

CITY OF PORT ARANSAS, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

SEPTEMBER 30, 2016

CITY OF PORT ARANSAS, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Employees Retirement System Information, and the nonmajor budgetary comparison information on pages 3–12, 73-74, and 77-86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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



BEYER & COMPANY
Certified Public Accountants
April 17, 2017

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, 2016. Please read it in conjunction with the independent auditors' report and the City's financial statements and disclosures, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Port Aransas exceeded its liabilities at the close of the most recent fiscal year by \$31,130,047 (net position). Of this amount, \$6,392,785 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.
- Total net position for the City of Port Aransas increased by \$1,095,706 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 \$13,391,546. Approximately 51.8% of this amount, \$6,937,155 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was 4,376,743 or 49% of General Fund expenditures.
- The City of Port Aransas' total bonded debt had a decrease of \$1,140,000 during the current fiscal year. Debt was reduced by the payment of bonds.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Advertising Fund, Beach Cleaning Fund, and the Hotel Motel/Facility 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	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$14,070,181	\$13,445,995	\$1,904,705	\$1,917,526	\$15,974,886	\$15,363,521
Restricted Assets:	65,735	71,780	0	0	65,735	71,780
Capital Assets:	28,374,026	29,325,562	3,687,813	3,840,199	32,061,839	33,165,761
Total Deferred Outflows of Resources	1,264,593	708,223	130,910	73,308		0
Total Assets	43,774,535	43,551,560	5,723,428	5,831,033	48,102,460	48,601,062
Long-Term Liabilities	16,858,669	18,038,764	450,297	427,076	17,308,966	18,465,840
Other Liabilities (Payable from Restricted Assets)	0	0	154,079	146,264	154,079	146,264
Other Liabilities	343,258	490,559	147,920	236,866	491,178	727,425
Total Liabilities	17,201,927	18,529,323	752,296	810,206	17,954,223	19,339,529
Total Deferred Inflows of Resources	374,885	7,904	38,808	818		
Invested in Capital Assets, Net of Related Debt	16,373,417	16,936,960	3,687,813	3,840,198	20,061,230	20,777,158
Restricted	4,676,032	3,638,437	0	0	4,676,032	3,638,437
Unrestricted	5,148,274	4,438,936	1,244,511	1,179,810	6,392,785	5,618,746
Total Net Assets	\$26,197,723	\$25,014,333	\$4,932,324	\$5,020,008	\$31,130,047	\$30,034,341

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 \$26,197,723 at the close of the most recent fiscal year for governmental activities and \$4,932,234 for business-type activities.

A large portion of the City's net assets (62.5 percent in governmental activities and 74.8 percent in business type activities) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

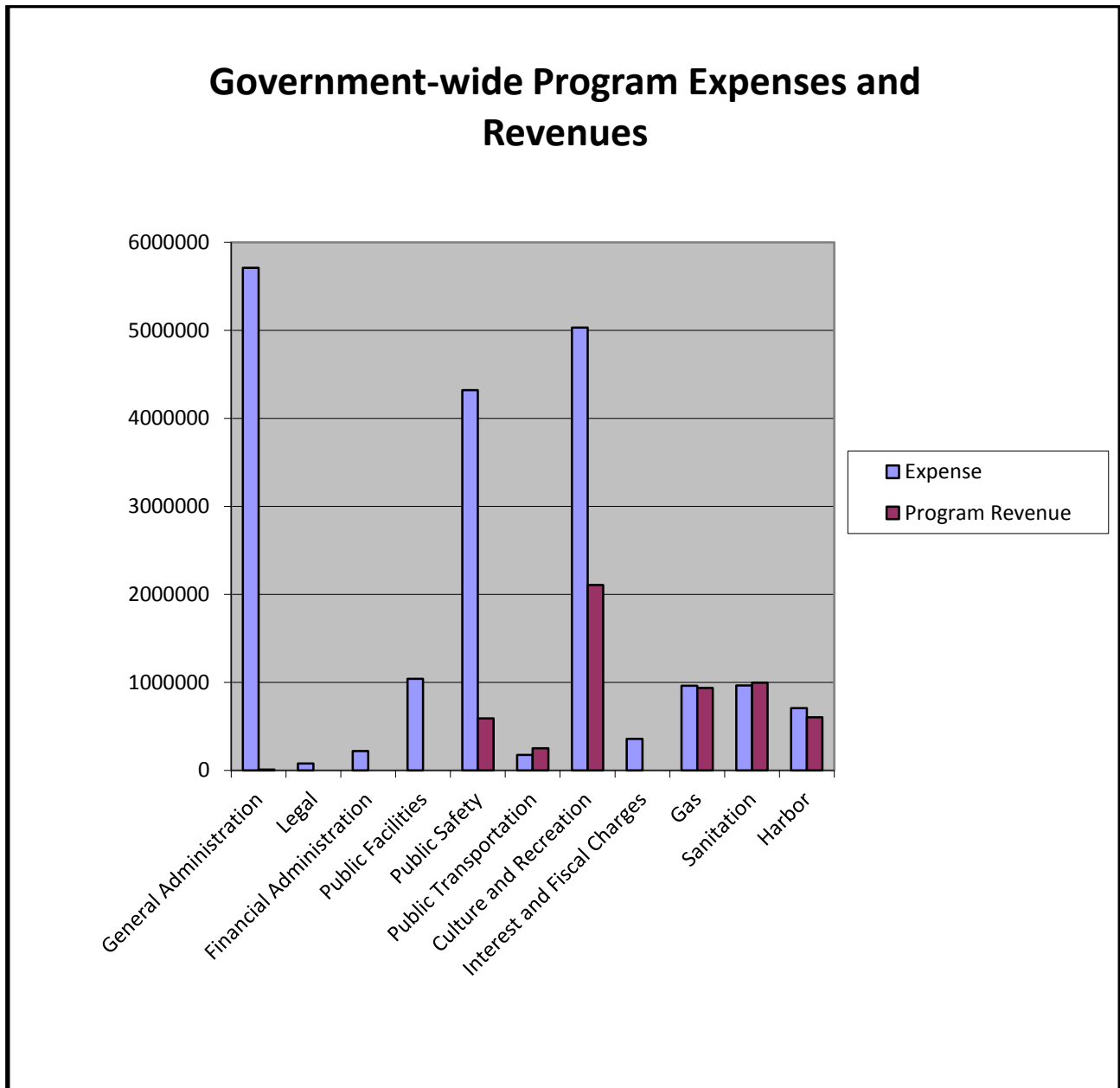
At the end of the current fiscal year, the City of Port Aransas is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Changes in Net Position. Governmental activities increased the City's net assets by \$1,183,390 and Business-type activities decreased the City's net assets by \$87,684 for an increase of \$1,095,706.

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

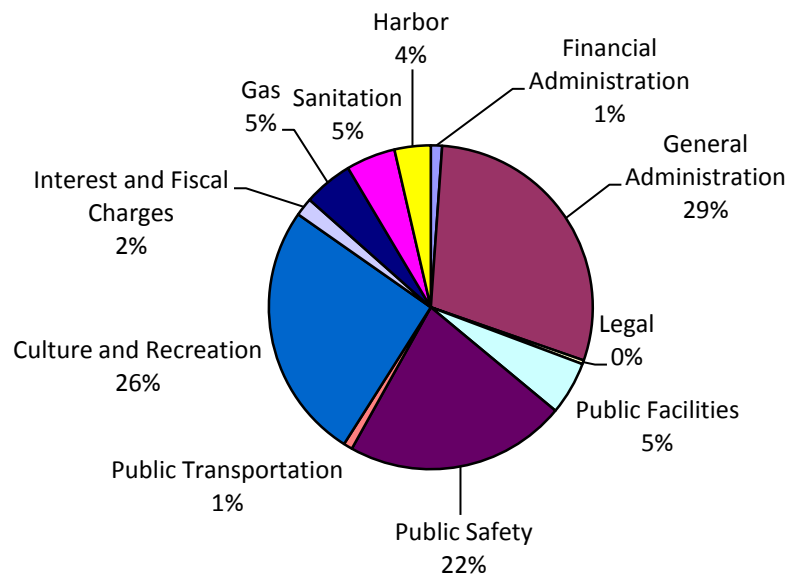
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$2,430,565	\$2,887,248	\$2,532,690	\$2,670,508	\$4,963,255	\$5,557,756
Operating Grants and Contributions	272,009	292,841	197	25,216	272,206	318,057
Capital Grants and Contributions	249,052	247,198	0	0	249,052	247,198
General Revenues:						
Property Taxes, Levies for General Purposes	5,101,901	4,935,821			5,101,901	4,935,821
Sales Taxes	2,069,236	2,008,236			2,069,236	2,008,236
Franchise Taxes	487,174	476,049			487,174	476,049
Hotel/Motel Taxes	5,595,526	4,805,981			5,595,526	4,805,981
Licenses and Permits	1,504,644	1,403,966			1,504,644	1,403,966
Unrestricted Investment Earnings	51,742	7,337	8,395	1,158	60,137	8,495
Grants and Contributions not Restricted to Specific Programs	176,965	178,653	0	0	176,965	178,653
Miscellaneous	169,698	151,064	1,975	3,035	171,673	154,099
Total Revenue	18,108,512	17,394,394	2,543,257	2,699,917	20,651,769	20,094,311
Expenses:						
General Administration	5,709,970	5,780,534			5,709,970	5,780,534
Legal	76,094	67,323			76,094	67,323
Financial Administration	219,720	289,876			219,720	289,876
Public Facilities	1,039,023	1,714,387			1,039,023	1,714,387
Public Safety	4,318,484	4,154,579			4,318,484	4,154,579
Public Transportation	174,504	239,841			174,504	239,841
Culture and Recreation	5,031,122	4,198,870			5,031,122	4,198,870
Interest and Fiscal Charges	356,205	378,269			356,205	378,269
Gas			961,657	930,096	961,657	930,096
Sanitation			963,492	917,945	963,492	917,945
Harbor			705,792	695,099	705,792	695,099
Total Expenses	16,925,122	16,823,679	2,630,941	2,543,140	19,556,063	19,366,819
Increase in Net Assets Before Transfers and Special Items	1,183,390	570,715	(87,684)	156,777	1,095,706	727,492
Transfers	0	(322,583)	0	322,583	0	0
Increase in Net Assets	1,183,390	248,132	(87,684)	479,360	1,095,706	727,492
Net Assets at 09/30/2015	25,014,333	24,766,201	5,020,008	4,540,648	30,034,341	29,306,849
Net Assets at 09/30/2016	\$26,197,723	\$25,014,333	\$4,932,324	\$5,020,008	\$31,130,047	\$30,034,341

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.

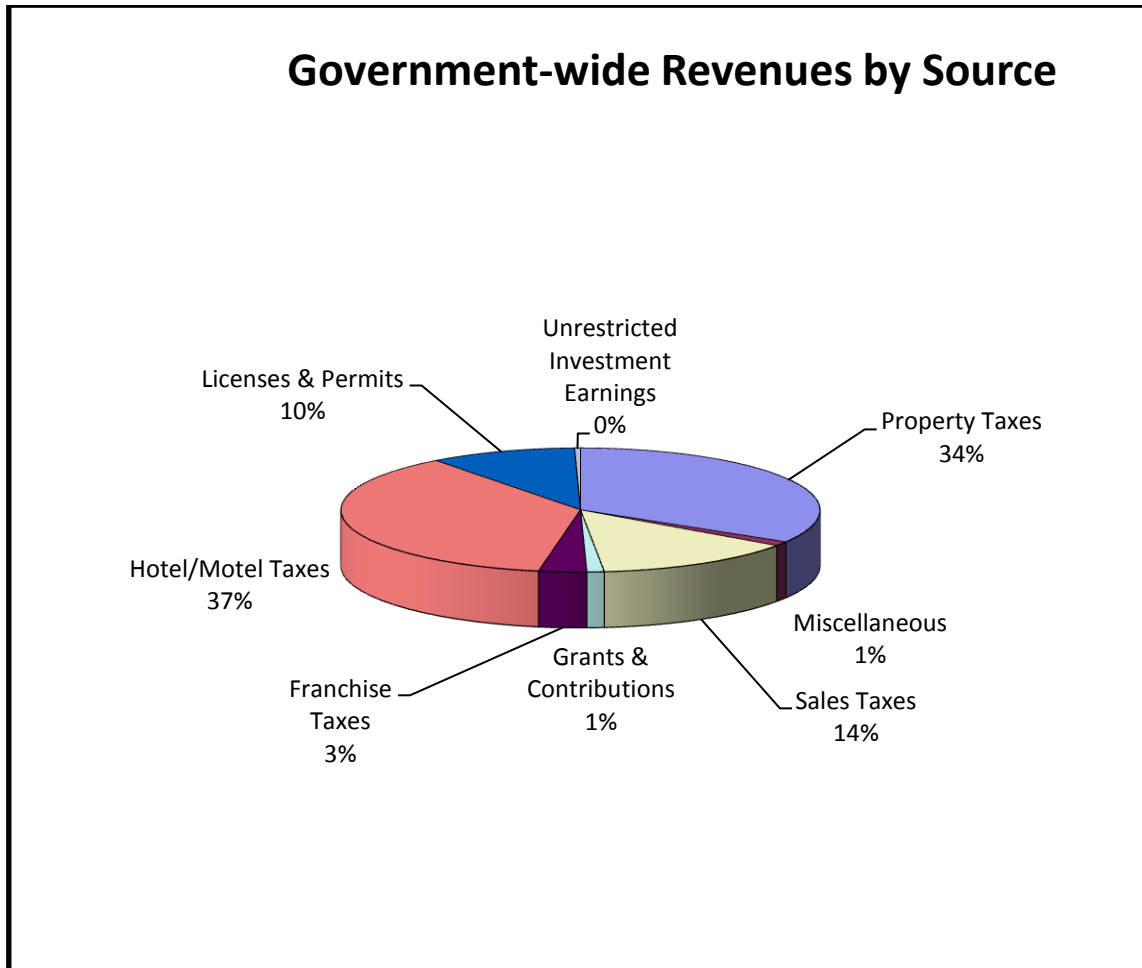


Expenses are broken down by governmental function and are presented below.

Functional Expenses



General revenues such as property taxes, sales taxes and franchise fees are not shown by program, but are used to support all governmental activities. For the first time, Hotel/Motel Taxes are now the largest source of general governmental revenues, followed by property tax and sales tax. Prior years property taxes were the highest revenue source.



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Port Aransas' governmental funds reported combined ending fund balances of \$13,391,546, an increase of \$750,302 in comparison with the prior year. Approximately 51.8%, or \$6,937,155, 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 (\$540,021), debt service (\$240,106), reserved for culture & recreation (\$1,963,662), prepaid items and inventories (\$209,607), public safety (\$78,562), Economic Development (\$2,933,551), and public transportation (\$488,882).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,376,743, while total fund balance reached \$4,796,282. 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 49% of total general fund expenditures, while total fund balance represents 49.7% of that same amount.

The fund balance of the City General Fund increased by \$50,803 during the current fiscal year. Key factors in this increase are as follows:

- Departments performed better than anticipated as we were not fully staffed all year and all anticipated projects were not completed.
- A transfer was budgeted for the Avenue J project but it was decided to include the project in a bond issue.

Budgetary Highlights

The City's budget was amended one time. The General Fund, Nature Preserve Fund, Hotel/Motel Occupancy Tax Fund, Hotel/Motel Special Fund, Construction Fund, and Gas Fund had a net change of \$0 (amounts were either shifted between departments or had excess revenue to cover expenses). The Beach Fund had a net change of (\$49,500) due to increased beach operations and unanticipated overtime costs for the beach crew. This is the first year that the beach crew in public works was budgeted out of this fund. Consequently, we did not budget correctly for overtime as we had no history to estimate from. General Fund had several categories that required additional funding for increased park programs, increased costs for proposed bond issue, and increased fuel costs. Due to savings in several categories, mainly police personnel costs, the net changes to the budget were \$0.00. The Nature Preserve had an increase in revenues due to a Fish & Wildlife grant received and increased transfer from Hotel Motel Special to cover costs of preserve operations. The Fund also had increased expenses for the required match for the grant mentioned and a new position of Preserve Manager was created during the year. The Hotel Motel Fund had an increase of \$125,000 for revenues and expenses to transfer excess collections and reserves to the Chamber of Commerce for sales and marketing as required. The Construction Fund was increased by \$329,500 to finish construction of the Port Street re-route. This project was higher than anticipated and the transfer to complete the project came from the Street Maintenance Fund. The Sanitation Fund had increased revenues of \$37,000, and expense increases for contracted payment of waste disposal.

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

In the General Fund, during the year, the revenues were \$136,850 higher than budgeted. The expenditures were \$477,383 less than budgeted due to careful budget management, not fully staffed and a transfer for a street project that was bonded vs. paid for with cash.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for all activities as of September 30, 2016 amount to \$32,061,839 (net of accumulated depreciation). This investment in capital assets includes both governmental activities and business type activities such as land, construction in progress, buildings, equipment, fleet, streets, and other infrastructure. Additional information on capital assets can be found in Note C. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation		
30-Sep		
	Total Activities	Total Activities
	2016	2015
<i>Governmental Activities:</i>		
Land	\$5,664,130	\$5,664,130
Construction in Progress	486,955	562,374
Infrastructure	18,158,405	19,062,666
Buildings	454,440	534,105
Machinery & Equipment	1,207,300	1,049,108
Vehicles	2,402,796	2,453,179
Total Governmental Activities	28,374,026	29,325,562
<i>Business-type Activities:</i>		
Construction in Progress	0	0
Infrastructure	3,175,363	3,290,001
Buildings	148,607	159,990
Machinery & Equipment	311,444	319,820
Vehicles	52,399	70,387
Total Business-type Activities	3,687,813	3,840,198
Total net assets	\$32,061,839	\$33,165,760

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$12,541,022. The table below reflects the outstanding debt at September 30. Additional information can be found in Note F.

Outstanding Debt		
September 30		
	Total Governmental Activities	Total Governmental Activities
	2016	2015
General Obligation Bonds	\$11,440,000	\$12,580,000
Bond Premium - Series 2009 & 2012	157,921	175,022
Capital Leases	943,101	1,139,036
Total Bonds Payable	\$12,541,022	\$13,894,058

The City's total outstanding debt decreased by \$1,353,036 during the current fiscal year. The key factor in this decrease was the payment of debt with no additional debt issued in the year.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2016-2017 fiscal year.

The tax rate for the year has decreased to 27.2191 cents per hundred. The tax rate has been split with .213789 for maintenance and operations and .058402 for interest and sinking for the retirement of the bonds.

Overall, the General Fund is budgeted to end the fiscal year 2016-2017 with an estimated fund balance of \$4,661,400. This is approximately 52.9% of General Fund operating expenditures.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and Cash Equivalents	\$12,996,386	\$1,811,519	\$14,807,905
Receivables (Net of Allowance for Uncollectibles)	794,829	92,235	887,064
Inventories	15,249		15,249
Prepaid Items	263,717	951	264,668
Restricted Assets:			
Cash and Cash Equivalents	65,735		65,735
Capital Assets Not Being Depreciated:			
Land	5,664,130		5,664,130
Construction in Progress	486,955		486,955
Total Capital Assets Being Depreciated, Net			
Infrastructure	18,158,405	3,175,363	21,333,768
Buildings	454,440	148,607	603,047
Machinery and Equipment	1,207,300	311,444	1,518,744
Vehicles	2,402,796	52,399	2,455,195
Total Assets	<u>\$42,509,942</u>	<u>\$5,592,518</u>	<u>\$48,102,460</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow of Resources-Contributions (after 12/31/15)	735,276	76,115	811,391
Deferred Outflow-Difference in projected and actual earnings	459,109	47,526	506,635
Deferred Outflow-Difference in assumption changes	70,208	7,269	77,477
Total Deferred Outflows of Resources	<u>1,264,593</u>	<u>130,910</u>	<u>1,395,503</u>
LIABILITIES:			
Accounts Payable	\$219,120	\$147,920	\$367,040
Accrued Wages Payable	0	0	0
Accrued Interest Payable	55,648		55,648
Unearned Revenues	68,490		68,490
Consumer Meter Deposits		154,079	154,079
Noncurrent Liabilities:			
Due Within One Year	1,611,252	27,405	1,638,657
Due in More Than One Year	15,247,417	422,892	15,670,309
Total Liabilities	<u>17,201,927</u>	<u>752,296</u>	<u>17,954,223</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow-Actual Experience vs. Assumption	374,885	38,808	413,693
Total Deferred Inflows of Resources	<u>374,885</u>	<u>38,808</u>	<u>413,693</u>
LIABILITIES:			
Net Position			
Invested in Capital Assets, Net of Related Debt	16,373,417	3,687,813	20,061,230
Restricted for:			
Culture and Recreation	1,489,548		1,489,548
Debt Service	240,106		240,106
Economic Development	2,933,551		2,933,551
Public Safety	12,827		12,827
Unrestricted	5,148,274	1,244,511	6,392,785
Total Net Position	<u>\$26,197,723</u>	<u>\$4,932,324</u>	<u>\$31,130,047</u>

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in		Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government						
Government Activities:						
General Administration	\$5,709,970		\$7,275		(\$5,702,695)	(\$5,702,695)
Legal	76,094				(76,094)	(76,094)
Financial Administration	219,720				(219,720)	(219,720)
Public Facilities	1,039,023				(1,039,023)	(1,039,023)
Public Safety	4,318,484	543,714	45,491		(3,729,279)	(3,729,279)
Public Transportation	174,504			249,052	74,548	74,548
Culture and Recreation	5,031,122	1,886,851	219,243		(2,925,028)	(2,925,028)
Interest and Fiscal Charges	356,205				(356,205)	(356,205)
Total Government Activities	16,925,122	2,430,565	272,009	249,052	(13,973,496)	0
Business-Type Activities:						
Gas	961,657	936,169	197			(25,291)
Sanitation	963,492	994,172			30,680	30,680
Harbor	705,792	602,349			(103,443)	(103,443)
Total Business-Type Activities	2,630,941	2,532,690	197	0	(98,054)	(98,054)
Total Primary Government	\$19,556,063	\$4,963,255	\$272,206	\$249,052	(13,973,496)	(98,054)
General Revenues						
Property Taxes, Levies for General Purposes					5,101,901	5,101,901
Sales Taxes					2,069,236	2,069,236
Franchise Taxes					487,174	487,174
Hotel/Motel Taxes					5,595,526	5,595,526
Licenses and Permits					1,504,644	1,504,644
Unrestricted Investment Earnings					51,742	8,395
Grants and Contributions Not Restricted to Specific Programs					176,965	176,965
Miscellaneous					169,698	1,975
Transfers					0	0
Total General Revenues and Transfers					15,156,886	10,370
Change in Net Position					1,183,390	(87,684)
Net Position - Beginning					25,014,333	5,020,008
Net Position - Ending					\$26,197,723	\$4,932,324

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Advertising Fund	Beach Cleaning Funds	Hotel-Motel/ Facility Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$4,372,257	\$3,493	\$2,877,654	\$2,663,019	\$3,079,963	\$12,996,386
Receivables (Net of Allowance for Uncollectibles)	358,290		66,772		99,624	524,686
Restricted Assets:						
Cash and Cash Equivalents	65,735					65,735
Inventories					15,249	15,249
Prepaid Expenses				194,358		194,358
Total Assets	<u>\$4,796,282</u>	<u>\$3,493</u>	<u>\$2,944,426</u>	<u>\$2,857,377</u>	<u>\$3,194,836</u>	<u>\$13,796,414</u>
LIABILITIES AND FUND BALANCES:						
Accounts Payable	\$189,482		\$14,368	\$2,607	\$12,663	\$219,120
Accrued Wages					0	0
Deferred Revenue	68,490					68,490
Total Liabilities	<u>257,972</u>	<u>0</u>	<u>14,368</u>	<u>2,607</u>	<u>12,663</u>	<u>287,610</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Property Taxes	<u>95,832</u>				<u>21,426</u>	<u>117,258</u>
Fund Balances:						
Non-Spendable						
Inventories					15,249	15,249
Prepaid Items				194,358		194,358
Restricted						
Construction					382,492	382,492
Culture and Recreation				100,000	1,389,548	1,489,548
Debt Service					240,106	240,106
Economic Development		3,493	2,930,058			2,933,551
Public Safety					12,827	12,827
Committed						
Construction					157,529	157,529
Culture and Recreation					474,114	474,114
Public Safety	65,735					65,735
Public Transportation					488,882	488,882
Unassigned	<u>4,376,743</u>			<u>2,560,412</u>		<u>6,937,155</u>
Total Fund Balance	<u>4,442,478</u>	<u>3,493</u>	<u>2,930,058</u>	<u>2,854,770</u>	<u>3,160,747</u>	<u>13,391,546</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$4,796,282</u>	<u>\$3,493</u>	<u>\$2,944,426</u>	<u>\$2,857,377</u>	<u>\$3,194,836</u>	<u>\$13,796,414</u>

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, 2016

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	\$13,391,546
Capital assets used in governmental activities are not reported in the funds.	28,374,026
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).	117,258
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,159,851
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(16,914,317)

Net Position of Governmental Activities - Statement of Net Position	<u>\$26,197,723</u>
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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, 2016

	General Fund	Advertising Fund	Beach Cleaning Funds	Hotel-Motel/ Facility Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	\$3,908,689	\$0	\$0	\$0	\$1,195,663	\$5,104,352
Sales	1,379,489				689,747	2,069,236
Franchise	487,174					487,174
Hotel/Motel		2,136,102	2,543,874	915,550		5,595,526
Intergovernmental	478,783		130,689		88,554	698,026
Licenses and Permits	854,270		650,374			1,504,644
Charges for Services	1,589,927				478,438	2,068,365
Fines and Forfeitures	328,850				10,414	339,264
Interest	20,859	2,068	4,890	4,327	19,598	51,742
Miscellaneous	127,784				41,914	169,698
Total Revenues	9,175,825	2,138,170	3,329,827	919,877	2,524,328	18,088,027
EXPENDITURES						
Current:						
General Administration	1,877,508	1,876,310			54,950	3,808,768
Legal	76,094					76,094
Financial Administration	224,309					224,309
Public Facilities	1,334,380					1,334,380
Public Safety	4,192,960				22,190	4,215,150
Public Transportation	151,510				23,400	174,910
Culture and Recreation	832,432		3,034,060	272,078	947,245	5,085,815
Capital Projects -						
Capital Outlay and Other					709,736	709,736
Debt Service						
Principal Retirement	195,935			185,000	955,000	1,335,935
Interest and Fiscal Charges	39,894			10,095	322,639	372,628
Total Expenditures	8,925,022	1,876,310	3,034,060	467,173	3,035,160	17,337,725
Excess (Deficiency) of Revenues Over (Under) Expenditures	250,803	261,860	295,767	452,704	(510,832)	750,302
OTHER FINANCING SOURCES (USES):						
Operating Transfers In				305,183	767,527	1,072,710
Operating Transfers Out	(200,000)	(305,183)		(88,027)	(479,500)	(1,072,710)
Total Other Financing Sources (Uses)	(200,000)	(305,183)	0	217,156	288,027	0
Net Changes in Fund Balances	50,803	(43,323)	295,767	669,860	(222,805)	750,302
Fund Balances - Beginning	4,391,675	46,816	2,634,291	2,184,910	3,383,552	12,641,244
Fund Balances - Ending	\$4,442,478	\$3,493	\$2,930,058	\$2,854,770	\$3,160,747	\$13,391,546

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, 2016

Net Changes in Fund Balances - Total Governmental Funds \$750,302

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.	(951,536)
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.	22,936
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(2,451)
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	105,152
Deferred Outflow-Difference in projected and actual earnings. This is the change in these amounts this year.	381,010
Deferred Outflow-Difference in assumption changes. This is the change in these amounts this year.	70,208
Deferred Inflow-Difference in expected and actual experience. This is the change in these amounts this year.	(366,981)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	1,335,935
(Increase) decrease in accrued interest payable from beginning of period to end of period.	(678)
(Increase) decrease in compensated absences payable from beginning of period to end of period.	(23,782)
(Increase) decrease in bond premium payable from beginning of period to end of period.	17,101
(Increase) decrease in net pension liability from beginning of period to end of period.	(149,159)
(Decrease) increase in prepaid items from beginning of period to end of period.	(4,667)
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$1,183,390</u>

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

FOR THE PERIOD SEPTEMBER 01, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property	\$3,943,900	\$3,943,900	\$3,908,689	(\$35,211)
Sales	1,356,000	1,356,000	1,379,489	23,489
Franchise	466,000	466,000	487,174	21,174
Intergovernmental	453,300	453,300	478,783	25,483
Licenses and Permits	797,300	797,300	854,270	56,970
Charges for Services	1,646,500	1,646,500	1,589,927	(56,573)
Fines and Forfeitures	265,000	265,000	328,850	63,850
Interest	5,000	5,000	20,859	15,859
Miscellaneous	95,200	105,975	127,784	21,809
Total Revenues	9,028,200	9,038,975	9,175,825	136,850
EXPENDITURES				
Current:				
General Administration				
Administration	244,770	244,770	247,177	(2,407)
Central Operating	959,225	984,225	945,869	38,356
City Secretary	171,015	171,015	172,973	(1,958)
Information Technology	257,190	257,190	209,114	48,076
Mayor and Council	54,200	79,200	64,753	14,447
Planning	237,190	239,740	237,622	2,118
Legal				
City Attorney	115,000	115,000	76,094	38,906
Financial Administration				
Finance Department	219,755	221,755	224,309	(2,554)
Public Facilities				
Public Buildings	344,700	344,700	337,294	7,406
Public Works	1,118,310	1,118,310	997,086	121,224
Public Safety				
EMS	1,193,085	1,210,085	1,214,607	(4,522)
Fire Department	225,900	235,200	210,173	25,027
Inspection	163,770	163,770	160,785	2,985
Municipal Court	123,945	126,745	126,719	26
Police	2,706,030	2,608,155	2,480,676	127,479
Public Transportation				
Regional Transit	178,300	178,300	151,510	26,790
Culture and Recreation				
Beach Services				0
Library	265,845	265,845	251,650	14,195
Parks and Recreation	576,950	601,950	580,782	21,168
Debt Service				
Principal Retirement	196,450	196,450	195,935	515
Interest Retirement	40,000	40,000	39,894	106
Total Expenditures	9,391,630	9,402,405	8,925,022	477,383
Excess (Deficiency) of Revenues Over (Under) Expenditures	(363,430)	(363,430)	250,803	614,233
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(520,000)	(520,000)	(200,000)	320,000
Total Other Financing Sources (Uses)	(520,000)	(520,000)	(200,000)	320,000
Net Changes in Fund Balances	(883,430)	(883,430)	50,803	934,233
Fund Balances - Beginning	4,391,675	4,391,675	4,391,675	
Fund Balances - Ending	\$3,508,245	\$3,508,245	\$4,442,478	\$934,233

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

CITY OF PORT ARANSAS, TEXAS
 ADVERTISING FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	\$2,042,845	\$2,167,845	\$2,136,102	(\$31,743)
Interest	300	300	2,068	1,768
Total Revenues	2,043,145	2,168,145	2,138,170	(29,975)
EXPENDITURES				
General Administration				
Mayor and Council	1,751,310	1,876,310	1,876,310	0
Total Expenditures	1,751,310	1,876,310	1,876,310	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	291,835	291,835	261,860	(29,975)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(291,835)	(291,835)	(305,183)	(13,348)
Total Other Financing Sources (Uses)	(291,835)	(291,835)	(305,183)	(13,348)
Net Changes in Fund Balances	0	0	(43,323)	(43,323)
Fund Balances - Beginning	46,816	46,816	46,816	
Fund Balances - Ending	\$46,816	\$46,816	\$3,493	(\$43,323)

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, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Hotel/Motel	\$2,287,335	\$2,287,335	\$2,543,874	\$256,539
Intergovernmental	229,000	229,000	130,689	(98,311)
Licenses and Permits	718,000	718,000	650,374	(67,626)
Interest	750	750	4,890	4,140
Total Revenues	3,235,085	3,235,085	3,329,827	94,742
EXPENDITURES				
Culture and Recreation				
Beach	3,282,790	3,332,290	3,034,060	298,230
Total Expenditures	3,282,790	3,332,290	3,034,060	298,230
Excess (Deficiency) of Revenues Over (Under) Expenditures	(47,705)	(97,205)	295,767	392,972
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(47,705)	(97,205)	295,767	392,972
Fund Balances - Beginning	2,634,291	2,634,291	2,634,291	
Fund Balances - Ending	\$2,586,586	\$2,537,086	\$2,930,058	\$392,972

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	\$875,500	\$905,825	\$915,550	\$9,725
Interest	500	500	4,327	3,827
Total Revenues	876,000	906,325	919,877	13,552
EXPENDITURES				
Culture and Recreation				
Culture and Recreation	427,890	427,890	272,078	155,812
Debt Service				
Principal Retirement	190,000	190,000	185,000	5,000
Interest Retirement	10,600	10,600	10,095	505
Total Expenditures	628,490	628,490	467,173	161,317
Excess (Deficiency) of Revenues Over (Under) Expenditures	247,510	277,835	452,704	174,869
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	291,835	291,835	305,183	13,348
Operating Transfers Out	(89,750)	(120,075)	(88,027)	32,048
Total Other Financing Sources (Uses)	202,085	171,760	217,156	45,396
Net Changes in Fund Balances	449,595	449,595	669,860	220,265
Fund Balances - Beginning	2,184,910	2,184,910	2,184,910	
Fund Balances - Ending	\$2,634,505	\$2,634,505	\$2,854,770	\$220,265

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

(continued)

	Business-Type Activities Enterprise Funds						
	Gas Current Year	Gas Prior Year	Sanitation Current Year	Sanitation Prior Year	Harbor Current Year	Harbor Prior Year	Totals Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS							
Liabilities							
Current Liabilities (Payable from Current Assets)							
Accounts Payable	\$60,130	\$37,164	\$7,598	\$92,018	\$80,192	\$92,502	\$147,920
Compensated Absences	17,282	10,119	1,165	895	8,958	8,611	27,405
Accrued Wages Payable	0	8,315	0	1,257	0	5,610	0
Total Current Liabilities (Payable from Current Assets)	77,412	55,598	8,763	94,170	89,150	106,723	175,325
Current Liabilities (Payable from Restricted Assets)							
Consumer Meter Deposits	140,879	133,564			13,200	12,700	154,079
Total Current Liabilities Payable from Restricted Assets	140,879	133,564	0	0	13,200	12,700	154,079
Total Current Liabilities	218,291	189,162	8,763	94,170	102,350	119,423	329,404
Noncurrent Liabilities							
Accrued Other Post Employment Benefits	73,201	73,201	7,716	7,716	38,549	38,549	119,466
Net Pension Liability	186,553	177,059	19,693	18,691	97,180	92,235	303,426
Total Noncurrent Liabilities	259,754	250,260	27,409	26,407	135,729	130,784	422,892
Total Liabilities	478,045	439,422	36,172	120,577	238,079	250,207	752,296
DEFERRED INFLOWS OF RESOURCES							
Deferred Inflow-Difference in expected and actual experience	23,861	503	2,518	53	12,429	262	38,808
Total Deferred Inflow of Resources	23,861	503	2,518	53	12,429	262	38,808
Invested in Capital Assets, Net of Related Debt	616,075	524,198	45,335	29,433	3,026,403	3,286,567	3,687,813
Unrestricted	528,037	638,679	106,650	91,389	609,824	449,742	1,244,511
Total Net Position	\$1,144,112	\$1,162,877	\$151,985	\$120,822	\$3,636,227	\$3,736,309	\$4,932,324

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, 2016

PROPRIETARY FUNDS	Business-Type Activities						
FOR THE YEAR ENDED SEPTEMBER 30, 2016	Enterprise Funds						
	Gas	Gas	Sanitation	Sanitation	Harbor	Harbor	Totals
	Current	Prior	Current	Prior	Current	Prior	Totals
	Year	Year	Year	Year	Year	Year	Current
	Year	Year	Year	Year	Year	Year	Year
OPERATING REVENUES:							
Charges for Services	\$936,169	\$1,070,056	\$994,172	\$931,382	\$602,349	\$669,070	\$2,532,690
Total Operating Revenues	936,169	1,070,056	994,172	931,382	602,349	669,070	2,532,690
OPERATING EXPENSES:							
Personal Services	485,874	419,800	54,218	49,013	256,484	238,750	796,576
Supplies and Other Services and Charges	411,861	457,916	902,562	867,650	180,993	204,281	1,495,416
Depreciation	63,922	52,380	6,712	1,282	268,315	252,068	338,949
Total Operating Expenses	961,657	930,096	963,492	917,945	705,792	695,099	2,630,941
Operating Income (Loss)	(25,488)	139,960	30,680	13,437	(103,443)	(26,029)	(98,251)
NON-OPERATING REVENUES (EXPENSES):							
Interest Income	4,551	621	483	128	3,361	409	8,395
Sale of Fixed Assets	1,975	3,035					1,975
Federal and State Grants	197	25,216					197
Total Non-Operating Revenues (Expenses)	6,723	28,872	483	128	3,361	409	10,567
Income Before Transfers	(18,765)	168,832	31,163	13,565	(100,082)	(25,620)	(87,684)
Transfers In (Out) - Net	0	330,583	0	0	0	(8,000)	0
Change in Net Position	(18,765)	499,415	31,163	13,565	(100,082)	(33,620)	(87,684)
Total Net Position - Beginning	1,162,877	663,462	120,822	107,257	3,736,309	3,769,929	5,020,008
Total Net Position - Ending	\$1,144,112	\$1,162,877	\$151,985	\$120,822	\$3,636,227	\$3,736,309	\$4,932,324

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, 2016

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	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	\$942,349	\$1,079,164	\$987,132	\$918,693	\$602,849	\$669,217	\$2,532,330
Payments to Suppliers	(389,395)	(437,926)	(986,982)	(840,779)	(193,303)	(166,962)	(1,569,680)
Payments to Employees	(489,593)	(428,133)	(55,475)	(49,435)	(263,081)	(239,228)	(803,978)
Net Cash Provided (Used) by Operating Activities	63,361	213,105	(55,325)	28,479	146,465	263,027	158,672
Cash Flows from Non-Capital and Related Financing Activities							
Federal Grants and Contributions	197	25,216	0	0			197
Sale of Fixed Assets	1,975	3,035	0	0			1,975
Transfers In/Out	0	330,583	0	0	0	(8,000)	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	2,172	358,834	0	0	0	(8,000)	2,172
Cash Flows from Capital and Related Financing Activities							
Purchases of Capital Assets	(155,799)	(383,463)	(22,614)	(27,562)	(8,151)	(45,888)	(186,564)
Net Cash Provided (Used) by Capital and Related Financing Activities	(155,799)	(383,463)	(22,614)	(27,562)	(8,151)	(45,888)	(186,564)
Cash Flows from Investing Activities							
Interest Received	4,551	621	483	128	3,361	409	8,395
Net Cash Provided (Used) by Investment Activities	4,551	621	483	128	3,361	409	8,395
Net Increase (Decrease) in Cash Equivalents	(85,715)	189,097	(77,456)	1,045	141,675	209,548	(21,496)
Cash and Cash Equivalents at Beginning of Year	1,031,860	842,763	124,777	123,732	676,378	466,830	1,833,015
Cash and Cash Equivalents at End of Year	\$946,145	\$1,031,860	\$47,321	\$124,777	\$818,053	\$676,378	\$1,811,519

(continued)

(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)	(\$25,488)	\$139,960	\$30,680	\$13,437	(\$103,443)	(\$26,029)	(98,251)
Adjustments to Reconcile to Net Cash Flow							
Non-Cash Items Included in Net Income							
Depreciation	63,922	52,380	6,712	1,282	268,315	252,068	338,949
Changes in Current Items							
Decrease (Increase) in Accounts Receivable	(1,135)	4,152	(7,040)	(12,689)	0	(353)	(8,175)
Decrease (Increase) Deferred Outflow of Resources-Contributions	(6,699)	(4,594)	(706)	(485)	(3,486)	(2,395)	
Decrease (Increase) Difference in projected and actual earnings	(24,251)	(4,970)	(2,559)	(525)	(12,632)	(2,589)	
Decrease (Increase) Difference in assumption changes	(4,469)		(472)		(2,328)	0	
Decrease (Increase) Difference in expected and actual experience	23,358	503	2,465	53	12,167	262	
Decrease (Increase) in Prepaid Items	(500)	(451)	0		0		(500)
Increase (Decrease) in Accounts Payable	22,966	(8,499)	(84,420)	23,819	(12,310)	22,243	(73,764)
Increase (Decrease) Compensated Absences	7,163	(3,056)	270	(152)	347	1,725	7,780
Increase (Decrease) Accrued Wages Payable	(8,315)	721	(1,257)	364	(5,610)	934	(15,182)
Increase (Decrease) in Consumer Meter Deposits	7,315	4,956	0	0	500	500	7,815
Increase (Decrease) in Net pension Liability	9,494	3,063	1,002	323	4,945	1,585	
Increase (Decrease) in Accrued Other							
Post Employment Benefits	0	28,940	0	3,052	0	15,076	0
Net Cash Provided (Used) by Operating Activities	\$63,361	\$213,105	(\$55,325)	\$28,479	\$146,465	\$263,027	\$158,672
Noncash Investing, Capital, and Financing Activities:							
Sale of Fixed Assets	\$1,975	\$3,035					\$1,975
Federal and State Grants	197	25,216					197
Total Noncash Investing, Capital, and Financing Activities	\$2,172	\$28,251	\$0	\$0	\$0	\$0	\$2,172

Note: The above funds are all Enterprise Funds.

City of Port Aransas, Texas
Notes to the Financial Statements
September 30, 2016

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

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

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

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, Sanitation, 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, 2016, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2016, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2016, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2016. The property tax receivable allowance is equal to 10 percent of current outstanding property taxes at September 30, 2016, and 10 percent of delinquent outstanding property taxes at September 30, 2016. 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	\$65,735
	<u>\$65,735</u>

5. Capital Assets

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was \$356,205. Of this amount, \$-0- was included as part of the cost of capital assets. Significant construction activity during the year were various street and drainage projects.

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

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

6. Compensated Absences

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

7. Long-Term Obligations

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

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

8. Fund Balances – Governmental Funds

As of September 30, 2016, 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, 2016, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Inventories	\$15,249
Prepaid Items	194,358
Restricted	
Construction	382,492
Culture and Recreation	1,489,548
Debt Service	240,106
Economic Development	2,933,551
Public Safety	12,827
Committed	
Construction	157,529
Culture and Recreation	474,114
Public Safety	65,735
Public Transportation	488,882
Unassigned	6,937,155
Total Fund Balance	<u>\$13,391,546</u>

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

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

9. Comparative Data/Reclassifications

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is deferred under GASB 68.

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 \$16,914,317 difference are as follows:

Capital Lease	\$943,101
Bonds Payable	11,440,000
Bond Premium	157,921
Other Post Employment Benefits	1,153,599
Net Pension Liability	2,931,452
Accrued Interest Payable	55,648
Compensated Absences	232,596
	<u>\$16,914,317</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$28,374,026 difference are as follows:

Capital assets not being depreciated	\$6,151,085
Capital assets being depreciated	46,764,710
Depreciation expense	(24,541,769)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	<u>\$28,374,026</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$117,257 difference are as follows:

Property Taxes Receivable	\$123,428
Allowance for Doubtful Accounts	<u>(6,171)</u>
Net	<u>\$117,257</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.") The details of this \$947,526 difference are as follows:

Fines and Fees Receivable	\$643,514
Allowance for Doubtful Accounts	(373,371)
Deferred Outflow of Resources-Contributions (after 12/31/15)	735,276
Deferred Outflow-Difference in projected and actual earnings	459,109
Deferred Outflow-Difference in assumption changes	70,208
Deferred Inflow-Actual Experience vs. Assumption	(374,885)
Net	<u>\$1,159,851</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this (\$951,536) difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	1,811,750
Capital Outlay - Deletions	(80,696)
Depreciation Expense	(2,682,590)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>(\$951,536)</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for the Library fund and the Impact Fees Zone 2 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, 2016, expenditures did not exceed appropriations in any funds.

C. Deficit Fund Equity

There were no deficit fund balances for any fund at September 30, 2016.

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 except they did not have a certified investment officer at year's end.

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, 2016, the government's bank balance of \$723,220 in the City depository (Value Bank) was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$1,322,266 and the FDIC coverage is \$250,000. The City also had a bank balance of \$191,419 in American Bank at September 30, 2016. The FDIC coverage is \$250,000; therefore the bank balance was not exposed to custodial credit risk. The book balance of the City's bank balances at September 30, 2016 is \$376,528.

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, 2016 the local investment pools Texpool (65% of portfolio) and Texas Class (35% 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. 65 percent of the City's investments are in an insured Texpool account and 35 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, 2016, the City had \$14,497,112 in investments in insured TexPool and Texas Class accounts.

As of September 30, 2016, the government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$ 9,471,858	Less than 1 year	Less than 1 year
Texas Class Funds	\$ 5,025,254	Less than 1 year	Less than 1 year

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

B. Receivables

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

	General	Beach	Airport	Debt Service	RECREAT- IONAL DEVELOP- MENT	Gas	Sani- tation	Harbor	Total
<u>Receivables</u>									
Taxes - Ad Valorem	\$100,875			\$22,553					\$123,428
Taxes - Sales	142,593				71,297				213,890
Intergovernmental	92,884	66,484	5,954						165,322
Accounts			947			2,358	159,938		163,243
Municipal Court Fines	225,343								225,343
EMS Fees	418,171								418,171
Other	26,982	288						353	27,623
Gross Receivables	1,006,848	66,772	6,901	22,553	71,297	2,358	159,938	353	1,337,020
Less: Allowance for Uncollectibles	378,415			1,127			70,414		449,956
Net Total Receivables	\$628,433	\$66,772	\$6,901	\$21,426	\$71,297	\$2,358	\$89,524	\$353	\$887,064

The receivables are expected to be collected within one year.

C. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$5,664,130	\$0	\$0	\$5,664,130
Construction in Progress	562,374	0	75,419	486,955
Total Capital Assets Not Being Depreciated	6,226,504	0	75,419	6,151,085
Capital assets being depreciated:				
Infrastructure	31,535,289	738,563	0	32,273,852
Buildings	4,642,294	77,244	0	4,719,538
Machinery and Equipment	5,185,101	658,176	659,702	5,183,575
Vehicles	4,446,997	337,767	197,019	4,587,745
Total Capital Assets Being Depreciated	45,809,681	1,811,750	856,721	46,764,710
Less Accumulated Depreciation for:				
Infrastructure	12,472,623	1,642,824	0	14,115,447
Buildings	4,108,189	156,909	0	4,265,098
Machinery and Equipment	4,135,993	494,707	654,425	3,976,275
Vehicles	1,993,818	388,150	197,019	2,184,949
Total Accumulated Depreciation	22,710,623	2,682,590	851,444	24,541,769
Total Capital Assets Being Depreciated, Net	23,099,058	(870,840)	5,277	22,222,941
Governmental Activities Capital Assets, Net	\$29,325,562	(\$870,840)	\$80,696	\$28,374,026

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$0	\$0	\$0	\$0
Total Capital Assets Not Being Depreciated	0	0	0	0
Capital Assets Being Depreciated:				
Infrastructure	7,680,923	178,414	0	7,859,337
Buildings	217,320	0	0	217,320
Machinery and Equipment	601,657	8,149	0	609,806
Vehicles	198,589	0	0	198,589
Total Capital Assets Being Depreciated	8,698,489	186,563	0	8,885,052
Less Accumulated Depreciation for:				
Infrastructure	4,390,922	293,052	0	4,683,974
Buildings	57,330	11,383	0	68,713
Machinery and Equipment	281,837	16,525	0	298,362
Vehicles	128,202	17,988	0	146,190
Total Accumulated Depreciation	4,858,291	338,948	0	5,197,239
Total Capital Assets Being Depreciated, Net	3,840,198	(152,385)	0	3,687,813
Business-Type Activities Capital Assets, Net	\$3,840,198	(\$152,385)	\$0	\$3,687,813

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

Governmental Activities	
General Administration	\$1,904,418
Public Facilities	54,893
Public Safety	403,314
Public Transportation	459
Culture and Recreation	319,506
Total Depreciation Expense - Governmental Activities	<u>\$2,682,590</u>
Business-Type Activities	
Gas	\$63,922
Sanitation	6,712
Harbor	268,315
Total Depreciation Expense - Business-Type Activities	<u>\$338,949</u>

Construction Commitments

Significant construction activity during the year was various street and drainage projects.

D. Interfund Receivables, Payables, and Transfers

There were no interfund balances as of September 30, 2016.

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, 2016, the government made the following one-time transfers:

INTER-GOVERNMENTAL	TRANSFER TO					
<u>FUNDS</u>	HOTEL/ MOTEL FACILITY MENT FUND	NATURE PRE- SERVE FUND	STREET MAINTAIN- ENCE FUND	DEBT SERVICE FUND	CONSTRUC- TION FUND	TOTAL
TRANSFER FROM						
GENERAL FUND			\$200,000			\$200,000
ADVERTISING FUND	305,183					305,183
HOTEL/MOTEL FACILITY FUND		88,027				88,027
IMPACT FEES FUND				150,000		150,000
STREET MAINTENANCE FUND					329,500	329,500
TOTALS	\$305,183	\$88,027	\$200,000	\$150,000	\$329,500	\$1,072,710

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 this lease was \$21,208 for the year ended September 30, 2016. The future minimum lease payments for this lease are as follows:

<u>Year Ending Sept. 30</u>	<u>Amount</u>
2017	\$ 20,590
2018	18,736
2019	18,736
2020	<u>17,633</u>
Total	<u>\$ 75,695</u>

Rent expenditures were \$0 for the year ended September 30, 2016. Sublease rental income was \$0 for the year ended September 30, 2016.

F. Long-Term Debt

General Obligation Bonds and Revenue Bonds

The government issues Certificates of Obligation and General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. Certificates of Obligation and General Obligation bonds have been issued for governmental activities. The Certificates of Obligation bonds are direct obligations and pledge the full faith and credit of the government. The original amount of the Certificates of Obligation and General Obligation Bonds issued was \$16,625,000.

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

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities – Series 2014	2.49	\$1,500,000
Governmental activities – Series 2007	4.00	\$1,290,000
Governmental activities – Series 2009	3.00-4.125	\$3,015,000
Governmental activities – Series 2012	1.75-2.125	\$5,050,000
Governmental activities – Series 2013	1.49	\$ 585,000 Refunding

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2017	1,185,000	301,380
2018	1,225,000	268,797
2019	1,275,000	234,103
2020	1,110,000	198,747
2021	1,155,000	163,621
2022-2026	4,545,000	356,023
2027-2029	945,000	20,713
TOTALS	<u>\$11,440,000</u>	<u>\$1,543,384</u>

The pledged security for the above bonds is as follows:

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.

ASSET	Governmental Activities				TOTAL
	Fire Ladder Truck	Fire Pumper Truck	Ambulance	Ambulance	
COST	\$924,357	\$539,051	\$130,000	\$145,250	\$1,738,658
ACCUMULATED DEPRECIATION	(924,357)	(154,015)	(55,714)	(62,250)	(1,196,336)
NET ASSET	\$0	\$385,036	\$74,286	\$83,000	\$542,322

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, were as follows:

YEAR	Governmental Activities				Total
	Fire Ladder Truck	Fire Pumper Truck	Ambulance	Ambulance	Amount
2017	\$116,876	\$61,091	\$27,319	\$31,144	\$236,430
2018	116,876	61,091		31,145	209,112
2019	116,876	61,091			177,967
2020	116,876	61,091			177,967
2021		61,091			61,091
2022		61,091			61,091
2023		61,091			61,091
2024		61,091			61,091
Total Minimum Lease Payments	467,504	488,728	27,319	62,289	1,045,840
Less: Amount Representing Interest	48,307	51,071	636	2,725	102,739
Present Value of Net Minimum Lease Payments	\$419,197	\$437,657	\$26,683	\$59,564	\$943,101

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds	\$12,580,000	\$0	\$1,140,000	\$11,440,000	\$1,175,000	\$10,265,000
Bond Premium - Series 2009	175,022		17,101	157,921		157,921
Total Bonds Payable	12,755,022	0	1,157,101	11,597,921	1,175,000	10,422,921
Capital Lease Purchases	1,139,036		195,935	943,101	203,656	739,445
OPEB Liability	1,153,599			1,153,599		1,153,599
Net Pension Liability	2,782,293	149,159		2,931,452		2,931,452
Compensated Absences	208,814	232,596	208,814	232,596	232,596	0
Total Other	5,283,742	381,755	404,749	5,260,748	436,252	4,824,496
Total Governmental Activities	18,038,764	381,755	1,561,850	16,858,669	1,611,252	15,247,417
<u>Business-Type Activities:</u>						
OPEB Liability	119,466			119,466		119,466
Net Pension Liability	287,985	15,441		303,426		303,426
Compensated Absences	19,625	27,405	19,625	27,405	27,405	0
Total Business-Type Activities	427,076	42,846	19,625	450,297	27,405	422,892
Grand Total	\$18,465,840	\$424,601	\$1,581,475	\$17,308,966	\$1,638,657	\$15,670,309

The government-wide statement of net position includes \$1,638,657 as "noncurrent liabilities, due within one year". There was no interest capitalized in the Capital assets but rather was expended in the financial statements. Note: Compensated absences are considered to be short term liabilities. The governmental activities bonds Series 2013 is serviced by the Hotel Motel Special Fund, the Series 2007, 2009, 2012, and 2014 are serviced by the Debt Service Fund, the capital leases are serviced by the General Fund and the Beach fund, and the compensated absences are serviced by the General Fund. The Business-type activities compensated absences are serviced by the Gas Fund, the Sanitation Fund, and the Harbor Fund.

For a discussion of other post employee benefits please see part V E 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.

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

	Year ended <u>09/30/16</u>	Year ended <u>09/30/15</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

General Liability Insurance

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

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

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

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

Property and Casualty Insurance

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

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

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

Unemployment Compensation Insurance

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

B. Subsequent Events

December 15, 2016 - Awarded the 2016 Unifloat Floating Dock Project funded by FY 2016-17 Budget Harbor Fund Account #175-65370 be awarded to Bellingham Marine Industries, Inc. for the base bid amount of \$1,269,992.00; and authorized the City Manager to sign said agreement for installation of an 8.5' x 298' x 7" long Unifloat floating dock.

February 16, 2017 - Approved Ordinance No. 2017-01 authorizing the issuance of "City of Port Aransas, Texas General Obligation Bonds, Series 2017"; levying a continuing direct annual ad valorem tax, within the limitations prescribed by law, for the payment of the bonds; prescribing the form, terms, conditions, and resolving other matters incident and related to the issuance, sale, and delivery of the bonds, including the approval and distribution of an official statement pertaining thereto; authorizing the execution of a paying agent/registrars agreement and an official bid form; complying with the provisions of the depository trust company's letter of representations; authorizing the execution of any necessary engagement agreements with the City's financial advisors and/or bond counsel; and providing for an effective date.

C. Related Party Transactions

None

D. Contingent Liabilities

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

The City is participating in the following causes of action:

- 1) C.A. No. 2:16-CV-132; *Richard A. Dunsmore vs. Municipality of City of Port Aransas, (Texas), d/b/a Port Aransas (City) Police Department and Chief of Police for the City of Port Aransas Police Department-Scott Burroughs (In His Official Capacity Only) and Investigator/Detective/Etc for The City of Port Aransas Police Department-Darryl Johnson (In His Official Capacity Only)*; in the US District Court for the Southern District of Texas, Corpus Christi Division. The City is represented through TMLIRP. Plaintiff seeks damages of \$100,000.00, a declaration that his civil rights were violated by the City and the police department. He also claims that he has been denied access to *Brady* materials in criminal cases.
- 2) *Steven Thomas v. City of Port Aransas; EEOC Charge No.: 36B-2017-00027*. This was an allegation of wrongful termination. It was settled for a nominal amount by the City's insurance fund.

E. Other Post Employment Benefits

Health Care Benefits - Retirees

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

Funding Policy: The City currently funds the benefits provided through the Program on a pay-as-you-go basis. Since the City does not prefund future benefits to be provided under the Program, there are no accumulated plan assets. The City pays for 100% of the cost of medical benefits for eligible retirees; covered retirees are not required to contribute. During the fiscal year ending September 30, 2015, the City paid \$73,242 in premiums for eleven current retirees receiving benefits under the Program.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year ended September 30, 2015, the amount actually contributed to the plan during the year, and changes in the City's net OPEB obligation to Post-retirement Healthcare Benefits Program:

Annual OPEB Cost	\$316,374
Contributions Made	(93,203)
Increase in Net OPEB	223,171
Net OPEB Obligation, Beginning of Year	1,049,894
Net OPEB Obligation, End of Year	<u>\$1,273,065</u>
Net OPEB Obligation Reported by Governmental Funds	\$1,153,599
Net OPEB Obligation Reported in Business-Type Activities Funds	119,466
	<u>\$1,273,065</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2016 and the two preceding years were as follows:

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>% of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
9/30/2009	\$ 249,041	3.55%	\$ 240,200
*9/30/2010	n/a	n/a	n/a
9/30/2011	\$ 277,974	9.18%	\$ 492,655
*9/30/2012	n/a	n/a	n/a
9/30/2013	\$ 338,093	17.59%	\$ 771,275
*9/30/2014	n/a	n/a	n/a
9/30/2015	\$ 316,374	29.46%	\$1,273,065
*9/30/2016	n/a	n/a	n/a

* *GASB 45 reporting not required for these periods*

Funded Status and Funding Progress: As of October 1, 2014, the most recent valuation date, the plan ***City of Port Aransas*** was 0% funded (the City does not prefund these benefits). The actuarial accrued liability for benefits was \$2,653,283 million, and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,653,283 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4,553,818 million, and the ratio of the UAAL to covered payroll was 58.27%.

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

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

In the October 1, 2014 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate for valuing the liability for benefits, and an annual healthcare cost trend rate of 9.0% in 2015, reduced by decrements to an ultimate rate of 5.0% in 2020 and later years. The UAAL is being amortized as a level dollar amount over a period of 30 years (the maximum permitted period).

Health Care Benefits - COBRA

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

F. Employees Retirement System Information

EXECUTIVE SUMMARY

as of **December 31, 2015**

Actuarial Valuation and Measurement Date, December 31,	2014	2015
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	37	40
- Inactive employees entitled to but not yet receiving benefits	56	59
- Active employees	<u>107</u>	<u>119</u>
- Total	200	218
 Covered Payroll	 \$ 4,546,100	 \$ 5,137,298
Net Pension Liability		
Total Pension Liability	\$ 12,312,094	\$ 12,816,731
Plan Fiduciary Net Position	<u>9,241,809</u>	<u>9,581,848</u>
Net Pension Liability	\$ 3,070,285	\$ 3,234,883
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.06%	74.76%
Net Pension Liability as a Percentage of Covered Payroll	67.54%	62.97%
Development of the Single Discount Rate		
Single Discount Rate	7.00%	6.75%
Long-Term Expected Rate of Return	7.00%	6.75%
Long-Term Municipal Bond Rate*	3.65%	3.57%
 Last year ending December 31 in the 100 year projection period for which projected benefit payments are fully funded	 <i>N/A</i>	 <i>N/A</i>

*Based on the Bond Buyer 20 Bond Index of general obligation bonds as of December 25, 2014 and December 31, 2015 respectively as these are the weekly rate closest to but not later than the Measurement Dates.

SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$ 714,598
2. Interest on the Total Pension Liability	865,317
3. Current Period Benefit Changes	0
4. Employee Contributions (Reduction of Expense)	(308,238)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(646,927)
6. Administrative Expense	8,306
7. Other Changes in Fiduciary Net Position	410
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(123,609)
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets	126,658
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	(3,146)
11. Amortization of Prior Year Outflows (Inflows) of Resources-Assets	<u>21,546</u>
12. Total Pension Expense	\$ 654,915

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2015 Recognized in current	Deferred (Inflow)/Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	3.7200	\$ (565,781)	\$ (152,092)	\$ (413,689)
Difference in assumption changes [actuarial (gains) or losses]	3.7200	\$ 105,958	\$ 28,483	\$ 77,475
			<u>\$ (123,609)</u>	<u>\$ (336,214)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ 633,289	\$ 126,658	\$ 506,631
			<u>\$ 126,658</u>	<u>\$ 506,631</u>
<u>Total:</u>				<u>\$ 170,417</u>

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
2016	\$ 21,449
2017	22,165
2018	59,207
2019	126,657
2020	0
Thereafter	<u>0</u>
Total	\$ 229,478

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 10-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 employee 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-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%
\$5,098,667	\$3,234,883	\$1,712,659

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 post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund as applicable.

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. For the Supplemental Death Benefits Fund, the rate is 4.25% per year, compounded annually, and derived as a blend of 5.00% for the portion of the benefits financed by advance funding contributions and a short-term interest rate for the portion of the benefits financed by current contributions.
3. 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 125.0% 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

Age	Service									
	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

Age	Service									
	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 125.0% 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 1-1½-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 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.

Age	Males			Females		
	Entry Age Groups			Entry Age Groups		
	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

Employer Match	Employee Contribution Rate		
	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. For the purpose of determining the UAAL and annual required contribution associated with the Supplemental Death Trust, assets are valued at the Fund Value.
- 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.

For the purpose of determining the annual required contribution associated with the Supplemental Death Trust, the amortization of the UAAL is done using a 25 year open period.

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.

- E. 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 the significant reserve in the Supplemental Death Trust, the SDB rate for retiree coverage is currently only one-third of the total term cost.

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 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(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							
			2015	2016	2017	2018	2019	2020	Thereafter	
Due to Liabilities:										
2014 difference in experience (inflows) /outflows	2.7720	\$ (8,722)	\$ (3,146)	\$ (3,146)	\$ (2,430)	\$ 0	\$ 0	\$ 0	\$ 0	
2015 difference in experience (inflows) /outflows	3.7200	(565,781)	(152,092)	(152,092)	(152,092)	(109,505)	0	0	0	
		Total	\$ (155,238)	\$ (155, 8)	\$ (154,522)	\$ (109,505)	\$ 0	\$ 0	\$ 0	
2015 difference in assumptions (inflows) /outflows	3.7200	105 ,958	28,483	28,483	28,483	20,509	0	0	0	
		Total	\$ 28,483	\$ 28,483	\$ 28,483	\$ 20,509	\$ 0	\$ 0	\$ 0	
Due to Assets:										
2014 excess investment returns (inflows) /outflows	4.0000	\$ 86,183	\$ 21,546	\$ 21,546	\$ 21,546	\$ 21,545	\$ 0	\$ 0	\$ 0	
2015 excess investment returns (inflows) /outflows	5.0000	633,289	126,658	126,658	126,658	126,658	126,657	0	0	
		Total	\$ 148,204	\$ 148,204	\$ 148,204	\$ 148,203	\$ 126,657	\$ 0	\$ 0	

REQUIRED SUPPLEMENTARY INFORMATION

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

A. Total pension liability

	2015	2014
1. Service Cost	\$714,598	\$571,442
2. Interest (on the Total Pension Liability)	865,317	803,551
3. Changes of benefit terms	0	0
4. Difference between expected and actual experience	(565,781)	(11,868)
5. Changes of assumptions	105,958	0
6. Benefit payments, including refunds of employee contributions	(615,455)	(489,225)
7. Net change in total pension liability	504,637	873,900
8. Total pension liability -- beginning	12,312,094	11,438,194
9. Total pension liability - ending	12,816,731	12,312,094

B. Plan fiduciary net position

1. Contributions - employer	642,335	560,988
2. Contributions - employee	308,238	272,766
3. Net investment income	13,638	481,740
4. Benefit payments, including refunds of employee contributions	(615,455)	(489,225)
5. Administrative Expense	(8,306)	(5,029)
6. Other	(410)	(414)
7. Net change in plan fiduciary net position	340,040	820,826
8. Plan fiduciary net position - beginning	9,241,809	8,420,983
9. Plan fiduciary net position - ending*	9,581,849	9,241,809

C. Net pension liability (A.9 - B.9)

\$3,234,882	\$3,070,285
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D. Plan fiduciary net position as a percentage
 of the total pension liability (B.9 / A.9)

74.76%	75.06%
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E. Covered-employee payroll (B.9 / A.9)

\$5,137,298	\$4,546,100
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F. Net pension liability as a percentage
 of covered employee payroll (C/E)

62.97%	67.54%
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* FNP may be off a dollar due to rounding.

Note:

The schedule above reflects the changes in the net pension liability for the current year. GASB 68 requires 10 fiscal years of data to be provided in this schedule. The employer/city will be required to build this schedule over the 10-year period; as such, the employer should retain the annual GASB packages to utilize in building this schedule.

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

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

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 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 generational basis with scale BB

Other Information:

Notes

There were no benefit changes during

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF PORT ARANSAS, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

	SPECIAL REVENUE												
	Airport	Court	Court		Impact	Impact		Park	Recreational	Street			
	Fund	Security	Tech- nology	Library	Fees Zone 1	Fees Zone 2	Nature Preserve	Dedica- tion	Develop- ment	Main- tenance	Debt Service	Construc- tion	
	Fund	Fund	Fund	Fund	Fund	Fund	Funds	Fees	Fund	Fund	Fund	Fund	Total
ASSETS													
Cash and Cash Equivalents	\$466,376	\$6,487	\$6,515	\$176,039	\$152,389	\$5,140	\$286,427	\$189,491	\$678,665	\$488,882	\$240,106	\$383,446	\$3,079,963
Receivables (Net of Allowance for Uncollectibles)	6,901								71,297		21,426		99,624
Inventories	15,249												15,249
Total Assets	\$488,526	\$6,487	\$6,515	\$176,039	\$152,389	\$5,140	\$286,427	\$189,491	\$749,962	\$488,882	\$261,532	\$383,446	\$3,194,836
LIABILITIES AND FUND BALANCES													
Liabilities													
Accounts Payable	\$522		\$175				\$1,804		\$9,208			\$954	\$12,663
Accrued Wages													0
Total Liabilities	522	0	175	0	0	0	1,804	0	9,208	0	0	954	12,663
DEFERRED INFLOWS OF RESOURCES													
Deferred Property Taxes											21,426		21,426
Fund Balances													
Non-Spendable													
Inventories	15,249												15,249
Restricted													
Construction												382,492	382,492
Culture and Recreation	472,755			176,039					740,754				1,389,548
Debt Service											240,106		240,106
Public Safety		6,487	6,340										12,827
Committed													
Construction					152,389	5,140							157,529
Culture and Recreation							284,623	189,491					474,114
Public Transportation										488,882			488,882
Total Fund Balances	488,004	6,487	6,340	176,039	152,389	5,140	284,623	189,491	740,754	488,882	240,106	382,492	3,160,747
TOTAL LIABILITIES AND FUND BALANCES	\$488,526	\$6,487	\$6,515	\$176,039	\$152,389	\$5,140	\$286,427	\$189,491	\$749,962	\$488,882	\$261,532	\$383,446	\$3,194,836

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, 2016

	SPECIAL REVENUE												
	Airport	Court	Court		Impact	Impact		Park	Recreational	Street			
	Security	Tech-	Library		Fees	Fees	Nature	Dedica-	Develop-	Main-	Debt	Construc-	
	Fund	Fund	Fund	Fund	Zone 1	Zone 2	Preserve	tion	ment	tenance	Service	tion	Total
REVENUES													
Taxes													
Property											\$1,195,663		\$1,195,663
Sales									689,747				689,747
Intergovernmental	5,954			600			82,000						88,554
Charges for Services	192,809				217,932	5,120		62,577					478,438
Fines and Forfeitures		4,465	5,949										10,414
Interest	9,220	57	53	322	884	20	759	783	2,759	2,768	708	1,265	19,598
Miscellaneous				11,811			300		29,803				41,914
Total Revenues	207,983	4,522	6,002	12,733	218,816	5,140	83,059	63,360	722,309	2,768	1,196,371	1,265	2,524,328
EXPENDITURES													
Current:													
General Administration													
Planning					54,950								54,950
Public Safety													
Municipal Court		9,380	12,810										22,190
Public Transportation													
Regional Transit										23,400			23,400
Culture and Recreation													
Airport	160,801												160,801
Library				2,967									2,967
Nature Preserve							160,657						160,657
Park									622,820				622,820
Capital Projects -													
Capital Outlay and Other												709,736	709,736
Debt Service													
Principal Retirement											955,000		955,000
Interest and Fiscal Charges											322,639		322,639
Total Expenditures	160,801	9,380	12,810	2,967	54,950	0	160,657	0	622,820	23,400	1,277,639	709,736	3,035,160
Excess (Deficiency) of Revenues Over (Under)													
Expenditures	47,182	(4,858)	(6,808)	9,766	163,866	5,140	(77,598)	63,360	99,489	(20,632)	(81,268)	(708,471)	(510,832)
OTHER FINANCING SOURCES (USES):													
Operating Transfers In							88,027			200,000	150,000	329,500	767,527
Operating Transfers Out					(150,000)					(329,500)			(479,500)
Total Other Financing Sources (Uses)	0	0	0	0	(150,000)	0	88,027	0	0	(129,500)	150,000	329,500	288,027
Net Changes in Fund Balances	47,182	(4,858)	(6,808)	9,766	13,866	5,140	10,429	63,360	99,489	(150,132)	68,732	(378,971)	(222,805)
Fund Balances - Beginning	440,822	11,345	13,148	166,273	138,523	0	274,194	126,131	641,265	639,014	171,374	761,463	3,383,552
Fund Balances - Ending	\$488,004	\$6,487	\$6,340	\$176,039	\$152,389	\$5,140	\$284,623	\$189,491	\$740,754	\$488,882	\$240,106	\$382,492	\$3,160,747

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

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

CITY OF PORT ARANSAS, TEXAS
AIRPORT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$30,000	\$30,000	\$5,954	(\$24,046)
Charges for Services	143,500	143,500	192,809	49,309
Interest	1,350	1,350	9,220	7,870
Total Revenues	174,850	174,850	207,983	33,133
EXPENDITURES				
Current:				
Culture and Recreation				
Airport	522,993	522,993	160,801	362,192
Total Expenditures	522,993	522,993	160,801	362,192
Excess (Deficiency) of Revenues Over (Under) Expenditures	(348,143)	(348,143)	47,182	395,325
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	27,705	27,705	0	(27,705)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	27,705	27,705	0	(27,705)
Net Changes in Fund Balances	(320,438)	(320,438)	47,182	367,620
Fund Balances - Beginning	440,822	440,822	440,822	
Fund Balances - Ending	\$120,384	\$120,384	\$488,004	\$367,620

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$2,300	\$2,300	\$4,465	\$2,165
Interest	10	10	57	47
Total Revenues	2,310	2,310	4,522	2,212
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	12,400	12,400	9,380	3,020
Total Expenditures	12,400	12,400	9,380	3,020
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,090)	(10,090)	(4,858)	5,232
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	(10,090)	(10,090)	(4,858)	5,232
Fund Balances - Beginning	11,345	11,345	11,345	
Fund Balances - Ending	\$1,255	\$1,255	\$6,487	\$5,232

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$3,000	\$3,000	\$5,949	\$2,949
Interest	20	20	53	33
Total Revenues	3,020	3,020	6,002	2,982
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	15,250	15,250	12,810	2,440
Total Expenditures	15,250	15,250	12,810	2,440
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,230)	(12,230)	(6,808)	5,422
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	(12,230)	(12,230)	(6,808)	5,422
Fund Balances - Beginning	13,148	13,148	13,148	
Fund Balances - Ending	\$918	\$918	\$6,340	\$5,422

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$160,000	\$160,000	\$217,932	\$57,932
Interest	250	250	884	634
Total Revenues	160,250	160,250	218,816	58,566
EXPENDITURES				
Current:				
Capital Projects -				
Capital Outlay and Other	70,000	70,000	54,950	15,050
Total Expenditures	70,000	70,000	54,950	15,050
Excess (Deficiency) of Revenues Over (Under) Expenditures	90,250	90,250	163,866	73,616
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(150,000)	(150,000)	(150,000)	0
Total Other Financing Sources (Uses)	(150,000)	(150,000)	(150,000)	0
Net Changes in Fund Balances	(59,750)	(59,750)	13,866	73,616
Fund Balances - Beginning	138,523	138,523	138,523	
Fund Balances - Ending	\$78,773	\$78,773	\$152,389	\$73,616

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$0	\$79,000	\$82,000	\$3,000
Interest	200	200	759	559
Miscellaneous	0	0	300	300
Total Revenues	200	79,200	83,059	3,859
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	354,750	464,075	160,657	303,418
Total Expenditures	354,750	464,075	160,657	303,418
Excess (Deficiency) of Revenues Over (Under) Expenditures	(354,550)	(384,875)	(77,598)	307,277
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	89,750	120,075	88,027	(32,048)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	89,750	120,075	88,027	(32,048)
Net Changes in Fund Balances	(264,800)	(264,800)	10,429	275,229
Fund Balances - Beginning	274,194	274,194	274,194	
Fund Balances - Ending	\$9,394	\$9,394	\$284,623	\$275,229

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$55,000	\$55,000	\$62,577	\$7,577
Interest	75	75	783	708
Total Revenues	55,075	55,075	63,360	8,285
EXPENDITURES				
Current:				
Culture and Recreation				
Park Dedication	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	55,075	55,075	63,360	8,285
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	55,075	55,075	63,360	8,285
Fund Balances - Beginning	126,131	126,131	126,131	
Fund Balances - Ending	\$181,206	\$181,206	\$189,491	\$8,285

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, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Sales	\$664,300	\$664,300	\$689,747	\$25,447
Interest	300	300	2,759	2,459
Miscellaneous	23,850	23,850	29,803	5,953
Total Revenues	688,450	688,450	722,309	33,859
EXPENDITURES				
Current:				
Culture and Recreation				
Parks	773,700	773,700	622,820	150,880
Total Expenditures	773,700	773,700	622,820	150,880
Excess (Deficiency) of Revenues Over (Under) Expenditures	(85,250)	(85,250)	99,489	184,739
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(85,250)	(85,250)	99,489	184,739
Fund Balances - Beginning	641,265	641,265	641,265	
Fund Balances - Ending	\$556,015	\$556,015	\$740,754	\$184,739

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$200	\$200	\$2,768	\$2,568
Total Revenues	200	200	2,768	2,568
EXPENDITURES				
Current:				
Public Transportation				
Regional Transit	30,000	30,000	23,400	6,600
Total Expenditures	30,000	30,000	23,400	6,600
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,800)	(29,800)	(20,632)	9,168
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	520,000	520,000	200,000	(320,000)
Operating Transfers Out	(200,000)	(200,000)	(329,500)	(129,500)
Total Other Financing Sources (Uses)	320,000	320,000	(129,500)	(449,500)
Net Changes in Fund Balances	290,200	290,200	(150,132)	(440,332)
Fund Balances - Beginning	639,014	639,014	639,014	
Fund Balances - Ending	\$929,214	\$929,214	\$488,882	(\$440,332)

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, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<i>REVENUES</i>				
Taxes				
Property	\$1,128,115	\$1,128,115	\$1,195,663	\$67,548
Interest	50	50	708	658
Total Revenues	1,128,165	1,128,165	1,196,371	68,206
<i>EXPENDITURES</i>				
Debt Service				
Principal Retirement	955,000	955,000	955,000	0
Interest Retirement	323,115	323,115	322,639	476
Total Expenditures	1,278,115	1,278,115	1,277,639	476
Excess (Deficiency) of Revenues Over (Under) Expenditures	(149,950)	(149,950)	(81,268)	68,682
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	150,000	150,000	150,000	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	150,000	150,000	150,000	0
Net Changes in Fund Balances	50	50	68,732	68,682
Fund Balances - Beginning	171,374	171,374	171,374	
Fund Balances - Ending	\$171,424	\$171,424	\$240,106	\$68,682

CITY OF PORT ARANSAS, TEXAS
CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest	\$0	\$0	\$1,265	\$1,265
Miscellaneous	200	200	0	(200)
Total Revenues	200	200	1,265	1,065
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	844,000	1,173,500	709,736	463,764
Total Expenditures	844,000	1,173,500	709,736	463,764
Excess (Deficiency) of Revenues Over (Under) Expenditures	(843,800)	(1,173,300)	(708,471)	464,829
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	329,500	329,500	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	329,500	329,500	0
Net Changes in Fund Balances	(843,800)	(843,800)	(378,971)	464,829
Fund Balances - Beginning	761,463	761,463	761,463	
Fund Balances - Ending	(\$82,337)	(\$82,337)	\$382,492	\$464,829