

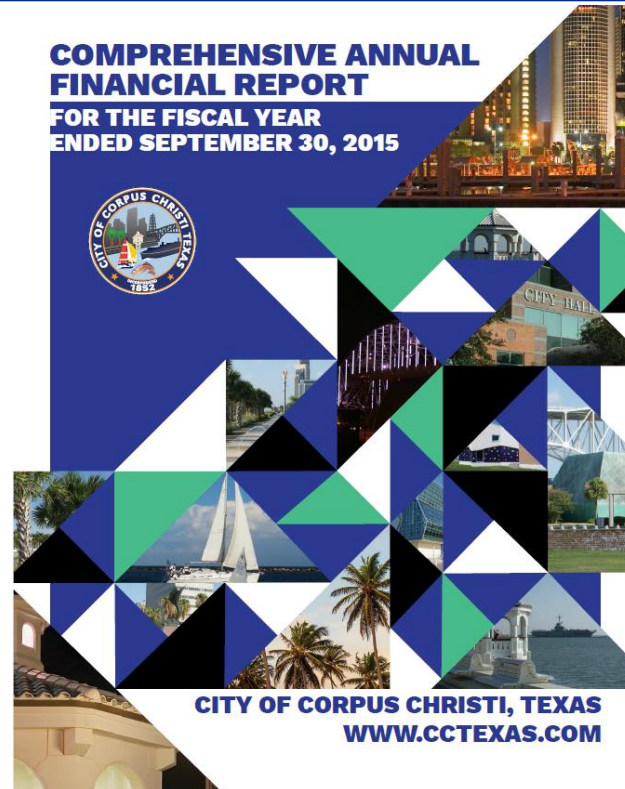
**Highlights of the  
Comprehensive Annual Financial Report  
For the Year Ended September 30, 2015**



**Council Presentation  
July 12, 2016**



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015





# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

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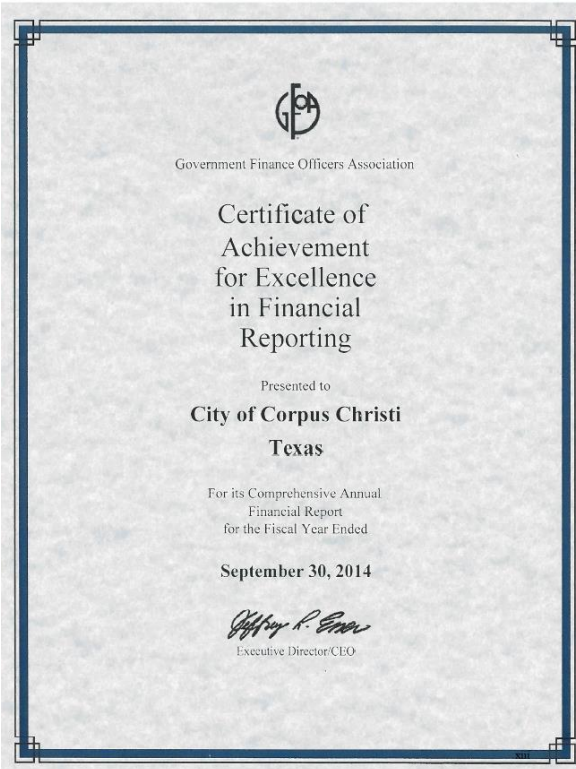
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# Comprehensive Annual Financial Report For the Year Ended September 30, 2015





# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

COLLIER, JOHNSON & WOODS, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

March 31, 2016

The Honorable Mayor, City Council Members,  
and the City Manager of the  
City of Corpus Christi, 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 the City of Corpus Christi, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; that 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 did not audit the financial statements of the Corpus Christi Convention and Visitors Bureau whose assets were \$1,523,872 and revenues were \$5,463,033, the American Bank Center Convention Center Fund whose assets were \$2,846,373 and revenues were \$3,322,046 and the American Bank Center Arena Operations Fund whose assets were \$3,125,952 and revenues were \$2,652,685. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Corpus Christi Convention and Visitors Bureau and the American Bank Center Convention Center Fund and Arena Operations Fund, is based on the reports of the other auditors. 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.



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

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

#### **Opinions**

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

#### **Emphasis of a Matter**

As discussed in Note 1.F. to the financial statements, the City has implemented Governmental Accounting Standards board Statements No. 68 and 71 related to accounting for pensions effective October 1, 2014. Our opinion is not modified with respect to this matter.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information on pages 5 through 18 and 94 through 99 be presented to supplement the basic financial statements. Such information, although not a required 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Corpus Christi's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, capital assets used in the operation of governmental funds and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal/state awards, pages 319 through 328 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations* and by the *State of Texas Single Audit Circular* issued by the Governor's Office of Budget and Planning and is also not a required part of the financial statements.

The combining and individual fund statements and schedules, capital assets used in the operation of governmental funds and the schedule of expenditures of federal/state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

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to prepare the 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 fund statements and schedules, capital assets used in the operation of governmental funds and the schedule of expenditures of federal/state awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory and statistical sections 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 March 31, 2016 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 not to provide an opinion on the 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.

*Colin Johnson & Woods*



# Comprehensive Annual Financial Report

## For the Year Ended September 30, 2015

Exhibit 1-A

### STATEMENT OF NET POSITION SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash, cash equivalents and investments (Note 5)	\$ 176,550,450	\$ 116,323,444	\$ 292,873,874
Receivables, net of allowance for uncollectibles (Note 7)	13,915,577	32,957,935	46,873,512
Inventory balances	(258,331)	258,331	—
Inventories	1,930,136	717,455	2,647,591
Prepaid items	2,357,022	197,756	2,554,778
Restricted assets			
Cash, cash equivalents and investments (Note 5)	262,316,204	313,652,106	575,968,310
Receivables, net of allowance for uncollectibles (Note 7)	18,627,849	122,652	18,750,501
Other property	49,871	—	49,871
Land and construction in progress (Note 8)	156,244,699	399,549,775	555,794,474
Other capital assets, net of accumulated depreciation and amortization (Note 8)	442,806,785	1,279,142,243	1,721,949,028
Total assets	1,074,540,242	2,142,921,697	3,217,461,939
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on refunded debt	4,411,738	10,761,166	15,172,904
Deferred outflows related to pension liability (Note 9)	22,554,842	9,942,279	28,537,119
Total deferred outflows of resources	26,966,580	16,743,439	43,710,019
<b>LIABILITIES</b>			
Accounts payable	7,576,742	2,281,788	9,858,530
Accrued expenses	7,474,614	1,092,490	8,567,104
Accrued interest	3,803,541	9,114,030	12,917,571
Contractor interest and retainage payable	1,180,505	1,709,435	2,889,940
Deposits	1,234,083	2,356,535	3,590,618
Liability to claimants - escheat property	106,230	124,308	230,538
Due to other governmental agencies	790,987	—	790,987
Unearned revenue	3,339,860	345,286	3,685,146
Current portion of estimated claims liability (Note 11)	7,752,096	—	7,752,096
Current portion of long-term liabilities (Note 13)			
Long-term debt	32,529,720	47,949,884	80,479,604
Landfill closure cost	—	756,722	756,722
Accumulated unpaid compensated absences	3,372,669	1,894,541	9,267,210
Estimated liability claims, excluding current portion (Note 11)	6,990,306	—	6,990,306
Long-term liabilities, excluding current portion (Note 13)			
Long-term debt	489,571,275	1,166,350,978	1,655,922,253
Landfill closure cost	—	27,418,022	27,418,022
Accumulated unpaid compensated absences	27,056,423	1,754,952	28,811,375
Net pension liability (Note 9)	306,268,431	50,451,199	354,719,630
Net OPEB obligation (Note 10)	10,943,020	838,722	11,781,742
Total liabilities	811,665,523	1,314,438,888	2,126,424,410
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unamortized gain on refunded debt	788,193	—	788,193
Deferred inflows related to pension liability (Note 9)	3,035,432	1,182,469	4,217,901
Total deferred inflows of resources	3,823,625	1,182,469	5,006,124



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>NET POSITION</b>			
Net invested in capital assets	268,379,713	768,459,800	1,036,839,513
Restricted for			
Vital statistics records retention	307,831	—	307,831
Bond interest and redemption	1,344,500	2,457,383	3,801,883
Municipal and Juvenile Court	646,348	—	646,348
Fire contribution trust	5,385	—	5,385
PEG equipment and facilities	1,786,069	—	1,786,069
Tourism (HOT)	6,105,090	—	6,105,090
Traffic safety programs	752,809	—	752,809
State and federal grant programs	988,412	—	988,412
Parks and recreation	2,629,415	—	2,629,415
Infrastructure development	1,696,446	—	1,696,446
Loans	14,086,807	—	14,086,807
Crime control and prevention	5,441,581	—	5,441,581
Business and job development	66,381,385	—	66,381,385
Tax increment zone improvements	8,254,453	—	8,254,453
Public health	—	5,637,282	5,637,282
Law enforcement officers' standards and education	—	3,974	3,974
Construction of capital assets	—	11,931,593	11,931,593
Other	—	95,765	95,765
<b>Unrestricted</b>	<b>(93,108,769)</b>	<b>55,457,952</b>	<b>(37,650,817)</b>
Total net position	<u>\$ 285,697,675</u>	<u>\$ 844,043,749</u>	<u>\$ 1,129,741,424</u>

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



# Comprehensive Annual Financial Report

## For the Year Ended September 30, 2015

Exhibit 1-B

STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2015

	Expenses	Charges for Services	Program Revenue	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 20,095,432	\$ 25,920,218	\$ --	\$ 84,364
Police and municipal court	91,069,002	13,916,904	1,991,283	306,244
Fire and ambulance	48,724,237	6,272,542	748,564	--
Emergency management	613,555	--	225,248	--
Inspections	2,379,102	--	--	--
Streets	34,051,106	12,894,106	--	4,315,748
Health	5,940,977	2,297,734	2,065,969	--
Parks and recreation	19,928,692	3,246,304	2,532,070	1,288,269
Libraries	4,575,572	163,688	80,561	20
Museums	1,866,875	647,555	--	--
Community enrichment	5,851,215	9,829	1,082,854	709,000
Community development	13,365,023	3,768,579	1,172,603	879,905
Convention and visitor activities	16,228,430	4,417,120	--	--
Interest on long-term debt	16,378,266	--	--	328,276
Total governmental activities	<u>281,067,484</u>	<u>73,554,579</u>	<u>9,899,152</u>	<u>7,911,826</u>
Business-type activities				
Solid Waste	29,152,032	37,475,401	--	--
Utilities				
Water	107,235,791	121,958,577	643,387	2,890,958
Gas	34,256,774	32,265,916	56,266	38,126
Wastewater	56,892,815	68,488,526	507,583	2,905,362
Airport	13,631,297	10,549,237	19,099	20,779,968
Golf centers	214,575	204,936	--	--
Marina	1,997,197	1,911,146	--	605,246
Total business-type activities	<u>243,380,481</u>	<u>272,853,739</u>	<u>1,226,335</u>	<u>27,219,660</u>
Total primary government	<u>\$ 524,447,965</u>	<u>\$ 346,408,318</u>	<u>\$ 11,125,487</u>	<u>\$ 35,131,486</u>





# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2015

Exhibit 1-B

	Net (expense) revenue and changes in net position		
	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>			
Governmental activities			
General government	\$ 5,909,151	\$ --	\$ 5,909,151
Police and municipal court	(74,854,571)	--	(74,854,571)
Fire and ambulance	(41,703,131)	--	(41,703,131)
Emergency management	(388,307)	--	(388,307)
Inspections	(2,379,102)	--	(2,379,102)
Streets	(6,841,252)	--	(6,841,252)
Health	(1,577,274)	--	(1,577,274)
Parks and recreation	(12,862,049)	--	(12,862,049)
Libraries	(4,331,303)	--	(4,331,303)
Museums	(1,219,320)	--	(1,219,320)
Community enrichment	(4,949,532)	--	(4,949,532)
Community development	(7,543,936)	--	(7,543,936)
Conventions and visitor activities	(11,811,310)	--	(11,811,310)
Interest on long-term debt	(16,049,690)	--	(16,049,690)
Total governmental activities	(189,701,926)	--	(189,701,926)
Business-type activities			
Solid Waste	--	8,323,369	8,323,369
Utilities			
Water	--	18,257,131	18,257,131
Gas	--	(1,896,466)	(1,896,466)
Wastewater	--	15,008,656	15,008,656
Airport	--	17,717,007	17,717,007
Ambulance	--	--	--
Gold centers	--	(9,439)	(9,439)
Miscellaneous	--	519,195	519,195
Total business-type activities	--	57,919,253	57,919,253
Total primary government	(189,701,926)	57,919,253	(131,782,673)
<b>General revenue</b>			
Taxes			
Property taxes, levied for general purposes	69,730,902	--	69,730,902
Property taxes, levied for debt service	34,255,712	--	34,255,712
Sales taxes	89,126,468	--	89,126,468
Hotel occupancy taxes	15,110,411	--	15,110,411
Unrestricted investment earnings	1,277,826	1,317,395	2,495,121
Payments from primary government	--	--	--
Transfers	14,953,233	(14,953,233)	--
Total general revenue and transfers	234,454,552	(13,735,838)	220,718,714
Changes in net position	34,752,826	44,183,315	78,936,141
Net position at beginning of year	405,040,842	834,370,921	1,239,420,763
Prior period adjustments for change in accounting for pension liability (Note 1-P)	(134,091,793)	(34,319,487)	(168,411,280)
Adjusted net position at beginning of year	250,949,049	799,860,434	1,050,809,483
Net position at end of year	\$ 285,697,875	\$ 844,043,749	\$ 1,130,741,624



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

City of Corpus Christi  
GASB 68 & 71 Implimentation

	<u>Beginning of Year</u>	<u>End of Year</u>
Net Pension Obligation	40,497,097	--
Net Pension Liability	(247,025,033)	(254,715,626)
Deferred Outflows:		
Contributions subsequent to measurement date	17,912,656	19,459,753
Difference between projected and actual investment earnings	--	8,802,101
Changes in assumptions	--	275,261
Deferred Inflows -		
Difference between expected and actual experience	--	(4,217,963)
	(188,615,280)	<u>(230,396,474)</u>
Beginning Unrestricted	<u>67,128,167</u>	
Restated Beginning	<u>(121,487,113)</u>	



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM**

	2009	2010	2011	2012	2013	2014 *	2015
Required contribution	\$ 21,009,512	\$ 24,362,494	\$ 25,218,616	\$ 22,769,666	\$ 22,665,524	\$ 27,872,623	\$ 24,928,854
Actual contributions	17,100,193	18,330,551	16,832,574	15,541,644	16,101,720	20,302,711	18,974,205
Contribution deficiency	3,909,319	6,031,943	8,386,042	7,228,022	6,563,804	7,569,912	5,954,649
Covered employee payroll	108,555,179	114,395,501	110,562,068	108,260,052	107,828,105	135,847,965	117,949,385
Actuarially determined contributions as a percentage of covered employee payroll	19.35%	21.30%	22.81%	21.03%	21.02%	20.52%	21.14%
Actuals contributions as a percentage of covered employee payroll	15.75%	16.02%	15.22%	14.36%	14.93%	14.95%	16.09%
	2006	2007	2008				
Required contribution	\$ 13,452,618	\$ 14,035,058	\$ 15,448,938				
Actual contributions	13,452,618	14,035,058	15,448,938				
Contribution deficiency	-	-	-				
Covered employee payroll	97,756,667	106,042,731	140,997,733				
Actuarially determined contributions as a percentage of covered employee payroll	13.76%	13.24%	10.96%				
Actuals contributions as a percentage of covered employee payroll	13.76%	13.24%	10.96%				



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

City of Corpus Christi

## REQUIRED SUPPLEMENTARY INFORMATION OTHER POST EMPLOYMENT BENEFITS - ANALYSIS OF FUNDING PROGRESS YEAR ENDED SEPTEMBER 30, 2015

Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Percentage of Unfunded Actuarial Accrued Liability to Covered Payroll Ratio
<b>Other Post Employment Benefits Plan - Citicare</b>						
8/1/2009	-	12,524,728	0.0%	12,524,728	74,872,277	16.7%
8/1/2011	-	1,224,232	0.0%	1,224,232	61,862,815	2.0%
8/1/2013	-	3,800,918	0.0%	3,800,918	60,938,657	6.2%
<b>Other Post Employment Benefits Plan - Public Safety</b>						
8/1/2009	-	13,584,349	0.0%	13,584,349	32,947,021	41.2%
8/1/2011	-	5,139,857	0.0%	5,139,857	26,515,429	19.4%
8/1/2013	-	4,461,663	0.0%	4,461,663	28,335,830	15.7%
<b>Other Post Employment Benefits Plan - Fire</b>						
8/1/2009	-	13,537,686	0.0%	13,537,686	23,847,834	56.8%
8/1/2011	-	6,351,600	0.0%	6,351,600	20,862,937	30.4%
8/1/2013	-	3,558,944	0.0%	3,558,944	23,486,591	15.2%
				<b>Total</b>	<b>11,821,525</b>	

## OTHER POST EMPLOYMENT BENEFITS PLANS ANNUAL REQUIRED CONTRIBUTIONS

	(1) Annual Required Contribution (ARC)	(2) Actual Contribution	Percentage of of ARC Contributed (2) / (1)
<b>Citicare</b>			
8/1/2009	1,960,046	704,363	35.9%
8/1/2011	94,775	(79,992)	-84.4%
8/1/2013	350,161	117,308	33.5%
<b>Public Safety</b>			
8/1/2009	987,678	443,157	44.9%
8/1/2011	295,160	445,823	151.0%
8/1/2013	296,175	437,319	147.7%
<b>Fire</b>			
8/1/2009	1,033,928	407,364	39.8%
8/1/2011	355,425	358,718	100.9%
8/1/2013	229,235	(142,356)	-62.1%



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

Depreciation expense and amortization of water rights is charged to functions as follows:

Governmental activity		Business-type activity	
General government	\$ 925,865	Gas	\$ 2,683,368
Police	1,564,141	Water	21,701,880
Fire	1,211,405	Wastewater	11,635,386
Emergency management	4,447	Airport	5,159,587
Inspections	6,638	Golf centers	73,100
Streets	5,859,426	Marina	540,454
Health	207,179	Solid waste	4,739,698
Parks and recreation	2,592,366	Total	<u>\$ 46,535,473</u>
Libraries	389,513		
Museums	223,795		
Community enrichment	3,462,065		
Community development	2,957,204		
Convention and visitors facilities	1,521,462		
Internal service fund	4,155,030		
Total	<u>\$ 25,080,536</u>		

## 9. Employment Retirement Benefits

### A. Plan Descriptions

The City participates in funding two retirement plans as follows: (1) all City employees, except firefighters participate in the Texas Municipal Retirement System (TMRS) and (2) firefighters participate in the Corpus Christi Fire Fighters' Retirement System (FFRS).

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by 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.tmrs.com](http://www.tmrs.com).

The City contributes to the FFRS for firefighters in the Corpus Christi Fire Department. FFRS is a single employer, contributory, defined benefit plan. The benefit provisions are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Corpus Christi Fire Fighters' Retirement System. The City does not have access to nor can it utilize assets within the retirement plan trust. FFRS issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Corpus Christi Fire Fighters' Retirement System at 711 N. Carancahua, Suite 724, Corpus Christi, Texas 78475.

### B. Benefits Provided

TMRS provides retirement benefits to all City employees except firefighters. 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



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

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.

The City grants a monetary credit referred to as Updated Service Credit. This monetary credit is determined by hypothetically re-computing the member's account balance by assuming that the current member deposit rate of the employing city has always been in effect. The computation also assumes that the member's salary has always been the member's average salary using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year (not the actual interest credited to the member's account in previous years), and increased by the city match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted. The City increases the annuities of its retirees, effective January 1 of a calendar year, at a rate equal to 70% of the increase in the Consumer Price index – all Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December one year before the effective date of the increase, minus any previously granted increases. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Members are vested after 5 years.

FFRS provides benefits to firefighters in the Corpus Christi Fire Department. The benefits are fully vested after 20 years of credited service. Firefighters may retire at age 54 with 20 years of service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, he may retire starting on the date he would have both completed 20 years of service if he had remained a Corpus Christi firefighter and attained age 54. Effective June 1, 2015, the plan provided a monthly normal service retirement benefit, payable in a Joint and 100% to Spouse form of annuity, equal to the greater of (1) 50.8% of Highest 60-Month Average Pay plus \$150.00 per month for each year of service in excess of 20 years; and (2) \$137.00 per month for each year of service.

A retiring firefighter who is at least age 54 with at least 20 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 60-Month Average Pay as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date he meets the age 54 and 20 years of service requirements and the date three years prior to the date he actually retires. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the System after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The System has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

#### Membership in the Plans:

	City Employees	Fire Fighters	Total
Retirees and beneficiaries currently receiving benefits	2,789	297	3,086
Inactive employees entitled to but not yet receiving benefits	776	13	789
Current contributing employees	2,245	408	2,653
Total	<u>5,810</u>	<u>718</u>	<u>6,528</u>



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

## C. Contributions

TMRS - 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 Corpus Christi were required to contribute 6% of their annual gross earnings during the fiscal year. The City's contributions to TMRS for the year ended September 30, 2015, of \$18,964,205 did not equal the required contributions of \$24,928,854.

FFRS - The contribution provisions of the System are authorized by TILFFRA. TILFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the city.

Firefighters for the City of Corpus Christi were required to contribute 13.1% of their annual gross earnings during the fiscal year. The City's contributions to FFRS for the year ended September 30, 2015, were \$6,266,444, which equaled the required contributions.

Contribution rates for employees and for the City during the fiscal year were as follows:

	<u>Texas Municipal Retirement System</u>	<u>Fire Fighters Retirement System</u>
	State Legislation	State Legislation
	Biweekly	Biweekly
Authority establishing contribution obligation		
Frequency of contribution		
Employee's contribution (percent of earnings)		
October 1, 2014 - May 31, 2015	6.00%	12.20%
June 1, 2015 - September 30, 2015	6.00%	13.10%
City's contribution (percent of earnings)		
October 1, 2014 - January 1, 2015	15.46%	20.78%
January 2, 2015 - September 30, 2015	16.46%	20.78%
City's contribution October 1, 2014 - September 30, 2015	\$18,964,205	\$6,266,444

## D. Net Pension Liabilities

The City's net pension liabilities for both plans were measured as of December 31, 2014, and the Total Pension Liabilities (TPL) used to calculate the Net Pension Liabilities were determined by actuarial valuations as of that date.

### Actuarial Assumptions

The Total Pension Liabilities in the December 31, 2014, actuarial valuations were determined using the following actuarial assumptions:



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

	<u>Civ Employees</u>	<u>Fire Fighters</u>
Inflation rate	3%	3.75%
Overall payroll growth	3%	3.75%
Investment rate of return	7%, net of pension plan investment expense, including inflation	7.9%, net of pension plan investment expense, including inflation

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
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%	

FFRS - Mortality rates were based on the gender-distinct RP2000 Combined Healthy Mortality Table for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset





# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rate of return by the target asset allocation percentage (currently resulting in 4.24%) and by adding expected inflation (3.75%). In addition, the final 7.90% assumption was selected by "rounding down" and thereby reflects a reduction of 0.09% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Equities:		
Large cap domestic	25.0%	5.77%
Small/mid cap domestic	10.0%	6.07%
International developed	12.5%	6.12%
Emerging markets	6.0%	7.29%
Real estate	10.0%	3.90%
Fixed income	36.5%	1.64%
Cash	0%	0.40%
Total	100.0%	

#### Discount Rate

**TMRS** - The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate were based on the City's present funding rates. 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.

**FFRS** - The discount rate used to measure the total pension liability was 7.9%. No projection of cash flows was used to determine the discount rate because the December 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 25 years. That UAAL was based on an actuarial value of assets that was \$4.5 million less than the plan fiduciary net position as of December 31, 2014. Because of the 25-year amortization period of the UAAL with the lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.9% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

#### Sensitivity of the net pension liabilities to changes in the discount rate

The following presents the net pension liabilities of the City, calculated using the discount rates used in the actuarial valuation, 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 or 1-percentage-point higher than the current rate:

	<u>1% Decrease in the Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in the Discount Rate</u>
City's net pension liability (TMRS)	(6.0%) \$287,351,051	(7.0%) \$179,740,443	(8.0%) \$90,830,826
City's net pension liability (FFRS)	(6.9%) \$96,794,664	(7.9%) \$74,975,183	(8.9%) \$56,346,670
Total net pension liability	\$384,145,715	\$254,715,626	\$147,177,496



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

## Pension Plans Fiduciary Net Positions

TMRS – Detailed information about the TMRS pension plans' Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

FFRS - FFRS issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Corpus Christi Fire Fighters' Retirement System at 711 N. Carancahua, Suite 724, Corpus Christi, Texas 78475. See that report for all information about the plan fiduciary net position.

## Changes in the Net Pension Liabilities

TMRS	Increase		
	Total Pension Liability	(Decrease) Plan	
		Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2013	\$ 796,904,133	\$ 621,013,854	\$ 175,890,279
Changes for the year:			
Service cost	14,552,695	-	14,552,695
Interest	54,768,864	-	54,768,864
Difference between expected and actual experience	(3,660,997)	-	(3,660,997)
Contributions-employer	-	17,786,102	(17,786,102)
Contributions-employee	-	6,905,864	(6,905,864)
Net investment income	-	35,519,832	(35,519,832)
Benefit payments, including refunds of employee contributions	(43,536,263)	(43,536,263)	-
Administrative expense	-	(370,905)	370,905
Other changes:		(30,495)	30,495
Net changes:	20,124,299	16,274,135	3,850,164
Balance at 12/31/2014	\$ 817,028,432	\$ 637,287,989	\$ 179,740,443



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

FFRS	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2013	\$ 197,293,990	\$ 126,159,233	\$ 71,134,757
Changes for the year:			
Service cost	4,144,217	-	4,144,217
Interest	15,650,548	-	15,650,548
Contributions-employer	-	6,007,048	(6,007,048)
Contributions-employee	-	3,526,756	(3,526,756)
Net investment income	-	6,949,478	(6,949,478)
Benefit payments, including refunds of employee contributions	(11,612,717)	(11,612,717)	-
Administrative expense	-	(215,377)	215,377
Assumption changes:	313,566	-	313,566
Net changes	8,495,614	4,655,188	3,840,426
Balance at 12/31/2014	\$ 205,789,604	\$ 130,814,421	\$ 74,975,183

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

For the year ended September 30, 2015, the city recognized pension expense of \$26,624,313.

Components of Pension Expense	TMR5	FFRS	Total
Service cost	14,552,695	4,144,217	18,696,912
Interest	54,768,864	15,650,548	70,419,412
Employee contributions	(6,905,864)	(3,526,756)	(10,432,620)
Projected earnings on plan investments	(43,470,970)	(10,000,967)	(53,471,937)
Amortization of Deferred Outflows - Liabilities	(1,443,064)	-	(1,443,064)
Amortization of Deferred Inflows - Assets	1,590,228	648,603	2,238,831
Administrative expense	370,905	215,379	586,284
Other changes in Fiduciary Net Position	30,495	-	30,495
Total pension expense	19,493,289	7,131,024	26,624,313



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

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

	TMRS		FFRS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (4,217,931)	\$ -	\$ -	\$ -	\$ (4,217,931)
Changes of assumptions	-	-	275,261	-	275,261	-
Differences between projected and actual investment earnings	6,360,910	-	2,441,191	-	8,802,101	-
Contributions subsequent to the measurement date	14,843,958	-	4,615,795	-	19,459,753	-
<b>Total</b>	<b>\$ 21,204,868</b>	<b>\$ (4,217,931)</b>	<b>\$ 7,332,247</b>	<b>\$ -</b>	<b>\$ 28,537,115</b>	<b>\$ (4,217,931)</b>

The total of the contributions by the City to the Systems contributed subsequent to the measurement date of the net pension liabilities, December 31, 2014, through September 30, 2015, is a deferred outflow of resources that will be recognized as a reduction in the net pension liabilities in the fiscal year ending September 30, 2016. These amounts are \$14,843,958 (TMRS) and \$4,615,795 (FFRS) for a total of \$19,459,753. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Sept. 30:	TMRS	FFRS	Total
2016	\$ 147,164	\$ 648,603	\$ 795,767
2017	147,164	648,603	795,767
2018	258,423	648,603	907,026
2019	1,590,228	648,602	2,238,830
2020	-	38,305	38,305
Thereafter	-	83,736	83,736
<b>Total</b>	<b>\$ 2,142,979</b>	<b>\$ 2,716,452</b>	<b>\$ 4,859,431</b>

## F. Deferred Compensation Plan

The City maintains responsibility for reviewing and approving emergency withdrawals from the Internal Revenue Code, Section 457, Deferred Compensation Plans. The assets of the Plans are reported in a pension trust fund.



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

## 10. Post-Employment Health Care Benefits

GASB Statement No. 45: *Accounting and Financial Reporting by Employers for Postemployment Benefits: Other than Pensions* (OPEB), establishes accounting standards for postretirement benefits. The standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The City is required to obtain an actuarial valuation at least once every two years in accordance with GASB 45 standards. The City's latest valuation is dated as of August 1, 2013, and discloses the following:

### Plan Description and Funding Policy

Employees who retire from the City of Corpus Christi, and eligible dependents and survivors, are eligible to continue to participate in the City's health insurance programs at the "blended" employee group rate which is determined annually by the City of Corpus Christi and approved by the City Council. Retirees have 31 days to elect to enroll in the City's self-funded, single-employer health insurance plan (Citicare, Citicare Public Safety, and Citicare Fire) in which they were participating at the time of retirement unless otherwise stated in a plan document or collective bargaining agreement. In an effort to reduce the City's liability, retirees who are Medicare-eligible have been enrolled in a separate Medicare insurance plan and are no longer covered by the City's group insurance plan. As of August 1, 2013, a total of 202 eligible retirees and dependents were participating in the City's group health program detailed as follows:

Citicare and Citicare Premium	74
Citicare Public Safety	65
Citicare Fire	63
Pending election	--
Total	202

The plan is funded on a pay-as-you-go basis and incurred \$2,676,391 in claims and other costs in the fiscal year ended September 30, 2015. The funds to pay these claims and other costs are derived in part from retiree premiums, which do not fully cover the costs. The plan is not accounted for as a trust fund because an irrevocable trust has not been established to fund the plan. The plan does not issue a separate financial report.

### Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost for each plan for the current year is as follows:

	Citicare		Citicare	Total
	Citicare	Public Safety	Fire	
Annual required contribution	\$ 350,162	\$ 296,175	\$ 229,235	\$ 875,572
Interest on net OPEB obligation	270,227	70,662	126,518	467,407
ARC adjustment	(309,637)	(80,968)	(144,970)	(535,575)
Annual OPEB cost	310,752	285,869	210,783	807,404
Contributions made (pay-as-you-go basis)	81,227	283,301	646,926	1,011,454
Increase (Decrease) in net OPEB obligation	229,525	2,568	(436,143)	(204,050)
Net OPEB obligation - beginning of year	6,928,893	1,811,850	3,244,049	11,984,792
Net OPEB obligation - end of year	\$ 7,158,418	\$ 1,814,418	\$ 2,807,906	\$ 11,780,742



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

Three year trend information is as follows:

	Citicare	Public Safety	Fire	Total
<b>City's Annual OPEB Cost (APC)</b>				
2013	\$57,207	\$283,049	\$338,862	\$679,118
2014 (14 months)	\$304,160	\$282,758	\$209,501	\$796,419
2015	\$310,751	\$285,869	\$210,783	\$807,403
<b>Percentage of APC contributed</b>				
2013	-139.8%	157.5%	105.9%	N/A
2014 (14 months)	38.6%	154.7%	-68.0%	N/A
2015	26.1%	99.1%	306.9%	N/A
<b>Net OPEB Obligation</b>				
2013	\$ 6,742,042	\$ 1,966,411	\$ 2,892,192	\$ 11,600,645
2014	\$ 6,928,893	\$ 1,811,850	\$ 3,244,049	\$ 11,984,792
2015	\$ 7,158,418	\$ 1,814,418	\$ 2,807,906	\$ 11,780,742

#### Funded Status and Funding Progress

The funded status of the plan as of the last valuation date of August 1, 2013, was as follows:

	Citicare	Citicare Public Safety	Citicare Fire	Total
Actuarial accrued liability	\$ 3,800,918	\$ 4,461,663	\$ 3,558,944	\$ 11,821,525
Actuarial value of plan assets	--	--	--	--
Unfunded actuarial accrued liability	\$ 3,800,918	\$ 4,461,663	\$ 3,558,944	\$ 11,821,525
Funded ratio	0%	0%	0%	0%
Covered payroll	\$ 60,938,657	\$ 28,335,830	\$ 23,486,591	\$ 112,761,078
Unfunded actuarial accrued liability as a percentage of covered payroll	6.2%	15.7%	15.2%	10.5%

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

#### Plan Changes

The total GASB 45 actuarial accrued liability for Citicare, Public Safety and Fire decreased from approximately \$12.7 million as of August 1, 2011, to approximately \$11.8 million as of August 1, 2013. The reduction is due to a combination of changes in assumptions and differences between prior assumptions and actual experience. Differences causing a reduction in the liability include a 27% reduction in number of retirees participating in the plan, reduced health care cost trends, and reduced child per retiree assumptions. These were offset by a change in retiree contribution assumptions because the City is not increasing retiree premiums in FY2015 as was previously assumed.



# Comprehensive Annual Financial Report For the Year Ended September 30, 2015

## Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long term perspective and employ methods and assumptions that are designed to reduce the short term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for this valuation are as follows:

Measurement Date	August 1, 2013
Actuarial Cost Method	Entry Age
Amortization Period	30 years, Open
Amortization Method	Level Percent of Payroll
Discount rate	3.90%
CPI	2.50%
Healthcare Cost Trend Rate	2.5% initial rate, 2.3% ultimate rate, 46 year grade-in period
Payroll Growth Rate	2% annually

## 11. Risk Management

The City operates a risk management program for workers' compensation claims, liability claims and property insurance. In addition, the City operates an employee benefits program which includes life and health insurance.

### A. Insurance

The City self-funds workers' compensation, general/auto liabilities and health benefits. Purchased insurance coverage includes: Commercial property insurance with a \$250 million limit on all perils and a \$150 million limit on named storm, \$75 million in airport liability, \$10 million of excess gas utility liability insurance, \$10 million aggregate of excess general liability insurance and statutory excess workers' compensation coverage. Primary flood coverage provides up to \$500,000 on specified buildings. All funds of the City participate in the program and make payments to the Liability and Employee Benefits Fund based on an annual actuarial analysis. In addition, the City of Corpus Christi provides comprehensive health coverage to employees, dependents and retirees. Coverage becomes effective the first day of employment and the plan has no lifetime limit.

The estimated claims liability of \$14,742,402 at September 30, 2015, of which \$7,752,096 is due within one year, is based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims 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. Changes in the fund claims liability amounts for fiscal years 2014 and 2015 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2013-2014 (14 months)	\$ 12,281,158	\$ 28,767,974	\$ (30,114,513)	\$ 10,934,619
2014-2015	\$ 10,934,619	\$ 30,157,544	\$ (26,349,761)	\$ 14,742,402



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**Questions ?**

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