

CITY OF ARANSAS PASS

ANNUAL FINANCIAL REPORT

For the Year ended September 30, 2013



CITY OF ARANSAS PASS, TEXAS

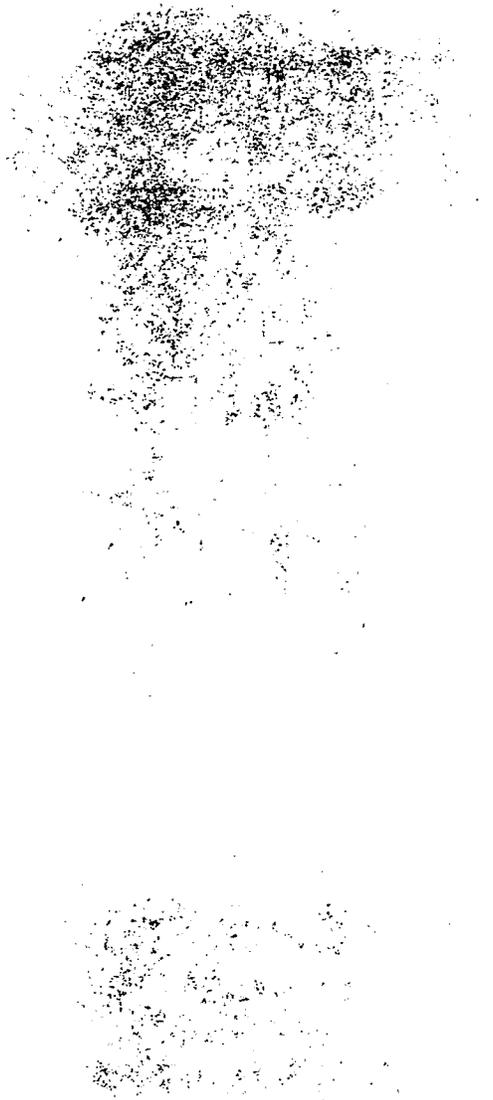
Table of contents
September 30, 2013

| | <u>PAGE</u> | <u>EXHIBIT</u> |
|--|-------------|----------------|
| INTRODUCTORY SECTION | 1 | |
| List of Principal Officials | 3 | |
| FINANCIAL SECTION | 5 | |
| Independent Auditor’s Report on Financial Statements | 7 | |
| Management’s Discussion and Analysis (Required Supplementary Info) | 9 | |
| <u>Basic Financial Statements</u> | 21 | |
| Government-wide Financial Statements | | |
| Statement of Net Assets | 22 | A-1 |
| Statement of Activities..... | 23 | A-2 |
| Fund Financial Statements: | | |
| Balance Sheet – Governmental Funds | 24 | A-3 |
| Reconciliation of the Governmental Funds | | |
| Balance Sheet to the Statement of Net Assets..... | 25 | A-4 |
| Statement of Revenues, Expenditures, and Changes in | | |
| Fund Balances – Governmental Funds | 26 | A-5 |
| Reconciliation of the Statement of Revenues, Expenditures, and | | |
| Changes in Fund Balances of Governmental Funds to the | | |
| Statement of Activities | 27 | A-6 |
| Statement of Net Assets – Enterprise Funds | 28 | A-7 |
| Statement of Revenues, Expenses, and Changes in | | |
| Fund Net Assets – Enterprise Fund..... | 29 | A-8 |
| Statement of Cash Flows -- Proprietary Funds..... | 30 | A-9 |
| Notes to the Financial Statements..... | 31 | |
| <u>Required Supplementary Information</u> | 53 | |
| Budgetary Comparison Schedules: | | |
| General Fund | 54 | B-1 |
| Aransas Pass Municipal Development District..... | 55 | B-2 |
| Aransas Pass Crime Control and Prevention District | 56 | B-3 |
| <u>Combining Statements and Budgetary Comparison Schedules as</u> | | |
| <u>Supplementary Information</u> | 57 | |
| Special Revenue Funds: | | |
| Combining Balance Sheet – Nonmajor Special Revenue Funds | 58 | C-1 |
| Combining Statement of Revenues, Expenditures, and Changes | | |
| In Fund Balances – Nonmajor Special Revenue Funds | 59 | C-2 |
| Budgetary Comparison Schedules: | | |
| Emergency 911 | 60 | C-3 |
| Hotel/Motel Occupancy Tax..... | 61 | C-4 |
| Debt Service Funds: | | |
| Budgetary Comparison Schedule: | | |
| Debt Service Fund | 62 | C-5 |

CITY OF ARANSAS PASS, TEXAS
 Table of contents, continued
 September 30, 2013

| | <u>PAGE</u> | <u>EXHIBIT</u> |
|--|----------------|----------------|
| Enterprise Funds: | | |
| Combining Statement of Net Assets --Nonmajor Enterprise Funds | 63 | C-6 |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds | 64 | C-7 |
| Combining Statement of Cash Flows – Nonmajor Enterprise Funds | 65 | C-8 |
| OTHER SUPPLEMENTARY INFORMATION SECTION | 66 | |
| Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> | 67 | |
| STATISTICAL SECTION | 69 | |
| Net Assets by Component | 71 | Table 1 |
| Expenses, Program Revenues, and Net (Expense)/Revenue | 72 | Table 2 |
| General Revenues and Total Change in Net Assets..... | 73 | Table 3 |
| Fund Balances of Governmental Funds..... | 74 | Table 4 |
| Changes in Fund balances of Governmental Funds..... | 75 | Table 5 |
| Tax Revenues by Source, Governmental Funds | 76 | Table 6 |
| Assessed Value and Estimated Actual Value of Taxable Property | 77 | Table 7 |
| Principal Property Tax Payers | 78 | Table 8 |
| Property Tax Levies and Collections..... | 79 | Table 9 |

Introductory Section



CITY OF ARANSAS PASS, TEXAS
LIST OF PRINCIPAL OFFICIALS

Elected Officials

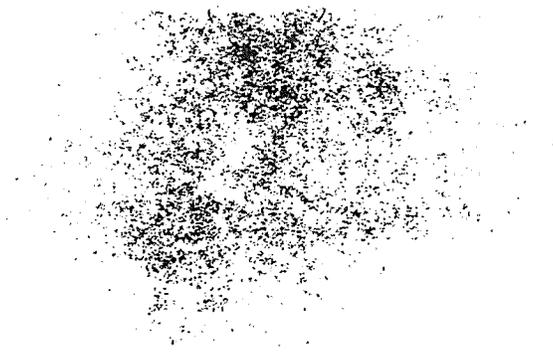
| <u>Name</u> | <u>Office</u> |
|---------------|-------------------|
| Adan Chapa | Mayor |
| Phillip Hyatt | Mayor Pro Tempore |
| Ramiro Gomez | Council Member 1 |
| Billy Ellis | Council Member 2 |
| Vickie Abrego | Council Member 4 |

Appointed Officials

| <u>Name</u> | <u>Position</u> |
|---------------------|-------------------------------|
| Sylvia Carrillo | City Manager |
| Yvonne Stonebraker | City Secretary |
| Donna Cox | Interim Finance Director |
| Allen Lawrence, Jr. | City Attorney |
| Eric Blanchard | Chief of Police |
| Ron Howe | Interim Municipal Court Judge |
| Michael Holmes | Building Inspector |
| Paul Alvarado | Director of Public Works |
| Rickie Kilgore | Fire Chief |



Financial Section



BRENDA P. McELWEE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

The Honorable Mayor, Members of the City Council and
and the City Manager of the
City of Aransas Pass, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9-20 and 53-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government auditing standards*, we have also issued our report date May 16, 2014, on our consideration of the City of Aransas Pass, Texas'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 not to 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 of Aransas Pass, Texas's internal control over financial reporting and compliance.



Brenda P. McElwee, P.C.

May 16, 2014

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Aransas Pass's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the City's financial statements, which begin on page 23.

FINANCIAL HIGHLIGHTS

City's Change in Net Assets – Governmental and Business-Type Activities

Total government-wide net assets increased \$1,791,011 as a result of this year's operations. Governmental activities increased \$1,417,740 with the balance of \$373,271 resulting from business-type activities.

General Fund Performance

As a result of this year's operations, the General fund reported a \$935,606 decrease to fund balance.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 23 and 24) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund finance statements start on page 26. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the central concerns in assessing any City's finances is summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this question begins on page 12. The analysis includes a condensed summary of the government-wide financial statements – The Statement of Net Assets and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies – including

all assets and liabilities using the accrual basis of accounting. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

These government-wide financial statements report both net assets and changes thereto. Net assets are reported in the Statement of Net Assets. The City's net assets, which is the difference between assets and liabilities, is one indicator of the City's financial well-being or financial position at one point in time. Increase or decreases to net assets over a period of time is an indication of whether its financial well-being is improving or deteriorating. Of course, other non-financial considerations enter into the determination of the City's overall health, which would include such things as changes in the City's property tax base and the condition of its streets.

Changes to net assets are reported in the Statement of Activities, which divides all City functions into two categories:

Governmental activities – Most of the City's basic services are reported in this category, which includes public safety (including police and fire), highways and streets, health and welfare, culture and recreation and general administration. These activities are primarily supported by sales and property taxes and franchise fees.

Business-type activities – Certain services that the City provides are paid for from fees that are charged to customer. Water, wastewater, harbor rentals, civic center and the aquatic center are activities that are reported in this category.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds commences on page 14. The fund financial statements are presented on pages 22 through 30. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons – some are required by state law; others, by bond covenants. Some funds are established by the City Council to assist in managing money that is to be spent for particular purposes. For example, the Aquatic Center Fund was established to demonstrate that money received for the operation of the Pool were used for that purpose. The city has two categories of funds, which can be used for public purpose -- governmental and proprietary. Each category uses a different accounting approach.

Governmental funds -- Most of the City's basic services are reported in governmental funds. These funds focus on the flow of money into and out of the funds and the balance left over at the end of the year that is available for future spending. Governmental funds use a method of accounting called modified accrual. The purpose of this method is to measure cash and other financial assets that can readily be converted to cash. This approach provides a detailed short-

term perspective of the City's general government operations and the basic service it provides. This view of the City's operations provides information that helps to determine the extent to which financial resource are available to spend in the near future to finance City programs. The relationship between these governmental fund financial statements and the governmental activities column shown in the government-wide financial statements is shown in the form of a reconciliation presented on the page following each governmental fund financial statement.

Proprietary funds – Service provided to either outside customers or to another unit of the City, where a fee is charged, are generally reported in proprietary funds. Proprietary funds are reported the same way that is used in the government-wide financial statements. Matter of fact, the City's enterprise funds (a component of proprietary funds) are substantially the same as the business-type activities column of the government-wide financial statements but provides more detail including cash flows.

THE CITY AS A WHOLE

The City's Condensed Statement of Net Assets is presented in Table 1.

Table 1
Net Assets
(in Millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|------|--------------------------|------|--------------------------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and Other Assets | 3.8 | 4.1 | 7.1 | 2.5 | 10.9 | 6.6 |
| Capital Assets | 22.8 | 22.8 | 6.9 | 7.1 | 29.7 | 29.9 |
| Total Assets | 26.6 | 26.9 | 14 | 9.6 | 40.6 | 36.5 |
| Long -Term Debt Outstanding | 13 | 16.3 | 5.3 | 1.5 | 18.3 | 17.8 |
| Other Liabilities | 2.6 | 0.4 | 0.9 | 0.7 | 3.5 | 1.1 |
| Total Liabilities | 15.6 | 16.7 | 6.2 | 2.2 | 21.8 | 18.9 |
| Net Assets: | | | | | | |
| Invested in Capital Assets, Net of Debt | 8.1 | 7 | 1.5 | 5.6 | 9.6 | 11.6 |
| Restricted | 1 | 1.8 | 4.1 | 0 | 5.1 | 1.8 |
| Unrestricted (Deficit) | 3.5 | 2.4 | 2.2 | 1.8 | 5.7 | 4.2 |
| Total Net Assets | 12.6 | 11.2 | 7.8 | 7.4 | 20.4 | 17.6 |

Net Assets of the City's governmental activities increased \$1,417,740.

The net assets of the City's business-type activities increased \$373,271.

Table 2
Changes in Net Assets
(in Millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|------|--------------------------|------|--------------------------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | 2.0 | 2.1 | 5.0 | 4.8 | 7.0 | 6.9 |
| Grants | | 1.2 | | 0.5 | - | 1.7 |
| General Revenues: | | | | | - | - |
| Property Taxes | 3.3 | 3.2 | | | 3.3 | 3.2 |
| Sales Tax | 3.4 | 3.3 | | | 3.4 | 3.3 |
| Other Taxes | 0.7 | 0.5 | | | 0.7 | 0.6 |
| Other General Revenues | 0.8 | 0.4 | | | 0.8 | 0.4 |
| Total Revenues | 10.2 | 10.8 | 5.0 | 5.3 | 15.2 | 16.1 |
| Program Expenses | | | | | | |
| General government | 1.3 | 1.5 | | | 1.3 | 1.5 |
| Public Safety | 3.6 | 3.3 | | | 3.6 | 3.3 |
| Public Works | 1.0 | 1.2 | | | 1.0 | 1.2 |
| Sanitation | 1.5 | 1.5 | | | 1.6 | 1.5 |
| Health and Welfare | 0.2 | 0.6 | | | 0.2 | 0.6 |
| Tourism | 0.3 | 0.5 | | | 0.3 | 0.2 |
| Culture and Recreation | 0.6 | 0.9 | | | 0.6 | 0.9 |
| Interest and Long Term Debt | 0.7 | 0.8 | | | 0.7 | 0.8 |
| Water and Sewer | | - | 3.4 | 3.6 | 3.4 | 3.6 |
| Harbor | | | 0.2 | 0.2 | 0.2 | 0.2 |
| Aquatic Center | | | 0.5 | 0.5 | 0.5 | 0.5 |
| Civic Center | | | 0.3 | 0.4 | 0.3 | 0.4 |
| Total Expenses | 9.3 | 10.3 | 4.4 | 4.7 | 13.7 | 14.7 |
| Excess (Deficiency) Before Special Items and Transfers | 0.9 | 0.5 | 0.6 | 0.6 | 1.5 | 1.4 |
| Transfers | 0.5 | | (0.2) | | 0.3 | |
| Increase (Decrease) in Net Assets | 1.4 | 0.5 | 0.4 | 0.6 | 1.8 | 1.4 |

Total revenues generated from both governmental and business-type activities this year amounted to \$15.2 million.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$10.2 million. Expenses came in at \$9.3 million.

The cost of all governmental activities this year was \$9.3 million. However, as shown on the Statement of Activities on page 23, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$6.6 million. \$2.7 million to finance

these programs was paid by those who directly benefited from them, bond funds, construction funds and by other governments that subsidized certain programs with grants.

Table 3 presents the cost of each of the City's six largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities
(in Millions)

| | Total Cost of Services | | Net Cost of Services | |
|------------------------|------------------------|------------|----------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Public Safety | 3.6 | 3.3 | 3.4 | 1.8 |
| General Government | 1.3 | 1.5 | 1.1 | 0.9 |
| Public Works | 1.0 | 1.2 | 1.0 | 1.1 |
| Sanitation | 1.6 | 1.5 | - | 0.1 |
| Health and Welfare | 0.2 | 0.6 | 0.2 | 0.2 |
| Culture and Recreation | 0.6 | 0.9 | 0.6 | 1.2 |
| Total | 8.3 | 9.0 | 6.3 | 5.3 |

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$5.0 million. Expenses came in at \$4.4 million, leaving \$0.6 million as an increase to net assets before transfers. An additional net \$0.2 million in transfers from business-type activities was made, resulting in an all-inclusive increase to net assets amounting to \$0.4 million.

More details will be provided about governmental and business-type activities' operations later in this discussion and analysis.

THE CITY'S FUNDS

As a result of this year's operation, governmental funds (as reflected in the balance sheet on page 24) produced a combined fund balance of \$2.5 million, a decrease of \$0.8 million from last year.

Governmental Funds – A Detailed Discussion

Revenues and Transfers – In

The following table presents a summary of total governmental funds' revenues for the years ended September 30, 2013 and 2012.

Table 4
Revenues and Transfers-In

| Revenues and Transfers-In | 2013 Amount | % of Total | 2012 Amount | Amount of Increase (Decrease) | % Increase (Decrease) |
|---------------------------|-------------|------------|-------------|-------------------------------|-----------------------|
| Taxes | 7,415,541 | 0.7 | 7,287,908 | 127,633 | 0.0 |
| Licenses and Permits | 91,921 | 0.0 | 55,742 | 36,179 | 0.6 |
| Intergovernmental | 509,454 | 0.0 | 1,129,196 | (619,742) | (0.5) |
| Charges for Services | 1,618,794 | 0.2 | 1,514,224 | 104,570 | 0.1 |
| Fines and Forfeitures | 262,667 | 0.0 | 359,420 | (96,753) | (0.3) |
| Other | 357,969 | 0.0 | 617,022 | (259,053) | (0.4) |
| Total | 10,256,346 | | 10,963,512 | (707,166) | |

Taxes

Property Taxes

Property Taxes increased \$21,468 over last year.

Other Taxes

This year's reported sales taxes as a whole increased \$106,465 from the prior year.

Miscellaneous

Miscellaneous revenues totaling \$357,969 largely consists of insurance proceeds, rents and royalties, interest and PILOT – Industrial Development District.

Table 5
Expenditures and Transfers-Out

| Expenditures and Transfer-Out | 2013 Amount | % of Total | 2012 Amount | % Change |
|--------------------------------|-------------|------------|-------------|----------|
| General government | 1,044,940 | 9.05% | 1,412,895 | -26.04% |
| Public Safety | 3,216,918 | 27.86% | 3,214,453 | 0.08% |
| Public Works | 940,847 | 8.15% | 922,705 | 1.97% |
| Sanitation, Health and Welfare | 1,584,846 | 13.73% | 2,048,440 | -22.63% |
| Recreation and Tourism | 864,118 | 7.48% | 713,708 | 21.07% |
| Capital Outlay | 1,570,698 | 13.60% | 1,670,479 | -5.97% |
| Debt Service: | | | | |
| Principal | 1,645,000 | 14.25% | 1,536,071 | 7.09% |
| Interest and Fiscal Charges | 678,584 | 5.88% | 782,322 | -13.26% |
| Total | 11,545,951 | | 12,301,073 | |

Fund Balance

Combined fund balance for all of the governmental fund types decreased \$793,073 from a balance of \$3,261,565 (prior year balance of \$3,625,913 was restated to correct prior year error and to record residual equity transfer) in the prior year to \$2,468,492 as of the current fiscal year.

General Fund

Revenues and transfers-in generated \$6,164,379 and \$1,332,520 respectively, aggregating in \$7,496,899. Expenditures and transfers-out amounted to \$7,955,456 and \$507,777, respectively, aggregating \$8,463,233. The resulting effect on fund balance represented a decrease of \$966,334. The transfers out were primarily to the Aquatic Center Fund and Capital Projects Fund to cover operating costs.

AP Municipal Development District Fund

The fund balance of the AP Municipal Development District Fund increased from \$364,705 in the prior year to \$399,727, an increase of \$35,022. The District is a separate legal entity, but has been reported as a blended component unit in the financial statements. The District provides financing services to the City including payment of debt and civic center losses.

Debt Service Fund

The fund balance of the debt service fund increased from \$76,932 in the prior year to \$89,149 an increase of \$12,217.

PROPRIETARY FUNDS

Enterprise Funds

The City's enterprise operations consist of the Water and Sewer Fund, Harbor Fund, Civic Center and Aquatic Center.

Consumption

Historical consumption and its percentage increase (decrease) from the previous year, over the last three years, are presented in the following table:

Table 6
Consumption

| Fiscal Year | 2012-2013 | 2011-2012 | % Increase (Decrease) | 2010-2011 | % Increase (Decrease) |
|-------------------|-------------|-------------|-----------------------|-------------|-----------------------|
| Total Consumption | 403,822,000 | 420,327,500 | (3.93) | 421,745,900 | (4.25) |

**Table 7
Growth in Customer Base**

| Utility | | | System | | |
|--------------------------------|------------------|------------------|----------------------------------|------------------|----------------------------------|
| Fiscal Year | 2012-2013 | 2011-2012 | % Increase (Decrease) | 2010-2011 | % Increase (Decrease) |
| Total Meter Connections | 3,757 | 3,748 | 0.24 | 3,824 | (1.75) |

Fund

Operating revenues for the Water and Sewer Fund were \$4,434,477 which is \$239,700 more than 2012. Expenses were \$3,385,543, which is \$139,963 less than 2012.

Harbor Fund

The Harbor Fund is funded with rental revenue. Revenues for the Harbor totaled \$200,107 which is \$34,265 less than revenues for 2012. Expenses for the same period were \$170,958, a total of \$39,348 less than 2012. The Harbor is undergoing various cleanup projects.

Aquatic Center

The aquatic center is funded with revenue from admissions, passes, rentals, instructional classes and concessions. Revenues for the Aquatic Center totaled \$282,382, which is \$27,950 less than revenues for 2012. Expenses for the same period were \$513,001, a total of \$2,065 more than 2012.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$29.5 million in capital assets.

Table 8

Capital Assets at Year-end
(Net of Depreciation)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|----------------------------|-------------------------|------|--------------------------|------|--------------------------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | 7.5 | 7.5 | 0.4 | 0.3 | 7.9 | 7.8 |
| Construction in Progress | - | - | - | 0.3 | - | 0.3 |
| Buildings and Improvements | 10.4 | 12.8 | 0.2 | 0.3 | 10.6 | 13.1 |
| Equipment | 2.2 | 1.8 | 0.4 | 0.3 | 2.6 | 2.1 |
| Infrastructure | 2.6 | 2.6 | 5.8 | 5.8 | 8.4 | 8.4 |
| Totals | 22.7 | 24.7 | 6.8 | 7.0 | 29.5 | 31.7 |

The City began accounting for infrastructure for Governmental Activities in 2006 as required by GASB 34. Prior to 2006, infrastructure for Governmental Activities was expensed in accordance with the accounting rules in effect at that time.

Debt Administration

The City of Aransas Pass is authorized to issue bonds, for any purpose for which a city may issue bonds under the constitution and laws of the State of Texas.

Type of Debt Issued

The types of debt the City has issued are revenue bonds, general obligation refunding bond, and combination tax and revenue certificates of obligation. At September 30, 2013, the City had no bonds of any type approved that had not been issued.

Bond Ratings

The City's bond rating as of last issue from Standard and Poor's was A+.

Bonds Outstanding

At the end of the fiscal year, the City had \$19.9 million in bonds outstanding – as shown in Table 9.

Table 9
Outstanding Debt at Year-end
(in Millions)

| | Governmental Activities | | Business-type Activities | | Total Primary | |
|---|-------------------------|-------------|--------------------------|------------|---------------|-------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| General Obligation Bonds (backed by the City) | 14.5 | 16.3 | 1.4 | 1.5 | 15.9 | 17.8 |
| Revenue Bonds (Backed by specific tax and fee revenues) | - | - | 4.0 | - | 4.0 | - |
| Totals | 14.5 | 16.3 | 5.4 | 1.5 | 19.9 | 17.8 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2013-2104 the elected and appointed officials considered many factors including the force driving the economy in their budget decisions, including the increased housing starts, increased development, and raw land being turned into retail and housing.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to inform the citizens, taxpayers and customers of the City of Aransas Pass as well as its investors and creditors about the City's finances and to provide accountability for the public support that it receives. If you have any questions about the report or need additional financial information, contact the Finance Director's Office at the City of Aransas Pass, 600 W. Cleveland, Aransas Pass, Texas 78336.



Basic Financial Statements

City of Aransas Pass, Texas
Statement of Net Assets
September 30, 2013

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,292,426 | \$ 2,464,095 | \$ 3,756,519 |
| Receivables, net of allowance for uncollectible amounts | | | |
| Property taxes | 381,145 | - | 381,145 |
| Accounts | 154,962 | 434,400 | 589,362 |
| Occupancy taxes | 91,008 | - | 91,008 |
| Sales taxes | 160,158 | - | 160,158 |
| Assessments | 370,905 | - | 370,905 |
| Intergovernmental | 6,963 | - | 6,963 |
| Internal Balances | 139,305 | (139,305) | - |
| Inventories | 27,649 | - | 27,649 |
| Restricted Assets: | | | |
| Cash and cash equivalents | 872,856 | 4,124,281 | 4,997,137 |
| Sales tax receivable | 132,908 | - | 132,908 |
| Bond issuance costs | 203,510 | 183,000 | 386,510 |
| Capital assets: | | | |
| Land | 7,507,865 | | 7,507,865 |
| Property, plant and equipment | 22,808,374 | 16,923,337 | 39,731,711 |
| Less: Accumulated depreciation | (7,486,448) | (10,022,829) | (17,509,277) |
| Total assets | 26,663,586 | 13,966,977 | 40,630,563 |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 404,350 | 224,011 | 628,361 |
| Accrued interest payable | 136,802 | 23,331 | 160,133 |
| Deferred revenue | 375,677 | 40,482 | 416,159 |
| Liabilities payable from restricted assets: | | | |
| Customer deposits | - | 343,608 | 343,608 |
| Long-Term Liabilities: | | | |
| Due within one year | 1,708,873 | 290,000 | 1,998,873 |
| Due in more than one year | 13,035,047 | 5,290,353 | 18,325,400 |
| Total liabilities | 15,660,749 | 6,211,785 | 21,872,534 |
| NET ASSETS | | | |
| Invested in Capital, Net of Related Debt | 8,085,871 | 1,460,508 | 9,546,379 |
| Restricted for: | | | |
| Public Library | 64,512 | | 64,512 |
| Debt Service | 281,767 | | 281,767 |
| Tourism | 168,524 | | 168,524 |
| Law Enforcement | 411,243 | | 411,243 |
| Emergency Services | 78,296 | | 78,296 |
| Building Security | 17,132 | | 17,132 |
| Municipal Court Technology | 25,083 | | 25,083 |
| Special Projects | - | 4,124,281 | 4,124,281 |
| Unrestricted | 3,545,092 | 2,170,403 | 5,715,495 |
| Total net assets | \$ 12,677,520 | \$ 7,755,192 | \$ 20,432,712 |

City of Aransas Pass, Texas

Statement of Activities

Year Ended September 30, 2013

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------------|----------------------|----------------------|--------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary Government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 1,252,536 | \$ 91,921 | \$ 30,728 | \$ (1,129,887) | \$ - | \$ (1,129,887) |
| Public safety | 3,625,056 | 262,667 | | (3,362,389) | - | (3,362,389) |
| Public works | 1,022,907 | | | (1,022,907) | - | (1,022,907) |
| Sanitation | 1,591,962 | 1,618,794 | | 26,832 | - | 26,832 |
| Health and welfare | 127,566 | | | (127,566) | - | (127,566) |
| Culture and recreation | 598,281 | | | (598,281) | - | (598,281) |
| Tourism | 300,618 | | | (300,618) | - | (300,618) |
| Capital outlay | - | | | - | - | - |
| Interest and fiscal charges | 748,880 | | | (748,880) | - | (748,880) |
| Total governmental activities | <u>9,267,806</u> | <u>1,973,382</u> | <u>30,728</u> | <u>(7,263,696)</u> | <u>-</u> | <u>(7,263,696)</u> |
| Business-type activities: | | | | | | |
| Water & Sewer | 3,385,543 | 4,434,477 | | | 1,048,934 | 1,048,934 |
| Harbor | 170,958 | 200,107 | | | 29,149 | 29,149 |
| Aquatic Center | 513,001 | 282,382 | | | (230,619) | (230,619) |
| Civic Center | 323,071 | 128,589 | | | (194,482) | (194,482) |
| Total business-type activities | <u>4,392,573</u> | <u>5,045,555</u> | <u>-</u> | <u>-</u> | <u>652,982</u> | <u>652,982</u> |
| Total primary government | <u>\$ 13,660,379</u> | <u>\$ 7,018,937</u> | <u>\$ 30,728</u> | <u>(7,263,696)</u> | <u>652,982</u> | <u>(6,610,714)</u> |
| General revenues: | | | | | | |
| Property taxes | | | | 3,333,281 | | 3,333,281 |
| Sales taxes | | | | 3,444,311 | | 3,444,311 |
| Franchise taxes | | | | 381,816 | | 381,816 |
| Mixed beverage taxes | | | | 10,640 | | 10,640 |
| Occupancy taxes | | | | 245,493 | | 245,493 |
| Licenses and permits | | | | - | | - |
| Fines and forfeitures | | | | - | | - |
| Assessments | | | | - | | - |
| Fees | | | | - | | - |
| Rents and royalties | | | | 153,388 | | 153,388 |
| Industrial development district | | | | 124,649 | | 124,649 |
| Intergovernmental | | | | 309,454 | | 309,454 |
| Interest income | | | | 8,812 | 4,097 | 8,812 |
| Other | | | | 68,788 | | 68,788 |
| Transfers | | | | 465,804 | (222,842) | 242,962 |
| Total general revenues and transfers | | | | <u>8,746,436</u> | <u>(218,745)</u> | <u>8,527,691</u> |
| Change in net assets | | | | 1,482,740 | 434,237 | 1,916,977 |
| Net assets-beginning | | | | 11,259,780 | 7,320,955 | 18,580,735 |
| Prior period adjustment | | | | (65,000) | - | (65,000) |
| Net assets-ending | | | | <u>\$ 12,677,520</u> | <u>\$ 7,755,192</u> | <u>\$ 20,432,712</u> |

City of Aransas Pass, Texas

Balance Sheet
Governmental Funds
September 30, 2013

| | General Fund | Debt Service Fund | Aransas Pass Municipal Development District | Aransas Pass Crime Control & Prevention District | Capital Projects Fund | Other Governmental Funds | Total |
|---|---------------------|-------------------------|--|---|-----------------------------|--------------------------------|---------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 1,004,628 | \$ 89,149 | \$ 622 | \$ - | \$ - | \$ 198,027 | \$ 1,292,426 |
| Receivables, net of allowances for uncollectible) | | | | | | | |
| Property taxes | 168,395 | 212,750 | - | - | - | - | 381,145 |
| Accounts | 154,963 | - | - | - | - | - | 154,963 |
| Occupancy taxes | - | - | - | - | - | 91,008 | 91,008 |
| Sales taxes | 160,158 | - | - | - | - | - | 160,158 |
| Assessments | 370,905 | - | - | - | - | - | 370,905 |
| Intergovernmental | 6,963 | - | - | - | - | - | 6,963 |
| Due from other funds | 406,075 | - | - | - | - | - | 406,075 |
| Inventories | 27,649 | - | - | - | - | - | 27,649 |
| Noncurrent assets: | | | | | | | |
| Restricted cash and cash equivalents | - | - | 527,180 | 345,054 | - | - | 872,234 |
| Sales taxes receivable | - | - | 66,719 | 66,189 | - | - | 132,908 |
| Total assets | <u>\$ 2,299,736</u> | <u>\$ 301,899</u> | <u>\$ 594,521</u> | <u>\$ 411,243</u> | <u>\$ -</u> | <u>\$ 289,035</u> | <u>\$ 3,896,434</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 404,350 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 404,350 |
| Due to other funds | - | - | 194,794 | 71,976 | - | - | 266,770 |
| Deferred revenue | 544,072 | 212,750 | - | - | - | - | 756,822 |
| Total liabilities | <u>948,422</u> | <u>212,750</u> | <u>194,794</u> | <u>71,976</u> | <u>-</u> | <u>-</u> | <u>1,427,942</u> |
| Fund balances: | | | | | | | |
| Restricted | 203,089 | 89,149 | 399,727 | 339,267 | - | 289,035 | 1,317,267 |
| Nonspendable | 27,649 | - | - | - | - | - | 27,649 |
| Committed | - | - | - | - | - | - | - |
| Unassigned | 1,123,576 | - | - | - | - | - | 1,123,576 |
| Total fund balances | <u>1,351,314</u> | <u>89,149</u> | <u>399,727</u> | <u>339,267</u> | <u>-</u> | <u>289,035</u> | <u>2,468,492</u> |
| Total liabilities and fund balances | <u>\$ 2,299,736</u> | <u>\$ 301,899</u> | <u>\$ 594,521</u> | <u>\$ 411,243</u> | <u>\$ -</u> | <u>\$ 289,035</u> | <u>\$ 3,896,434</u> |

City of Aransas Pass, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2013

| | |
|--|-------------------|
| Total fund balances - governmental funds balance sheet | \$ 2,468,492 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 22,829,791 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 385,917 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (12,991,635) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (136,802) |
| Payables for compensated absences which are not due in the current period are not reported in the funds. | (188,737) |
| OPEB liabilities are not reported in the funds. | (65,183) |
| Assessments receivable unavailable to pay for current period expenditures are deferred in the funds. | 375,677 |
| Net assets of governmental activities - Statement of Net Assets | <u>12,677,520</u> |

City of Aransas Pass, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2013

| | General Fund | Debt Service Fund | Aransas Pass Municipal Development District | Aransas Pass Crime Control & Prevention District | Capital Projects Fund | Other Governmental Funds | Total |
|--|---------------------|-------------------------|--|---|-----------------------------|--------------------------------|---------------------|
| REVENUES | | | | | | | |
| Property taxes | \$ 1,560,473 | \$ 1,772,808 | \$ - | \$ - | \$ - | \$ - | \$ 3,333,281 |
| Sales taxes | 1,863,567 | - | 795,367 | 785,377 | - | - | 3,444,311 |
| Franchise taxes | 381,816 | - | - | - | - | - | 381,816 |
| Mixed beverage taxes | 10,640 | - | - | - | - | - | 10,640 |
| Occupancy taxes | - | - | - | - | - | 245,493 | 245,493 |
| Licenses and permits | 91,921 | - | - | - | - | - | 91,921 |
| Fines and forfeitures | 256,383 | - | - | - | - | 6,284 | 262,667 |
| Assessments | 2,332 | - | - | - | - | - | 2,332 |
| Charges for services | 1,549,740 | - | - | - | - | 69,054 | 1,618,794 |
| Rents and royalties | 153,388 | - | - | - | - | - | 153,388 |
| Industrial development district | 124,649 | - | - | - | - | - | 124,649 |
| Intergovernmental | 93,432 | - | - | - | 416,022 | - | 509,454 |
| Interest income | 7,250 | 214 | 566 | 189 | 23 | 570 | 8,812 |
| Other | 68,788 | - | - | - | - | - | 68,788 |
| Total revenues | 6,164,379 | 1,773,022 | 795,933 | 785,566 | 416,045 | 321,401 | 10,256,346 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 1,041,290 | - | 3,650 | - | - | - | 1,044,940 |
| Public safety | 3,147,030 | - | - | 27,885 | - | 42,203 | 3,216,918 |
| Public works | 940,847 | - | - | - | - | - | 940,847 |
| Sanitation | 1,471,414 | - | - | - | - | - | 1,471,414 |
| Health and welfare | 113,432 | - | - | - | - | - | 113,432 |
| Culture and recreation | 563,500 | - | - | - | - | - | 563,500 |
| Tourism | - | - | - | - | - | 300,618 | 300,618 |
| Debt service: | | | | | | | |
| Principal | - | 1,330,000 | 315,000 | - | - | - | 1,645,000 |
| Interest and fiscal charges | - | 430,805 | 247,779 | - | - | - | 678,584 |
| Capital outlay | 677,943 | - | - | - | 880,238 | 12,517 | 1,570,698 |
| Total expenditures | 7,955,456 | 1,760,805 | 566,429 | 27,885 | 880,238 | 355,338 | 11,545,951 |
| Excess (deficiency) of revenues over expenditures | (1,791,077) | 12,217 | 229,504 | 757,881 | (464,193) | (33,937) | (1,289,605) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Grant proceeds | 15,775 | - | - | - | - | - | 15,775 |
| Transfers in | 1,332,520 | - | - | - | 400,254 | - | 1,732,774 |
| Transfers out | (507,777) | - | (194,482) | (514,711) | - | (50,000) | (1,266,970) |
| Sale of assets | 4,824 | - | - | - | - | - | 4,824 |
| Insurance proceeds | 10,129 | - | - | - | - | - | 10,129 |
| Total other financing sources and uses | 855,471 | - | (194,482) | (514,711) | 400,254 | (50,000) | 496,532 |
| Net change in fund balances | (935,606) | 12,217 | 35,022 | 243,170 | (63,939) | (33,937) | (793,073) |
| Fund balances-beginning | 1,836,274 | 76,932 | 364,705 | 155,457 | 156,729 | 1,035,816 | 3,625,913 |
| Residual equity transfer | 450,646 | - | - | - | (92,790) | (662,844) | (364,988) |
| Prior period adjustment | - | - | - | (59,360) | - | - | (59,360) |
| Fund balances-beginning as restated | 2,286,920 | 76,932 | 364,705 | 96,097 | 63,939 | 372,972 | 3,261,565 |
| Fund balances-ending | \$ 1,351,314 | \$ 89,149 | \$ 399,727 | \$ 339,267 | \$ - | \$ 289,035 | \$ 2,468,492 |

City of Aransas Pass, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended September 30, 2013

| | |
|--|---------------------|
| Net change in fund balances, total governmental funds | \$ (793,073) |
| Amounts reported for governmental activities in the statement of activities (SOA) are different because: | |
| Capital outlays are not reported as expenses in the Statement of Activities. | 1,570,698 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (792,830) |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 1,645,000 |
| Bond issuance costs and similar items are amortized in the SOA but not in the funds. | (35,480) |
| (Increase) decrease in accrued interest from beginning of period to end of period. | (20,758) |
| Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds. | (9,244) |
| The current accrual of OPEB is recorded in the SOA, but not the funds. | (65,183) |
| Certain assessment revenues are deferred in the funds. This is the change in these amounts this year. | (2,332) |
| Amortization of deferred loss on bond refunding is not recorded in the funds, but in the SOA. | (14,058) |
| Change in net assets of governmental activities - statement of activities | <u>\$ 1,482,740</u> |

City of Aransas Pass, Texas

Exhibit A-7

Statement of Net Assets Enterprise Funds September 30, 2013

| | Enterprise Funds | | |
|--|-------------------------------------|--------------------|--------------|
| | Major Fund Water & Sewer Fund | Non-Major Funds | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,315,219 | \$ 148,874 | \$ 2,464,093 |
| Receivables (net) | 429,775 | 4,625 | 434,400 |
| Total current assets | 2,744,994 | 153,499 | 2,898,493 |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 4,124,281 | - | 4,124,281 |
| Bond issuance cost, net | 183,000 | - | 183,000 |
| Capital assets: | | | |
| Property, plant and equipment | 14,181,705 | 2,741,632 | 16,923,337 |
| Less accumulated depreciation | (7,527,903) | (2,494,926) | (10,022,829) |
| Total noncurrent assets | 10,961,083 | 246,706 | 11,207,789 |
| Total assets | 13,706,077 | 400,205 | 14,106,282 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 205,029 | 1,991 | 207,020 |
| Accrued interest payable | 23,331 | - | 23,331 |
| Deferred revenue | - | 40,482 | 40,482 |
| Due to other funds | 39,452 | 99,853 | 139,305 |
| Compensated absences payable | 6,000 | 10,991 | 16,991 |
| Certificates of Obligation payable-current | 290,000 | - | 290,000 |
| Total current liabilities | 563,812 | 153,317 | 717,129 |
| Current liabilities payable from restricted assets | | | |
| Customer deposits | 343,608 | - | 343,608 |
| Total current liabilities | 907,420 | 153,317 | 1,060,737 |
| Noncurrent liabilities: | | | |
| Compensated absences | 26,743 | - | 26,743 |
| Bond premium | 113,610 | - | 113,610 |
| Bonds, notes, and loans payable | 5,150,000 | - | 5,150,000 |
| Total noncurrent liabilities | 5,290,353 | - | 5,290,353 |
| Total liabilities | 6,197,773 | 153,317 | 6,351,090 |
| NET ASSETS | | | |
| Investment in Capital Assets, Net of Related Debt Restricted for Special Projects | 1,213,802 | 246,706 | 1,460,508 |
| Unrestricted | 4,124,281 | - | 4,124,281 |
| Total net assets | 2,170,221 | 182 | 2,170,403 |
| Total net assets | \$ 7,508,304 | \$ 246,888 | \$ 7,755,192 |

The accompanying notes are an integral part of this statement.

City of Aransas Pass, Texas
Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Enterprise Funds
Year Ended September 30, 2013

| | Enterprise Funds | | |
|---|-------------------------------------|--------------------|--------------|
| | Major Fund Water & Sewer Fund | Non-Major Funds | Total |
| OPERATING REVENUES | | | |
| Charges for services | \$ 4,434,477 | \$ 611,078 | \$ 5,045,555 |
| Total operating revenue | 4,434,477 | 611,078 | 5,045,555 |
| OPERATING EXPENSES | | | |
| Personal services | 753,991 | 453,187 | 1,207,178 |
| Contractual services | 128,545 | 67,979 | 196,524 |
| Supplies | 1,488,367 | 100,110 | 1,588,477 |
| Maintenance | 241,955 | 61,334 | 303,289 |
| Utilities | 185,255 | 153,957 | 339,212 |
| Advertising | - | 2,342 | 2,342 |
| Event expenses | - | 9,003 | 9,003 |
| Insurance | 66,436 | 91,563 | 157,999 |
| Depreciation and amortization | 339,914 | 67,555 | 407,469 |
| Total operating expenses | 3,204,463 | 1,007,030 | 4,211,493 |
| Operating income (loss) | 1,230,014 | (395,952) | 834,062 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 4,078 | 19 | 4,097 |
| Interest expense and agent fees | (181,080) | - | (181,080) |
| Total nonoperating revenue (expenses) | (177,002) | 19 | (176,983) |
| Income (loss) before contributions and transfers | 1,053,012 | (395,933) | 657,079 |
| Contributions | 242,961 | - | 242,961 |
| Transfers in | - | 320,482 | 320,482 |
| Transfers out | (766,925) | (19,360) | (786,285) |
| Change in net assets | 529,048 | (94,811) | 434,237 |
| Total net assets-beginning | 6,979,256 | 402,665 | 7,381,921 |
| Correction of prior period error | - | (60,966) | (60,966) |
| Total net assets-beginning as restated | 6,979,256 | 341,699 | 7,320,955 |
| Total net assets-ending | \$ 7,508,304 | \$ 246,888 | \$ 7,755,192 |

The accompanying notes are an integral part of this statement.

City of Aransas Pass, Texas

Exhibit A-9

Statement of Cash Flows Enterprise Funds Year Ended September 30, 2013

| | Major Fund Water & Sewer Fund | Non-Major Funds | Total |
|--|-------------------------------------|--------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 4,474,078 | \$ 680,513 | \$ 5,154,591 |
| Payments to suppliers | (2,168,987) | (501,844) | (2,670,831) |
| Payments to employees | (744,703) | (442,196) | (1,186,899) |
| | 1,560,388 | (263,527) | 1,296,861 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Transfers From (To) Other Funds | (766,925) | 301,122 | (465,803) |
| Correction of prior period error | - | (60,966) | (60,966) |
| | (766,925) | 240,156 | (526,769) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Increase in due to/from | 34,605 | 99,632 | 134,237 |
| Purchase or construction of capital assets | (218,279) | - | (218,279) |
| Proceeds from issuance of long-term debt | 4,200,000 | - | 4,200,000 |
| Principal, interest and agent fees paid | (219,822) | - | (219,822) |
| | 3,796,504 | 99,632 | 3,896,136 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends | 4,078 | 19 | 4,097 |
| | 4,078 | 19 | 4,097 |
| Net increase (decrease) in cash and cash equivalents | 4,594,045 | 76,280 | 4,670,325 |
| Balances-beginning of year | 1,845,455 | 72,594 | 1,918,049 |
| Balances-end of year | \$ 6,439,500 | \$ 148,874 | \$ 6,588,374 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ 1,230,014 | \$ (395,952) | \$ (395,952) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 339,914 | 67,555 | 407,469 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 15,709 | 44,939 | 60,648 |
| Inventories | - | 738 | 738 |
| Prepaid items | - | 25,137 | 25,137 |
| Customer security deposits | 23,892 | 25,137 | 49,029 |
| Accounts payable | (58,429) | (16,935) | (75,364) |
| Compensated absences | 9,288 | 10,991 | 20,279 |
| Total Adjustments | 330,374 | 132,425 | 462,799 |
| Net cash provided (used) by Operating Activities | \$ 1,560,388 | \$ (263,527) | \$ 1,296,861 |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

A. Summary of Significant Accounting Policies

The combined financial statements of City of Aransas Pass, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The City of Aransas Pass, Texas was incorporated under the General Laws of the State of Texas on April 5, 1910, with said Charter having been amended (Home Rule City Act) on November 27, 1951. The city operates under a home rule charter with a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and parks and recreation, planning and social services, cultural-recreation, public improvements, planning and zoning, and general administrative services.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The city also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Blended Component Units

Blended component units provide services exclusively for the City, and/or their Board of Directors are substantially the same as the City Council. The following blended component units are reported:

Aransas Pass Municipal Development District

The Aransas Pass Municipal Development District (the District) was created pursuant to the provisions of Chapter 377 of the Texas Local Government Code by a general election on May 2, 1998. A ½ cent sales tax was approved by the voters to fund the District's development projects. The City Council appoints all of the District's board members and can remove them at will. Since the City appoints the board of directors, the District provides services to the exclusive benefit of the City, and makes debt service payments for the City; it has been reported as a blended component unit in a special revenue fund. The District issues separate financial statements which are available upon request.

Aransas Pass Crime Control and Prevention District

In May 2009, the voters approved the creation of the Aransas Pass Crime Control and Prevention District which will be funded by a ½ cent sales tax. Board Members are appointed by the City Council. Although the District is legally separate from the City, the District will be reported as if it were part of the primary government because it is a financing mechanism for the City to provide public safety to the citizens of the City. The District issues separate financial statements which are available upon request. The District changed its fiscal year from

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

July to September in 2012. The District's financial statements included herein are as of and for the year ended September 30, 2013.

Discretely Presented Component Units

There are no component units which require discrete presentation.

2. Bases of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reports as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

Aransas Pass Municipal Development Fund: This fund accounts for revenues and expenditures of the Aransas Pass Municipal Development District which is described above.

Aransas Pass Crime Control and Prevention District: This fund accounts for revenues and expenditures of the Aransas Pass Crime Control and Prevention District which is described above.

Debt Service Fund: This fund accounts for the resources accumulated and payments made for the principal and interest on long-term general obligation debt of the City.

Capital Improvements Fund: This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

The City reports the following major enterprise funds:

Water and Sewer Fund: This fund accounts for the operations of the City's water and sewer system.

b. Measurement Focus, Basis of Accounting

"Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual bases of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have maturity of three months or less when purchased.

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 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 1 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)

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$3,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Infrastructure | 30 |
| Buildings | 30-40 |
| Other Improvements | 20-25 |
| Machinery and Equipment | 20-25 |
| Water and Sewer System | 30-50 |

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Compensated Absences

The City allows employees to accumulate earned, but unused vacation which will be paid to employees upon separation for the City's service. This liability is accrued when incurred in the government-wide and proprietary fund financial statements.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfer. Transfers in and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Fund Balances-Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provision, or enabling legislation.

Assigned Fund Balance – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance – represents amount which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, and finally unassigned funds.

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

4. Budgetary Data

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

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

- b. 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 have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by the approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as needed. All budget appropriations lapse at year end.

The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter total appropriations must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations. For report purposes, this level has been extended to a functional basis (i.e. General Government, Public Safety, etc.).

The following funds have legally adopted budgets: General Fund, Aransas Pass Crime Control and Prevention District, Hotel/Motel Occupancy Tax Fund, Debt Service Fund and Enhanced 911 Fund.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.

Formal budgets are not adopted in the Capital Projects Funds. Effective budgetary control in these funds is achieved through individual project budgeting in conformance with the provisions of bond orders, grant awards and other sources.

5. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

B. Compliance and Accountability

i. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None reported | Not applicable |

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

| <u>Fund</u> | <u>Deficit</u> | |
|-------------------|----------------|--|
| Aquatics Fund | \$ (105,103) | Temporary shortages to be replenished by General fund |
| Civic Center Fund | \$ (9,267) | Temporary shortages to be replenished by Aransas Pass Municipal Development District |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

3. Budget Compliance

The following funds expended are more than their budgeted appropriations for the current fiscal year as shown below:

| | | |
|--------------------------------|----|-----------|
| General Fund | \$ | (423,674) |
| Hotel/Motel Occupancy Tax Fund | \$ | (110,078) |
| Debt Service Fund | \$ | (52,907) |

C. Fund Changes and Restatement of Net Assets

Aransas Pass Crime Control and Prevention District

Sales tax revenue was overstated in prior periods. The change in Fund Balance is as follows:

| | | |
|--|----|---------------|
| Beginning Fund Balance | \$ | 155,457 |
| Increase in Fund Balance due to error in prior period | | (59,360) |
| Beginning Fund Balance, as restated | \$ | <u>96,097</u> |

Various Capital Projects and Special Revenue Funds

During the fiscal year the structure of the City's funds were evaluated and restructured to provide a clearer presentation of the City's financial position. A residual equity transfer was made from the funds deemed unnecessary to the General Fund.

D. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2013, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,189,128 and the bank balance was \$1,466,005. The City's cash deposits at September 30, 2013 and during the year ended September 30, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with the local policies.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (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, and (10) common trust funds.

| <u>Investment or Investment Type</u> | <u>Maturity</u> | | <u>Fair Value</u> |
|--------------------------------------|-----------------|----|-------------------|
| TexPool | 1 Day | \$ | 7,563,908 |
| Total Investment | | \$ | 7,563,908 |

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City's investment policy seeks to minimize credit risk by limiting the types and term of investments. The policy allows for investments in Public Fund Investment Pools described below which must have an AAA or AAA rating.

At September 30, 2013, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

| <u>Investment</u> | <u>Rating</u> | <u>Rating Agency</u> |
|-------------------|---------------|----------------------|
| TexPool | AAA | Standard and Poor's |

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting its investments to TexPool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

This City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public fund investment pools in Texas ("Pools") are established under the authority of the interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pool to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|------------------|-------------|----------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 7,507,865 | \$ - | \$ - | \$ 7,507,865 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | <u>7,507,865</u> | <u>-</u> | <u>-</u> | <u>7,507,865</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 8,929,041 | - | - | 8,929,041 |
| Improvements other than buildings | 4,759,005 | - | - | 4,759,005 |
| Machinery and Equipment | 4,820,050 | 662,453 | - | 5,482,503 |
| Infrastructure | 3,476,595 | 161,230 | - | 3,637,825 |
| Total capital assets being depreciated | <u>21,984,691</u> | <u>823,683</u> | <u>-</u> | <u>22,808,374</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,681,510) | (229,649) | - | (1,911,159) |
| Improvements other than buildings | (1,122,952) | (187,631) | - | (1,310,583) |
| Machinery and Equipment | (2,981,863) | (254,289) | - | (3,236,152) |
| Infrastructure | (907,293) | (121,261) | - | (1,028,554) |
| Total accumulated depreciation | <u>(6,693,618)</u> | <u>(792,830)</u> | <u>-</u> | <u>(7,486,448)</u> |
| Total capital assets being depreciated, net | <u>15,291,073</u> | <u>30,853</u> | <u>-</u> | <u>15,321,926</u> |
| Governmental activities capital assets, net | <u>\$ 22,798,938</u> | <u>\$ 30,853</u> | <u>\$ -</u> | <u>\$ 22,829,791</u> |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | Balances | Increases | Decreases | Balances |
|--|--------------|------------|------------|--------------|
| <u>Business-type activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land, right of way | \$ 308,583 | \$ 50,258 | \$ - | \$ 358,841 |
| Construction in progress | 324,865 | - | 324,865 | - |
| Total capital assets not being depreciated | 633,448 | 50,258 | 324,865 | 358,841 |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 2,702,205 | - | - | 2,702,205 |
| Water and sewer system | 12,083,814 | 324,865 | - | 12,408,679 |
| Machinery and Equipment | 1,285,591 | 168,018 | - | 1,453,609 |
| Total capital assets being depreciated | 16,071,610 | 492,883 | - | 16,564,493 |
| Less accumulated depreciation for: | | | | |
| Improvements other than buildings | (2,387,943) | (67,555) | - | (2,455,498) |
| Water and sewer system | (6,284,102) | (248,174) | - | (6,532,276) |
| Machinery and Equipment | (955,107) | (79,949) | - | (1,035,056) |
| Total accumulated depreciation | (9,627,152) | (395,678) | - | (10,022,830) |
| Total capital assets being depreciated, net | 6,444,458 | 97,205 | - | 6,541,663 |
| Business-type activities capital assets, net | \$ 7,077,906 | \$ 147,463 | \$ 324,865 | \$ 6,900,504 |

Depreciation was charged to functions as follows:

Governmental Activities:

| | |
|---------------------------|-------------------|
| General Government | \$ 37,574 |
| Public Safety | 125,086 |
| Culture and Recreation | 396,473 |
| Public Works | 227,966 |
| Public Health and Welfare | 5,731 |
| | <u>\$ 792,830</u> |

Business Activities:

| | |
|-----------------|-------------------|
| Water and Sewer | \$ 328,122 |
| Harbor | 67,555 |
| | <u>\$ 395,677</u> |

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2013, consisted of the following:

| | Receivable | Payable | Net |
|--|-------------------|-------------------|---------------------|
| Governmental Fund Types: | | | |
| Governmental Funds: | | | |
| General Fund | \$ 406,075 | \$ - | |
| Aransas Pass Municipal Development District | - | 194,794 | |
| Aransas Pass Crime Control & Prevention District | - | 71,976 | |
| | <u>\$ 406,075</u> | <u>\$ 266,770</u> | <u>\$ 139,305</u> |
| Proprietary Fund Types: | | | |
| Enterprise Funds: | | | |
| Water and Sewer Fund | \$ - | \$ 39,452 | |
| Aquatics Fund | - | 99,853 | |
| | <u>\$ -</u> | <u>\$ 139,305</u> | <u>\$ (139,305)</u> |
| | | | <u>\$ -</u> |

All amounts due are for short-term loans and are scheduled to be repaid within one year.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2013, consisted of the following:

| <u>Transfers From</u> | <u>Transfers To</u> | <u>Amount</u> | <u>Reason</u> |
|--|--------------------------------|---------------------|--|
| Water and Sewer Fund | General Fund | \$ 700,000 | Administrative Charges |
| | General Fund | 65,925 | Reimburse Grant Matching Funds |
| Harbor Fund | General Fund | 884 | Reimburse expenses |
| | Nonmajor Capital Projects Fund | 13,476 | Reimburse expenses |
| Aransas Pass Municipal Dev. District | Civic Center Fund | 194,482 | Reimburse Gen Fund for Civic Center losses |
| Aransas Pass Crime Control and Prevention District | General Fund | 514,711 | Crime Prevention Grants |
| Building Security Fund | General Fund | 50,800 | Reimbursement for Warrant Officer |
| General Fund | Nonmajor Capital Projects Fund | 381,777 | Reimburse expenses |
| General Fund | Aquatic Center Fund | 126,000 | Supplement other funds sources |
| | Total | <u>\$ 2,053,255</u> | |

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CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

G. Long-Term Obligations

1. Long-Term Obligation Activity

The City issues general obligation and revenue bonds, certificates of obligation, and tax notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and proprietary activities. Revenue bonds have been issued for only proprietary activities. Bonds and certificates of obligation are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

Outstanding bonds, certificates of obligation and tax notes consisted of the following at September 30, 2013:

| | <u>Interest Rate</u> | <u>General Long- Term Debt</u> | <u>Enterprise Fund Debt</u> |
|--|--------------------------|------------------------------------|---------------------------------|
| <u>Bonded Debt</u> | | | |
| Combination Tax and Subordinate Lien Revenue | | | |
| Certificates of Obligation, Series 2005 | 1.70% - 3.75% | | 750,000 |
| Combination Tax and Limited Pledge Revenue | | | |
| Certificates of Obligation, Series 2006 | 4.25% | | 640,000 |
| General Obligation Refunding Bonds, Series 2007 | 4.025% | 3,715,000 | |
| Taxable Combination Tax and Limited Pledge Revenue | | | |
| Certificates of Obligation, Series 2007 | 5.75 - 6.375% | 5,315,000 | |
| Tax Notes, Series 2007 | 4.30% | 80,000 | |
| Combination Tax and Limited Pledge Revenue | | | |
| Certificates of Obligation, Series 2007 | 3.92% | 3,085,000 | |
| General Obligation Refunding Bonds, Series 2008 | 2.95% | - | |
| Tax Notes, Series 2009 | 2.85 - 3.00% | - | |
| Tax Notes, Series 2010 | 2.0 - 3.0% | 685,000 | |
| Tax Notes, Series 2011 | 2.78% | 370,000 | |
| Combination Tax and Limited Pledge Revenue | | | |
| Certificates of Obligation, Series 2012 | 1.50 - 3.0% | | 4,050,000 |
| General Obligation Refunding Bonds, Series 2012 | 1.29% | 1,240,000 | |
| | | <u>\$ 14,490,000</u> | <u>\$ 5,440,000</u> |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the ended September 30, 2013, are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|----------------------------------|----------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| <u>Governmental activities:</u> | | | | | |
| General bonded debt | \$ 16,080,000 | \$ 1,280,000 | \$ (2,870,000) | \$ 14,490,000 | \$ 1,690,000 |
| Deferred loss on adv. ref. | (165,660) | | 14,058 | (151,602) | (14,058) |
| OPEB obligation* | 94,466 | 2,832 | | 97,298 | 94,466 |
| Compensated absences* | 179,493 | 9,244 | | 188,737 | 18,874 |
| Contracts* | 54,640 | 6,071 | | 60,711 | 6,071 |
| Total governmental activities | <u>\$ 16,242,939</u> | <u>\$ 1,298,147</u> | <u>\$ (2,855,942)</u> | <u>\$ 14,685,144</u> | <u>\$ 1,795,353</u> |
| <u>Business-type activities:</u> | | | | | |
| General bonded debt | \$ 1,520,000 | \$ 4,200,000 | \$ (280,000) | \$ 5,440,000 | \$ 290,000 |
| Compensated absences* | 23,455 | 20,456 | | 43,911 | 16,991 |
| Total business-type activities | <u>\$ 1,543,455</u> | <u>\$ 4,220,456</u> | <u>\$ (280,000)</u> | <u>\$ 5,483,911</u> | <u>\$ 306,991</u> |

Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

| Liability | Activity Type | Fund |
|----------------------|---------------|----------------------|
| Compensated Absences | Governmental | General Fund |
| Contracts | Governmental | General Fund |
| OPEB | Governmental | General Fund |
| Compensated Absences | Business-type | Water and Sewer Fund |

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2013, are as follows:

| Year Ending September 30, | Governmental Activities | | |
|---------------------------|--------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2014 | \$ 1,690,000 | \$ 622,811 | \$ 2,312,811 |
| 2015 | 1,415,000 | 566,490 | 1,981,490 |
| 2016 | 1,045,000 | 522,961 | 1,567,961 |
| 2017 | 960,000 | 484,812 | 1,444,812 |
| 2018 | 990,000 | 445,810 | 1,435,810 |
| 2019 - 2023 | 4,285,000 | 1,622,719 | 5,907,719 |
| 2024 - 2027 | 4,105,000 | 458,191 | 4,563,191 |
| Totals | <u>\$ 14,490,000</u> | <u>\$ 4,723,794</u> | <u>\$ 19,213,794</u> |
| Year Ending September 30, | Business-type Activities | | |
| | Principal | Interest | Total |
| 2014 | \$ 290,000 | \$ 150,546 | \$ 440,546 |
| 2015 | 300,000 | 142,706 | 442,706 |
| 2016 | 315,000 | 135,061 | 450,061 |
| 2017 | 320,000 | 126,913 | 446,913 |
| 2018 | 330,000 | 118,170 | 448,170 |
| 2019 - 2023 | 1,465,000 | 433,178 | 1,898,178 |
| 2024 - 2028 | 1,210,000 | 247,191 | 1,457,191 |
| 2029 - 2033 | 1,210,000 | 92,125 | 1,302,125 |
| Totals | <u>\$ 5,440,000</u> | <u>\$ 1,445,890</u> | <u>\$ 6,885,890</u> |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

3. Advance Refunding of Debt

At September 30, 2013, the City had no legally defeased bonds outstanding.

4. Contracts payable are due as follows:

| Year Ending September 30, | <u>Government- Type Activities</u> |
|---------------------------|--|
| 2014 | \$ 6,071 |
| 2015 | 6,071 |
| 2016 | 6,071 |
| 2017 | 6,071 |
| 2018 | 6,071 |
| 2019 - 2021 | <u>18,213</u> |
| | <u>\$ 48,568</u> |

5. Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

H. Commitments Under Noncapitalized Leases

The City had no material commitments under noncapitalized leases for the year ended September 30, 2013.

I. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2013:

| | <u>Government- Type Activities</u> | <u>Business Type Activities</u> |
|------------------------------|--|-------------------------------------|
| Bond Construction Funds | \$ - | \$ 3,780,673 |
| Special Projects | - | - |
| Crime Control and Prevention | 339,267 | - |
| Debt Service | 532,967 | - |
| Customer Deposits | - | 343,608 |
| | <u>\$ 872,234</u> | <u>\$ 4,124,281</u> |

Sales Tax Receivable was restricted for the following purposes at September 30, 2013:

| | <u>Government- Type Activities</u> |
|------------------------------|--|
| Crime Control and Prevention | \$ 66,189 |
| Special Projects | - |
| Crime Control and Prevention | - |
| Debt Service | 66,719 |
| Customer Deposits | - |
| | <u>\$ 132,908</u> |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

J. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

K. Pension Plan

1. Plan Description

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

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

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

| | Plan Year 2012 | Plan Year 2013 |
|---|--------------------------|--------------------------|
| Employee deposit rate | 6.00% | 6.00% |
| Matching Ratio (city to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 10 | 10 |
| Service retirement eligibility expressed as age/years of service | 60/10: 0/20 | 60/10: 0/20 |
| Updated Service Credit | 100% Repeating Transfers | 100% Repeating Transfers |
| Annuity Increase (to employees) | 70% of CPI Repeating | 70% of CPI Repeating |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

2. Contributions

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

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

| | | |
|---|----|---------|
| Net Pension Obligation (NPO) at Beginning of Year | \$ | - |
| Annual Pension Cost: | | |
| Annual required contribution (ARC) | \$ | 456,806 |
| Contributions Made | \$ | 456,806 |
| NPO at End of Year | \$ | - |

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

| Actuarial Valuation Date: | 12/31/2010 | 12/31/2011 | 12/31/2012 |
|--|------------------------------|------------------------------|------------------------------|
| Actuarial Cost Method | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll | Level Percent of Payroll |
| Remaining Amortization Period | 27.1 years: closed period | 26.1 years: closed period | 25.1 years: closed period |
| Amortization Period for new Gains/Losses | 30 Years | 30 Years | 30 Years |
| Asset Valuation Method | 10 Year Smoothed Market | 10 Year Smoothed Market | 10 Year Smoothed Market |
| Investment Rate of Return | 7.0% | 7.0% | 7.0% |
| Projected Salary Increases | 3.0% | 3.0% | 3.0% |
| Inflation Rate | 2.1% | 2.1% | 2.1% |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

3. The funding status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

| | |
|---|-------------------|
| Actuarial Valuation Date: | 12/31/2012 |
| Actuarial Value of Assets | \$ 8,806,544 |
| Actuarial Accrued Liability | \$ 11,549,983 |
| Percentage Funded | 76.2% |
| Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) | \$ 2,743,439 |
| Annual covered Payroll | \$ 3,568,786 |
| UAAL as a Percentage of Covered Payroll | 76.9% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

4. Trend Information for the Plan

| Fiscal Year Ending September 30, | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|----------------------------------|---------------------------------|----------------------------------|------------------------------|
| 2011 | \$ 360,647 | 100.00% | \$ - |
| 2012 | \$ 464,498 | 100.00% | \$ - |
| 2013 | \$ 456,806 | 100.00% | \$ - |

5. Schedule of Funding Progress

| Actuarial Valuation Date: | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---------------------------|---------------------------------|---|------------------------|-----------------|------------------------------|--|
| 12/31/2010 | \$7,503,978 | \$ 10,617,211 | \$ 3,113,233 | 70.68% | \$3,148,461 | 98.88% |
| 12/31/2011 | \$8,138,282 | \$ 11,190,796 | \$ 3,052,514 | 72.72% | \$3,258,971 | 93.66% |
| 12/31/2012 | \$8,806,544 | \$ 11,549,983 | \$ 2,743,439 | 76.25% | \$3,568,786 | 76.87% |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

L. Post Employment Benefits Other Than Pension Benefits

1. Health Insurance Plan

Plan Participants

Full time employees of the City are eligible to receive retiree health care benefits. The City will contribute 50% of the Municipality sponsored health care benefits until Medicare is available to the retiree.

Normal Health Care Retirement Conditions

At least 60 years of age and have 20 years of consecutive service and currently enrolled in the health care policy.

Vested Termination Benefits

Member terminating before normal retirement conditions are not eligible for retiree health care.

Death-In-Service Retirement Benefits

City does not provide death-in-service benefits.

Disability Retirement Benefits

City does not provide retiree disability benefits to a surviving spouse.

Dental/Vision Care

City does not provide vision care.

Life Insurance Coverage

City does not provide life insurance for retirees.

Benefits for Spouse of Retired Employees

City does not provide retiree health insurance to the surviving spouse.

Spouse and Dependent Coverage

City does not provide spouse and dependent coverage.

Non-Medicare and Medicare – Eligible Provisions

Retirees are required to enroll in Medicare once eligible. Retiree pays Medicare premiums.

Retiree Opt-Out

Retirees who elect to opt out of the health care plan will not receive any cash payment in lieu of electing the City sponsored health care plan.

Premium Sharing

City contributes 50% of the City sponsored health care monthly premium for the retiree only until Medicare is available to the retiree.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (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 City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2011 as required by GASB. The annual OPEB cost for the fiscal year ending September 30, 2013, is as follows:

| | | |
|---|----|----------|
| Annual required contribution | \$ | 93,450 |
| Interest on OPEB obligation | \$ | 2,804 |
| Adjustment to ARC | | (2,804) |
| Annual OPEB cost (expense end of year) | | 93,450 |
| Net employer contributions | | (28,267) |
| Increase in net OPEB | | 65,183 |
| Net OPEB obligation - beginning of year | | 43,896 |
| Net OPEB obligation - end of year | \$ | 109,079 |

The funded status of the City's retiree health care plan, under GASB statement No. 45 as of December 31, 2011 is as follows:

The end of the year net OPEB obligation is shown as a non-current liability on the Government-wide Statement of Net Assets in the Governmental Activities.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and net OPEB obligation for current and two preceding years were as follows:

| <u>Fiscal Year Ending September 30,</u> | <u>Annual OPEB COST</u> | <u>Percentage of OPEB COST CONTRIBUTED</u> | <u>Net OPEB Obligation</u> |
|---|---------------------------------|--|------------------------------------|
| 2011 | \$ 57,912 | 66.04% | \$ 43,896 |
| 2012 | \$ 90,728 | 44.26% | \$ 94,446 |
| 2013 | \$ 93,450 | 44.26% | \$ 93,450 |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Funding status and funding progress

The funded status of the City's retiree health care plan, under GASB statement No. 45 as December 31, 2011, its most recent actuarial valuation is as follows:

| | | |
|---|----|-----------|
| Actuarial Accrued Liability | \$ | 542,460 |
| Actuarial Value of Assets | | - |
| Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) | \$ | 542,460 |
| Funded Ratio | | 0.0% |
| Covered Payroll | \$ | 3,568,786 |
| UAAL as a Percentage of Covered Payroll | | 15.2% |

| <u>Actuarial Valuation Date:</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> |
|----------------------------------|----------------------------------|--|----------------------------|---------------------|
| 12/31/2010 | \$ - | \$ 363,248 | \$ 363,248 | 0.00% |
| 12/31/2011 | \$ - | \$ 526,660 | \$ 526,660 | 0.00% |
| 12/31/2012 | \$ - | \$ 542,460 | \$ 542,460 | 0.00% |

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$542,000 at December 31, 2012.

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 payment are projected. The projected unit credit method then provides for a systematic recognition of the cost of these 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 its employees to that point. 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 are as follows:

Actuarial Methods and Assumptions

| | |
|---------------------------|-----------------------------------|
| Investment rate of return | 4.5% net of expenses |
| Actuarial cost method | Projected Unit Credit Cost Method |
| Amortization method | Level as a percentage of payroll |
| Growth Rate | 3.0% per annum |

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.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

2. Supplemental Death Benefits

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earning, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OEPB.

| | Plan Year 2012 | Plan Year 2013 |
|---|-------------------|-------------------|
| The City offers supplemental death benefits to: | | |
| Active employees (yes or no) | Yes | Yes |
| Retirees (yes or no) | Yes | Yes |

Contributions:

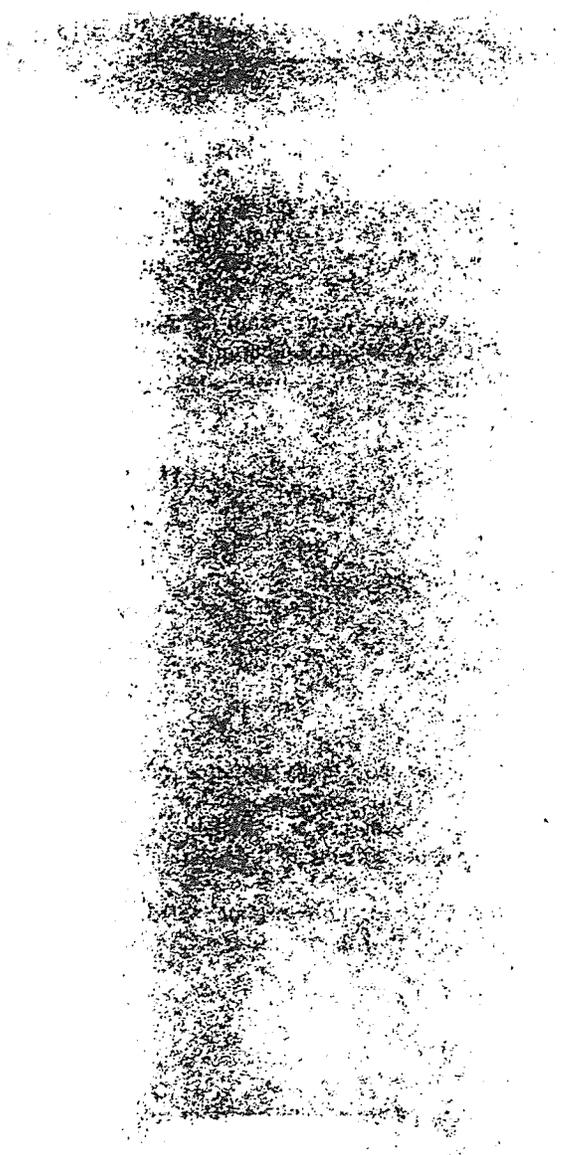
The City contributes to the SDBF as a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit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

The City's contributions to the TMRS SDBF for the year ended 2013, 2011, and 2010 were \$5,967, \$6,569 and \$7,972, respectively, which equaled the required contributions each year.

M. Commitments and Contingencies

Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.



Required Supplementary Information

Required Supplementary Information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

City of Aransas Pass, Texas

General Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 1,576,879 | \$ 1,576,879 | \$ 1,560,473 | \$ (16,406) |
| Sales taxes | 2,466,245 | 2,466,245 | 2,256,023 | (210,222) |
| Licenses and permits | 68,692 | 68,962 | 91,921 | 22,959 |
| Fines and forfeitures | 395,000 | 265,000 | 256,383 | (8,617) |
| Assessments | - | - | 2,332 | 2,332 |
| Charges for services | 1,388,600 | 1,388,600 | 1,549,740 | 161,140 |
| Other | 290,475 | 290,475 | 447,507 | 157,032 |
| Total revenues | 6,185,891 | 6,056,161 | 6,164,379 | 108,218 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,221,925 | 1,221,925 | 1,041,290 | 180,635 |
| Public safety | 3,291,462 | 3,291,462 | 3,147,030 | 144,432 |
| Public works | 1,012,656 | 1,012,656 | 940,847 | 71,809 |
| Sanitation | 1,388,600 | 1,388,600 | 1,471,414 | (82,814) |
| Health and welfare | 142,341 | 192,341 | 113,432 | 78,909 |
| Culture and recreation | 222,661 | 424,798 | 563,500 | (138,702) |
| Capital outlay | - | - | 677,943 | (677,943) |
| Total expenditures | 7,279,645 | 7,531,782 | 7,955,456 | (423,674) |
| Excess (deficiency) of revenues over expenditures | (1,093,754) | (1,475,621) | (1,791,077) | (315,456) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Grant proceeds | - | - | 15,775 | 15,775 |
| Transfers in | 1,230,000 | 1,230,000 | 1,332,520 | 102,520 |
| Transfers out | (132,071) | (248,071) | (507,777) | (259,706) |
| Sale of assets | - | - | 4,824 | 4,824 |
| Insurance proceeds | 10,000 | 10,000 | 10,129 | 129 |
| Total other financing sources and uses | 1,107,929 | 991,929 | 855,471 | (136,458) |
| Net change in fund balances | 14,175 | (483,692) | (935,606) | (451,914) |
| Fund balances-beginning | 2,100,696 | 2,100,696 | 2,100,696 | - |
| Residual equity transfer | - | - | 250,557 | - |
| Fund balances-beginning as restated | 2,100,696 | 2,100,696 | 2,351,253 | - |
| Fund balances-ending | \$ 2,114,871 | \$ 1,617,004 | \$ 1,415,647 | \$ (451,914) |

The accompanying notes are an integral part of this statement.

City of Aransas Pass, Texas

Aransas Pass Municipal Development District

Budgetary Comparison Schedule

Year Ended September 30, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Sales taxes | \$ 775,000 | \$ 775,000 | \$ 795,367 | \$ 20,367 |
| Interest income | 600 | 600 | 566 | (34) |
| Total revenues | <u>775,600</u> | <u>775,600</u> | <u>795,933</u> | <u>20,333</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 6,844 | 6,844 | 3,650 | 3,194 |
| Debt service: | | | | |
| Principal | 315,000 | 315,000 | 315,000 | - |
| Interest and fiscal charges | 248,950 | 248,950 | 247,779 | 1,171 |
| Total expenditures | <u>570,794</u> | <u>570,794</u> | <u>566,429</u> | <u>4,365</u> |
| Excess (deficiency) of revenues over expenditures | <u>204,806</u> | <u>204,806</u> | <u>229,504</u> | <u>15,968</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | (194,482) | (194,482) |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>(194,482)</u> | <u>(194,482)</u> |
| Net change in fund balances | 204,806 | 204,806 | 35,022 | (178,514) |
| Fund balances-beginning | 364,705 | 364,705 | 364,705 | - |
| Fund balances-beginning as restated | 364,705 | 364,705 | 364,705 | - |
| Fund balances-ending | <u>\$ 569,511</u> | <u>\$ 569,511</u> | <u>\$ 399,727</u> | <u>\$ (178,514)</u> |

City of Aransas Pass, Texas
Aransas Pass Crime Control and Prevention District
Budgetary Comparison Schedule
Year Ended September 30, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Sales taxes | \$ 700,000 | \$ 700,000 | \$ 785,377 | \$ 85,377 |
| Interest income | 300 | 300 | 189 | (111) |
| Total revenues | <u>700,300</u> | <u>700,300</u> | <u>785,566</u> | <u>85,266</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 9,760 | 9,760 | 27,685 | (17,925) |
| Total expenditures | <u>9,760</u> | <u>9,760</u> | <u>27,685</u> | <u>(17,925)</u> |
| Excess (deficiency) of revenues over expenditures | <u>690,540</u> | <u>690,540</u> | <u>757,881</u> | <u>103,191</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | | - | - |
| Transfers out | (541,000) | (541,000) | (514,711) | 26,289 |
| Total other financing sources and uses | <u>(541,000)</u> | <u>(541,000)</u> | <u>(514,711)</u> | <u>26,289</u> |
| Net change in fund balances | 149,540 | 149,540 | 243,170 | 129,480 |
| Fund balances-beginning | <u>155,457</u> | <u>155,457</u> | <u>155,457</u> | <u>-</u> |
| Fund balances-beginning as restated | <u>155,457</u> | <u>155,457</u> | <u>155,457</u> | <u>-</u> |
| Fund balances-ending | <u>\$ 304,997</u> | <u>\$ 304,997</u> | <u>\$ 398,627</u> | <u>\$ 129,480</u> |

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

City of Aransas Pass, Texas

Combining Balance Sheet

Non-Major Special Revenue Funds

September 30, 2013

| | Emergency E911 | Hotel/Motel Occupancy Tax | Municipal Court Technology | Building Security | Other Special Revenue | Total |
|---|-------------------|---------------------------------|----------------------------------|----------------------|-----------------------------|-------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 78,296 | \$ 77,516 | \$ 25,083 | \$ 17,132 | \$ - | \$ 198,027 |
| Receivable, net of allowance for uncollectible amounts | | | | | | |
| Occupancy taxes | - | 91,008 | - | - | - | 91,008 |
| Total assets | <u>\$ 78,296</u> | <u>\$ 168,524</u> | <u>\$ 25,083</u> | <u>\$ 17,132</u> | <u>\$ -</u> | <u>\$ 289,035</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | | | |
| Restricted | 78,296 | 168,524 | 25,083 | 17,132 | - | 289,035 |
| Total fund balances | <u>78,296</u> | <u>168,524</u> | <u>25,083</u> | <u>17,132</u> | <u>-</u> | <u>289,035</u> |
| Total liabilities and fund balances | <u>\$ 78,296</u> | <u>\$ 168,524</u> | <u>\$ 25,083</u> | <u>\$ 17,132</u> | <u>\$ -</u> | <u>\$ 289,035</u> |

City of Aransas Pass, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
Year Ended September 30, 2013

| | Emergency E911 | Hotel/Motel Occupancy Tax | Municipal Court Technology | Building Security | Other Special Revenue | Total |
|--|-------------------|---------------------------------|----------------------------------|----------------------|-----------------------------|-------------------|
| REVENUES | | | | | | |
| Occupancy taxes | \$ - | \$ 245,493 | \$ - | \$ - | \$ - | \$ 245,493 |
| Fines and forfeitures | - | - | 6,284 | - | - | 6,284 |
| Fees | 64,432 | - | - | 4,622 | - | 69,054 |
| Interest income | 399 | 145 | - | 26 | - | 570 |
| Total revenues | <u>64,831</u> | <u>245,638</u> | <u>6,284</u> | <u>4,648</u> | <u>-</u> | <u>321,401</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | 40,716 | - | - | 1,487 | - | 42,203 |
| Tourism | - | 300,618 | - | - | - | 300,618 |
| Capital outlay | 11,800 | - | 717 | - | - | 12,517 |
| Total expenditures | <u>52,516</u> | <u>300,618</u> | <u>717</u> | <u>1,487</u> | <u>-</u> | <u>355,338</u> |
| Excess (deficiency) of revenues over expenditures | <u>12,315</u> | <u>(54,980)</u> | <u>5,567</u> | <u>3,161</u> | <u>-</u> | <u>(33,937)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | (50,000) | - | (50,000) |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>(50,000)</u> | <u>-</u> | <u>(50,000)</u> |
| Net change in fund balances | <u>12,315</u> | <u>(54,980)</u> | <u>5,567</u> | <u>(46,839)</u> | <u>-</u> | <u>(83,937)</u> |
| Fund balances-beginning | 65,981 | 223,504 | 19,516 | 63,971 | 662,844 | 1,035,816 |
| Residual equity transfer | - | - | - | - | (662,844) | (662,844) |
| Fund balances-beginning as restated | <u>65,981</u> | <u>223,504</u> | <u>19,516</u> | <u>63,971</u> | <u>-</u> | <u>372,972</u> |
| Fund balances-ending | <u>\$ 78,296</u> | <u>\$ 168,524</u> | <u>\$ 25,083</u> | <u>\$ 17,132</u> | <u>\$ -</u> | <u>\$ 289,035</u> |

City of Aransas Pass, Texas

E911 Special Revenue Fund Budgetary Comparison Schedule Year Ended September 30, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 70,000 | \$ 70,000 | \$ 64,432 | \$ (5,568) |
| Interest income | 300 | 300 | 399 | 99 |
| Total revenues | <u>70,300</u> | <u>70,300</u> | <u>64,831</u> | <u>(5,469)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 81,935 | 81,935 | 40,716 | 41,219 |
| Capital outlay | - | - | 11,800 | (11,800) |
| Total expenditures | <u>81,935</u> | <u>81,935</u> | <u>105,032</u> | <u>23,097</u> |
| Excess (deficiency) of revenues over expenditures | <u>(11,635)</u> | <u>(11,635)</u> | <u>(40,201)</u> | <u>(28,566)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (541,000) | (541,000) | (514,711) | 26,289 |
| Total other financing sources and uses | <u>(541,000)</u> | <u>(541,000)</u> | <u>(514,711)</u> | <u>26,289</u> |
| Net change in fund balances | (552,635) | (552,635) | (554,912) | (2,277) |
| Fund balances-beginning | 65,981 | 65,981 | 65,981 | - |
| Fund balances-beginning as restated | 65,981 | 65,981 | 65,981 | - |
| Fund balances-ending | <u>\$ (486,654)</u> | <u>\$ (486,654)</u> | <u>\$ (488,931)</u> | <u>\$ (2,277)</u> |

City of Aransas Pass, Texas
Hotel/Motel Occupancy Tax Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Occupancy taxes | \$ 224,750 | \$ 224,750 | \$ 245,493 | \$ 20,743 |
| Interest income | 157 | 157 | 145 | (12) |
| Total revenues | <u>224,907</u> | <u>224,907</u> | <u>245,638</u> | <u>20,731</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Tourism | <u>222,325</u> | <u>222,325</u> | <u>300,618</u> | <u>(78,293)</u> |
| Total expenditures | <u>222,325</u> | <u>222,325</u> | <u>353,134</u> | <u>130,809</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,582</u> | <u>2,582</u> | <u>(107,496)</u> | <u>(110,078)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | <u>(541,000)</u> | <u>(541,000)</u> | <u>(514,711)</u> | <u>26,289</u> |
| Total other financing sources and uses | <u>(541,000)</u> | <u>(541,000)</u> | <u>(514,711)</u> | <u>26,289</u> |
| Net change in fund balances | (538,418) | (538,418) | (622,207) | (83,789) |
| Fund balances-beginning | 223,504 | 223,504 | 223,504 | - |
| Residual equity transfer | - | - | - | - |
| Prior period adjustment | - | - | - | - |
| Fund balances-beginning as restated | <u>223,504</u> | <u>223,504</u> | <u>223,504</u> | <u>-</u> |
| Fund balances-ending | <u>\$ (314,914)</u> | <u>\$ (314,914)</u> | <u>\$ (398,703)</u> | <u>\$ (83,789)</u> |

City of Aransas Pass, Texas

Debt Service Fund Budgetary Comparison Schedule Year Ended September 30, 2013

| | Budgeted Amounts | | Actual | Variance with |
|--|------------------|------------------|------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Property taxes | \$ 1,763,371 | \$ 1,763,371 | \$ 1,772,808 | \$ 9,437 |
| Interest income | 400 | 400 | 214 | (186) |
| Total revenues | 1,763,771 | 1,763,771 | 1,773,022 | 9,251 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 1,290,000 | 1,290,000 | 1,330,000 | (40,000) |
| Interest and fiscal charges | 470,414 | 470,414 | 430,805 | 39,609 |
| Total expenditures | 1,760,414 | 1,760,414 | 1,813,321 | (52,907) |
| Excess (deficiency) of revenues over expenditures | 3,357 | 3,357 | (40,299) | (43,656) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | | - | - |
| Transfers out | | | - | - |
| Total other financing sources and uses | - | - | - | - |
| Net change in fund balances | 3,357 | 3,357 | (40,299) | (43,656) |
| Fund balances-beginning | 76,932 | 76,932 | 76,932 | - |
| Fund balances-beginning as restated | 76,932 | 76,932 | 76,932 | - |
| Fund balances-ending | \$ 80,289 | \$ 80,289 | \$ 36,633 | \$ (43,656) |

City of Aransas Pass, Texas
Combining Statement of Net Assets
Non-Major Enterprise Funds
September 30, 2013

| | Harbor Fund | Aquatic Center Fund | Civic Center Fund | Total |
|--|-------------------|------------------------|----------------------|-------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 135,439 | \$ 2,613 | \$ 10,822 | \$ 148,874 |
| Receivables, net of allowance for uncollectible am | 4,625 | - | - | 4,625 |
| Inventories | - | - | - | - |
| Total current assets | <u>140,064</u> | <u>2,613</u> | <u>10,822</u> | <u>153,499</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Property, plant and equipment | 2,741,632 | - | - | 2,741,632 |
| Less accumulated depreciation | (2,494,926) | - | - | (2,494,926) |
| Total noncurrent assets | <u>246,706</u> | <u>-</u> | <u>-</u> | <u>246,706</u> |
| Total assets | <u>386,770</u> | <u>2,613</u> | <u>10,822</u> | <u>400,205</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 427 | 1,564 | - | 1,991 |
| Compensated absences payable | 2,160 | 6,299 | 2,532 | 10,991 |
| Deferred revenue | 22,925 | - | 17,557 | 40,482 |
| Due to other funds | - | 99,853 | - | 99,853 |
| Total current liabilities | <u>25,512</u> | <u>107,716</u> | <u>20,089</u> | <u>153,317</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences | - | - | - | - |
| Claims and judgments | - | - | - | - |
| Bonds, notes, and loans payable | - | - | - | - |
| Total noncurrent liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>25,512</u> | <u>107,716</u> | <u>20,089</u> | <u>153,317</u> |
| NET ASSETS | | | | |
| Investment in Capital Assets, Net of Related Debt | 246,706 | - | - | 246,706 |
| Unrestricted | 114,552 | (105,103) | (9,267) | 182 |
| Total net assets | <u>\$ 361,258</u> | <u>\$ (105,103)</u> | <u>\$ (9,267)</u> | <u>\$ 246,888</u> |

The accompanying notes are an integral part of this statement.

City of Aransas Pass, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Non-Major Enterprise Funds
Year Ended September 30, 2013

| | Harbor Fund | Aquatic Center Fund | Civic Center Fund | Total |
|--|----------------|------------------------|----------------------|------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 200,107 | \$ 282,382 | \$ 128,589 | \$ 611,078 |
| Total operating revenue | 200,107 | 282,382 | 128,589 | 611,078 |
| OPERATING EXPENSES | | | | |
| Personal services | 26,602 | 287,671 | 138,914 | 453,187 |
| Contractual services | 48,750 | 910 | 18,319 | 67,979 |
| Supplies | 6,615 | 92,394 | 1,101 | 100,110 |
| Maintenance | 11,091 | 31,753 | 18,490 | 61,334 |
| Utilities | 10,345 | 64,898 | 78,714 | 153,957 |
| Advertising | - | 284 | 2,058 | 2,342 |
| Event expenses | - | - | 9,003 | 9,003 |
| Insurance | - | 35,091 | 56,472 | 91,563 |
| Depreciation and amortization | 67,555 | - | - | 67,555 |
| Total operating expenses | 170,958 | 513,001 | 323,071 | 1,007,030 |
| Operating income (loss) | 29,149 | (230,619) | (194,482) | (395,952) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest income | 6 | 13 | - | 19 |
| Total nonoperating revenue (expenses) | 6 | 13 | - | 19 |
| Income (loss) before contributions and transfers | 29,155 | (230,606) | (194,482) | (395,933) |
| Transfers in | - | 126,000 | 194,482 | 320,482 |
| Transfers out | (19,360) | - | - | (19,360) |
| Change in net assets | 9,795 | (104,606) | - | (94,811) |
| Total net assets-beginning | 412,429 | (497) | (9,267) | 402,665 |
| Correction of prior period error | (60,966) | - | - | (60,966) |
| Total net assets-beginning as restated | 351,463 | (497) | (9,267) | 341,699 |
| Total net assets-ending | \$ 361,258 | \$ (105,103) | \$ (9,267) | \$ 246,888 |

City of Aransas Pass, Texas
Combining Statement of Cash Flows
Non-Major Enterprise Funds
Year Ended September 30, 2013

| | Harbor Fund | Aquatic Center Fund | Civic Center Fund | Total |
|--|-------------------|------------------------|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 267,732 | \$ 282,382 | \$ 130,399 | \$ 680,513 |
| Payments to suppliers | (82,565) | (227,043) | (192,236) | (501,844) |
| Payments to employees | (24,442) | (281,372) | (136,382) | (442,196) |
| Net cash provided (used) by operating activities | <u>160,725</u> | <u>(226,033)</u> | <u>(198,219)</u> | <u>(263,527)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Transfers From (To) Other Funds | (19,360) | 126,000 | 194,482 | 301,122 |
| Correction of prior period error | (60,966) | - | - | (60,966) |
| Net cash provided (used) by non-capital financing activities | <u>(80,326)</u> | <u>126,000</u> | <u>194,482</u> | <u>240,156</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Increase in due to/from | (221) | 99,853 | - | 99,632 |
| Net cash provided (used) by financing activities | <u>(221)</u> | <u>99,853</u> | <u>-</u> | <u>99,632</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest and dividends | 6 | 13 | - | 19 |
| Net cash provided (used) by investing activities | <u>6</u> | <u>13</u> | <u>-</u> | <u>19</u> |
| Net increase (decrease) in cash and cash equivalents | 80,184 | (167) | (3,737) | 76,280 |
| Balances-beginning of year | <u>55,255</u> | <u>2,780</u> | <u>14,559</u> | <u>72,594</u> |
| Balances-end of year | <u>\$ 135,439</u> | <u>\$ 2,613</u> | <u>\$ 10,822</u> | <u>\$ 148,874</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ 29,149 | \$ (230,619) | \$ (194,482) | \$ (395,952) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 67,555 | | | 67,555 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | 44,700 | | 239 | 44,939 |
| Inventories | - | | 738 | 738 |
| Customer security deposits | 22,925 | | 2,212 | 25,137 |
| Accounts payable | (5,764) | (1,713) | (9,458) | (16,935) |
| Compensated absences | 2,160 | 6,299 | 2,532 | 10,991 |
| Total Adjustments | <u>131,576</u> | <u>4,586</u> | <u>(3,737)</u> | <u>132,425</u> |
| Net cash provided (used) by Operating Activities | <u>\$ 160,725</u> | <u>\$ (226,033)</u> | <u>\$ (198,219)</u> | <u>\$ (263,527)</u> |

The accompanying notes are an integral part of this statement.

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and is considered a part of the basic financial statements. It may, however, include information which is required by other entities.

BRENDA P.
McELWEE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditors Report on Internal Control over
Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Governmental Auditing Standards*

The Honorable Mayor, Members of the City Council and
and the City Manager of the
City of Aransas Pass, Texas

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aransas Pass, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Aransas Pass, Texas's basic financial statements, and have issued our report thereon dated May 16, 2014.

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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Aransas Pass Texas'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Aransas Pass, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Aransas Pass, Texas's internal control.

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

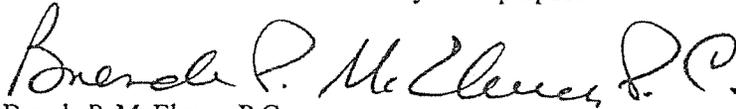
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Aransas Pass, Texas's financial statements are free of 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 of other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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.



Brenda P. McElwee, P.C.

May 16, 2014

Statistical Section

Table 1

CITY OF ARANSAS PASS, TEXAS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Governmental Activities | | | | | | | | | | |
| Invested in Capital Assets, | | | | | | | | | | |
| Net of Related Debt | \$ 893,949 | \$ 2,556,578 | \$ 2,997,920 | \$ 3,924,568 | \$ 2,215,641 | \$ 3,754,938 | \$ 4,655,260 | \$ 5,635,337 | \$ 6,992,170 | \$ 8,085,871 |
| Restricted | 5,303,247 | 4,985,737 | 5,480,694 | 5,563,163 | 6,376,315 | 3,204,973 | 2,616,641 | 3,437,904 | 4,914,394 | 1,046,557 |
| Unrestricted | (1,866,882) | (1,941,955) | (1,929,240) | (1,571,088) | 279,870 | 1,818,939 | 1,972,523 | 1,196,816 | (646,784) | 3,545,092 |
| Total Governmental Activities Net Assets | \$ 4,330,314 | \$ 5,580,360 | \$ 6,549,374 | \$ 7,916,643 | \$ 8,871,826 | \$ 8,778,870 | \$ 9,244,424 | \$ 10,270,077 | \$ 11,259,780 | \$ 12,677,520 |
| Business-type Activities | | | | | | | | | | |
| Invested in Capital Assets, | | | | | | | | | | |
| Net of Related Debt | \$ 4,575,866 | \$ 4,635,033 | \$ 5,041,730 | \$ 4,972,189 | \$ 4,986,843 | \$ 4,892,071 | \$ 5,240,781 | \$ 5,135,647 | \$ 5,557,906 | \$ 4,460,508 |
| Restricted | - | 6,739 | 180,621 | 123,193 | - | - | - | - | - | 4,124,281 |
| Unrestricted | 814,971 | 1,021,344 | 1,306,810 | 1,675,571 | 2,191,177 | 2,183,082 | 1,670,227 | 1,696,347 | 1,824,015 | 2,170,403 |
| Total Business-Type Activities Net Assets | \$ 5,390,837 | \$ 5,663,116 | \$ 6,529,161 | \$ 6,770,953 | \$ 7,178,020 | \$ 7,075,153 | \$ 6,911,008 | \$ 6,831,994 | \$ 7,381,921 | \$ 7,755,192 |
| Primary Government | | | | | | | | | | |
| Invested in Capital Assets, | | | | | | | | | | |
| Net of Related Debt | \$ 5,569,815 | \$ 7,171,611 | \$ 8,039,650 | \$ 8,896,757 | \$ 7,202,484 | \$ 8,647,029 | \$ 9,896,041 | \$ 10,771,004 | \$ 12,550,076 | \$ 9,546,379 |
| Restricted | 5,303,247 | 4,992,476 | 5,661,315 | 5,686,356 | 6,376,315 | 3,204,973 | 2,616,641 | 3,437,904 | 4,914,394 | 5,170,838 |
| Unrestricted | (1,051,911) | (920,611) | (622,450) | 104,483 | 2,471,047 | 4,002,021 | 3,642,750 | 2,893,163 | 1,177,231 | 5,715,495 |
| Total Primary Government Net Assets | \$ 9,821,151 | \$ 11,243,476 | \$ 13,078,535 | \$ 14,687,596 | \$ 16,049,846 | \$ 15,854,023 | \$ 16,155,432 | \$ 17,102,071 | \$ 18,641,701 | \$ 20,432,712 |

Table 2

CITY OF ARANSAS PASS, TEXAS
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE) REVENUE
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 UNAUDITED

| | 2001 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| EXPENSES | | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | | | | | |
| General Government | \$ 901,150 | \$ 1,106,030 | \$ 1,121,849 | \$ 1,160,353 | \$ 1,025,014 | \$ 1,213,190 | \$ 1,044,585 | \$ 1,140,134 | \$ 1,523,225 | \$ 1,252,536 |
| Public Safety | 2,163,889 | 2,344,836 | 2,481,331 | 2,630,533 | 2,687,733 | 2,791,635 | 2,931,302 | 3,022,707 | 3,347,628 | 3,625,056 |
| Public Works | 887,683 | 795,375 | 900,357 | 892,265 | 986,818 | 975,070 | 1,095,017 | 1,064,717 | 1,165,413 | 1,022,907 |
| Sanitation | 664,071 | 804,729 | 844,745 | 907,874 | 1,055,961 | 1,162,022 | 1,169,879 | 1,487,975 | 1,467,011 | 1,591,962 |
| Health and Welfare | 126,411 | 123,863 | 144,671 | 167,223 | 192,719 | 378,374 | 185,885 | 163,167 | 587,530 | 127,566 |
| Culture and Recreation | 415,217 | 523,289 | 805,403 | 626,994 | 613,739 | 1,194,869 | 1,465,210 | 1,503,117 | 912,599 | 598,281 |
| Tourism | 141,152 | 156,660 | 249,402 | 173,604 | 131,576 | 174,744 | 172,048 | 190,933 | 222,911 | 300,618 |
| Interest and Fiscal Charges | 503,428 | 555,515 | 517,434 | 474,074 | 968,126 | 916,780 | 895,374 | 877,097 | 782,457 | 748,880 |
| Total Governmental Activities Expenses | \$ 3,803,001 | \$ 6,410,357 | \$ 6,773,124 | \$ 7,041,910 | \$ 7,661,686 | \$ 8,807,064 | \$ 8,859,300 | \$ 9,446,807 | \$ 10,009,084 | \$ 9,261,806 |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | | | |
| Water and Sewer | \$ 2,832,688 | \$ 2,801,238 | \$ 2,796,099 | \$ 2,877,466 | \$ 2,983,331 | \$ 3,125,718 | \$ 2,981,021 | \$ 3,170,866 | \$ 3,586,702 | \$ 3,385,543 |
| Harbor | 496,618 | 1,591,091 | 191,522 | 567,715 | 283,947 | 389,666 | 259,459 | 199,337 | 210,306 | 170,938 |
| Civic Center | 393,666 | 388,200 | 414,241 | 223,340 | 363,538 | 476,724 | 460,462 | 459,065 | 404,378 | 323,071 |
| Aquatic Center | 3,722,972 | 3,350,537 | 3,401,862 | 3,768,521 | 3,630,316 | 3,992,108 | 3,700,942 | 3,829,268 | 4,742,322 | 510,916 |
| Total Business-type Activities Expenses | \$ 9,525,973 | \$ 9,766,894 | \$ 10,176,886 | \$ 10,810,431 | \$ 11,299,992 | \$ 12,799,172 | \$ 12,570,242 | \$ 13,276,075 | \$ 14,751,406 | \$ 4,392,573 |
| Total Primary Government Expenses | \$ 13,328,974 | \$ 16,177,251 | \$ 16,950,010 | \$ 17,852,341 | \$ 18,961,678 | \$ 21,606,236 | \$ 21,429,542 | \$ 22,722,882 | \$ 24,760,490 | \$ 13,654,379 |
| PROGRAM REVENUES | | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | | | | | |
| Charges for Services | \$ 203,793 | \$ 201,125 | \$ 230,693 | \$ 217,905 | \$ 192,740 | \$ 189,852 | \$ 164,812 | \$ 243,775 | \$ 166,784 | \$ 216,370 |
| General Government | 457,037 | 577,298 | 705,582 | 510,038 | 450,832 | 479,603 | 591,902 | 697,115 | 550,316 | 509,454 |
| Public Safety | 389,732 | 64,898 | 16,428 | 11,824 | 51,738 | 2,643 | 2,643 | - | - | - |
| Public Works | 865,419 | 923,993 | 976,232 | 1,044,123 | 1,212,542 | 1,333,719 | 1,290,006 | 1,384,868 | 1,417,023 | 1,618,794 |
| Sanitation | 1,896 | 1,556 | 1,578 | 1,579 | 1,901 | 3,945 | - | - | - | - |
| Health and Welfare | 4,280 | 3,860 | 3,765 | 3,528 | 3,684 | 148,694 | 298,417 | 315,539 | - | - |
| Culture and Recreation | - | - | - | - | - | - | - | - | - | - |
| Tourism | - | - | - | - | - | - | - | - | - | - |
| Interest and Fiscal Charges | 9 | 14 | - | - | - | - | - | - | - | - |
| Operating Grants and Contributions | - | 99,335 | 41,474 | 232,804 | 110,730 | 307,746 | 297,196 | 573,554 | 571,871 | 283,265 |
| Capital Grants and Contributions | 164,175 | 108,098 | - | 21,692 | - | - | - | - | 567,700 | 283,265 |
| Total Governmental Activities Program Revenues | \$ 2,026,331 | \$ 1,950,377 | \$ 1,975,403 | \$ 2,045,492 | \$ 2,024,187 | \$ 2,486,677 | \$ 2,644,976 | \$ 3,154,851 | \$ 3,243,604 | \$ 2,628,084 |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | | | |
| Charges for Services | \$ 2,714,649 | \$ 3,256,196 | \$ 3,904,625 | \$ 3,750,505 | \$ 3,637,311 | \$ 3,632,810 | \$ 3,413,003 | \$ 3,729,445 | \$ 4,194,777 | \$ 4,434,477 |
| Water and Sewer | 356,523 | 246,757 | 216,631 | 238,000 | 141,737 | 160,237 | 156,838 | 137,497 | 234,372 | 300,107 |
| Harbor | - | - | - | - | - | - | - | - | 114,457 | 128,589 |
| Civic Center | 224,243 | 270,846 | 256,468 | 240,588 | 234,473 | 321,373 | 320,099 | 299,088 | 310,332 | 292,382 |
| Aquatic Center | - | - | 16,696 | 28,438 | 218,206 | 3,080 | - | 31,765 | 505,447 | - |
| Operating Grants and Contributions | - | - | 1,394,420 | 4,288,802 | 4,239,417 | 4,119,500 | 3,889,945 | 4,197,792 | 5,339,385 | 5,045,555 |
| Capital Grants and Contributions | - | - | 6,659,823 | 6,334,297 | 6,262,634 | 6,668,177 | 6,534,921 | 7,351,616 | 8,653,079 | 7,673,639 |
| Total Business-type Activities Program Revenues | \$ 3,265,415 | \$ 7,773,799 | \$ 10,195,426 | \$ 10,288,802 | \$ 10,239,417 | \$ 10,150,000 | \$ 9,889,945 | \$ 11,977,792 | \$ 13,539,385 | \$ 13,768,141 |
| Total Primary Government Program Revenues | \$ 3,291,746 | \$ 5,754,176 | \$ 6,569,823 | \$ 6,334,297 | \$ 6,262,634 | \$ 6,668,177 | \$ 6,534,921 | \$ 7,351,616 | \$ 8,653,079 | \$ 7,673,639 |
| NET (EXPENSE) REVENUE | | | | | | | | | | |
| Governmental Activities | \$ (1,776,670) | \$ (4,429,080) | \$ (4,799,721) | \$ (4,995,415) | \$ (5,637,499) | \$ (6,320,387) | \$ (6,224,324) | \$ (6,291,956) | \$ (6,735,390) | \$ (6,639,722) |
| Business-type Activities | (457,557) | 493,962 | 992,558 | 520,281 | 609,131 | 177,392 | 189,093 | 368,527 | 617,963 | 632,982 |
| Total Primary Government Net Expense | \$ (4,234,227) | \$ (4,066,718) | \$ (3,807,163) | \$ (4,475,134) | \$ (5,028,368) | \$ (6,192,995) | \$ (6,035,231) | \$ (5,923,429) | \$ (6,117,427) | \$ (5,986,740) |

CITY OF ARANSAS PASS, TEXAS
GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| NET (EXPENSE)REVENUE | | | | | | | | | | |
| Governmental Activities | \$ (2,776,670) | \$ (4,429,980) | \$ (4,299,721) | \$ (4,996,415) | \$ (5,637,499) | \$ (6,320,387) | \$ (6,224,324) | \$ (6,291,956) | \$ (6,735,390) | \$ (6,639,722) |
| Business-type Activities | (457,557) | 423,262 | 992,558 | 520,281 | 609,131 | 127,392 | 189,003 | 368,827 | 617,063 | 652,982 |
| Total Primary Government Net Expense | <u>(3,234,227)</u> | <u>(4,006,718)</u> | <u>(3,307,163)</u> | <u>(4,476,134)</u> | <u>(5,028,368)</u> | <u>(6,192,995)</u> | <u>(6,035,321)</u> | <u>(5,923,129)</u> | <u>(6,118,327)</u> | <u>(5,986,740)</u> |
| GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS | | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property Taxes | \$ 2,214,244 | \$ 2,465,422 | \$ 2,444,665 | \$ 2,553,979 | \$ 2,969,270 | \$ 2,891,106 | \$ 2,891,935 | \$ 3,056,944 | \$ 3,229,590 | \$ 3,333,231 |
| Sales Taxes | 1,749,375 | 1,751,103 | 1,971,266 | 2,090,487 | 2,213,912 | 2,326,056 | 2,685,802 | 3,066,876 | 3,337,846 | 3,444,311 |
| Franchise Taxes | 368,474 | 387,932 | 377,821 | 398,789 | 385,256 | 393,495 | 393,601 | 385,897 | 386,893 | 381,816 |
| Occupancy Taxes | 190,657 | 195,847 | 238,706 | 234,691 | 201,846 | 173,469 | 182,573 | 205,300 | 203,766 | 245,493 |
| Other Taxes | 7,591 | 6,322 | 7,144 | 6,459 | 8,367 | 8,327 | 11,954 | 10,517 | 10,641 | 10,640 |
| Investment Earnings | 94,529 | 139,736 | 266,845 | 464,101 | 420,386 | 60,477 | 15,637 | 12,397 | 8,812 | 10,640 |
| Royalties | 118,607 | 131,758 | 124,830 | 127,265 | 194,770 | 35,867 | 74,455 | 72,330 | 40,478 | 153,388 |
| Gain on Sale of Capital Assets | - | 145,300 | - | - | - | - | - | - | - | - |
| Insurance Proceeds | 202,064 | 22,955 | 10,053 | 9,958 | 20,994 | 22,701 | 39,662 | 13,265 | 271,380 | 10,129 |
| Miscellaneous | 63,141 | 51,977 | 86,373 | 61,497 | 31,570 | 20,196 | 38,696 | 45,688 | 76,735 | 68,788 |
| Transfers | 102,976 | 281,274 | 240,532 | 416,558 | 259,033 | 245,737 | 355,563 | 448,445 | 117,847 | 465,804 |
| Total Governmental Activities | <u>\$ 3,111,458</u> | <u>\$ 3,580,026</u> | <u>\$ 3,768,735</u> | <u>\$ 6,363,684</u> | <u>\$ 6,635,403</u> | <u>\$ 6,227,431</u> | <u>\$ 6,639,878</u> | <u>\$ 7,317,609</u> | <u>\$ 7,685,836</u> | <u>\$ 8,122,462</u> |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | | | |
| Investment Earnings | \$ 10,048 | \$ 29,845 | \$ 114,019 | \$ 137,869 | \$ 56,969 | \$ 15,497 | \$ 2,416 | \$ 903 | \$ 558 | \$ 4,097 |
| Gain on Sale of Capital Assets | 30,315 | 81,749 | - | - | - | - | - | - | - | - |
| Insurance Proceeds | 15,988 | 18,697 | - | - | - | - | - | - | - | - |
| Transfers | (102,976) | (281,274) | (240,532) | (416,358) | (259,033) | (245,737) | (355,563) | (448,445) | (117,847) | (222,842) |
| Total Business-type Activities | <u>(46,625)</u> | <u>(150,933)</u> | <u>(126,513)</u> | <u>(278,489)</u> | <u>(202,064)</u> | <u>(230,240)</u> | <u>(333,147)</u> | <u>(447,542)</u> | <u>(117,289)</u> | <u>(218,745)</u> |
| Total Primary Government | <u>\$ 5,061,833</u> | <u>\$ 3,429,043</u> | <u>\$ 5,642,222</u> | <u>\$ 6,085,195</u> | <u>\$ 6,433,339</u> | <u>\$ 5,997,191</u> | <u>\$ 6,306,731</u> | <u>\$ 6,870,067</u> | <u>\$ 7,568,547</u> | <u>\$ 7,903,717</u> |
| CHANGE IN NET ASSETS | | | | | | | | | | |
| Governmental Activities | \$ 1,394,788 | \$ 1,150,046 | \$ 969,014 | \$ 1,367,269 | \$ 997,904 | \$ (92,956) | \$ 465,551 | \$ 1,025,653 | \$ 950,466 | \$ 1,482,740 |
| Business-type Activities | (504,182) | 272,279 | 866,045 | 241,792 | 407,067 | (102,848) | (164,144) | (110,780) | 499,774 | 434,237 |
| Total Primary Government | <u>\$ 830,606</u> | <u>\$ 1,422,325</u> | <u>\$ 1,835,059</u> | <u>\$ 1,609,061</u> | <u>\$ 1,404,971</u> | <u>\$ (195,804)</u> | <u>\$ 301,410</u> | <u>\$ 914,873</u> | <u>\$ 1,450,240</u> | <u>\$ 1,916,977</u> |

Table 4

CITY OF ARANSAS PASS, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 UNAUDITED

| General Fund | Fiscal Year | | | | | | | | | | | | |
|---|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2004 | 2005 | 2005 | 2005 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Nonspendable | 77,283 | 125,016 | 99,227 | 14,687 | - | 45,382 | - | - | - | - | 14,472 | 15,741 | 27,649 |
| Restricted | - | 647,336 | 811,743 | 1,409,300 | 1,635,631 | 1,544,039 | 1,671,160 | 1,671,160 | 2,100,696 | 2,086,224 | 1,820,533 | 1,820,533 | 200,089 |
| Unreserved | 490,759 | 772,352 | 911,070 | 1,513,987 | 1,635,631 | 1,589,421 | 1,671,160 | 1,671,160 | 2,100,696 | 2,086,224 | 1,820,533 | 1,820,533 | 1,123,576 |
| Total General Fund | 568,042 | 1,544,704 | 1,801,337 | 3,038,974 | 3,271,292 | 3,134,841 | 3,342,320 | 3,342,320 | 5,201,392 | 4,172,448 | 3,641,066 | 3,641,066 | 1,351,314 |
| All Other Governmental Funds | | | | | | | | | | | | | |
| Restricted | 4,979,743 | 4,667,190 | 4,971,104 | 11,902,567 | 6,221,493 | 2,455,653 | 3,086,301 | 3,086,301 | 2,370,126 | 2,370,126 | 1,649,267 | 1,649,267 | 1,117,178 |
| Committed | (2,165) | (1,800) | 14,555 | 24,207 | 109,880 | 124,985 | 133,111 | 133,111 | 135,648 | 135,648 | 140,372 | 140,372 | - |
| Total All Other Governmental Funds | 4,977,578 | 4,665,390 | 4,985,659 | 11,926,774 | 6,331,373 | 2,580,638 | 3,219,412 | 3,219,412 | 2,505,774 | 2,505,774 | 1,789,639 | 1,789,639 | 1,117,178 |

* Funds are presented in accordance with GASB 54 in the financial statements.

Table 5

CITY OF ARANSAS PASS, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2001 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| REVENUES | | | | | | | | | | |
| Taxes | \$ 4,617,708 | \$ 4,850,148 | \$ 5,116,051 | \$ 5,344,170 | \$ 5,763,768 | \$ 5,773,891 | \$ 6,161,864 | \$ 6,649,000 | \$ 7,287,928 | \$ 7,413,541 |
| Licenses, Fees and Permits | 126,517 | 92,749 | 112,074 | 94,803 | 65,787 | 63,368 | 57,185 | 131,414 | 55,742 | 91,921 |
| Intergovernmental | 104,175 | 297,633 | 238,213 | 238,213 | 93,322 | 290,681 | 286,783 | 558,072 | 1,129,196 | 589,454 |
| Charges for Services | 930,387 | 1,013,140 | 1,075,096 | 1,138,679 | 1,319,462 | 1,557,015 | 1,692,852 | 1,798,935 | 1,514,224 | 1,618,794 |
| Fines and Penalties | 360,249 | 477,729 | 539,801 | 375,440 | 373,455 | 340,654 | 344,971 | 424,039 | 359,420 | 262,667 |
| Special Assessments | 90,976 | 131,816 | 117,141 | 15,911 | 12,989 | 7,325 | 2,352 | 1,505 | 2,537 | 2,352 |
| Investment Earnings | 83,224 | 139,736 | 266,845 | 435,539 | 420,386 | 60,477 | 12,382 | 11,107 | 10,680 | 8,812 |
| Rents and Royalties | 182,793 | 226,312 | 231,018 | 239,511 | 241,253 | 185,795 | 182,082 | 184,691 | 151,520 | 153,388 |
| PILOT | 71,141 | 61,223 | 57,796 | 59,590 | 136,206 | 102,050 | 88,648 | 93,695 | 124,649 | 124,649 |
| Other Revenues | 63,141 | 220,432 | 96,926 | 87,738 | 64,787 | 35,366 | 83,338 | 76,433 | 87,110 | 68,788 |
| Total Revenues | \$ 6,660,314 | \$ 7,374,120 | \$ 7,378,795 | \$ 8,031,621 | \$ 8,417,721 | \$ 8,472,845 | \$ 8,930,852 | \$ 9,922,744 | \$ 10,692,052 | \$ 10,255,346 |
| EXPENDITURES | | | | | | | | | | |
| General Government | \$ 385,995 | \$ 1,084,690 | \$ 1,129,835 | \$ 1,155,454 | \$ 1,022,225 | \$ 1,178,893 | \$ 1,009,234 | \$ 1,050,464 | \$ 1,412,895 | \$ 1,044,949 |
| Public Safety | 2,071,179 | 2,281,425 | 2,318,331 | 2,463,214 | 2,542,801 | 2,637,772 | 2,824,334 | 2,891,566 | 3,214,453 | 3,216,918 |
| Public Works | 771,531 | 655,087 | 651,454 | 685,393 | 747,554 | 728,638 | 754,767 | 811,744 | 922,705 | 940,347 |
| Sanitation | 664,071 | 804,729 | 844,745 | 906,684 | 1,055,961 | 1,162,022 | 1,169,879 | 1,487,975 | 1,467,011 | 1,471,414 |
| Health and Welfare | 126,411 | 123,863 | 144,671 | 165,370 | 188,505 | 365,616 | 180,972 | 158,254 | 581,429 | 113,432 |
| Culture and Recreation | 285,376 | 307,323 | 345,138 | 388,021 | 473,688 | 931,250 | 1,129,390 | 1,167,621 | 490,797 | 563,500 |
| Tourism | 141,152 | 156,660 | 249,402 | 175,604 | 131,576 | 174,744 | 172,048 | 190,983 | 222,911 | 300,618 |
| Capital Outlay | 4,407,467 | 1,225,616 | 399,651 | 356,396 | 9,936,544 | 3,463,337 | 524,878 | 905,253 | 1,670,479 | 1,570,688 |
| Debt Service | | | | | | | | | | |
| Principle | 742,352 | 726,140 | 756,704 | 697,289 | 1,038,071 | 983,071 | 1,361,071 | 1,416,071 | 1,536,071 | 1,645,000 |
| Interest and Fees | 625,351 | 539,739 | 520,406 | 540,835 | 1,015,354 | 890,164 | 907,584 | 846,650 | 782,322 | 678,584 |
| Total Expenditures | \$ 10,720,899 | \$ 7,963,302 | \$ 7,360,340 | \$ 7,532,460 | \$ 18,142,239 | \$ 12,515,527 | \$ 10,034,157 | \$ 10,956,581 | \$ 12,301,073 | \$ 11,543,931 |
| Excess of Revenues Over (Under) Expenditures | \$ (4,060,585) | \$ (589,182) | \$ 218,455 | \$ 499,161 | \$ (9,724,518) | \$ (4,042,682) | \$ (1,103,305) | \$ (1,033,837) | \$ (1,609,021) | \$ (1,289,605) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Bonds Issued | \$ 2,261,105 | \$ - | \$ - | \$ 6,708,562 | \$ - | \$ - | \$ 1,465,255 | \$ 501,290 | \$ - | \$ 1,280,000 |
| Refunding Bonds Issued | - | - | - | - | - | - | - | - | - | (1,235,000) |
| Payments to Escrow Agent | - | - | - | - | - | - | - | - | - | (55,000) |
| Insurance Proceeds and Other Sources | 202,064 | - | - | (4,495,049) | - | - | - | - | - | 30,728 |
| Capital Leases | 28,424 | - | - | - | - | - | - | - | 271,380 | - |
| Transfers In | 2,612,785 | 673,358 | - | 867,372 | 582,402 | 1,262,582 | 1,056,681 | 1,820,754 | 1,877,938 | 1,732,774 |
| Transfers Out | (2,510,809) | (392,084) | (1,099,468) | (459,914) | (323,269) | (1,016,845) | (791,118) | (1,372,309) | (1,860,091) | (1,266,970) |
| Total Other Financing Sources (Uses) | \$ 2,591,569 | \$ 281,274 | \$ 240,532 | \$ 7,064,871 | \$ 4,273,482 | \$ 245,737 | \$ 1,823,818 | \$ 549,735 | \$ 389,227 | \$ 496,532 |
| Prior Period Adjustments | \$ (1,043,554) | \$ (107,903) | \$ 458,987 | \$ 7,564,032 | \$ (5,493,752) | \$ (3,796,915) | \$ 720,513 | \$ (81,102) | \$ (1,219,791) | \$ (793,073) |
| Net Changes in Fund Balances | | | | | | | | | | |
| Debt Service as a Percentage of Noncapital Expenditures | 21.7% | 19.2% | 18.3% | 17.3% | 25.0% | 20.7% | 25.4% | 22.5% | 21.8% | 23.5% |

Table 6

CITY OF ARANSAS PASS, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

| Fiscal Year | Property Tax | Sales Tax | Franchise Tax | Occupancy Tax | Other | Total |
|-----------------------------------|-----------------|--------------|------------------|------------------|----------|--------------|
| 2004 | \$ 2,331,611 | \$ 1,749,375 | \$ 368,474 | \$ 190,657 | \$ 7,591 | \$ 4,647,708 |
| 2005 | 2,508,774 | 1,751,103 | 387,932 | 195,847 | 6,522 | 4,850,178 |
| 2006 | 2,521,114 | 1,971,266 | 377,821 | 238,706 | 7,144 | 5,116,051 |
| 2007 | 2,613,744 | 2,090,487 | 398,789 | 234,691 | 6,459 | 5,344,170 |
| 2008 | 2,954,388 | 2,213,912 | 385,256 | 201,845 | 8,367 | 5,763,768 |
| 2009 | 2,872,547 | 2,326,056 | 393,495 | 173,469 | 8,327 | 5,773,894 |
| 2010 | 2,887,934 | 2,685,802 | 393,601 | 182,573 | 11,954 | 6,161,864 |
| 2011 | 2,980,460 | 3,066,826 | 385,897 | 205,300 | 10,517 | 6,649,000 |
| 2012 | 3,348,762 | 3,337,846 | 386,893 | 203,766 | 10,641 | 7,287,908 |
| 2013 | 3,333,281 | 3,444,311 | 381,816 | 245,493 | 10,640 | 7,415,541 |
| Percentage Change 2004-2013 | 30.05% | 49.21% | 3.49% | 22.34% | 28.66% | 37.32% |

Table 7

CITY OF ARANSAS PASS, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 UNAUDITED

| Fiscal Year | Assessed Value | Assessment Ratio | Total Taxable Assessed Value | Total Direct Tax Rate | Tax Levy |
|----------------|-------------------|---------------------|------------------------------------|-----------------------------|--------------|
| 2004 | \$ 297,493,600 | 100.00% | \$ 297,493,600 | 0.7500 | \$ 2,231,202 |
| 2005 | \$ 352,638,418 | 100.00% | \$ 352,638,418 | 0.6700 | \$ 2,362,664 |
| 2006 | \$ 380,362,543 | 100.00% | \$ 380,362,543 | 0.6340 | \$ 2,409,978 |
| 2007 | \$ 421,491,850 | 100.00% | \$ 421,491,850 | 0.6012 | \$ 2,534,009 |
| 2008 | \$ 490,811,034 | 100.00% | \$ 490,811,034 | 0.5800 | \$ 2,846,704 |
| 2009 | \$ 487,538,448 | 100.00% | \$ 487,538,448 | 0.5800 | \$ 2,827,723 |
| 2010 | \$ 485,990,497 | 100.00% | \$ 485,990,497 | 0.5929 | \$ 2,881,287 |
| 2011 | \$ 478,705,857 | 100.00% | \$ 478,705,857 | 0.6075 | \$ 2,908,095 |
| 2012 | \$ 451,195,712 | 100.00% | \$ 451,195,712 | 0.7230 | \$ 3,262,145 |
| 2013 | \$ 471,853,705 | 100.00% | \$ 471,853,705 | 0.6958 | \$ 3,282,960 |

Source: San Patricio County Appraisal District

CITY OF ARANSAS PASS, TEXAS
PRINCIPLE PROPERTY TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO
UNAUDITED

| Taxpayer | 2013 | | | 2004 (Data Not Available) | | |
|-----------------------------|------------------------|------|---|---------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Wal-Mart Real Estate | \$ 11,133,546 | 1 | 2.21% | | | |
| Care Holdings LLC | 8,244,067 | 2 | 1.64% | | | |
| Lowes Home Centers Inc. | 7,200,000 | 3 | 1.43% | | | |
| Coastal Navy Housing | 6,556,920 | 4 | 1.30% | | | |
| Wal-Mart Stores TX LP #0555 | 6,436,004 | 5 | 1.28% | | | |
| Coastal Bend Apartments LLC | 4,274,348 | 6 | 0.85% | | | |
| Lowes Companies Inc. #2506 | 4,073,784 | 7 | 0.81% | | | |
| Commercial Motor Co. | 4,028,564 | 8 | 0.80% | | | |
| Carolyns Texas LP | 3,906,389 | 9 | 0.78% | | | |
| Aransas Pass Lodging Inc. | 3,385,807 | 10 | 0.67% | | | |
| TOTAL | \$ 59,239,429 | | 11.77% | | | |

Source: San Patricio County Appraisal District

Table 9

CITY OF ARANSAS PASS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

| Fiscal Year | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------|----------------------------------|--|--------------------|---------------------------------|---------------------------|--------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2004 | \$ 2,263,438 | \$ 2,129,242 | 94.07% | \$ 105,723 | \$ 2,234,965 | 98.74% |
| 2005 | 2,361,086 | 2,239,461 | 94.85% | 86,408 | 2,325,869 | 98.51% |
| 2006 | 2,448,503 | 2,321,225 | 94.80% | 95,913 | 2,417,138 | 98.72% |
| 2007 | 2,534,009 | 2,405,181 | 94.92% | 93,611 | 2,498,792 | 98.61% |
| 2008 | 2,923,711 | 2,767,047 | 94.64% | 94,767 | 2,861,814 | 97.88% |
| 2009 | 2,770,530 | 2,604,814 | 94.02% | 88,642 | 2,693,456 | 97.22% |
| 2010 | 2,881,287 | 2,698,994 | 93.67% | 92,566 | 2,791,560 | 96.89% |
| 2011 | 2,908,095 | 2,746,758 | 94.45% | 83,483 | 2,830,241 | 97.32% |
| 2012 | 3,242,935 | 3,104,275 | 95.72% | N/A | 3,104,275 | 95.72% |
| 2013 | 3,235,569 | 3,102,610 | 95.89% | 130,946 | 3,233,556 | 99.94% |

Source: San Patricio County Appraisal District

