Deferred Revenue	0	95	0		0		0
Increase (Decrease) in Consumer Meter Deposits	(1,558)	2,665	0	0	4,200	1,100	2,642
Increase (Decrease) in Net pension Liability	(40,261)	3,308	(4,586)	354	(19,468)	1,656	(64,315)
Increase (Decrease) in OPEB Payable	2,521	22,198	287	2,495	1,219	9,210	4,027
Net Cash Provided (Used) by Operating Activities	(177,720)	(139,554)	(32,948)	(61,077)	(23,178)	139,470	(233,846)
Noncash Investing, Capital, and Financing Activities:							
Sale of Fixed Assets	0	0					0
Federal and State Grants	100	220					100
Total Noncash Investing, Capital, and Financing Activities	100	220	0	0	0	0	100

Note: The above funds are all Enterprise Funds.

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. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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, hotel/motel taxes, 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 Beach Cleaning Fund accounts for the portion of sales taxes required to provide beach cleaning and safety.

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

The Hurricane Recovery fund is used to administer FEMA monies for reconstruction and cleanup within the City of Port Aransas.

The Construction fund is used to administer bond monies for various construction projects.

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 present 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Fund (Gas, Sanatation, and Harbor Rental) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

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, 2018, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2018, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2018, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2018. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2018, and 10 percent of delinquent outstanding property taxes at September 30, 2018. 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	$65,756
	$65,756

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 $466,171. Of this amount, $-0- was included as part of the cost of capital assets. Significant construction activity during the year was various street, ramp, and dock construction and paving projects.

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

Assets	Years
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, 2018, 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, 2018, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	$3,061
Inventories	15,249
Restricted	
Construction	6,061,825
Culture and Recreation	2,180,932
Debt Service	201,745
Economic Development	2,460,588
Public Safety	15,738
Committed	
Construction	154,104
Culture and Recreation	213,459
Public Safety	65,756
Public Transportation	471,999
Unassigned	5,277,088
Total Fund Balance	$17,121,544

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 has the following that qualifies for reporting in this category. It is deferred under GASB 68 and GASB 75.

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 only has one item that qualifies for reporting in this category. It is deferred under GASB 68.

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the City and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

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 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 $23,610,957 difference are as follows:

Capital Lease	$707,160
Bonds Payable	19,440,000
Bond Premium	530,454
OPEB Liability	246,868
Net Pension Liability	2,316,984
Accrued Interest Payable	97,026
Compensated Absences	272,465
	$23,610,957

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 $30,553,580 difference are as follows:

Capital assets not being depreciated	$8,668,467
Capital assets being depreciated	50,981,779
Depreciation expense	(29,096,666)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	$30,553,580

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 $135,546 difference are as follows:

Property Taxes Receivable	$142,679
Allowance for Doubtful Accounts	(7,133)
Net	$135,546

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 "Other long-term assets are unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.") The details of this $447,545 difference are as follows:

Fines and Fees Receivable	$515,581
Allowance for Doubtful Accounts	(264,842)
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/17)	738,591
Deferred Outflow-Difference in expected and actual experience	1,107
Deferred Inflow-Difference in projected and actual earnings	(558,516)
GASB 75	
Difference in assumption changes	15,624
Net	$447,545

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 $2,603,033 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	$2,512,205
Capital Outlay - Additions - Being Depreciated	2,864,106
Capital Outlay - Deletions	(44,324)
Depreciation Expense	(2,728,954)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	$2,603,033

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, 2018, expenditures did not exceed appropriations in any funds except for the Advertising fund whereby actual expenditures were more than budgeted by $85,547.00.

C. Deficit Fund Equity

There were no deficit fund balances for any fund at September 30, 2018 except in the Hurricane Recovery fund which had a negative fund balance of $4,806,279. This deficit is expected to be liquidated with future resources of the fund.

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, 2018, the government's bank balance of $414,195 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 $257,145 and the FDIC coverage is $250,000. The City also had a bank balance of $1,341,517 in American Bank at September 30, 2018 and 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 $4,271,405 and the FDIC coverage is $250,000. The City also has monies ($1,243,944) with Financial Northeastern Securities, Inc. (a Brokerage) which is a third-party holder of secured certificates of deposit. The book balance of the City's bank balances at September 30, 2018 is $1,821,898.

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, 2018, the local investment pools Texpool (70% of portfolio) and Texas Class (30% 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. 70 percent of the City's investments are in an insured Texpool account and 30 percent are in an insured Texas Class account.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2018, the City had $17,428,328 in investments in insured TexPool and Texas Class accounts.

As of September 30, 2018, the government had the following investments:

Investment Type	Fair Value	Maturity (Years)	Weighted Average
TexPool Funds	$12,257,886	Less than 1 year	Less than 1 year
Texas Class Funds	$ 5,170,442	Less than 1 year	Less than 1 year

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

B. Receivables

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

	General	Advertising	Beach Cleaning	Construc-tion	Airport	Debt Service	Recreat-ional Develop-ment	Gas	Sani-tation	Harbor	Total
Receivables											
Taxes - Ad Valorem	$115,216					$27,463					$142,679
Taxes - Sales	151,777						75,889				227,666
Intergovernmental				74,203							74,203
Accounts					152			2,985	181,345		184,482
Municipal Court Fines	308,280										308,280
EMS Fees	207,301										207,301
Other	21,869	2,500	26,643							2,309	53,321
Gross Receivables	804,443	2,500	26,643	74,203	152	27,463	75,889	2,985	181,345	2,309	1,197,932
Less: Allowance for Uncollectibles	270,602					1,373			81,478		353,453
Net Total Receivables	$533,841	$2,500	$26,643	$74,203	$152	$26,090	$75,889	$2,985	$99,867	$2,309	$844,479

The receivables are expected to be collected within one year.

C. Capital Assets

Capital asset activity for the year ended September 30, 2018 was as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	$5,669,307			$5,669,307
Construction in Progress	486,955	2,512,205		2,999,160
Total Capital Assets Not Being Depreciated	6,156,262	2,512,205	0	8,668,467
Capital assets being depreciated:				
Infrastructure	32,999,348			32,999,348
Buildings	5,240,656	513,391	30,628	5,723,419
Machinery and Equipment	5,881,839	1,163,773	369,808	6,675,804
Vehicles	4,619,635	1,186,942	223,369	5,583,208
Total Capital Assets Being Depreciated	48,741,478	2,864,106	623,805	50,981,779
Less Accumulated Depreciation for:				
Infrastructure	15,799,736	1,504,434		17,304,170
Buildings	4,421,679	172,884	27,678	4,566,885
Machinery and Equipment	4,346,373	568,085	334,734	4,579,724
Vehicles	2,379,405	483,551	217,069	2,645,887
Total Accumulated Depreciation	26,947,193	2,728,954	579,481	29,096,666
Total Capital Assets Being Depreciated, Net	21,794,285	135,152	44,324	21,885,113
Governmental Activities Capital Assets, Net	$27,950,547	$2,647,357	$44,324	$30,553,580

Business-Type Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Construction in Progress	$0	$2,031,642	$0	$2,031,642
Total Capital Assets Not Being Depreciated	0	2,031,642	0	2,031,642
Capital Assets Being Depreciated:				
Infrastructure	9,182,084		0	9,182,084
Buildings	241,239	71,692	0	312,931
Machinery and Equipment	678,026	88,837	24,591	742,272
Vehicles	198,589	9,137	0	207,726
Total Capital Assets Being Depreciated	10,299,938	169,666	24,591	10,445,013
Less Accumulated Depreciation for:				
Infrastructure	5,016,896	433,847	0	5,450,743
Buildings	79,263	11,078	0	90,341
Machinery and Equipment	311,455	11,800	24,591	298,664
Vehicles	166,969	24,877	0	191,846
Total Accumulated Depreciation	5,574,583	481,602	24,591	6,031,594
Total Capital Assets Being Depreciated, Net	4,725,355	(311,936)	0	4,413,419
Business-Type Activities Capital Assets, Net	$4,725,355	$1,719,706	$0	$6,445,061

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

Governmental Activities	
General Administration	$1,719,412
Public Facilities	59,580
Public Safety	497,496
Public Transportation	459
Culture and Recreation	452,007
Total Depreciation Expense - Governmental Activities	$2,728,954
Business-Type Activities	
Gas	$62,831
Sanitation	8,616
Harbor	410,155
Total Depreciation Expense - Business-Type Activities	$481,602

Construction Commitments

Significant construction activity during the year was for various street, ramp, harbor, and dock construction and paving projects.

D. Interfund Receivables, Payables, and Transfers

There were no interfund balances as of September 30, 2018.

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, 2018, the government made the following one-time transfers:

INTER-GOVERNMENTAL FUNDS TRANSFER FROM	HOTEL MOTEL/ FACILITY FUND	NATURE PRE-SERVE FUND	HARBOR FUND	DEBT SERVICE FUND	TOTAL
ADVERTISING FUND	$215,167				$215,167
HOTEL MOTEL FACILITY FUND		262,490			262,490
IMPACT FEES FUND				250,000	250,000
CONSTRUCTION FUND			2,031,642		2,031,642
TOTALS	$215,167	$262,490	$2,031,642	$250,000	$2,759,299

The transfers from the Advertising Fund, Hotel/Motel Facility Fund, and the Impact Fees Fund are recurring transfers. The transfer from the Construction is a non-recurring transfer.

The above transfers were for operating capital except for the debt service fund which was for debt service.

E. Leases

Operating Leases

The City had a land lease with the General Land Office under a noncancellable operating lease. Total costs for these leases were $71,000 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

Year Ending Sept. 30	Amount
2019	$ 15,528
2020	14,425
2021	573
2022	0
Total	$30,526

Rent expenditures were $207,207 for the year ended September 30, 2018. Rental income was $41,200 for the year ended September 30, 2018. Sublease rental income was $0 for the year ended September 30, 2018.

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 $27,210,000.

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

Purpose	Rates	Amount
Governmental activities – Series 2018	2.70-4.00	$6,205,000
Governmental activities – Series 2017	2.70-4.00	$4,205,000
Governmental activities – Series 2014	2.49	$1,300,000
Governmental activities – Series 2007	4.00	$ 895,000
Governmental activities – Series 2009	3.00-4.125	$2,345,000
Governmental activities – Series 2012	1.75-2.125	$4,290,000
Governmental activities – Series 2013	1.49	$ 200,000 Refunding

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

Year Ending	Governmental Activities	
September 30,	Principal	Interest
2019	$1,510,000	$554,108
2020	1,355,000	509,152
2021	1,805,000	458,101
2022	1,875,000	399,087
2023	1,700,000	342,735
2024-2028	6,985,000	1,045,368
2029-2033	4,210,000	284,259
TOTALS	$19,440,000	$3,592,810

The pledged security for the above bonds is as follows:

Governmental activities – Series 2018	Ad Valorem Taxes
Governmental activities – Series 2017	Ad Valorem Taxes
Governmental activities – Series 2014	Ad Valorem Taxes
Governmental activities – Series 2007	Ad Valorem Taxes
Governmental activities – Series 2009	Ad Valorem Taxes
Governmental activities – Series 2012	Ad Valorem Taxes
Governmental activities – Series 2013	Ad Valorem Taxes and Hotel/Motel Taxes

Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of two ambulances, a fire pumper truck, and a ladder truck. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of its inception date. The pledged security for the capital lease is the equipment financed.

	Governmental Activities			
ASSET	Fire Ladder Truck	Fire Pumper Truck	Ambulance	TOTAL
COST	$924,357	$539,051	$192,919	$1,656,327
ACCUMULATED DEPRECIATION	(924,357)	(308,029)	(27,560)	(1,259,946)
NET ASSET	$0	$231,022	$165,359	$396,381

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

	Governmental Activities			Total
	Fire Ladder Truck	Fire Pumper Truck	Ambulance	
YEAR	Amount	Amount	Amount	Amount
2019	$116,876	$61,091	$40,369	$218,336
2020	116,876	61,091	40,369	218,336
2021		61,091	40369	101,460
2022		61,091	40369	101,460
2023		61,091		61,091
2024		61,091		61,091
Total Minimum Lease Payments	233,752	366,546	161,476	761,774
Less: Amount Representing Interest	14,914	30,275	9,425	54,614
Present Value of Net Minimum Lease Payments	$218,838	$336,271	$152,051	$707,160

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
General Obligation Bonds	$14,635,000	$6,205,000	$1,400,000	$19,440,000	$1,510,000	$17,930,000
Bond Premium - Series 2009	382,925	180,771	33,242	530,454		530,454
Total Bonds Payable	15,017,925	6,385,771	1,433,242	19,970,454	1,510,000	18,460,454
Capital Lease Purchases	738,844	192,420	224,104	707,160	196,267	510,893
OPEB Liability	204,980	41,888		246,868		246,868
Net Pension Liability	2,986,017		669,033	2,316,984		2,316,984
Compensated Absences	247,781	272,465	247,781	272,465	272,465	0
Total Other	4,177,622	506,773	1,140,918	3,543,477	468,732	3,074,745
Total Governmental Activities	19,195,547	6,892,544	2,574,160	23,513,931	1,978,732	21,535,199
Business-Type Activities:						
OPEB Liability	19,705	4,027		23,732		23,732
Net Pension Liability	308,744		64,315	244,429		244,429
Compensated Absences	21,288	14,848	21,288	14,848	14,848	0
Total Business-Type Activities	349,737	18,875	85,603	283,009	14,848	268,161
Grand Total	$19,545,284	$6,911,419	$2,659,763	$23,796,940	$1,993,580	$21,803,360

The government-wide statement of net position includes $1,993,580 as "noncurrent liabilities, due within one year". There was no interest capitalized in the Capital assets but rather was expended in the financial statements. Note: Compensated absences are considered to be short term liabilities. The governmental activities bonds Series 2013 is serviced by the Hotel Motel Special Fund, the Series 2007, 2009, 2012, 2014, 2017, and 2018 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.

For a discussion of other post employee benefits please see part V F in these notes.

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. *However, please see Note E below.*

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

	Year ended 09/30/18	Year ended 09/30/17
Unpaid claims, beginning of fiscal year	$ -0-	$ -0-
Incurred claims (including IBNRs)		
Claim payments	-0-	-0-
Unpaid claims, end of fiscal year	$ -0-	$ -0-

General Liability Insurance

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

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

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

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

Property and Casualty Insurance

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

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

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

Unemployment Compensation Insurance

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

B. Subsequent Events

On October 18, 2018 –

- The Council approved the purchase of a Fire Brush Truck for Metro Fire in the amount of $186,262.00 from the Hurricane Harvey Fund.
- The council approved Task Order #5 with Urban Engineering Inc. in the amount of $216,790.00 for the Charlie's Pasture Bulkhead Repairs from the Hurricane Harvey Fund.

On November 15, 2018 –

- The council was informed that the EDA grant was awarded for the improvement and repairs of the Marina in the amount of $5,000,000.00.
- The Council approved the Task Order Agreement #16 with Urban Engineering Inc. for the design and construction for the repairs and replacement to the City's damaged gas distribution system in the amount of $4,341,287.92.

On December 13, 2018 –

- The Council approved the bid from Shirley and Sons Construction Co. for the Boardwalk construction and Observation Tower at the Leonabelle Turnbull Birding Center in the amount of $664,935.00.

On January 17, 2019 -

- The council approved the recommendation from the City's Financial Advisor Samco Capital Markets to refinance the Series 2009 General Obligation Bonds in the amount of $1,990,000.00.
- The council approved the final purchase contract for property acquisition from Nueces County Water District No. 4; Legal Description Aransas Holding Company, Lots 1 thru 10, block 63, Lots 1 through 10, block 64, Port Aransas, Nueces County, Texas in the amount of $1,100,000.00 to house the Volunteer Fire Department and Public Works Facility.
- The Council approved the bid for the Port Aransas Ellis Memorial Library Existing Renovations Repairs Project to Barcom Construction, Inc in the amount of $285,757.00.
- The Council approved the purchase of three 2019 Ford Explorers from Silsbee Ford for a total cost of $96,468.00 for the use of Patrol vehicles for the Police Department.
- The Council approved the purchase of a 2018 John Deere Motor Grader for the Public Works department in the amount of $275,449.00 from Doggett through BuyBoard Cooperative.
- The Council approved the purchase of a Wheel Loader for the Public Works Department from Doggett through BuyBoard in the amount of $189,961.00.
- The Council approved the purchase of a 2018 John Deere Backhoe for the Public Works Department from Doggett through BuyBoard in the amount of $95,651.00.
- The Council approved the purchase of Two 2020 Freightliner 8-yard dump trucks for the Public Works Department from Freightliner through BuyBoard in the amount of $178,204.00.

- The Council approved the Bid for the Installation and Purchase of two Tent Buildings for the City Fire Department to Sprung in the Amount of $397,290.000.

On February 21, 2019 -

- The Council approved task order #4 with Gignac Architects for Engineering services for the Design and Construction for the Fire Station in the amount of $283,726.37.
- The Council approved the task order agreement with Turner Ramirez Architects for the design and Construction of Public Works Garage in the amount of $189,429.66

On March 21, 2019 –

- The Council approved the agreement with Gignac Architects for the Public Safety Building Hurricane Harvey Recovery Project in the amount of $659,090.88.
- The Council approved the agreement with Gignac Architects for the Fire Station Hurricane Recovery Project in the amount of $311,001.79.

On April 18, 2019 –

- The Council approved the Professional Services task order agreement with Urban Engineering for the Robert's Point Park Fishing Pier Reconstruction in the amount of $209,365.19.
- The Council approved the Professional Services task order agreement with Urban Engineering for the Charlie's Pasture Fishing Pier Reconstruction in the amount of $119,195.00.
- The Council approved the Professional Services task order agreement with Urban Engineering for the Ancel Brundrett (Station Street) Fishing Pier Reconstruction in the amount of $170,829.00.

On May 16, 2019 -

- The Council approved the purchase of Three 2019 624L John Deere Wheel Loaders for the Public Works Department from Doggett through BuyBoard Cooperative for the total amount of $569,883.00.
- The Council approved the purchase of one 2019 672G John Deere Motor Grader for the Public Works Department from Doggett through BuyBoard in the amount of $275,812.00.
- The Council approved the purchase of 1 2019 310SL John Deere Backhoe from Doggett through BuyBoard in the amount of $96,696.00.
- The Council approved the purchase of a 2020 2000 Gallon Freightliner Aluminum Water Truck through HGAC in the amount of $131,787.00.
- The Council approved the purchase of three 2019 Ford Trucks for the Gas Department from Caldwell Country Ford through BuyBoard in the amount of $111,285.60.

On June 20, 2019 -

- The Council approved the bid to Derrick Construction for the Demolition of Robert's Point Pier, Ancel Brundett Memorial Pier and Charlie's Pasture Pier damaged by the hurricane in the amount of $374,351.00.

C. Related Party Transactions

- Council Member–Place #1 - is an officer of American Bank, which is a depositor for the City.

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:

- OSTARCH HILMY McCAULEY – Michael Morris, Attorney – per letter dated 1/23/19: Richard A Dunsmore vs Municipality of City of Port Aransas d/b/a Port Aransas Police Department and Chief of Police-Scott Burroughs (In His Official Capacity Only) and Investigator/Detective/etc-Darryl Johnson (In His Official Capacity Only); C.A. No 2:16-CV-132 in the US District Court, Corpus Christi Division. A charge of discrimination filed with the City of Corpus Christi Human Relations Commission by Steven Thomas, Port Aransas Police Department Dispatcher. The City is represented by TMLIRP-appointed counsel, Jim McKibben.
- City of Port Aransas, Texas; Charles R. Bujan, Mayor; and David Parsons, City Manager vs Julie Smith Shodrok; Cause No. 2017CCV-61369-1; In the County Court at Law No. 1 of Nueces County, Texas. The trial court entered judgment against the City for $50,000.00. The case is on appeal.
- City of Port Aransas, Texas vs Nirav P Patel, et al; Cause No. 2017DCV-3713-B; in the 117th JDC of Nueces County, Texas. Suit for occupancy taxes. Judgement taken November 6, 2018 for the City.
- Julie Smith Shodrok vs Charles R Bujan; Cause No. 2018DCV-2277-A in the 28th Judicial District Court of Nueces County. Mayor Bujan is represented by Jim McKibben through TML-IRP.Suit filed against Mayor Charles R. Bujan, in his individual capacity, for statements he made that Ms. Shodrok violated the law. There has not been any attempt to assert liability against the City of Port Aransas for this case.

E. Hurricane Harvey

The City of Port Aransas sustained severe wind and water damage as a result of Hurricane Harvey. The City has an insurance policy and is also receiving money from FEMA for debris removal. The City will continue to receive monies from FEMA for garbage removal, construction, and repairs to City property. At the time of the audit report, the extent of the cost of repairs and/or construction to City property is unknown as are the amounts to be received from both FEMA and insurance. The City will provide adequate disclosure in a future audit report in accordance with Generally Accepted Accounting Principles.

The Report was dated after the nine-month period for filing; as required by the Uniform Guidance. Hurricane Harvey severely depleted the resources of the City, including manpower and available office space, thus placing a huge burden on the City accounting staff for several months afterward. We now have recovered and are back on a time schedule that will enable us to present future audit reports well within the nine-month required period for filing.

F. Prior Period Adjustments

The City has determined that certain transactions were recorded incorrectly in a prior year. The City had a prior period adjustment where by both governmental activities' Net Position and the business-type activities' Net Position restated upward by $1,368,610 and $133,664, respectively due to the City implementing GASB 75. The restatements had the corresponding effect on the beginning Net Position as follows:

	Net Position, as Previously Reported	GASB 75 RESTATEMENT	Net Position As Restated
Governmental Activities:			
Net Position	$26,683,931	$1,368,610	$28,052,541
Total Governmental Activities	$808,555	$1,368,610	$28,052,541

	Net Position, as Previously Reported	GASB 75 RESTATEMENT	Net Position As Restated
Business-Type Activities:			
Net Position	$5,830,393	$133,664	$5,964,057
Total Business-Type Activities	$5,830,393	$133,664	$5,964,057

G. Defined Benefit Pension Plans

EXECUTIVE SUMMARY
as of December 31, 2017

Actuarial Valuation and Measurement Date, December 31,	2016	2017
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	47	50
- Inactive employees entitled to but not yet receiving benefits	61	66
- Active employees	122	118
- Total	230	234
Covered Payroll	$5,752,659	$6,283,090
Net Pension Liability		
Total Pension Liability	$14,056,929	$15,263,536
Plan Fiduciary Net Position	10,762,163	12,702,118
Net Pension Liability/(Asset)	$3,294,766	$2,561,418
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.56%	83.22%
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	57.27%	40.77%
Development of the Single Discount Rate		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate	3.78%	3.31%
Last year ending December 31 in the 100-year projection period for which projected benefit payments are fully funded	N/A	N/A

SCHEDULE OF PENSION EXPENSE

1.	Total Service Cost	$907,907
2.	Interest on the Total Pension Liability	957,205
3.	Changes in Current Period Benefits Including Substantively Automatic Status	0
4.	Employee Contributions (Reduction of Expense)	(376,985)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(726,446)
6.	Administrative Expense	7,730
7.	Other Changes in Fiduciary Net Position	392
8.	Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	413
9.	Recognition of Current Year Outflow (Inflow) of Resources-Assets	(153,051)
10.	Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	(114,496)
11.	Amortization of Prior Year Outflows (Inflows) of Resources-Assets	148,083
12.	Total Pension Expense (Income)	$650,752

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization year)	Total (Inflow) or Outflow of Resources	**2017 Recognized in current pension expense**	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	3.9400	$1,626	$413	$1,213
Change in assumptions [actuarial (gains) or losses]	3.9400	$0	$0	$0
			$413	$1,213
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	($765,257)	($153,051)	($612,206)
			($153,051)	($612,206)
Total:				($610,993)

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

	Net deferred outflows (inflows) of resources
2018	($82,009)
2019	(15,598)
2020	(152,053)
2021	(153,053)
2022	0
Thereafter	0
Total	($403,446)

Note to City:

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions; the City will build this report over the next ID-year period. The data in this schedule is based on the City's fiscal year-end, not the valuation/measurement date as provided in other schedules of this report.

The Actuarially Determined Contribution (ADC) dollar amount can be calculated by multiplying the City's Full Retirement Rate (excludes portion of rate for Supplemental Death Benefits Fund) by the applicable payroll amount (for payroll, cities can use "gross earnings" as noted on line 1 of their TMRS-3 "Summary of Monthly Payroll Report"). The applicable months for the City's fiscal year are summed to determine the total ADC. Actual contribution amounts (employer-portion) remitted to TMRS will equal the "contributions in relation to ADC", with the deficiency/(excess) result then calculated. Covered payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

For additional detailed information, please reference the TMRS "GASB 68 Employer Reporting Guide."

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$4,850,462	$2,561,418	$699,861

SUMMARY OF ACTUARIAL ASSUMPTIONS

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The postretirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization

I. Economic Assumptions

A. General Inflation — General Inflation is assumed to be 2.50% per year.

B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers,

2. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

C. Overall Payroll Growth — 3.00% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2005 to 2014, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

D. Individual Salary Increases —

Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of Service	Rate (%)
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25+	3.50%

E. Annuity Increase - The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Port Aransas annual annuity increases of 1.86% are assumed when calculating the TPL.

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Port Aransas the base table is then multiplied by a factor of 80.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 63%, 2) Police - 88%, or 3) Other - 108%. A sample of the base rates follows:

Males

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Port Aransas the base table is then multiplied by a factor of 80.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 52%, 2) Police — 79%, or 3) Other — 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

B. Forfeiture Rates (Withdrawal of Member Deposits from T MRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1 ½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled, the rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

G. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

	Males Entry Age Groups			Females Entry Age Groups		
Age	Ages 32 & Under	Ages 33 - 47	Ages 48 & Over	Ages 32 & Under	Ages 33 - 47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

	Employee Contribution Rate		
Employer Match	5%	6%	7%
1-1	0.75	0.80	0.84
1.5-1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 90%

III. Methods and Assumptions

A. Valuation of Assets — The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 15% corridor around the market value of assets, if necessary,

B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.

C. Amortization Policy: For "underfunded" cities with twenty or more employees, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of "laddering". Bases that existed prior to this valuation continue to be amortized on their original schedule. Beginning January 1, 2016, all new experience losses are amortized over individual periods of not more than 25 years. Previously, some cities amortized their losses over a 30-year period. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific City which in turn decreases contribution rate volatility.

Once a City reaches an "overfunded" status, all prior non-ad hoc bases are erased and the surplus for overfunded cities is amortized over a 25-year open period.

Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 15 years or the current life expectancy of the covered group.

For the December 31, 2013 actuarial valuation, there was a one-time change in the amortization policy for underfunded cities implemented in conjunction with the changes to the assumptions and cost method to minimize rate volatility associated with these changes. An initial ARC was developed using the methodology described above. For cities with a decrease in the rate compared to the rate calculated prior to changes, the amortization period for all non-ad hoc bases was shortened enough to keep the rates stable (if possible). Cities with an increase of more than 0.50% were allowed to extend the amortization periods for non-ad hoc bases up to 30 years to keep the full contribution rate from increasing. For cities with an increase of 0.50% or less, the amortization periods for all non-ad hoc bases could be extended to 25 years to keep the rate from increasing. The amortization period calculated in the prior steps was then rounded up to the nearest integer to calculate the final full contribution rate.

D. Small City Methodology For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20-member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use (25-(20-8)) = 13-year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be 25-(20-1) = 6 years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

IV. Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): An exponential average of the actual salaries paid during the prior fiscal years, with 33% weight given to the most recent year and 67% weight given to the expected payroll for the previous fiscal year, moved forward with one year's payroll growth rate and adjusted for changes in population.

2. Individual salaries used to project benefits: For members with more than three years of service, actual salaries from the past three fiscal years are used to determine the USC final average salary as of the valuation date. For future salaries, this three-year average is projected forward with two years of salary scale to create the salary for the year following the valuation. This value is then projected with normal salary scales.

3. Timing of benefit payments: Benefit payments are assumed to be made in the middle of the month. Although TMRS benefits are paid at the end of the month, eligibility for that payment is determined at the beginning of the month, A middle of month payment approximates the impact of the combination of eligibility determination and actual payment timing,

4. Percent married: 100% of the employees are assumed to be married.

5. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

6. Optional Forms: Healthy members are assumed to choose a life only benefit when they retire. Disabled members are assumed to select a 50% Joint and Survivor option when they retire.

7. Percent electing annuity on death (when eligible): For vested members not eligible for retirement, 75% of the spouses of male members and 70% of the spouses of female members are assumed to commence an immediate benefit in lieu of a deferred annuity or a refund. Those not electing an immediate benefit are assumed to take a refund. All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity that commences immediately.

8. Partial Lump Sum Utilization: It is assumed that each member at retirement will withdraw 40% of their eligible account balance.

9. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and "(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(H).

10. There will be no recoveries once disabled.

11. No surviving spouse will remarry and there will be no children's benefit.

12. Decrement timing: Decrements of all types are assumed to occur mid-year.

13. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

14. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

15. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

16. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.

17. The decrement rates for service-related decrements are based on total TMRS eligibility service.

V. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service, salary, employee contribution account balances, as well as the data used in the next calculation of the Updated Service Credit (USC). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, form of payment code, and aggregate increase in the CPI that will be used in the next calculation of the cost of living adjustment.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Actual CPI is used to model the wear-away effect or "catch-up" when a city changes its COLA provisions. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date,

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Amortization Schedule

Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)		Total Remaining (Inflow) or Outflow of Resources	Measurement Year 2017	2018	2019	2020	2021	2022	Thereafter
Due to Liabilities:										
difference in experiences (inflows)/outflows										
2017	3.9400		$1,626	$413	$413	$413	$387	$0	$0	$0
2016	2.9100		33,590	11,543	11,543	10,504	0	0	0	0
2015	1.7200		(261,597)	(152,092)	(109,505)	0	0	0	0	0
2014	1.0000		(2,430)	(2,430)	0	0	0	0	0	0
			Total	($25,698)	($25,834)	($26,215)	($23,186)	($4,222)	$0	$0
change in assumptions (inflows)/outflows										
2015	1.7200		$48,992	$28,483	$20,509	$0	$0	$0	$0	$0
			Total	$28,483	$20,509	$0	$0	$0	$0	$0
Due to Assets:										
excess investment returns (inflows)/outflows										
2017	5.0000	($765,257)	($153,051)	($153,051)	($153,051)	($153,051)	($153,053)	$0	$0	$0
2016	4.0000	(485)	(121)	(121)	(121)	(122)	0	0	0	0
2015	3.0000	379,973	126,658	126,658	126,657	0	0	0	0	0
2014	2.0000	43,091	21,546	21,545	0	0	0	0	0	0
		Total	($4,968)	($4,969)	($26,515)	($153,173)	($153,053)	$0	$0	$0

H. GASB 75 Information

Actuarial and Financial Schedules

As of Measurement Date of December 31, 2017

Actuarial Valuation and Measurement Date, December 31,	2017
Membership	
Number of	
-Inactive employees currently receiving benefits	33
-Inactive employees entitled to but not yet receiving benefits	9
-Active employees	118
-Total	160
Covered Payroll	$6,283,090
Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	$224,685
Changes for the year	
Service cost	18,849
Interest on Total OPEB Liability	8,802
Changes of benefit term	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	20,777
Benefit payments	(2,513)
Net changes	45,915
Total OPEB Liability - end of year	$270,600
Total OPEB Liability as a Percentage of Covered Payroll	4.31%

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Note: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease (2.31%)	**Current Discount Rate (3.31%)**	**1% Increase (4.31%)**
Total OPEB liability	$323,767	$270,600	$228,984

OPEB Expense:	
Service cost	$18,849
Interest on total OPEB Liability	8,802
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	0
Changes in assumptions or other inputs	3,651
Total OPEB expense	$31,302

Deferred (Inflows)/Outflows of Resources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 0	$ 0
Changes in assumptions and other inputs	0	17,126
Contributions made subsequent to measurement date	N/A	[CITY TO PROVIDE]
Total (excluding contributions made subsequent to measurement date)	$ 0	$ 17,126

Note: The City shall include contributions made subsequent to the measurement date through the City's fiscal year end as deferred outflows of resources. Please see page 7 for retiree rates and a description of the calculation.

Schedule of Outflows and Inflows - Current and future expense

	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	**2017 Recognized in current OPEB expense**	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	5.6900	$0	$0	$0
Change in assumptions [actuarial (gains) or losses]	5.6900	$20,777	$3,651	$17,126
Contributions made subsequent to measurement date		[Provided by City]	[Provided by City]	[Provided by City]
Total (excluding city provided contributions made subsequent to measurement date):				$17,126

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

	Net deferred outflows (inflows) of resources
2018	$3,651
2019	3,651
2020	3,651
2021	3,651
2022	2,522
Thereafter	0
	$17,126

Amortization Schedule - Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	2017	2018	2019	2020	2021	2022	Thereafter
difference in experience (inflows)/outflows									
2017	5.6900	$0	$0	$0	$0	$0	$0	$0	$0
		Total	$0	$0	$0	$0	$0	$0	$0
change in assumptions (inflows)/outflows									
2017	5.6900	$20,777	$3,651	$3,651	$3,651	$3,651	$3,651	$2,522	$0
		Total	$3,651	$3,651	$3,651	$3,651	$3,651	$2,522	$0

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	*0.23%*	*0.04%*
2018	*0.22%*	*0.03%*

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

Total covered payroll * Retiree Portion of SDB Contribution (Rate)

Consideration should be given to the time period of contributions incurred (i.e., City's fiscal year vs. calendar year) to ensure the proper contribution rate is utilized in the above calculation.

Actuarial Assumptions

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

I. Economic Assumptions

A. General Inflation – General Inflation is assumed to be 2.50% per year.

B. Discount Rates – Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

C. Individual Salary Increases – Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of Service	Rate (%)
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25+	3.50%

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Port Aransas the base table is then multiplied by a factor of 80.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 63%, 2) Police – 88%, or 3) Other – 108%. A sample of the base rates follows:

Males

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Port Aransas the base table is then multiplied by a factor of 80.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 52%, 2) Police – 79%, or 3) Other – 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 97.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

E. Pre-Retirement Mortality

For calculating the OPEB liability and the contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

G. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

	Males			Females		
	Entry Age Groups			Entry Age Groups		
Age	Ages 32 & Under	Ages 33 – 47	Ages 48 & Over	Ages 32 & Under	Ages 33 – 47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

	Employee Contribution Rate		
Employer Match	5%	6%	7%
1 – 1	0.75	0.80	0.84
1.5 – 1	0.81	0.86	0.92
2 – 1	0.86	0.93	1.00

Recurring COLA: 100%
No Recurring COLA: 90%

III. Methods and Assumptions

A. Valuation of Assets – For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

C. Supplemental Death Benefit – The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost.

IV. Other Assumptions

1. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(G).

2. There will be no recoveries once disabled.

3. Decrement timing: Decrements of all types are assumed to occur mid-year.

4. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

5. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

6. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

7. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.

8. The decrement rates for service-related decrements are based on total TMRS eligibility service.

V. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service and salary. For retired members, the data included date of birth, gender and date of retirement.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Adjustments are made for members who have service both in a city with “20 and out” retirement eligibility and one that hasn’t adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

REQUIRED SUPPLEMENTARY INFORMATION

A. Total pension liability

	2017	2016	2015
1. Service Cost	$907,907	$826,657	$714,598
2. Interest (on the Total Pension Liability)	957,205	875,901	865,317
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	1,626	45,133	(565,781)
5. Changes of assumptions	0	0	105,958
6. Benefit payments, including refunds of employee contributions	(660,131)	(507,493)	(615,455)
7. Net change in total pension liability	1,206,607	1,240,198	504,637
8. Total pension liability -- beginning	14,056,929	12,816,731	12,312,094
9. Total pension liability - ending	15,263,536	14,056,929	12,816,731

B. Plan fiduciary net position

I. Contributions - employer	739,519	702,974	642,335
2. Contributions - employee	376,985	345,160	308,238
3. Net investment income	1,491,703	647,381	13,638
4. Benefit payments, including refunds of employee contributions	(660,131)	(507,493)	(615,455)
5. Administrative Expense	(7,730)	(7,313)	(8,306)
6. Other	(392)	(394)	(410)
7. Net change in plan fiduciary net position	1,939,955	1,180,315	340,040
8. Plan fiduciary net position - beginning	10,762,163	9,581,848	9,241,809
9. Plan fiduciary net position - ending*	12,702,118	10,762,163	9,581,849
C. Net pension liability (A.9 - B.9)	$2,561,418	$3,294,766	$3,234,882
D. Plan fiduciary net position as a percentage of the total pension liability (B.9 / A.9)	83.22%	76.56%	74.76%
E. Covered-employee payroll (B.9 / A.9)	$6,283,090	$5,752,659	$5,137,298
F. Net pension liability as a percentage of covered employee payroll (C/E)	40.77%	57.27%	62.97%

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

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

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generated basis with scale BB

Other Information:

Notes — There were no benefit changes during the year.

OPEB Retirement System Information:

OPEB Plans

Changes in the Total OPEB Liability

Changes for the year	2017
1. Service Cost	$18,849
2. Interest on Total OPEB Liability	8,802
3. Changes of benefit terms	0
4. Difference between expected and actual experience	0
5. Changes in assumptions or other inputs	20,777
6. Benefit payments	(2,513)
7. Net changes	45,915
Total OPEB Liability - beginning of year	$224,685
Total OPEB Liability - end of year	$270,600

E. Covered-employee payroll (B.9 / A.9)	$6,283,090
F. Total OPEB Liability as a Percentage of Covered Payroll	4.31%

CITY OF PORT ARANSAS, TEXAS
CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (CASH BASIS) - BUDGET AND ACTUAI
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Budgetary	Variance with Final Budget - Positive
	Original	Final	Basis	(Negative)
REVENUES				
Interest	$10,000	$10,000	$129,474	$119,474
Miscellaneous	263,700	263,700	258,697	(5,004)
Total Revenues	273,700	273,700	388,171	114,471
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	4,963,700	4,963,700	2,912,349	2,051,351
Total Expenditures	4,963,700	4,963,700	2,912,349	2,051,351
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,690,000)	(4,690,000)	(2,524,179)	2,165,822
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Bond Proceeds	0	6,300,000	6,205,000	(95,000)
Operating Transfers In	310,000	310,000	0	(310,000)
Operating Transfers Out	0	(6,300,000)	(2,031,642)	4,268,358
Total Other Financing Sources (Uses)	310,000	310,000	4,173,358	3,863,358
Net Changes in Fund Balances - Budgetary Basis	($4,380,000)	($4,380,000)	1,649,180	$6,029,180
Reconciliation from budgetary basis to modified accrual:				
Bond Issuance Costs			(90,197)	
Other Financing Sources - Bond Premium			180,771	
Net Changes in Fund Balances-Modified Accrual Basis			1,739,754	
Fund Balances - Beginning			4,322,071	
Fund Balances - Ending			$6,061,825	

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF PORT ARANSAS, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	SPECIAL REVENUE												
	Advertising Fund	Airport Fund	Court Security Fund	Court Tech-nology Fund	Library Fund	Impact Fees Zone 1 Fund	Impact Fees Zone 2 Fund	Nature Preserve Funds	Park Dedica-tion Fees	Recreational Develop-ment Fund	Street Main-tenance Fund	Debt Service Fund	Total
ASSETS													
Cash and Cash Equivalents	289,950	348,479	11,715	4,023	77,940	148,839	5,265	741,597	213,459	861,804	471,999	201,745	$3,376,815
Receivables (Net of Allowance for Uncollectibles)	2,500	152								75,889		26,090	104,631
Inventories		15,249											15,249
Total Assets	292,450	363,880	11,715	4,023	77,940	148,839	5,265	741,597	213,459	937,693	471,999	227,835	$3,496,695
LIABILITIES AND FUND BALANCES													
Liabilities													
Accounts Payable	274,757	15,720						2,071		4,106			$296,654
Accrued Wages		142						684		2,206			3,032
Total Liabilities	274,757	15,862	0	0	0	0	0	2,755	0	6,312	0	0	299,686
DEFERRED INFLOWS OF RESOURCES													
Deferred Property Taxes												26,090	26,090
Fund Balances													
Non-Spendable													
Inventories	0	15,249											15,249
Restricted													
Culture and Recreation		332,769			77,940			738,842		931,381			2,080,932
Debt Service												201,745	201,745
Economic Development	17,693												17,693
Public Safety			11,715	4,023									15,738
Committed													
Construction						148,839	5,265						154,104
Culture and Recreation									213,459				213,459
Public Transportation											471,999		471,999
Total Fund Balances	17,693	348,018	11,715	4,023	77,940	148,839	5,265	738,842	213,459	931,381	471,999	201,745	3,170,919
TOTAL LIABILITIES AND FUND BALANCES	292,450	363,880	11,715	4,023	77,940	148,839	5,265	741,597	213,459	937,693	471,999	227,835	$3,496,695

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, 2018

	SPECIAL REVENUE												
	Advertising Fund	Airport Fund	Court Security Fund	Court Tech-nology Fund	Library Fund	Impact Fees Zone 1 Fund	Impact Fees Zone 2 Fund	Nature Preserve Funds	Park Dedica-tion Fees	Recreational Develop-ment Fund	Street Main-tenance Fund	Debt Service Fund	Total
REVENUES													
Taxes													
Property												1,414,839	$1,414,839
Sales										682,450			682,450
Hotel/Motel	1,506,168												1,506,168
Intergovernmental					600			411,300					411,900
Charges for Services		68,281				176,393			57,402				302,076
Fines and Forfeitures			3,303	4,289									7,592
Interest	13,743	5,802	158	66	221	3,595	79	4,961	3,848	10,440	7,080	3,503	53,496
Miscellaneous					48,619			63,496		18,256			130,371
Total Revenues	1,519,911	74,083	3,461	4,355	49,440	179,988	79	479,757	61,250	711,146	7,080	1,418,342	4,508,892
EXPENDITURES													
Current:													
General Administration													
Economic Development	1,693,997												1,693,997
Public Safety													
Municipal Court			1,371	7,702									9,073
Public Transportation													
Regional Transit											3,615		3,615
Culture and Recreation													
Airport		165,326											165,326
Library					172,223								172,223
Nature Preserve								288,502					288,502
Park										537,916			537,916
Debt Service													
Principal Retirement												1,205,000	1,205,000
Interest and Fiscal Charges												582,267	582,267
Total Expenditures	1,693,997	165,326	1,371	7,702	172,223	0	0	288,502	0	537,916	3,615	1,787,267	4,657,919
Excess (Deficiency) of Revenues Over (Under) Expenditures	(174,086)	(91,243)	2,090	(3,347)	(122,783)	179,988	79	191,255	61,250	173,230	3,465	(368,925)	(149,027)
OTHER FINANCING SOURCES (USES):													
Operating Transfers In								262,490				250,000	512,490
Operating Transfers Out	(215,167)					(250,000)							(465,167)
Total Other Financing Sources (Uses)	(215,167)	0	0	0	0	(250,000)	0	262,490	0	0	0	250,000	47,323
Net Changes in Fund Balances	(389,253)	(91,243)	2,090	(3,347)	(122,783)	(70,012)	79	453,745	61,250	173,230	3,465	(118,925)	(101,704)
Fund Balances - Beginning	406,946	439,261	9,625	7,370	200,723	218,851	5,186	285,097	152,209	758,151	468,534	320,670	3,272,623
Fund Balances - Ending	17,693	348,018	11,715	4,023	77,940	148,839	5,265	738,842	213,459	931,381	471,999	201,745	$3,170,919

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
ADVERTISING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Hotel/Motel	$2,371,000	$1,316,000	$1,506,168	$190,168
Interest	3,500	3,500	13,743	10,243
Total Revenues	2,374,500	1,319,500	1,519,911	200,411
EXPENDITURES				
General Administration				
Mayor and Council	2,046,500	1,608,450	1,693,997	(85,547)
Total Expenditures	2,046,500	1,608,450	1,693,997	(85,547)
Excess (Deficiency) of Revenues Over (Under) Expenditures	328,000	(288,950)	(174,086)	114,864
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(328,000)	(188,000)	(215,167)	(27,167)
Total Other Financing Sources (Uses)	(328,000)	(188,000)	(215,167)	(27,167)
Net Changes in Fund Balances	0	(476,950)	(389,253)	87,697
Fund Balances - Beginning	406,946	406,946	406,946	
Fund Balances - Ending	$406,946	($70,004)	$17,693	$87,697

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental	$20,000	$20,000	$0	($20,000)
Charges for Services	168,050	78,050	68,281	(9,769)
Interest	2,000	2,000	5,802	3,802
Total Revenues	190,050	100,050	74,083	(25,967)
EXPENDITURES				
Current:				
Culture and Recreation				
Airport	554,153	477,153	165,326	311,827
Total Expenditures	554,153	477,153	165,326	311,827
Excess (Deficiency) of Revenues Over (Under) Expenditures	(364,103)	(377,103)	(91,243)	285,860
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	0	0	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(364,103)	(377,103)	(91,243)	285,860
Fund Balances - Beginning	439,261	439,261	439,261	
Fund Balances - Ending	$75,158	$62,158	$348,018	$285,860

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Fines and Forfeitures	$3,200	$3,200	$3,303	$103
Interest	50	50	157	107
Total Revenues	3,250	3,250	3,460	210
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	3,825	3,825	1,370	2,455
Total Expenditures	3,825	3,825	1,370	2,455
Excess (Deficiency) of Revenues Over (Under) Expenditures	(575)	(575)	2,090	2,665
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(575)	(575)	2,090	2,665
Fund Balances - Beginning	9,625	9,625	9,625	
Fund Balances - Ending	$9,050	$9,050	$11,715	$2,665

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Fines and Forfeitures	$5,000	$5,000	$4,289	($711)
Interest	25	25	66	41
Total Revenues	5,025	5,025	4,355	(670)
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	5,000	7,800	7,702	98
Total Expenditures	5,000	7,800	7,702	98
Excess (Deficiency) of Revenues Over (Under) Expenditures	25	(2,775)	(3,347)	(572)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	25	(2,775)	(3,347)	(572)
Fund Balances - Beginning	7,370	7,370	7,370	
Fund Balances - Ending	$7,395	$4,595	$4,023	($572)

CITY OF PORT ARANSAS, TEXAS
IMPACT FEES ZONE 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for Services	$225,000	$225,000	$176,394	($48,606)
Interest	1,500	1,500	3,594	2,094
Total Revenues	226,500	226,500	179,988	(46,512)
EXPENDITURES				
Current:				
Capital Projects -				
Capital Outlay and Other	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	226,500	226,500	179,988	(46,512)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(250,000)	(250,000)	(250,000)	0
Total Other Financing Sources (Uses)	(250,000)	(250,000)	(250,000)	0
Net Changes in Fund Balances	(23,500)	(23,500)	(70,012)	(46,512)
Fund Balances - Beginning	218,851	218,851	218,851	
Fund Balances - Ending	$195,351	$195,351	$148,839	($46,512)

CITY OF PORT ARANSAS, TEXAS
IMPACT FEES ZONE 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for Services				$0
Interest	50	50	79	29
Total Revenues	50	50	79	29
EXPENDITURES				
Current:				
Capital Projects -				
Capital Outlay and Other	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	50	50	79	29
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	50	50	79	29
Fund Balances - Beginning	5,186	5,186	5,186	
Fund Balances - Ending	$5,236	$5,236	$5,265	$29

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental	$200,000	$200,000	$411,300	$211,300
Interest	1,000	1,000	4,961	3,961
Miscellaneous	0	0	63,496	63,496
Total Revenues	201,000	201,000	479,757	278,757
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	690,750	690,750	288,502	402,248
Total Expenditures	690,750	690,750	288,502	402,248
Excess (Deficiency) of Revenues Over (Under) Expenditures	(489,750)	(489,750)	191,255	681,005
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	490,750	490,750	262,490	(228,260)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	490,750	490,750	262,490	(228,260)
Net Changes in Fund Balances	1,000	1,000	453,745	452,745
Fund Balances - Beginning	285,097	285,097	285,097	
Fund Balances - Ending	$286,097	$286,097	$738,842	$452,745

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

CITY OF PORT ARANSAS, TEXAS
PARK DEDICATION FEES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for Services	$65,000	$65,000	$57,402	($7,598)
Interest	1,500	1,500	3,848	2,348
Total Revenues	66,500	66,500	61,250	(5,250)
EXPENDITURES				
Current:				
Culture and Recreation				
Park Dedication	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,500	66,500	61,250	(5,250)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(115,000)	(115,000)	0	115,000
Total Other Financing Sources (Uses)	(115,000)	(115,000)	0	115,000
Net Changes in Fund Balances	(48,500)	(48,500)	61,250	109,750
Fund Balances - Beginning	152,209	152,209	152,209	
Fund Balances - Ending	$103,709	$103,709	$213,459	$109,750

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Sales	$698,700	$698,700	$682,450	($16,250)
Interest	5,000	5,000	10,440	5,440
Miscellaneous	30,000	30,000	18,256	(11,744)
Total Revenues	733,700	733,700	711,146	(22,554)
EXPENDITURES				
Current:				
Culture and Recreation				
Parks	1,136,500	1,136,500	537,916	598,584
Total Expenditures	1,136,500	1,136,500	537,916	598,584
Excess (Deficiency) of Revenues Over (Under) Expenditures	(402,800)	(402,800)	173,230	576,030
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	115,000	115,000	0	(115,000)
Total Other Financing Sources (Uses)	115,000	115,000	0	(115,000)
Net Changes in Fund Balances	(287,800)	(287,800)	173,230	461,030
Fund Balances - Beginning	758,151	758,151	758,151	
Fund Balances - Ending	$470,351	$470,351	$931,381	$461,030

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Interest	$1,500	$1,500	$7,080	$5,580
Total Revenues	1,500	1,500	7,080	5,580
EXPENDITURES				
Current:				
Public Transportation				
Regional Transit	25,000	25,000	3,615	21,385
Total Expenditures	25,000	25,000	3,615	21,385
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,500)	(23,500)	3,465	26,965
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(23,500)	(23,500)	3,465	26,965
Fund Balances - Beginning	468,534	468,534	468,534	
Fund Balances - Ending	$445,034	$445,034	$471,999	$26,965

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Property	$1,328,575	$1,328,575	$1,414,839	$86,264
Interest	1,200	1,200	3,503	2,303
Total Revenues	1,329,775	1,329,775	1,418,342	88,567
EXPENDITURES				
Debt Service				
Principal Retirement	1,205,000	1,205,000	1,205,000	0
Interest Retirement	474,775	582,350	582,267	83
Total Expenditures	1,679,775	1,787,350	1,787,267	83
Excess (Deficiency) of Revenues Over (Under) Expenditures	(350,000)	(457,575)	(368,925)	88,650
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	250,000	357,575	250,000	(107,575)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	250,000	357,575	250,000	(107,575)
Net Changes in Fund Balances	(100,000)	(100,000)	(118,925)	(18,925)
Fund Balances - Beginning	320,670	320,670	320,670	
Fund Balances - Ending	$220,670	$220,670	$201,745	($18,925)

SINGLE AUDIT SECTION

PORT ARANSAS, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASS-THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDI-TURES
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
DR 4332 Cat A Debris Removal PW16		355-58808-11 (Cat. A)	NONE	2,667,407
DR 4332 Cat B PW30 - misc accts		DR 4332	NONE	113,274
FEMA DR 4332 PW #1272 Cemetery		DR 4332	NONE	21,941
FEMA DR 4332 PW #1261 Airport Office		DR 4332	NONE	5,083
				2,807,705
Total U.S. Department of Homeland Security				2,807,705
U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed Through				
Texas State Library & Archives Commission				
Rebuilding Texas Libraries Grant Program	45.310	ERG-18025	NONE	4,995
STATE ONLY GRANTS				
Texas A&M Forestry Svcs - Pepper Tree Removal				
Texas Forestry Sevice - Cascade System				
Total U.S. Department of Commerce				4,995
TOTAL EXPENDITURES				$2,812,700

CFDA=CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER

See Accompanying Notes to Schedule of Federal Financial Assistance

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

To the Mayor and City Council
City of Port Aransas, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Port Aransas, Texas' basic financial statements and have issued our report thereon dated July 17, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as finding 2018-1.

Compliance and Other Matters

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

Purpose of this Report

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

Wayne R. Beyer

BEYER & COMPANY
Certified Public Accountants
July 17, 2019

BEYER & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and City Council
City of Port Aransas, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Port Aransas, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Port Aransas, Texas' major federal programs for the year ended September 30, 2018. The City of Port Aransas, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Port Aransas, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Port Aransas, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Port Aransas, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Port Aransas, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed no instance of noncompliance which is required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of the City of Port Aransas, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Port Aransas, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Port Aransas, Texas' internal control over compliance.

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

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

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

Wayne R. Beyer

BEYER & COMPANY
Certified Public Accountants
July 17, 2019

CITY OF PORT ARANSAS, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Port Aransas, Texas under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Port Aransas, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Port Aransas, Texas.

The Schedule of Expenditure of Federal Awards includes only those expenditures obligated by FEMA as of September 30, 2018. Other expenditures incurred for the project in the 2018 year but not obligated by FEMA as of September 30, 2018 are as follows:

DR 4332 Cat A Debris Removal PW16	$5,227,389
DR 4332 Cat B PW30 – misc. accts.	763,299
DR 4332 Cat B Temp Facility Pub. Safety/Jail PW5557	376,361
DR 4332 Cat B Temp Facility Fire PW4377	8,433
DR 4332 Cat B Temp Facility EMS PW	38,436
DR 4332 Cat G Marina Docks PW571	1,866,649
DR 4332 Cat F Gas System PW4861	102,368
DR 4332 Cat G Mustang Beach Airport PW 3934	177,542
DR 4332 Cat G Community Park	689,834
DR 4332 Cat C Roads & Bridges	8,951
DR 4332 Cat D Bulkheads	52,415
DR 4332 Cat Z DAC	789,264

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

NOTE C-INDIRECT COST RATE

The City of Port Aransas, Texas has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF PORT ARANSAS, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal

There were no prior audit findings for Federal Awards.

CITY OF PORT ARANSAS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Port Aransas, Texas.

2. There was one significant deficiency disclosed during the audit. There was no material weakness disclosed during the audit.

3. There were no instances of noncompliance material to the financial statements of the City of Port Aransas, Texas, which would be required to be reported in accordance with Government Auditing Standards.

4. There was no significant deficiency over major Federal award programs disclosed during the audit. There was no material weakness over major Federal award programs disclosed during the audit.

5. The auditor's report on compliance for the major Federal award programs for the City of Port Aransas, Texas expresses an unmodified opinion on all major Federal programs.

6. There were no audit findings that were required to be reported in accordance with the Uniform Guidance.

7. The programs tested as major programs: Disaster Grants - Public Assistance - CFDA 97.036.

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. The City of Port Aransas, Texas did not qualify as a low-risk auditee.

Financial Statements

Findings:

Significant Deficiencies:

2018-1 Segregation of Duties

Condition: Segregation of Duties - due to the limited number of people working in the office, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Criteria: Internal controls should be in place that provides reasonable assurance that to the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Effect: Because the City does not have proper segregation of duties the possibility exists that the financial statements can be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because it would be impracticable and expensive for the City to have a proper segregation of duties.

Recommendation: We recommend that the City look into the possibility of dividing up the accounting, bookkeeping/cash duties and/or to institute more oversight by management so as to avoid the possibility of financial statements being materially misstated either through mistake, error, or fraud.

City of Port Aransas Response:

This will address internal control for segregation of duties observed in the City of Port Aransas, Texas audit for the year end September 30, 2018:

Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. The City of Port Aransas, Texas is a small Rural City with limited funds. We are conservative with the tax dollars we receive. It is not possible to hire enough employees to sufficiently segregate duties on the same scale as larger Cities. However, the City does implement a check and balance system to the best of our ability.