

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FORT STOCKTON, TEXAS

Fort Stockton, Texas

ANNUAL FINANCIAL REPORT

For The Year Ended September 30, 2015

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INTRODUCTORY SECTION

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CITY OF FORT STOCKTON, TEXAS

ANNUAL FINANCIAL REPORT

For The Year Ended September 30, 2015

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CITY OF FORT STOCKTON, TEXAS

ANNUAL FINANCIAL REPORT

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City of Fort Stockton

City Council (Elected Officials at Large)

Mayor

Chris Alexander

Mayor Pro-Tem

Allan Childs

Council Members

Ruben Falcon

Billy Jackson

Dino Ramirez

Frank Rodriguez III

Officials Appointed by the City Council

Raul B. Rodriguez _____ City Manager

Delma A. Gonzalez _____ City Secretary

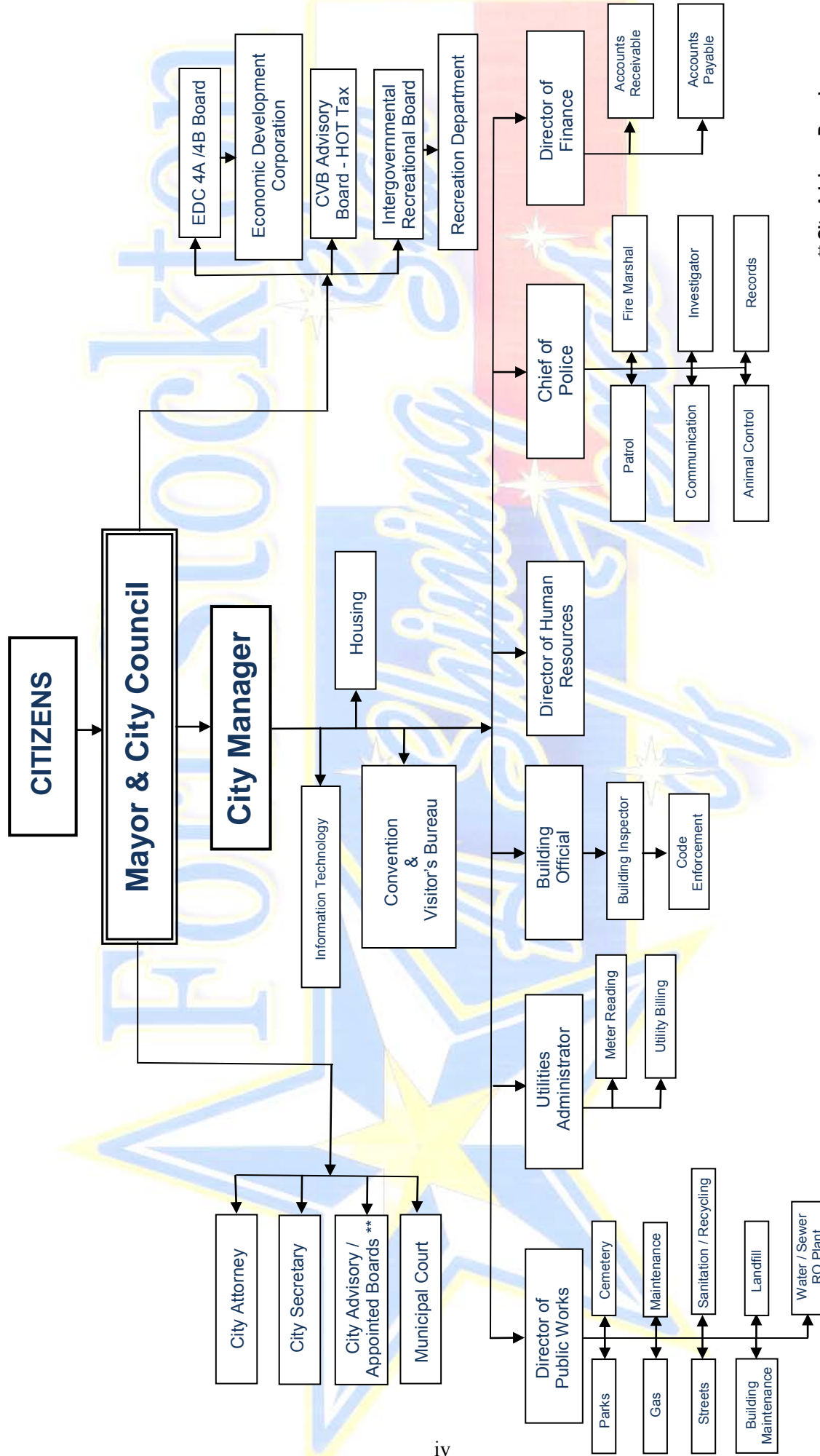
Doug May _____ Director of Economic Development

Paul Casias _____ Director of Recreation

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City of Fort Stockton

Organizational Chart: Functional Areas



** City Advisory Boards:

- Animal Control Board
- Board of Adjustment
- Cemetery Board
- Community Development
- Conventions & Visitors' Bureau
- Historical Landmark Commission
- Housing Authority Board
- KHFSB Board
- Planning & Zoning Commission

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FINANCIAL SECTION

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
Of City Council
City of Fort Stockton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Fort Stockton, Texas, (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in the notes to the financial statements, in fiscal year 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB Statement No. 68, as amended and clarified by GASB No. 71, requires state and local government employers to display the actuarially determined net pension liability in its financial statements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in TMRS net pension liability and related ratios, schedule of TMRS contributions and the schedules of funding progress as noted in the table of contents, 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's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary fund schedules, and the Housing Authority financial data schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

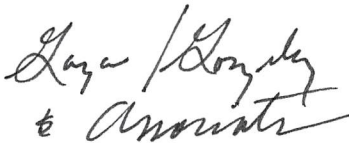
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The combining and individual nonmajor fund financial statements, budgetary schedules, and the Housing Authority financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and 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, budgetary schedules, and the Housing Authority financial data schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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February 10, 2016

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CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

In this section of the Annual Financial Report, we, the managers of the City of Fort Stockton, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2015. Please read it in conjunction with the Independent Auditor's Report on page 1, and the City's Basic Financial Statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's total net position decreased by (\$534,120) as a result of this year's operations and the implementation of a new accounting standard. Net position of the business-type activities decreased by (\$457,070) while the net position of the governmental activities decreased by (\$77,050). The net decreases in total net position consisted of increases in net position of \$2,290,677 and decreases of (\$2,824,797) in prior period adjustments primarily related to the required adoption of Governmental Accounting Standards Board (GASB) Statements to account for pension costs in the Texas Municipal Retirement System pension plan.
- The City's business-type activities operating revenues increased by \$622,181 from last year. Expenses increased slightly by \$7,983 from last year.
- The fund balance of the general fund increased by \$648,941 from the prior year. The fund balance at year end is \$2,889,073 compared to \$2,240,132 in the prior year. The ending fund balance is approximately 41% of budgeted operating expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 and 12-13). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and certain provisions of service to the City's other funds. The proprietary statements report the sales revenues in relation to expenses for goods or services. The remaining statements provide financial information about the discretely presented units included in the financial statements.

CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The notes to the financial statements (starting on page 26) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the City's individual funds.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets, deferred outflows, liabilities, and deferred inflows at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. The financial statements are prepared on the accrual basis of accounting, which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who pay for the costs of programs (such as utility funds) and grants provided by outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are an indicator of whether the City's financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's property tax base or the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

Governmental Activities: Most of the City's basic services are reported here. Property, Sales & Use, and Franchise Taxes, along with State and Federal Grants finance most of these activities.

Business-type Activities: The City charges a fee to customers to help it cover all or most of the cost of services it provides in Gas, Water, Sewer and sanitation services.

Component Unit: The City includes separate, legal entities in its report – the Fort Stockton Economic Development Corporation (4A and 4B) and the Fort Stockton Housing Authority. Although legally separate, these component units are important because of the significant financial and operational relationship to the City.

CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the City as a whole. Laws and contracts require the City to establish certain funds, such as grants received from a government agency. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary – use different basis of accounting.

Governmental Funds: Most of the City's basic services are reported in governmental funds. The modified accrual method of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) is used for governmental funds. The fund financial statements are intended to report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The City's other major fund in addition to the General fund is the Convention and Visitor's Bureau.

Proprietary Funds: The City reports the activities for which it charges users (whether outside customers or units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund (one category of proprietary funds) financial statements are reflected as the business-type activities reported in the government-wide statements. The enterprise fund financial statements include a statement of cash flows as required by Governmental Accounting Standards Board Statement No. 9.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities were \$627,469. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – has a balance of \$1,676,864 at September 30, 2015 compared to the \$2,459,567 in 2014.

Net position of the City's business-type activities were \$15,450,756 compared to \$15,907,826, a decrease of (\$457,070), including the effect of prior period adjustments.

CITY OF FORT STOCKTON

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The cost of all governmental activities this year was \$8,556,526. However, as shown in the Statement of Activities on pages 12 through 13, some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The remainder of the costs \$8,011,408 were paid for primarily with taxes and transfers from the business-type activities and with existing net position.

The decrease in the governmental activities operating deficit is due primarily to increases in sales taxes and an increase in the transfer from business type activities along with an overall decrease in expenses.

Table I
City of Fort Stockton, Texas

NET POSITION

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Current and other assets	\$ 4,419,952	\$ 3,896,694	\$ 3,645,427	\$ 3,106,244
Capital assets	<u>7,408,575</u>	<u>7,182,172</u>	<u>19,455,247</u>	<u>19,711,980</u>
Total assets	<u>11,828,527</u>	<u>11,078,866</u>	<u>23,100,674</u>	<u>22,818,224</u>
Deferred Outflow Related to Pension Plan	<u>321,672</u>	<u>-</u>	<u>173,602</u>	<u>-</u>
Total deferred outflow	<u>321,672</u>	<u>-</u>	<u>173,602</u>	<u>-</u>
Long-term liabilities	11,302,578	9,316,659	7,207,304	5,452,377
Other liabilities	<u>190,100</u>	<u>1,057,688</u>	<u>599,998</u>	<u>1,458,021</u>
Total liabilities	<u>11,492,678</u>	<u>10,374,347</u>	<u>7,807,302</u>	<u>6,910,398</u>
Deferred Inflow Related to Pension Plan	<u>30,052</u>	<u>-</u>	<u>16,218</u>	<u>-</u>
Total deferred inflow	<u>30,052</u>	<u>-</u>	<u>16,218</u>	<u>-</u>
Net Position:				
Net investment in capital assets	(1,127,700)	(1,998,528)	15,659,539	15,859,676
Restricted	78,305	243,480	-	-
Unrestricted	<u>1,676,864</u>	<u>2,459,567</u>	<u>(208,783)</u>	<u>48,150</u>
Total Net Position	<u>\$ 627,469</u>	<u>\$ 704,519</u>	<u>\$ 15,450,756</u>	<u>\$ 15,907,826</u>

CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Table II
City of Fort Stockton, Texas

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Revenues:				
Program Revenues:				
Charges for Services	\$ 252,434	\$ 326,960	\$ 9,653,219	\$ 8,999,892
Operating Grants and Contributions	2,961	405	-	-
Capital Grants and Contributions	289,723	58,143	-	1,344,654
General Revenues:				
Maintenance and Operations Taxes	734,491	611,392	-	-
Debt Service Taxes	630,499	471,146	-	-
General Sales Taxes	2,548,940	2,352,258	-	-
Gross Receipts Business Tax	1,419,025	1,209,281	-	-
Franchise Taxes	250,839	250,820	-	-
Penalty & Interest	38,316	45,225	-	-
Grants & Contributions not restricted	194,746	167,137	-	-
Rents and Royalties	822,687	270,949	68,543	99,689
Other Income	295,896	-	-	-
Investment Earnings	21,873	17,063	-	-
Total Revenue	<u>\$ 7,502,430</u>	<u>\$ 5,780,779</u>	<u>\$ 9,721,762</u>	<u>\$ 10,444,235</u>
Expenses:				
General Government	\$ 2,245,885	\$ 2,192,667	\$ -	\$ -
Public Safety	2,581,204	2,738,783	-	-
Public Works	1,631,931	1,113,342	-	-
Culture & Recreation	803,499	694,294	-	-
Conservation & Development	916,497	970,418	-	-
Other Debt Interest	283,878	354,946	-	-
Fiscal Agent Fees	93,632	16,678	-	-
Capital Outlay	-	-	6,376,989	6,369,006
Total Expenses	<u>\$ 8,556,526</u>	<u>\$ 8,081,128</u>	<u>\$ 6,376,989</u>	<u>\$ 6,369,006</u>
Increase in Net Position before transfers	\$ (1,054,096)	\$ (2,300,349)	\$ 3,344,773	\$ 4,075,229
Transfers	<u>\$ 2,525,675</u>	<u>\$ 2,265,150</u>	<u>\$ (2,525,675)</u>	<u>\$ (2,239,150)</u>
Change in Net Position	\$ 1,471,579	\$ (35,199)	\$ 819,098	\$ 1,836,079
Net Position - October 1	704,519	750,363	15,907,826	14,230,012
Prior Period Adjustments	<u>(1,548,629)</u>	<u>(10,645)</u>	<u>(1,276,168)</u>	<u>(158,265)</u>
Net Position - September 30	<u>\$ 627,469</u>	<u>\$ 704,519</u>	<u>\$ 15,450,756</u>	<u>\$ 15,907,826</u>

CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$4,145,930, which is an increase from last year's total of \$3,421,434.

Governmental funds total revenues increased this year, \$7,010,439, compared to last year of \$5,959,715. The primary reason was increased sales tax receipts.

The enterprise funds operating revenues increased by \$622,181 from the prior year amount of \$9,099,581. Operating expenses increased from \$6,149,826 to \$6,172,440 primarily due to increases in operating costs of personnel services and supplies.

Operating transfers in consist of transfers from the Debt Service Fund for the payment of long term debt and transfers from other funds to cover operating costs.

The City Council made revisions to the City's budget. The budget amendment increased capital project's fund by \$168,174 for the RO membrane and landfill construction in progress.

General Fund Budgetary Highlights

Each year the City of Fort Stockton spends a significant amount of time developing the annual budget. Staff analyzes both prior year actual results and the needs for the upcoming year in order to determine the final budget. Throughout the year, the budget is also amended to reflect changes in expectations for revenues and expenses based on actual results during the year. The original and the final budget figures reflect the differences between the two budgets.

Actual revenues and expenses compared to the budget reflect more favorable results than anticipated. Actual revenues were (\$4,635,475) less than budgeted. The primary negative variance was in the rents and royalties line item. Anticipated rents and royalties did not materialize in the current year. Actual expenditures were \$6,350,476 less than budgeted. Transfers from the general fund to other funds were exactly as budgeted. The budget projected a decrease in fund balance of (\$1,203,200) while the final actual result was an increase of \$648,941.

Unassigned fund balance in the general fund at year end was 41.42 percent of total general fund budgeted operating expenditures. This amount was above the policy guidelines set by the Council for budgetary and planning purposes, set at approximately 7%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Seventy-seven percent (77%) of the City's assets consist of land, buildings, infrastructure, and furniture and equipment. Capital assets include the City's utility systems, land, buildings, equipment and infrastructure.

CITY OF FORT STOCKTON

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 596,068	\$ 475,948	\$ 1,633,985	\$ 1,579,985	\$ 2,230,053	\$ 2,055,933
Construction in Progress	394,247	346,771	-	995,106	394,247	1,341,877
Buildings	3,584,735	3,755,812	839,783	7,797	4,424,518	3,763,609
Machinery and Equipment	969,346	1,162,125	16,981,479	17,129,092	17,950,825	18,291,217
Infrastructure	1,864,179	1,441,516	-	-	1,864,179	1,441,516
	<u>\$ 7,408,575</u>	<u>\$ 7,182,172</u>	<u>\$ 19,455,247</u>	<u>\$ 19,711,980</u>	<u>\$ 26,863,822</u>	<u>\$ 26,894,152</u>
Total						

As noted in footnote G to the financial statements, this year's additions included improvements to the water/sewer system, municipal landfill, streets improvements, capital projects and purchases of vehicles and equipment. Total additions were \$952,172 in the governmental activities, \$830,219 in the business-type funds and \$606,740 in the component unit funds.

Debt

The following table depicts the ending balances for the various types of debt held by the City as of year-end. The City met all of its debt payment obligations. Details of the changes are further noted in footnote H to the financial statements.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Certificates of Obligation	\$ 8,483	\$ 8,908	\$ 3,075	\$ 3,560	\$ 11,558	\$ 12,468
Capital Leases	53	105	721	292	774	397
Compensated Absences	296	294	198	193	494	487
Net OPEB Obligation	606	477	-	-	606	477
Risk Loss Claim Liability	139	205	-	-	139	205
Landfill Closure/Post Closure Costs	-	-	2,283	2,205	2,283	2,205
Net Pension Liability	1,725	-	931	-	2,656	-
	<u>\$ 11,302</u>	<u>\$ 9,989</u>	<u>\$ 7,208</u>	<u>\$ 6,250</u>	<u>\$ 18,510</u>	<u>\$ 16,239</u>
Total						

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's General Fund budget projects a balanced budget of revenues vs. expenditures of \$8,215,136. The tax rate was set at \$0.4732 per \$100 valuation, which remains the same as the preceding tax year. According to the City, the average home inside the City limits is valued at \$61,970 and the average homeowner can expect to pay \$293 in property tax.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's finance office at the City of Fort Stockton, 121 W. 2nd, Fort Stockton, Texas, 79735.

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BASIC FINANCIAL STATEMENTS

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Government Wide Statements

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CITY OF FORT STOCKTON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government			Component Unit
	Governmental	Business	Total	Nonmajor
	Activities	Type		Component
		Activities		Units
ASSETS				
Cash and Cash Equivalents	\$ 3,959,057	\$ 2,249,243	\$ 6,208,300	\$ 1,715,722
Receivables (net of allowance for uncollectibles)	299,943	1,238,146	1,538,089	213,552
Internal Balances	107,230	(107,230)	-	-
Inventories	5,017	90,336	95,353	-
Prepaid Items	32,705	174,932	207,637	-
Capital Assets:				
Land	596,068	1,633,985	2,230,053	628,439
Infrastructure, net	1,864,179	-	1,864,179	-
Buildings, net	3,584,735	839,783	4,424,518	394,340
Machinery and Equipment, net	969,346	16,981,479	17,950,825	130,399
Construction in Progress	394,247	-	394,247	-
Other Assets	16,000	-	16,000	-
Total Assets	11,828,527	23,100,674	34,929,201	3,082,452
DEFERRED OUTFLOW OF RESOURCES				
Deferred Outflow Related to TMRS Pension	\$ 321,672	\$ 173,602	\$ 495,274	15,317
Total Deferred Outflows of Resources	321,672	173,602	495,274	15,317
LIABILITIES				
Accounts Payable	187,397	554,069	741,466	20,863
Intergovernmental Payable	1,956	45,929	47,885	-
Accrued Interest Payable	-	-	-	19,826
Unearned Revenues	747	-	747	-
Noncurrent Liabilities				
Due Within One Year	703,775	939,460	1,643,235	-
Due in More Than One Year	8,874,063	5,337,031	14,211,094	-
Net Pension Liability	1,724,740	930,813	2,655,553	82,129
Total Liabilities	11,492,678	7,807,302	19,299,980	122,818
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow Related to TMRS Pension	30,052	16,218	46,270	1,431
Total Deferred Inflows of Resources	30,052	16,218	46,270	1,431
NET POSITION				
Net Investment in Capital Assets	(1,127,700)	15,659,539	14,531,839	1,153,178
Restricted for:				
Restricted for Federal & State Grants	1,362	-	1,362	-
Restricted for Debt Service	76,943	-	76,943	-
Restricted for Housing	-	-	-	9,291
Restricted for Economic Development	-	-	-	1,826,687
Unrestricted Net Position	1,676,864	(208,783)	1,468,081	(15,636)
Total Net Position	\$ 627,469	\$ 15,450,756	\$ 16,078,225	\$ 2,973,520

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

CITY OF FORT STOCKTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 2,245,885	\$ 34,051	\$ -	\$ 289,723
Public Safety	2,581,204	86,881	-	-
Public Works	1,631,931	-	-	-
Culture and Recreation	803,499	90,252	2,961	-
Conservation and Development	916,497	41,250	-	-
Other Debt Interest	283,878	-	-	-
Fiscal Agent's Fees	93,632	-	-	-
Total Governmental Activities:	8,556,526	252,434	2,961	289,723
BUSINESS-TYPE ACTIVITIES:				
Enterprise Fund	6,376,989	9,653,219	-	-
Total Business-Type Activities:	6,376,989	9,653,219	-	-
TOTAL PRIMARY GOVERNMENT:	\$ 14,933,515	\$ 9,905,653	\$ 2,961	\$ 289,723
Component Unit:				
Nonmajor Component Unit	\$ 910,542	\$ -	\$ -	\$ 371,593
TOTAL COMPONENT UNITS:	\$ 910,542	\$ -	\$ -	\$ 371,593

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Mixed Beverage Tax

Hotel/Motel Tax

Franchise Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Rents and Royalties

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position--Ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	Nonmajor Component Units
\$ (1,922,111)	\$ -	\$ (1,922,111)	\$ -
(2,494,323)	-	(2,494,323)	-
(1,631,931)	-	(1,631,931)	-
(710,286)	-	(710,286)	-
(875,247)	-	(875,247)	-
(283,878)	-	(283,878)	-
(93,632)	-	(93,632)	-
(8,011,408)	-	(8,011,408)	-
-	3,276,230	3,276,230	-
-	3,276,230	3,276,230	-
(8,011,408)	3,276,230	(4,735,178)	-
-	-	-	(538,949)
-	-	-	(538,949)
734,491	-	734,491	-
630,499	-	630,499	-
2,548,940	-	2,548,940	849,646
24,240	-	24,240	-
1,394,785	-	1,394,785	-
250,839	-	250,839	-
38,316	-	38,316	-
194,746	-	194,746	676,732
295,896	68,543	364,439	154,040
822,687	-	822,687	-
21,873	-	21,873	4,838
2,525,675	(2,525,675)	-	-
9,482,987	(2,457,132)	7,025,855	1,685,256
1,471,579	819,098	2,290,677	1,146,307
704,519	15,907,826	16,612,345	1,522,597
(1,548,629)	(1,276,168)	(2,824,797)	304,616
\$ 627,469	\$ 15,450,756	\$ 16,078,225	\$ 2,973,520

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Governmental Fund Financial Statements

CITY OF FORT STOCKTON
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Convention Visitors Bureau	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,705,590	\$ 1,120,635	\$ 132,832	\$ 3,959,057
Taxes Receivable	88,372	-	71,604	159,976
Allowance for Uncollectible Taxes (credit)	(66,279)	-	(53,703)	(119,982)
Receivables (Net)	64,651	-	185	64,836
Intergovernmental Receivables	195,113	-	-	195,113
Due from Other Funds	107,230	-	-	107,230
Inventories	5,017	-	-	5,017
Prepaid Items	32,705	-	-	32,705
Other Assets	-	-	16,000	16,000
Total Assets	<u>\$ 3,132,399</u>	<u>\$ 1,120,635</u>	<u>\$ 166,918</u>	<u>\$ 4,419,952</u>
LIABILITIES				
Accounts Payable	\$ 138,150	\$ 8,923	\$ 598	\$ 147,671
Wages and Salaries Payable	37,199	735	1,792	39,726
Intergovernmental Payable	1,956	-	-	1,956
Unearned Revenues	-	-	747	747
Total Liabilities	<u>177,305</u>	<u>9,658</u>	<u>3,137</u>	<u>190,100</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	22,093	-	17,901	39,994
Unavailable Revenue - Court Fines	43,928	-	-	43,928
Total Deferred Inflows of Resources	<u>66,021</u>	<u>-</u>	<u>17,901</u>	<u>83,922</u>
FUND BALANCES				
Nonspendable Fund Balance:				
Inventories	5,017	-	-	5,017
Prepaid Items	32,705	-	16,000	48,705
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	-	1,362	1,362
Retirement of Long-Term Debt	-	-	76,943	76,943
Assigned Fund Balance:				
Other Assigned Fund Balance	-	1,110,977	51,575	1,162,552
Unassigned Fund Balance	2,851,351	-	-	2,851,351
Total Fund Balances	<u>2,889,073</u>	<u>1,110,977</u>	<u>145,880</u>	<u>4,145,930</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,132,399</u>	<u>\$ 1,120,635</u>	<u>\$ 166,918</u>	<u>\$ 4,419,952</u>

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

CITY OF FORT STOCKTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Total Fund Balances - Governmental Funds	\$ 4,145,930
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$84,642,280 and the accumulated depreciation was (\$77,517,375). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, bonds payable, pension and claim liabilities and ompensated absences were (\$9,989,006). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to (decrease) net position.	(2,864,101)
Transactions related to current year capital outlays and long-term debt principal payments, changes in unused sick leave, changes in vacation payable, and changes in pension and claim liabilities are necessary to convert from the modified accrual basis of accounting as follows:	1,390,732
<ul style="list-style-type: none"> ● Acquisition of capital assets of \$619,721 ● Issuance of 2014 refunding bonds of (\$2,990,000) ● Refunding of 2008 series CO's of \$2,910,000 ● Change in vacation payable of (\$1,703) ● Change in net OPEB obligation of (\$129,627) ● Change in claims liability of \$66,247 ● Principal payments on bonds payable of \$556,251 ● Capital Contribution from component unit of \$359,843 	
The net effect is to increase net position	
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of (\$1,724,740), a Deferred Resource Inflow related to TMRS in the amount of (\$30,052) and a Deferred Resource Outflow related to TMRS in the amount of \$321,672. The net effect is to (decrease) net position.	(1,433,120)
The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.	(695,894)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position.	83,922
Net Position of Governmental Activities	\$ 627,469

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

CITY OF FORT STOCKTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Convention Visitors Bureau	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 724,503	\$ -	\$ 622,078	\$ 1,346,581
General Sales and Use Taxes	2,548,940	-	-	2,548,940
Mixed Beverage Tax	24,240	-	-	24,240
Gross Receipts Business Tax	-	1,394,785	-	1,394,785
Franchise Tax	250,839	-	-	250,839
Penalty and Interest on Taxes	21,684	-	16,632	38,316
Licenses and Permits	61,495	-	-	61,495
Intergovernmental Revenue and Grants	-	-	197,707	197,707
Charges for Services	100,687	-	90,252	190,939
Investment Earnings	17,153	3,380	1,340	21,873
Rents and Royalties	822,687	-	-	822,687
Other Revenue	82,577	29,460	-	112,037
Total Revenues	4,654,805	1,427,625	928,009	7,010,439
EXPENDITURES:				
Current:				
General Government	2,327,796	-	-	2,327,796
Public Safety	2,328,587	-	-	2,328,587
Public Works	1,470,563	-	-	1,470,563
Culture and Recreation	390,366	-	361,339	751,705
Conservation and Development	-	897,082	-	897,082
Debt Service:				
Bond Principal	-	-	505,000	505,000
Other Debt Principal	51,251	-	-	51,251
Other Debt Interest	4,441	-	279,437	283,878
Fiscal Agent's Fees	-	-	71,678	71,678
Capital Outlay:				
Capital Outlay	189,555	-	130,709	320,264
Total Expenditures	6,762,559	897,082	1,348,163	9,007,804
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,107,754)	530,543	(420,154)	(1,997,365)
OTHER FINANCING SOURCES (USES):				
Issuance of Refunding Bonds	-	-	2,990,000	2,990,000
Sale of Real and Personal Property	138,140	-	-	138,140
Transfers In	2,728,555	-	908,258	3,636,813
Transfers Out (Use)	(110,000)	(285,433)	(715,705)	(1,111,138)
Payment to Refunded Bonds Escrow Agent	-	-	(2,931,954)	(2,931,954)
Total Other Financing Sources (Uses)	2,756,695	(285,433)	250,599	2,721,861
Net Change in Fund Balances	648,941	245,110	(169,555)	724,496
Fund Balance - October 1 (Beginning)	2,240,132	865,867	315,435	3,421,434
Fund Balance - September 30 (Ending)	\$ 2,889,073	\$ 1,110,977	\$ 145,880	\$ 4,145,930

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

CITY OF FORT STOCKTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ 724,496
Transactions related to current year capital outlays and long-term debt principal payments, changes in unused sick leave, changes in vacation payable, and changes in pension and claim liabilities are necessary to convert from the modified accrual basis of accounting as follows:	1,390,732
<ul style="list-style-type: none"> ● Acquisition of capital assets of \$619,721 ● Issuance of 2014 refunding bonds of (\$2,990,000) ● Refunding of 2008 series CO's of \$2,910,000 ● Change in vacation payable of (\$1,703) ● Change in net OPEB obligation of (\$129,627) ● Change in claims liability of \$66,247 ● Principal payments on bonds payable of \$556,251 ● Capital Contribution from component unit of \$359,843 	
The net effect is to increase net position	
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) the change in net position.	(695,894)
The implementation of GASB 68 required that contributions in the amount of \$249,128 made after the measurement date of 12/31/2014 be de-expended and recorded as deferred resource outflows. The City amortized its share of unrecognized deferred inflows and outflows of resources for TMRS as of the measurement date in the amount of (\$190,891). The net effect is to increase the change to net position	58,237
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and eliminating interfund transactions. The net effect is to (decrease) the change in net position.	(5,992)
Change in Net Position of Governmental Activities	\$ 1,471,579

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

CITY OF FORT STOCKTON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 740,500	\$ 740,500	\$ 724,503	\$ (15,997)
General Sales and Use Taxes	2,520,000	2,520,000	2,548,940	28,940
Mixed Beverage Tax	25,000	25,000	24,240	(760)
Franchise Tax	250,000	250,000	250,839	839
Penalty and Interest on Taxes	20,000	20,000	21,684	1,684
Licenses and Permits	73,650	73,650	61,495	(12,155)
Intergovernmental Revenue and Grants	1,000	1,000	-	(1,000)
Charges for Services	82,660	95,400	100,687	5,287
Investment Earnings	6,500	6,500	17,153	10,653
Rents and Royalties	5,000,800	5,515,800	822,687	(4,693,113)
Other Revenue	570,170	42,430	82,577	40,147
Total Revenues	9,290,280	9,290,280	4,654,805	(4,635,475)
EXPENDITURES:				
Current:				
General Government	2,164,215	2,151,335	2,327,796	(176,461)
Public Safety	2,673,630	2,617,930	2,328,587	289,343
Public Works	1,866,540	1,670,975	1,470,563	200,412
Culture and Recreation	388,450	388,450	390,366	(1,916)
Debt Service:				
Other Debt Principal	-	55,700	51,251	4,449
Other Debt Interest	-	-	4,441	(4,441)
Capital Outlay:				
Capital Outlay	6,020,200	6,228,645	189,555	6,039,090
Total Expenditures	13,113,035	13,113,035	6,762,559	6,350,476
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,822,755)	(3,822,755)	(2,107,754)	1,715,001
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	1,000	1,000	138,140	137,140
Transfers In	2,728,555	2,728,555	2,728,555	-
Transfers Out (Use)	(110,000)	(110,000)	(110,000)	-
Total Other Financing Sources (Uses)	2,619,555	2,619,555	2,756,695	137,140
Net Change in Fund Balances	(1,203,200)	(1,203,200)	648,941	1,852,141
Fund Balance - October 1 (Beginning)	2,240,132	2,240,132	2,240,132	-
Fund Balance - September 30 (Ending)	\$ 1,036,932	\$ 1,036,932	\$ 2,889,073	\$ 1,852,141

Proprietary Fund Financial Statements

CITY OF FORT STOCKTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business Type Activities
	Enterprise Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,249,243
Accounts Receivable-Net of Uncollectible Allowance	1,238,146
Inventories	90,336
Prepaid Items	174,932
Total Current Assets	<u>3,752,657</u>
Noncurrent Assets:	
Capital Assets:	
Land Purchase and Improvements	1,633,985
Buildings	844,909
Accumulated Depreciation - Buildings	(5,126)
Machinery and Equipment	31,666,911
Accumulated Depreciation - Machinery & Equipment	(14,685,432)
Total Noncurrent Assets	<u>19,455,247</u>
Total Assets	<u>23,207,904</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to TMRS	173,602
Total Deferred Outflows of Resources	<u>173,602</u>

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

CITY OF FORT STOCKTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business Type Activities
	Enterprise Fund
LIABILITIES	
Current Liabilities:	
Accounts Payable	286,048
Wages and Salaries Payable	22,714
Compensated Absences Payable	197,884
Intergovernmental Payable	45,929
Due to Other Funds	107,230
Due to Others	245,307
Bonds Payable - Current	510,000
Capital Leases Payable - Current	231,576
Total Current Liabilities	<u>1,646,688</u>
NonCurrent Liabilities:	
Bonds Payable - Noncurrent	2,565,000
Capital Leases Payable - Noncurrent	489,132
Net Pension Liability	930,813
Other Noncurrent Liabilities	2,282,899
Total Noncurrent Liabilities	<u>6,267,844</u>
Total Liabilities	<u>7,914,532</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to TMRS	16,218
Total Deferred Inflows of Resources	<u>16,218</u>
NET POSITION	
Net Investment in Capital Assets	15,659,539
Unrestricted Net Position	(208,783)
Total Net Position	<u><u>\$ 15,450,756</u></u>

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

CITY OF FORT STOCKTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business Type Activities
	Enterprise Fund
OPERATING REVENUES:	
Charges for Water Services	\$ 4,108,574
Charges for Gas Services	1,793,190
Charges for Sewerage Service	1,575,380
Charges for Sanitation Service	1,931,417
Prop.Fund Charges for Landfill Services	244,658
Rents and Royalties	36,590
Other Revenue	31,953
Total Operating Revenues	<u>9,721,762</u>
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	1,603,626
Personnel Services - Employee Benefits	613,621
Purchased Professional & Technical Services	76,233
Purchased Property Services	571,071
Other Operating Expenses	318,435
Supplies	2,010,814
Depreciation	978,640
Total Operating Expenses	<u>6,172,440</u>
Operating Income	<u>3,549,322</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Expense - Non-Operating	<u>(204,549)</u>
Total Non-operating Revenue (Expenses)	<u>(204,549)</u>
Income Before Transfers	3,344,773
Non-Operating Transfer In	715,705
Transfers Out	<u>(3,241,380)</u>
Change in Net Position	819,098
Total Net Position -October 1 (Beginning)	15,907,826
Prior Period Adjustment	<u>(1,276,168)</u>
Total Net Position September 30 (Ending)	<u><u>\$ 15,450,756</u></u>

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

CITY OF FORT STOCKTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business Type Activities
	Enterprise Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 9,866,011
Cash Payments to Employees for Services	(2,296,127)
Cash Payments for Suppliers	(2,704,685)
Net Cash Provided by Operating Activities	<u>4,865,199</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In	715,705
Operating Transfer Out	(3,241,380)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(2,525,675)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	(1,194,794)
Principal Paid on Capital Debt	(485,000)
Proceeds from Capital Lease	548,460
Principal Paid on Capital Leases	(120,056)
Interest Paid on Capital Debt	(204,389)
Proceeds from Sale of Assets	1,417
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(1,454,362)</u>
Net Increase in Cash and Cash Equivalents	885,162
Cash and Cash Equivalents at Beginning of the Year:	<u>1,364,081</u>
Cash and Cash Equivalents at the End of the Year:	<u><u>\$ 2,249,243</u></u>

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

CITY OF FORT STOCKTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business Type Activities
	Enterprise Fund
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided By Operating Activities:</u>	
Operating Income:	\$ 3,549,322
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	978,640
Pension Expense	(31,430)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	238,681
Decrease (increase) in Prepaid Expenses	68
Increase (decrease) in Accounts Payable	118,230
Increase (decrease) in Wages & Salaries Payable	(84,098)
Increase (decrease) in Compensated Absences	5,218
Increase (decrease) in Utility Customer Deposits	(105,780)
Increase (decrease) in Due to other funds	107,230
Increase (decrease) in Intergovernmental Payable	11,348
Increase (decrease) in Landfill Closure Cost	77,770
Net Cash Provided by Operating Activities	<u>\$ 4,865,199</u>
<u>Noncash Investing, Capital and Financing Activities:</u>	
Borrowing Under Capital Lease	\$ 548,460

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

Discretely Presented Component Units

CITY OF FORT STOCKTON, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNITS
 SEPTEMBER 30, 2015

	Housing Authority	Economic Development 4A	Economic Development 4B	Total Discretely Presented Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 10,887	\$ 1,192,962	\$ 511,873	\$ 1,715,722
Receivables (net of allowance for uncollectibles)	7,707	140,807	-	148,514
Sales Taxes Receivable	-	32,519	32,519	65,038
Total Current Assets	18,594	1,366,288	544,392	1,929,274
Noncurrent Assets:				
Capital Assets:				
Land	-	628,439	-	628,439
Buildings & Improvements	-	305,050	99,500	404,550
Vehicles & Equipment	17,800	172,278	26,000	216,078
Accumulated Depreciation	(17,800)	(63,033)	(15,056)	(95,889)
Total Noncurrent Assets	-	1,042,734	110,444	1,153,178
Total Assets	18,594	2,409,022	654,836	3,082,452
Deferred Outflow of Resources:				
Deferred Outflow Related to TMRS	5,105	10,212	-	15,317
Total Deferred Outflow of Resources	5,105	10,212	-	15,317
LIABILITIES				
Current Liabilities:				
Accounts Payable and other current liabilities	1,237	890	-	2,127
Accrued interest payable	-	19,826	-	19,826
Compensated Absences Payable	954	17,781	-	18,735
Total Current Liabilities	2,191	38,497	-	40,688
Noncurrent Liabilities:				
Net Pension Liability	27,376	54,753	-	82,129
Total Noncurrent Liabilities	27,376	54,753	-	82,129
Total Liabilities	29,567	93,250	-	122,817
Deferred Inflow of Resources:				
Deferred Inflow Related to TMRS	477	954	-	1,431
Total Deferred Inflow of Resources	477	954	-	1,431
NET POSITION				
Net Investment in Capital Assets	-	1,042,734	110,444	1,153,178
Restricted for:				
Restricted for Housing Program	9,291	-	-	9,291
Restricted for Economic Development	-	1,282,295	544,392	1,826,687
Unrestricted Net Position	(15,636)	-	-	(15,636)
Total Net Position	\$ (6,345)	\$ 2,325,029	\$ 654,836	\$ 2,973,520

CITY OF FORT STOCKTON, TEXAS
 COMBINING STATEMENT OF ACTIVITIES
 DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Housing Authority	Economic Development 4A	Economic Development 4B	Total Discretely Presented Component Units
REVENUES				
General Sales and Use Taxes	\$ -	\$ 424,823	\$ 424,823	\$ 849,646
Intergovernmental Revenue and Grants	476,315	200,417	-	676,732
Investment Earnings	68	3,466	1,304	4,838
Other Revenue	-	58,540		58,540
Total Revenues	476,383	687,246	426,127	1,589,756
EXPENSES				
Welfare	468,705	-	-	468,705
Economic Development and Assistance	-	249,990	191,847	441,837
Total Expenses	468,705	249,990	191,847	910,542
Excess (Deficiency) of Revenues Over (Under) Expenses	7,678	437,256	234,280	679,214
OTHER FINANCING SOURCES (USES)				
Capital Contributions	-	371,593	-	371,593
Proceeds from Sale of Land	-	95,500	-	95,500
Total Other Financing Sources (Uses)	-	467,093	-	467,093
Net Change in Net Position	7,678	904,349	234,280	1,146,307
Net Position - October 1 (Beginning)	9,649	1,468,025	44,923	1,522,597
Prior Period Adjustment	(23,672)	(47,345)	375,633	304,616
Net Position - September 30 (Ending)	\$ (6,345)	\$ 2,325,029	\$ 654,836	\$ 2,973,520

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fort Stockton, Texas (the "City") is a municipal corporation under the applicable laws and regulations of the State of Texas. It has a Council – Manager form of government with the Council Members and Mayor being elected by registered voters of the City. The City Manager is appointed by the City Council. The Mayor presides over the council meetings but holds no voting power. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The public elects the Mayor and Council. The Council has the authority to make decisions, appoint administrators and managers, and significantly influence operations. They also have the primary accountability for fiscal matters. As required by generally accepted accounting principles, the City's basic financial statements also present its Component Units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Discretely Presented Component Units: The component units' columns in the government-wide statements of net position and of activities include the financial data of the City's three component units. They are reported in a separate column to emphasize that they are legally separate from the City.

Fort Stockton Economic Development Corporations (4A and 4B) promotes, assists, and enhances economic development by encouraging employment and enhancing the public welfare through promotion of tourism; development of commercial, industrial, and manufacturing enterprises. The Corporation's operating budget is subject to the approval of the City Council. The Council is also required to approve all contracts executed and entered into by the Corporation.

Fort Stockton Housing Authority provides low cost housing assistance to the residents of the City. The Authority's operating budget is subject to the approval of the City Council. The Council is also required to approve all contracts executed and entered into by the Housing Authority.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Fort Stockton, Texas and its component unit non-fiduciary activities. The government-wide financial statements have most of the inter-fund activities removed. *Governmental Activities* include programs supported primarily by taxes, grants, and other inter-governmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs of the activity. Program revenue include (a) payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City and (b) grants and contributions that are restricted to meet the operational and capital requirements of a given function. The City's general revenue is used to support all of the City's functions. Taxes are always general revenue.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Inter-fund activities between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and the Proprietary Fund Statement of Net Position and as other resources and other uses (transfers) on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Fund Statement of Net Position. All inter-fund transactions between governmental funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as inter-fund transfers.

The fund financial statements provide reports on the financial condition and results of operations for the governmental and proprietary fund categories. The City considers some governmental and proprietary funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; these revenues are usually from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses are considered specific to the production of the goods and services, such as materials, labor, and direct overhead. Other expenses are non-operating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing resources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year-end.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Revenues from local sources consist primarily of property taxes and sales taxes. Property tax, sales tax, and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If the balance has not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all Governmental Accounting Standards Board (GASB) pronouncements. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the fund Statement of Net Position. The fund equity is segregated into (1) net investment in capital assets and (2) unrestricted net position.

D. Fund Accounting

The City reports the following major governmental funds:

General Fund – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Convention Visitors Bureau – The Convention Visitors Bureau is a special revenue fund used to account for hotel/motel occupancy tax revenue and related expenditures to promote tourism.

The City reports the following major proprietary funds:

Enterprise Fund – The City consolidates its utility activity into one Enterprise fund. The Enterprise fund revenues and expenses are related to providing, gas, water, and sewer and sanitation services to the residents and businesses of the City. Revenues and expenses arising from capital and non-capital financing activities and from investing activities are presented as *non-operating* revenues or expenses.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Additionally, the City reports the following fund types:

Debt Service Fund – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Projects Funds – The City accounts for proceeds from long-term debt financing to be used for authorized expenditures related to major capital acquisitions of construction activities.

The Special Revenue Funds account for resources restricted or designated for specific purposes by the City or a grantor.

E. Restricted/Unrestricted Resources

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

F. Fund Balance

Minimum Fund Balance Policy

The council has adopted a financial policy to maintain a minimum level of unassigned fund balance budgeted operating in the general fund. The target level is set at seven percent (7%) of general fund annual budgeted operating expenditures. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a “revenue” source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level.

A detailed description of the classification of fund balance, and the spending order as applied by the City is as follows:

Nonspendable

Amounts not available for appropriation or legally earmarked for a specific use. Examples include inventories and prepaid items.

Restricted

Amounts that have been legally separated for a specific purpose; such as, grants, capital acquisition from bond proceeds and liquidation of long-term debt.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

Committed

Amounts that require Council action to be used for a specific purpose; such as, construction improvements not funded by bond proceeds. Formal action to commit funds must occur prior to fiscal year end. If the amount of the commitment is not known at the time of the commitment the City Manager or his designee shall identify such amount prior to issuing the financial statements.

Assigned

Amounts that do not require formal Council approval but are intended to be used for a specific purpose, as determined by the Council.

Unassigned

Residual amounts reported in the general fund which is available to finance operating expenditures. In other funds, this classification is used only to report a deficit balance related to previously restricted or assigned amounts.

G. Spending Order

Fund balance shall be considered released from restriction, commitment or assignment as expenditures are incurred for the purpose of the restrictions, commitment or assignment.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

H. Other Accounting Policies

1. Cash and Cash Equivalents

The City's cash and cash equivalents for purposes of the proprietary fund cash flow statements 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.

2. Long-Term Debt

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 or business-type activities columns of the governmental-wide statement of net position, and as appropriate in the proprietary fund statement of net position.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Other Accounting Policies (Continued)

Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflow of resources, certain items that were previously reported as assets and liabilities.

3. Compensated Absences

It is the City's policy to permit full-time employees to accumulate earned but unused vacation and sick pay benefits. These employees may accumulate from 160 to 320 hours of unused vacation benefits based on the years of service and up to 720 hours of unused sick leave benefits. Upon resignation; termination or retirement from the City in good standing or death of the employee, employees or heirs will be compensated for a portion of the remaining balance of accumulated sick leave with a maximum varying from 360 to 720 hours at the then current base salary rate of said employee based on the City's personnel policy and procedures manual and the employee's employment date.

All vacation, sick leave, and comp time benefits for the governmental funds are reported as a long-term liability on the government-wide financial statements. In the Proprietary Fund, the accumulated vacation and sick leave benefits are reported as a liability on the proprietary fund statement of net position.

4. Closure and Post Closure Costs

The City is required to report a landfill closure and post-closure cost as a liability to the City. This liability is based on the total cost it would take to close the landfill based on the percent of the landfill that is currently being used, and an inflation factor. This liability is reported on the financial statements in the proprietary fund, on the accrual basis of accounting.

5. Inventories and Prepaids

Inventories consist of expendable supplies held for the City's use and are carried at cost using the weighted average method. Prepaid items are reported based on the consumption method.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Other Accounting Policies (Continued)

6. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as items with an initial, individual cost of more than \$5,000 and an estimated useful life of two or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. For purposes of presentation the proprietary fund systems, machinery, and equipment are reported as one classification.

Buildings, furniture, and equipment of the City and its component units are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	15
Infrastructure	20 to 50
Water & Sewer System	15 to 75
Office Equipment	5 to 10
Computer Equipment	5 to 10

7. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Deferred Inflows/Outflows of Resources

Deferred inflows of resources accounted for on the governmental funds balance sheet of the general and debt service funds relate to uncollected property taxes less the allowance for uncollectible taxes and municipal court fines and fees receivable less the applicable allowance for uncollectible fines and fees accordingly, the deferred inflows for property taxes and court fines are eliminated on the Government Wide Statement of Net Position. The deferred outflows/inflows of resources accounted for on the proprietary fund statement of net position relate to the GASB 68 recognition of the City's portion of the Texas Municipal Retirement System (TMRS) net pension liability. The governmental activities column on the Government Wide Statement of Net Position reports deferred outflows/inflows of resources of the governmental funds related to the City's portion of the TMRS net pension liability.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Other Accounting Policies (Continued)

9. New Accounting Policies – Adoption of GASB Statement No. 68

Effective September 1, 2014, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; and, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB Statement No. 68, as amended and clarified by GASB Statement No. 71 requires State and local government agencies to display the actuarially determined net pension liability in its financial statements. See additional information on the adoption of GASB statements, in Note Q and the required disclosures for the pension plan in accordance with GASB Statement No. 68 included in Note I.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Council adopts an "appropriated budget" for the General Fund, Convention and Visitors Bureau Fund, Recreation Fund and Debt Service Fund and a budget for all other funds. The City is required to present the adopted and final amended budgeted revenues and expenditures for each appropriated budget. The City compares the final amended budget to actual revenues and expenditures.

Expenditures in Excess of Appropriations

Functional expenditures exceeded appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Government	\$ 2,151,335	\$ 2,327,796	\$ (176,461)
Culture & Recreation	388,450	390,366	(1,916)

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to September 20, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

3. Prior to October 1, the Council legally enacts the budget through passage of a resolution. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council. Amendments are presented to the Council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact and are reflected in the official minutes of the Council. The City adopted budget amendments during the fiscal year due to higher than expected recreation department expenses and to increase capital outlay expenses in the capital projects fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash deposits at September 30, 2015, were covered by FDIC insurance, or by pledged collateral held by the City's agent bank in Fort Stockton, Texas.

As of September 30, 2015, the cash and cash equivalents were as follows:

Cash on Hand	\$ 899
Deposits	<u>6,207,401</u>
Cash and Cash Equivalents	<u>\$ 6,208,300</u>

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent bank. The City's deposits were secured with pledge securities held by the agent bank in the name of the City throughout the year. The City's cash deposit balance as of September 30, 2015 was \$6,572,121.

Foreign Currency Risk – The City has no investments or deposits of a foreign currency.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

City Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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 or 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.

Component Units

Component unit cash balances were all held at the Depository Bank and were FDIC insured and/or secured with pledged securities throughout the year. The balances as of September 30, 2015 were as follows:

Component Unit	Balance
City of Fort Stockton Housing Authority	\$ 10,008
City of Fort Stockton Housing Authority Administration	879
City of Fort Stockton Revolving Loan Fund – EDC	39,310
City of Fort Stockton 4A – EDC	1,153,652
City of Fort Stockton 4B – EDC	<u>511,873</u>
Total	<u><u>\$ 1,715,722</u></u>

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowance for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Transfers In and Out

Transfers for the year ended September 30, 2015, consist of the following:

	Transfer In	Transfer Out
General Fund	\$ 2,728,555	\$ 110,000
Convention Visitors	-	285,433
Non-Major Governmental Funds	908,258	715,705
Governmental Funds	3,636,813	1,111,138
Enterprise Fund	715,705	3,241,380
Total	\$ 4,352,518	\$ 4,352,518

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Transfers In and Out (Continued)

Transfers to the General Fund of \$2,728,555 from the Enterprise Fund are for current operations.

Transfers to Non Major Funds consist of \$110,000 from the General Fund to the Recreation Department Fund for current operations and \$512,825 from the Enterprise Fund, \$285,433 from the Convention Visitors Fund to the Debt Service Fund for debt payments.

Transfers to the Enterprise Fund from the Non Major Debt Service Fund consist of \$678,240 for debt payments and \$37,465 from the Non Major Capital Project Fund for water plant capital acquisitions in the current year.

E. Disaggregation of Receivables

Receivables at September 30, 2015 were as follows:

	Governmental Funds			Proprietary Fund
	General	Other Governmental	Total Governmental	Enterprise
Accounts	\$ 20,723	\$ 185	\$ 20,908	\$ 1,244,712
Courts	292,851	-	292,851	-
Total Receivables	313,574	185	313,759	1,244,712
Allowance for Doubtful Accounts	(248,923)	-	(248,923)	(6,566)
Receivables, Net	<u>\$ 64,651</u>	<u>\$ 185</u>	<u>\$ 64,836</u>	<u>\$ 1,238,146</u>

Note III. F. includes the net receivable for court fines of \$43,298 also included above for purposes of reporting unavailable revenue court fines as a deferred inflow.

	Component Units		Total
	Housing Authority	EDC 4A	Component Units
Accounts	\$ 7,707	\$ -	\$ 7,707
Notes	-	683,990	683,990
Total Receivables	7,707	683,990	691,697
Allowance for Doubtful Accounts	-	(543,183)	(543,183)
Receivables, Net	<u>\$ 7,707</u>	<u>\$ 140,807</u>	<u>\$ 148,514</u>

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Deferred Inflow of Resources

Deferred inflow of resources at September 30, 2015 consisted of the following:

	Major Fund General Fund	Non-Major Fund Debt Service	Total
Property Taxes Receivable	\$ 88,372	\$ 71,604	\$ 159,976
Allowance for Uncollectible Taxes	(66,279)	(53,703)	(119,982)
Unavailable Revenue - Property Taxes	22,093	17,901	39,994
Court Fines Receivable	292,851	-	292,851
Allowance for Uncollectible Fines	(248,923)	-	(248,923)
Unavailable Revenue - Court Fines	43,928	-	43,928
Total Unavailable Revenue	<u>\$ 66,021</u>	<u>\$ 17,901</u>	<u>\$ 83,922</u>

The uncollectible revenue of \$83,922 relates to uncollected property taxes and municipal court fines, less the allowance for uncollectible amounts. These are shown as deferred inflow of resources in the governmental fund statements in accordance with GASB Statement No. 65.

G. Capital Asset Activity

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

Governmental Activities

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, not being Depreciated:				
Land	\$ 475,948	\$ 150,000	\$ (29,880)	\$ 596,068
Construction in Progress	346,771	604,048	(556,572)	394,247
Total Capital Assets, not being Depreciated	<u>822,719</u>	<u>754,048</u>	<u>(586,452)</u>	<u>990,315</u>
Capital Assets, being Depreciated:				
Buildings & Improvements	5,063,095	3,216	-	5,066,311
Machinery & Equipment	9,534,212	248,124	(307,219)	9,475,117
Infrastructure	69,279,526	503,356	-	69,782,882
Total Capital Assets being Depreciated	<u>83,876,833</u>	<u>754,696</u>	<u>(307,219)</u>	<u>84,324,310</u>
Less: Accumulated Depreciation				
Buildings & Improvements	(1,307,283)	(174,293)	-	(1,481,576)
Machinery & Equipment	(8,372,082)	(440,908)	307,219	(8,505,771)
Infrastructure	(67,838,010)	(80,693)	-	(67,918,703)
Total Accumulated Depreciation	<u>(77,517,375)</u>	<u>(695,894)</u>	<u>307,219</u>	<u>(77,906,050)</u>
Governmental Activities				
Total Capital Assets - Net	<u>\$ 7,182,177</u>	<u>\$ 812,850</u>	<u>\$ (586,452)</u>	<u>\$ 7,408,575</u>

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Capital Asset Activity (Continued)

Business-type Activities

	Beginning Balance (restated)	Additions	Retirements	Ending Balance
Capital Assets, not being Depreciated:				
Land	\$ 1,579,985	\$ 54,000	\$ -	\$ 1,633,985
Construction In Progress	886,794	-	(886,794)	-
Total Capital Assets, not being Depreciated	2,466,779	54,000	(886,794)	1,633,985
Capital Assets, being Depreciated:				
Buildings & Improvements	12,115	832,794	-	844,909
Systems, Machinery & Equipment	30,904,827	830,219	(68,136)	31,666,910
Total Capital Assets, not being Depreciated	30,916,942	1,663,013	(68,136)	32,511,819
Less: Accumulated Depreciation				
Buildings & Improvements	(4,318)	(808)	-	(5,126)
Systems, Machinery & Equipment	(13,775,735)	(977,832)	68,136	(14,685,431)
Total Accumulated Depreciation	(13,780,053)	(978,640)	68,136	(14,690,557)
Business-Type Activities				
Total Capital Assets, Net	\$ 19,603,668	\$ 738,373	\$ (886,794)	\$ 19,455,247

Depreciation expense, includes amortization of assets purchased with a capital lease, for governmental and business type activities was charged to the following functions as follows:

Function	Governmental Activities
General Government	\$ 180,572
Public Safety	297,136
Public Works	161,107
Culture & Recreation	42,898
Conservation & Development	14,181
Total Depreciation	\$ 695,894

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Capital Asset Activity (Continued)

Component Units

Fort Stockton Housing Authority

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, being Depreciated:				
Machinery & Equipment	\$ 17,800	\$ -	\$ -	\$ 17,800
Total Capital Assets being Depreciated	17,800	-	-	17,800
Less: Accumulated Depreciation				
Machinery & Equipment	(17,800)	-	-	(17,800)
Total Accumulated Depreciation	(17,800)	-	-	(17,800)
Capital Assets - Net	\$ -	\$ -	\$ -	\$ -

4A – Economic Development Corporation

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, not being Depreciated:				
Land	\$ 322,389	\$ 310,550	\$ (4,500)	\$ 628,439
Total Capital Assets, not being Depreciated	322,389	310,550	(4,500)	628,439
Capital Assets, being Depreciated:				
Buildings & Improvements	8,860	296,190	-	305,050
Machinery & Equipment	172,278	-	-	172,278
Total Capital Assets being Depreciated	181,138	296,190	-	477,328
Less: Accumulated Depreciation				
Buildings & Improvements	(3,595)	(591)	-	(4,186)
Machinery & Equipment	(47,270)	(11,577)	-	(58,847)
Total Accumulated Depreciation	(50,865)	(12,168)	-	(63,033)
Capital Assets - Net	\$ 452,662	\$ 594,572	\$ (4,500)	\$ 1,042,734

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Capital Asset Activity (Continued)

4B – Economic Development Corporation

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets Being Depreciated:				
Buildings & Improvements	\$ 99,500	\$ -	\$ -	\$ 99,500
Machinery & Equipment	26,000	-	-	26,000
	<u>125,500</u>	<u>-</u>	<u>-</u>	<u>125,500</u>
Less: Accumulated Depreciation				
Buildings & Improvements	(4,035)	(1,990)	-	(6,025)
Machinery & Equipment	(7,298)	(1,733)	-	(9,031)
	<u>(11,333)</u>	<u>(3,723)</u>	<u>-</u>	<u>(15,056)</u>
Total Capital Assets - Net	<u>\$ 114,167</u>	<u>\$ (3,723)</u>	<u>\$ -</u>	<u>\$ 110,444</u>

H. Long-Term Liabilities

Changes in long-term liabilities for the Governmental and Business-type activities for the year ended September 30, 2015 are summarized below:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
Certificates of Obligation - 2008	\$ 2,910,000	\$ -	\$ 2,910,000	\$ -	\$ -
Certificates of Obligation - 2009	1,280,000	-	230,000	1,050,000	245,000
Refunding Bond - 2012	4,718,000	-	250,000	4,468,000	250,000
Refunding Bonds - 2014	-	2,990,000	25,000	2,965,000	15,000
Total Bonds Payable	<u>8,908,000</u>	<u>2,990,000</u>	<u>3,415,000</u>	<u>8,483,000</u>	<u>510,000</u>
Capital Leases	104,526	-	51,251	53,275	53,275
Vacation Payable	141,096	33,554	34,150	140,500	140,500
Accumulated Unused Sick Leave	153,511	33,053	30,754	155,810	-
Risk Loss Claim Liability	205,124	1,012,231	1,078,478	138,877	-
Net OPEB Obligation	476,749	256,024	126,397	606,376	-
Governmental Activity Long Term Liabilities	<u>9,989,006</u>	<u>4,324,862</u>	<u>4,736,030</u>	<u>9,577,838</u>	<u>703,775</u>
Business-type Activities					
Certificates of Obligation - 2009	3,560,000	-	485,000	3,075,000	510,000
Capital Leases	292,304	548,460	120,056	720,708	231,576
Compensated Absences	192,666	31,435	26,217	197,884	197,884
Landfill Closure/Post-Closure Costs	2,205,129	77,770	-	2,282,899	-
Business-type Activity Long Term Liabilities	<u>\$ 6,250,099</u>	<u>\$ 657,665</u>	<u>\$ 631,273</u>	<u>\$ 6,276,491</u>	<u>\$ 939,460</u>

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

1. Certificates of Obligation and Refunded Bonds

In October 2014 the City issued \$2,990,000 of 2014 refunding bonds with an interest rate of 3.04%; the proceeds were used to refund \$2,910,000 of outstanding 2008 certificates of obligations which had an interest rate of 4.85%. This resulted in a gross debt service savings of \$524,813 and a net present value savings of \$425,407.

In 2009, the City issued Series 2008 Certificates of Obligation with an original face value of \$6,945,000 at an annual interest rate of 4.85%. Interest is due semiannually on March 15 and September 15, and the principal is due each year on March 15. In 2010, the City issued Series 2009 Certificates of Obligation with an original face value of \$7,900,000 at an annual interest rate of 5.49% to 6.15%. Interest is due semiannually on March 15, and September 15, and the principal is due each year on March 15. \$3,955,000 of the Series 2009 Certificates of Obligation is supported by water revenue and \$1,690,000 is supported by sanitation/landfill revenue accordingly, the respective portions of the bonds are reported as business-type activity over the length of the bond issuance.

The ordinances authorizing the issuance of both series each require that a minimum balance of 2.00% of the original issue be maintained in the sinking funds at all times. The minimum balance required is \$296,900. At September 30, 2015, the balance maintained in the sinking funds was \$76,943. Bond principal and interest payments are paid through the Debt Service Fund and in the current year were paid by Convention and Visitors Bureau Fund for certain Government Activity debt and the Utility fund for Business-Type Activity debt.

In 2012 the City issued \$4,818,000 of 2012 refunding bonds with an interest rate of 2.84%. The proceeds were used to refund \$4,727,303 of outstanding 2005 and 2008 bonds which had interest rates ranging from 4.85% to 5.0%.

A summary of changes in certificates of obligations and refunding bonds for the year ended September 30, 2015, is as follows:

Description	Final Maturity	Interest Rate	Amount Original Issue	Amount Outstanding 9/1/2014	Issued	Retired	Amount Outstanding 9/1/2015	Amounts Due Within One Year
Government Activities								
Certificates of Obligation - 2008	2028	4.85%	\$ 6,945,000	\$ 2,910,000	\$ -	\$ 2,910,000	\$ -	\$ -
Certificates of Obligation - 2009	2019	5.49%-6.15%	2,255,000	1,280,000	-	230,000	1,050,000	245,000
Refunding Bonds - 2012	2022	4.85%-5.00%	4,818,000	4,718,000	-	250,000	4,468,000	250,000
Refunding Bonds - 2014	2025	3.04%	2,990,000	-	2,990,000	25,000	2,965,000	15,000
			<u>17,008,000</u>	<u>8,908,000</u>	<u>2,990,000</u>	<u>3,415,000</u>	<u>8,483,000</u>	<u>510,000</u>
Business-type Activities								
Certificates of Obligation - 2009	2025	5.49%-6.15%	5,645,000	3,560,000	-	485,000	3,075,000	570,000
			<u>\$ 5,645,000</u>	<u>\$ 3,560,000</u>	<u>\$ -</u>	<u>\$ 485,000</u>	<u>\$ 3,075,000</u>	<u>\$ 570,000</u>

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Debt service requirements on long-term debt at September 30, 2015, are as follows:

Governmental Activities

Fiscal Year-End	Principal	Interest	Total
2016	\$ 510,000	\$ 269,812	\$ 779,812
2017	746,000	248,198	994,198
2018	824,000	220,713	1,044,713
2019	755,000	141,418	896,418
2020	2,758,000	291,627	3,049,627
2021-2025	1,395,000	373,996	1,768,996
2026-2030	1,495,000	68,932	1,563,932
Totals	<u>\$ 8,483,000</u>	<u>\$ 1,614,696</u>	<u>\$ 10,097,696</u>

Business-type Activities

Fiscal Year-End	Principal	Interest	Total
2016	\$ 510,000	\$ 165,927	\$ 675,927
2017	245,000	144,884	389,884
2018	260,000	130,365	390,365
2019	275,000	114,984	389,984
2020	215,000	100,896	315,896
2021-2025	1,265,000	292,954	1,557,954
2026-2030	305,000	9,379	314,379
Totals	<u>\$ 3,075,000</u>	<u>\$ 959,389</u>	<u>\$ 4,034,389</u>

2. Leases

Governmental Activity

In previous years the City entered into lease agreements for the purchase of vehicles for use by the police department. Capital lease and interest payments are made through the general fund. For purposes of the Government-wide financial statements, the capital lease is reported in the Government Activities.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Business Type Activity

During the fiscal year ended September 30, 2015 the City entered into lease agreements for the purchase of two caterpillar front loaders for the use of the water department and the sanitation department. The lease and interest payments are made through the enterprise fund and for purposes of the Government-wide financial statements the capital lease is reported in the Business-Type activities.

In previous years the City had entered into a lease agreement for the purchase of a roller packer for use in the landfill operations and the purchase of a tractor for the use of the water department and a front loader for the use of the sanitation department. Lease and interest payments are made from the enterprise fund. For purposes of the Government-wide financial statements the capital lease is reported in the Business-Type activities.

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

Year Ending September 30,	Governmental Activities	Business Activities
2016	\$ 55,540	\$ 249,454
2017	-	169,310
2018	-	118,089
2019	-	118,089
2020	-	118,089
Total Minimum Lease Payments	55,540	773,031
Less: Amount Representing Interest	(2,265)	(52,323)
Present Value of Minimum Lease Payments	<u>\$ 53,275</u>	<u>\$ 720,708</u>

The assets acquired through capital leases are as follows:

	Governmental Activities	Enterprise Fund
Asset:		
Vehicles, Machinery & Equipment	\$ 179,526	\$ 901,281
Less: Accumulated Depreciation	(59,842)	(263,851)
Total	<u>\$ 119,684</u>	<u>\$ 637,430</u>

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

3. Accumulated Unpaid Vacation and Sick Leave Benefits

Upon termination of employment, the City pays employees for any unused vacation leave that has been earned through the last day of work. Each regular full-time employee may accumulate a maximum of 160 to 320 hours of unused vacation leave, of which 40 hours may be carried over at the end of the calendar year. The maximum accumulated amount and the maximum amount that can be carried over are based on employee's length of service. The liability due within one year of accumulated unused vacation leave and compensatory time at September 30, 2015, is \$140,500 in the governmental funds and \$110,733 in the business-type activities.

The City's policy for the payment of sick leave for employees that terminate in good standing other than through retirement or death for the payment of sick leave and who started employments after October 1, 2012 is as follows:

Employee terminates

Years 1 – 9

All sick leave is forfeited

Years 10 – 19

Accrued sick leave paid up to ½ of 360 hours

Years 20 on

Accrued sick leave paid up to 360 hours

The City estimated the accrued compensated absences in a manner consistent with prior years at ½ of the accrued sick leave up to 720 hours per employee, for all employees who were employed by the City prior to October 1, 2012. However, upon retirement from the City or upon death of the employee, employees or heirs will be compensated for the total hours of accumulated sick leave up to a maximum of 720 hours at the then current base salary rate of said employee. The amount of accumulated unused sick leave at September 30, 2015, is \$155,810 in the Governmental Activities and \$87,151 in the business-type activities.

A Net OPEB obligation of \$606,376 is reported as of September 30, 2015. For additional information see the Other Post Employment Benefits footnote.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Defined Benefit Pension Plan

1. Plan Description

The City of Fort Stockton participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administrated by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the City and its discretely presented component units (EDC 4A and Housing Authority) are required to participate in TMRS.

2. Benefits Provided

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

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

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	55
Active employees	<u>113</u>
	224

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Defined Benefit Pension Plan (Continued)

3. Contributions

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

Employees for the City of Fort Stockton were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Fort Stockton were 11.09% and 10.86% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$524,776, and were equal to the actuarially determined required contributions.

4. Net Pension Liability

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

Actuarial assumptions:

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

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

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

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Defined Benefit Pension Plan (Continued)

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

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

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

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

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)- (b)
Balance at December 31, 2013	\$ 13,964,075	\$ 11,250,281	\$ 2,713,794
Changes for the year:			
Service Cost	467,209	-	467,209
Interest	970,747	-	970,747
Change of benefit terms	-	-	-
Difference between expected and actual experience	(63,438)	-	(63,438)
Changes of assumptions	-	-	-
Contributions- employer	-	488,695	(488,695)
Contributions- employee	-	225,622	(225,622)
Net investment income	-	643,584	(643,584)
Benefit payments, including refunds of employee contributions	(659,725)	(659,725)	-
Administrative expense	-	(6,719)	6,719
Other changes	-	(552)	552
Net Changes	714,793	690,905	23,888
Balance at December 31, 2014	\$ 14,678,868	\$ 11,941,186	\$ 2,737,682

The total net pension liability above of \$2,737,682 represents the combined primary government and discretely presented component units. The following represents the disaggregation between them:

	Net Pension Liability at September 30, 2015
Governmental Activities	\$ 1,724,740
Business-Type Activities	930,813
	\$ 2,655,553
Discretely Presented Component Units:	
EDC 4A	\$ 54,753
Fort Stockton Housing Authority	27,376
	82,129
Total	\$ 2,737,682

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Defined Benefit Pension Plan (Continued)

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

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

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$4,890,419	\$2,737,682	\$993,774

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the City recognized pension expense of \$445,135

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (47,701)
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	115,149	-
Contributions subsequent to the measurement date	395,442	-
Total	\$ 510,591	\$ (47,701)

The above deferred outflow and deferred inflow of resources represent the combined primary government and discretely presented component units. The following represents the disaggregation between them:

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Defined Benefit Pension Plan (Continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Governmental Activities	\$ 321,671	\$ (30,052)
Business-Type Activities	173,602	(16,218)
	<u>\$ 495,274</u>	<u>\$ 495,274</u>
Discretely Presented Component Units:		
EDC 4A	10,212	(954)
Fort Stockton Housing Authority	5,105	(477)
	<u>15,317</u>	<u>(1,431)</u>
Total	<u>\$ 510,591</u>	<u>\$ 510,591</u>

Contributions subsequent to the measurement date of \$395,442 reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. The deferred outflows of resources of \$115,149 and inflows of resources of (\$847,701) related to pensions will be recognized in pension expense as follows:

Year ended Sept 30:	Amount
2015	\$ 13,050
2016	13,050
2017	13,050
2018	28,298
Total	<u>\$ 67,448</u>

J. Post Employment Benefits

The City has established a retiree health insurance plan and has prospectively implemented GASB 45 Accounting and Reporting by Employers for Postemployment Benefits other and pensions.

1. Plan Description

The City of Fort Stockton purchases retiree and employee health insurance. The City administers a single employer defined benefit post employment healthcare plan that covers 35 qualified retired City employees and their dependents and 113 active employees. Participation in the Plan is elective by each retiree. Healthcare benefits include, but are not limited to, prescription drugs, hospitalization, and preventive care. To be eligible, the retiree must meet the requirements for retirement.

The benefits of the plan are generally applied as follows:

- a. The City contributes 100% of the employee costs for a retiree's coverage beginning at age 60. Benefits prior to age 60 are reduced based on a pro-rated plan as adopted.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Post Employment Benefits (Continued)

- b. Employees are eligible to participate in the plan starting at age 60 with 10 consecutive years of service or if the employee meets the "Rule of 80" (age at retirement plus continuous years of service must be at least 80).
- b. At age 65 the City will pay the cost of a Medicare supplement policy up to a maximum premium of \$125 per month. As of October 1, 2014, the medical supplement premium was \$124 per month.

The benefit provisions are subject to change at any time and to annual appropriation of funds by the City Council. Currently, the City is accounting for OPEB using the general fund. A separate financial report for the healthcare plan is not issued.

1. Summary of Significant Accounting Policies

The Plan's transactions are recorded using the accrual basis of accounting. Plan members' and employer's contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable. Investments, if any, are reported at fair value which is the amount the Plan could reasonably expect to receive in a current sale between a willing buyer and a willing seller. Fair value, for financial reporting purposes, is measured by the market price unless such prices are not available, in which case, fair value is estimated.

2. Funding Policy

City Council has the authority to establish and amend contribution requirements of the plan members and the City. The plan is funded on a pay-as-you-go basis and incurred \$126,397 in total costs for the fiscal year ended September 30, 2015. The funds to pay these costs are derived from employer contributions and retiree premiums. The following table presents the monthly premium amounts paid by retirees based on their classification.

Non-Medicare and Medicare – Eligible provision retirees are required to enroll in Medicare, if they are eligible at age 65.

As of September 30, 2015, there were 6 active employees qualified for grand fathered benefits and will receive the maximum benefit at retirement regardless of retirement age.

Premiums:

Plan Coverage	Total Premium	Age 60 & Above		Ages 55 – 59		Ages 54 & Below	
		100% Subsidy Retiree Share	City Share	75% Subsidy Retiree Share	City Share	50% Subsidy Retiree Share	City Share
Retiree Only	\$ 469	\$ -	\$ 470	\$ 117	\$ 352	\$ 235	\$ 235
Retiree & Spouse	1,012	542	470	660	352	777	235

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Post Employment Benefits (Continued)

3. Annual OPEB Cost

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual OPEB cost for the fiscal year ending September 30, 2015, is as follows:

Annual Required Contribution	\$ 263,199
Interest on OPEB Obligation	21,454
Adjustment to ARC	(28,629)
Annual OPEB Cost (Expense) End of Year	256,024
Contributions Made	(126,397)
Increase in Net OPEB Obligation	129,627
Net OPEB Obligation – Beginning of Year	476,749
Net OPEB Obligation – End of Year	<u>\$ 606,376</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2015 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation Ending
September 30, 2013	\$ 222,938	\$ 189,513	85.00%	\$ 410,098
September 30, 2014	\$ 222,434	\$ 155,783	70.04%	\$ 476,749
September 30, 2015	\$ 256,024	\$ 126,397	49.4%	\$ 606,376

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Post Employment Benefits (Continued)

4. Funded Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of September 30, 2015 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b- a)/c)
December 31, 2014	\$ -	\$ 2,730,154	\$ 2,730,154	0%	\$ 4,563,004	\$ 59.8%

Under the reporting parameters, the City's retiree health care plan is unfunded with an estimated actuarial accrued liability exceeding actuarial assets by \$2,730,154 at September 30, 2015.

5. Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation rate	3.00% per annum
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level dollar
Amortization period	30-year open amortization
Payroll Growth	N/A
Healthcare cost trend rate	Initial rate of 7.25% declining to an ultimate rate of 5.00% after 11 years

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Post Employment Benefits (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

K. Litigation

Management is not aware of any significant pending or threatened litigation at September 30, 2015.

L. Other Commitments and Contingencies

Management of the City was not aware of any significant contingencies at September 30, 2015.

1. Construction Commitments

No significant contractual commitment for construction in progress exist at September 30, 2015.

2. Contingent Liabilities

Grants

The City and the Housing Authority have received significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material adverse effect on the City's financial position at September 30, 2015.

Pecos County Interlocal Agreement

On December 28, 2010 the City of Fort Stockton entered into an Interlocal Cooperation Agreement with Pecos County. The County agreed to provide funding and management for a capital improvement project; that being the replacement and construction of a new two million gallon ground storage tank and appurtenances on an existing foundation at the City's Reverse Osmosis Facility. In consideration for the funding and services provided by the County, the City is committed to provide water at no cost for a period of fifteen (15) years. In the current year the City provided 50,816 gallons of water at a cost of \$155,583.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

M. Municipal Solid Waste Landfill

State and federal laws and regulations require the City to place a final cover on its landfill upon closure and perform certain maintenance and monitoring functions at the site for 30 years after final closure. The closure and post-closure costs at September 30, 2015 is \$2,282,899 and is reported as landfill closure and post-closure care liability in the utility fund based on the estimated landfill capacity in use through September 30, 2015. The landfill is estimated to be used at 89.22% of capacity and is estimated to be closed in 7 years.

These amounts are based on what it is estimated by professional engineers to be the cost to perform all closure and post-closure care in the fiscal year ending September 30, 2015. The City expects to close the landfill around the year 2022. Actual costs may be more due to inflation, changes in technology, or changes in regulations. The estimated total current cost of closure and postclosure care remaining to be recognized as adjusted for inflation is \$275,701 over the expected remaining life of the landfill.

On April 9, 1997, the Financial Responsibility Requirements found in Environmental Protection Agency Subtitle D regulations as they relate to publicly owned or operated municipal solid waste landfill facilities became effective. The regulations require that financial assurance to perform closure, post-closure, and corrective activities for landfill operations be provided.

The City has chosen to provide this assurance through use of the Local Government Financial Test and Government Guarantee. This guarantee consists of three basic components, which are a financial component, public notice component, and a record keeping and reporting component.

The public notice component of the Local Government Financial Test and Government Guarantee demonstrating financial assurance for closure, post-closure, or corrective action required by Environmental Protection Agency Subtitle D regulations for landfills operated by local government requires the following disclosures to be made.

1. The specific facility covered is the City of Fort Stockton Municipal Solid Waste Facility Texas Natural Resource Conservation Commission permit #976.
2. Financial assurance costs are anticipated in the following categories of expenditures and in the amount of the corresponding cost estimates. The original estimates will be adjusted for inflation.

	Original Estimate	Adjusted for Inflation
Closure Costs	\$ 2,109,881	\$ 2,126,268
Post-Closure Costs	429,000	432,332
Total	<u>\$ 2,538,881</u>	<u>\$ 2,558,600</u>

3. The anticipated year of closure is 2022 with closure costs having been fully incurred within that time. It is anticipated that post-closure costs will be incurred evenly across the 30-year post-closure monitoring period at \$14,300 per year.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

N. Risk Management

The City 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 City carries commercial insurance.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance coverage to manage the risk of loss for general liability and property damage. The City has not had any significant reductions in insurance coverage from insurance coverage held in prior years for general liability and property damage.

The City purchases commercial worker's compensation coverage under a retrospectively rated policy, premiums are accrued based on the ultimate cost of the experience to date.

For fiscal year 2015, the City utilized its general fund to account for and finance its uninsured risks of loss for employee health insurance. Under this program, the Fund provided coverage of up to \$25,000 annually per employee for medical health insurance claims. The City purchases stop loss coverage to manage the costs above the \$25,000 level.

All funds and departments of the City participate in the program and make payments to the general fund based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophic losses. The estimated claims liability as of September 30, 2015 is \$138,877. The estimate is based on the requirements of Governmental Accounting Standards Board Statement No. 10, as amended, which requires that a liability for claims to be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The provisions of the stop-loss coverage allows for recovering of costs paid by the City in excess of the minimum aggregate deductible amount. As a result the estimate for the remaining claims liability is equivalent to the amount expected to be recovered and therefore no claim liability is expected.

Changes in the claims liability amount in fiscal 2015 were as follows:

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014 - 2015	\$ 205,124	\$ 1,012,231	\$ 1,078,478	\$ 138,877

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

O. Economic Dependency

The Texas Department of Criminal Justice Facility Lynaugh Unit is a major customer of the Water & Sewer Fund comprising sales of Water & Sewer services in the amount of \$1,497,068, which is in excess of 17.5% of total sales for the fund.

P. Captain Reef Aquifer Water Sale and Use Agreement

In prior years, the City entered into an agreement with STW Resource Holding Corporation (STW). In the agreement, the City leases and grants STW the right to explore, drill, produce, utilize, transport and treat ground water from the Captain Reef Aquifer (CRA) from beneath the surface of Section 71 and 112 of the City's Property (Property). Section 112 of the Property has an existing CRA Well, and the agreement further grants STW the right to deepen, and or re/work at its expense the existing CRA Well. STW at its expense, with the City's cooperation, agree to conduct studies on the feasibility of developing a water well field on the Property that meet the criteria set out in the agreement and in accordance with regulatory requirements of the Middle Pecos Groundwater Conservation District, Texas Department of Licensing & Regulation (TDLR), and the Texas Commission on Environmental Quality (TCEQ). If results of the Post-Well studies meet the criteria set out in the agreement and regulatory approval is obtained, STW may exercise their option to construct or expand existing facilities, as necessary, to be able to produce and transport the CRA water for sale. Should STW exercise their option to produce and transport CRA water for sale, STW agrees to:

- Pay the City an upfront bonus payment of \$5,000,000 for the immediate right to develop additional wells on the property, subject to necessary regulatory approvals.
- Pay the City a 17% royalty of the price STW receives per 1,000 gallons of CRA water produced from the Property and sold.
- Provide the City 3 million gallons per day (GDP) of CRA water at no cost to the City at such time that the City requests delivery of the water for the City's use.

The agreement also grants STW the ability to use the City's existing easements and right of ways within Pecos County for laying of pipelines necessary for the delivery of CRA water produced within Pecos County. The City agrees to assist STW with any negotiations required to procure any additional easements and ground water rights in Pecos County that are necessary for the production and delivery of CRA water. STW shall pay the City a 7% royalty of the price STW receives per 1,000 gallons of CRA water produced from other properties within Pecos County and sold as consideration for the rights provided by the City.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

P. Captain Reef Aquifer Water Sale and Use Agreement (Continued)

Management entered into this agreement to capitalize on its resources and to generate revenues for the City. As of September 30, 2015, the City had capitalized \$155,490 towards this agreement for equipment, and professional engineering and legal services. The improvement is included in the infrastructure balance in enterprise fund and the business-type activities of the financial statements. To date, the Post-Well studies have been completed and STW is engaged in the pursuit of obtaining a permit to produce, transport and sell the CRA water.

Q. Prior Period Adjustments

The beginning net position at September 30, 2014 was restated as follows: 1) to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and reflect the City's proportionate share of the Net Pension Liability of the Texas Municipal Retirement System of Texas(TMRS), 2) to recognize the City's 2014 contributions to TMRS which restates the beginning net pension liability, 3) correct overstatements of capital assets in the governmental funds of \$57,272 for the Captain Reef project, \$471,309 in the business-type activities for the Loves Project, and an overstatement of \$375,633 in the EDC funds for the Loves Project.

The beginning net position at September 30, 2014 was adjusted as follows:

Description	Governmental Activities	Business Type Activities	Discretely Presented Component Unit
Recognize City's Proportionate Share of Net Pension Liability	\$ (1,709,690)	\$ (922,690)	\$ (81,414)
Recognize Deferred Outflows - City's 2014 Contributions	218,333	117,831	10,397
Restate Net Position for capitalization of projects	(57,272)	(471,309)	375,633
Total Prior Period Adjustment	<u>\$ (1,548,629)</u>	<u>\$ (1,276,168)</u>	<u>\$ 304,616</u>

R. Deficit Unrestricted Net Position

Various deficit net positions at the end of the year were caused by the implementation of GASB 68 which, as more fully described in footnote Q above, required the City to recognize its proportionate share of its pension costs. This was also the effect in the Housing Authority, which is a component of the City.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FORT STOCKTON
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2015

	2015
A. Total Pension Liability	
Service Cost	\$ 467,209
Interest (on the Total Pension Liability)	970,747
Changes of Benefit Terms	-0-
Difference between Expected and Actual Experience	(63,438)
Changes of Assumptions	-0-
Benefit Payments, including refunds of employee contributions	(659,725)
Net change in Total Pension Liability	\$ 714,793
Total Pension Liability - Beginning	13,964,075
Total Pension Liability - Ending	\$ 14,678,868
B. Total Fiduciary Net Position	
Contributions - Employer	\$ 488,695
Contributions - Employee	225,622
Net Investment Income	643,584
Benefit Payments, including refunds of employee contributions	(659,725)
Administrative Expense	(6,719)
Other	(552)
Net Change in Plan Fiduciary Net Position	\$ 690,905
Plan Fiduciary Net Position - Beginning	11,250,281
Plan Fiduciary Net Position - Ending	\$ 11,941,186
C. Net Pension Liability	\$ 2,737,682
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.35%
E. Covered Employee Payroll	\$ 4,512,442
F. Net Pension Liability as a Percentage of Covered Employee Payroll	60.67%

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138, since this is the only information available that is measured in accordance with this statement.

CITY OF FORT STOCKTON
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2015

	<u>2015</u>
Actuarially Determined Contribution	\$ 524,776
Contributions in Relation to the Actuarially Determined Contributions	524,776
	<u>\$ -0-</u>
Contribution Deficiency (Excess)	
Covered Employee Payroll	\$ 4,922,908
Contributions as a Percentage of Covered Employee Payroll	10.65%

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138, since this is the only information available that is measured in accordance with this statement.

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CITY OF FORT STOCKTON
Fort Stockton, Texas

Schedule of Funding Progress

Other Postemployment Benefit Plan

September 30, 2015

Analysis of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
9/30/2010	\$ -	\$ 2,966,235	0.0%	\$ 2,966,235	\$ 4,054,468	73.2%
12/31/2011	\$ -	\$ 2,631,006	0.0%	\$ 2,631,006	\$ 4,089,494	64.3%
12/31/2014	\$ -	\$ 2,730,154	0.0%	\$ 2,730,154	\$ 4,563,004	59.8%

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COMBINING STATEMENTS AND OTHER SCHEDULES

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Nonmajor Governmental Funds

CITY OF FORT STOCKTON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Recreation Department	TDH Grant	RTC Sales	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and Cash Equivalents	\$ 53,780	\$ 2,109	\$ -	\$ 55,889
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	185	-	-	185
Other Assets	-	-	16,000	16,000
Total Assets	<u>\$ 53,965</u>	<u>\$ 2,109</u>	<u>\$ 16,000</u>	<u>\$ 72,074</u>
LIABILITIES				
Accounts Payable	\$ 598	\$ -	\$ -	\$ 598
Wages and Salaries Payable	1,792	-	-	1,792
Unearned Revenues	-	747	-	747
Total Liabilities	<u>2,390</u>	<u>747</u>	<u>-</u>	<u>3,137</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
Prepaid Items	-	-	16,000	16,000
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	1,362	-	1,362
Retirement of Long-Term Debt	-	-	-	-
Assigned Fund Balance:				
Other Assigned Fund Balance	51,575	-	-	51,575
Total Fund Balances	<u>51,575</u>	<u>1,362</u>	<u>16,000</u>	<u>68,937</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 53,965</u>	<u>\$ 2,109</u>	<u>\$ 16,000</u>	<u>\$ 72,074</u>

Debt Service Fund	2009 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 76,943	\$ -	\$ 132,832
71,604	-	71,604
(53,703)	-	(53,703)
-	-	185
-	-	16,000
<u>\$ 94,844</u>	<u>\$ -</u>	<u>\$ 166,918</u>
\$ -	\$ -	\$ 598
-	-	1,792
-	-	747
<u>-</u>	<u>-</u>	<u>3,137</u>
17,901	-	17,901
<u>17,901</u>	<u>-</u>	<u>17,901</u>
-	-	16,000
-	-	1,362
76,943	-	76,943
-	-	51,575
<u>76,943</u>	<u>-</u>	<u>145,880</u>
<u>\$ 94,844</u>	<u>\$ -</u>	<u>\$ 166,918</u>

CITY OF FORT STOCKTON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Recreation Department	TDH Grant	RTC Sales	Total Nonmajor Special Revenue Funds
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Intergovernmental Revenue and Grants	153,746	2,961	-	156,707
Charges for Services	90,252	-	-	90,252
Investment Earnings	-	-	-	-
Total Revenues	<u>243,998</u>	<u>2,961</u>	<u>-</u>	<u>246,959</u>
EXPENDITURES:				
Current:				
Culture and Recreation	358,378	2,961	-	361,339
Debt Service:				
Bond Principal	-	-	-	-
Other Debt Interest	-	-	-	-
Fiscal Agent's Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>358,378</u>	<u>2,961</u>	<u>-</u>	<u>361,339</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(114,380)</u>	<u>-</u>	<u>-</u>	<u>(114,380)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Refunding Bonds	-	-	-	-
Transfers In	110,000	-	-	110,000
Transfers Out (Use)	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>110,000</u>
Net Change in Fund Balance	<u>(4,380)</u>	<u>-</u>	<u>-</u>	<u>(4,380)</u>
Fund Balance - October 1 (Beginning)	<u>55,955</u>	<u>1,362</u>	<u>16,000</u>	<u>73,317</u>
Fund Balance - September 30 (Ending)	<u>\$ 51,575</u>	<u>\$ 1,362</u>	<u>\$ 16,000</u>	<u>\$ 68,937</u>

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

Debt Service Fund	2009 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 622,078	\$ -	\$ 622,078
16,632	-	16,632
41,000	-	197,707
-	-	90,252
1,340	-	1,340
681,050	-	928,009
-	-	361,339
505,000	-	505,000
279,437	-	279,437
71,678	-	71,678
-	130,709	130,709
856,115	130,709	1,348,163
(175,065)	(130,709)	(420,154)
2,990,000	-	2,990,000
798,258	-	908,258
(678,240)	(37,465)	(715,705)
(2,931,954)	-	(2,931,954)
178,064	(37,465)	250,599
2,999	(168,174)	(169,555)
73,944	168,174	315,435
\$ 76,943	\$ -	\$ 145,880

CITY OF FORT STOCKTON
DEBT SERVICE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance With Final Budget - Over (Under)
	Original	Final	Actual Amounts	
REVENUES				
Taxes - Property	\$ 559,275	\$ 559,275	\$ 622,078	\$ 62,803
Penalty and Interest	10,000	10,000	16,632	6,632
Intergovernmental Revenue	-	-	41,000	41,000
Investment Earnings	500	500	1,340	840
Total Revenues	569,775	569,775	681,050	111,275
EXPENDITURES				
Debt Service				
Bond Principal	965,000	990,000	505,000	485,000
Other Debt Interest	534,417	509,417	279,437	229,980
Fiscal Agent Fees	13,300	13,300	71,678	(58,378)
Total Expenditures	1,499,417	1,499,417	856,115	643,302
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(929,642)	(929,642)	(175,065)	754,577
OTHER FINANCING SOURCES/(USES)				
Issuance of Refunding Bonds	-	-	2,990,000	2,990,000
Operating Transfers In	919,258	919,258	798,258	(121,000)
Operating Transfers Out	-	-	(678,240)	(678,240)
Payment to Refunded Bond Escrow Agent	-	-	(2,931,954)	(2,931,954)
Total Other Financing Sources (Uses)	919,258	919,258	178,064	(741,194)
Net Changes in Fund Balances	(10,384)	(10,384)	2,999	13,383
Fund Balances - Beginning	73,944	73,944	73,944	-
Fund Balances - Ending	\$ 63,560	\$ 63,560	\$ 76,943	\$ 13,383

CITY OF FORT STOCKTON
RECREATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 150,500	\$ 150,500	\$ 153,746	\$ 3,246
Charges for Services	100,100	100,100	90,252	(9,848)
Total Revenues	<u>250,600</u>	<u>250,600</u>	<u>243,998</u>	<u>(6,602)</u>
EXPENDITURES				
Culture and Recreation	360,600	368,100	358,378	9,722
Total Expenditures	<u>360,600</u>	<u>368,100</u>	<u>358,378</u>	<u>9,722</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(110,000)</u>	<u>(117,500)</u>	<u>(114,380)</u>	<u>3,120</u>
OTHER FINANCING SOURCES/(USES)				
Operating Transfers In	110,000	110,000	110,000	-
Total Other Financing Sources (Uses)	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Net Changes in Fund Balances	-	(7,500)	(4,380)	3,120
Fund Balances - Beginning	<u>55,955</u>	<u>55,955</u>	<u>55,955</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 55,955</u>	<u>\$ 48,455</u>	<u>\$ 51,575</u>	<u>\$ 3,120</u>

CITY OF FORT STOCKTON
CONVENTION AND VISITOR'S BUREAU
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Over (Under)
	Original	Final		
REVENUES				
Hotel/Motel Tax	\$ 1,260,000	\$ 1,260,000	\$ 1,394,785	\$ 134,785
Investment Earnings	4,000	4,000	3,380	(620)
Other Revenue	1,000	1,000	29,460	28,460
Total Revenues	<u>1,265,000</u>	<u>1,265,000</u>	<u>1,427,625</u>	<u>162,625</u>
EXPENDITURES				
Conservation and Development	<u>964,566</u>	<u>964,566</u>	<u>897,082</u>	<u>67,484</u>
Total Expenditures	<u>964,566</u>	<u>964,566</u>	<u>897,082</u>	<u>67,484</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditu	<u>300,434</u>	<u>300,434</u>	<u>530,543</u>	<u>230,109</u>
OTHER FINANCING SOURCES/(USES)				
Operating Transfers out	<u>(300,434)</u>	<u>(300,434)</u>	<u>(285,433)</u>	<u>15,001</u>
Total Other Financing Sources (Uses)	<u>(300,434)</u>	<u>(300,434)</u>	<u>(285,433)</u>	<u>15,001</u>
Net Changes in Fund Balances	-	-	245,110	245,110
Fund Balances - Beginning	<u>865,867</u>	<u>865,867</u>	<u>865,867</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 865,867</u>	<u>\$ 865,867</u>	<u>\$ 1,110,977</u>	<u>\$ 245,110</u>

CITY OF FORT STOCKTON, TEXAS
HOUSING AUTHORITY - FINANCIAL DATA SCHEDULE
September 30, 2015

		14.871 Housing Choice Vouchers
<u>REAC LINE #</u>	<u>BALANCE SHEET</u>	
111	Cash-Unrestricted	\$ 879
113	Cash-Restricted	10,008
124	Accounts Receivable-Other Government	980
125	Accounts Receivable-Miscellaneous	6,727
150	Total Current Assets	<u>18,594</u>
164	Furniture, Equipment & Machinery-Administration	17,800
166	Accumulated Depreciation	(17,800)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>-</u>
200	Deferred Outflow of Resources	<u>5,105</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 23,699</u>
312	Accounts Payable <= 90 days	\$ 730
321	Accrued Wages/Payroll Taxes Payable	507
322	Accrued Compensated Absences-Current Portion	954
310	Total Current Liabilities	<u>2,191</u>
357	Accrued Pension and OPEB Liabilities	<u>27,376</u>
300	Total Liabilities	<u>29,567</u>
400	Deferred Inflow of Resources	<u>477</u>
511.4	Restricted Net Assets	9,291
512.4	Unrestricted Net Assets	(15,636)
513	Total Equity/Net Assets	<u>(6,345)</u>
600	Total Liabilities, Deferred Inflows of Resources and Net Assets	<u>\$ 23,699</u>
<u>REVENUE AND EXPENSES</u>		
70600	HUD PHA Operating Grants	\$ 476,315
72000	Investment Income-Restricted	68
70000	Total Revenue	<u>476,383</u>
91100	Administrative Salaries	25,579
91500	Employee Benefit Contributions-Administrative	8,376
91600	Office Expenses	9,735
91800	Travel	957
91000	Total Operating-Administrative	<u>44,647</u>
93800	Other Utilities Expense	<u>1,424</u>
94200	Ordinary Maintenance and Operations - Labor	<u>146</u>
96110	Property Insurance	452
96130	Workmen's Compensation	60
96100	Total Insurance Premiums	<u>512</u>
96900	Total Operating Expenses	<u>46,729</u>
97000	Excess of Operating Revenue over Operating Expenses	429,654
97300	Housing Assistance Payments	421,976
90000	Total Expenses	<u>468,705</u>
10000	Excess (Deficiency) of Total Revenue over Total Expenses	7,678
11030	Beginning Equity	9,649
11040	Prior Period Adjustment	(23,672)
	Total Ending Equity	<u>(6,345)</u>
	<u>Comprised of:</u>	
11170	Administrative Fee Equity	(15,636)
11180	Housing Assistance Payments Equity	9,291
	Total Ending Equity	<u>\$ (6,345)</u>
11190	Unit Months Available	1944
11210	Number of Unit Months Leased	1091

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OTHER REPORT

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and Members
Of City Council
City of Fort Stockton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Fort Stockton, Texas, (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Lanza / Lanza & Associates". The signature is stylized and cursive.

February 10, 2016

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