

City of Aransas Pass, Texas

Annual Financial Report

For the Fiscal Year Ended September 30, 2016

CITY OF ARANSAS PASS, TEXAS

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September 30, 2016

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Introductory Section

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CITY OF ARANSAS PASS, TEXAS
LIST OF PRINCIPAL OFFICIALS

Elected Officials

Adan Chapa Mayor
Billy Ellis Mayor Pro Tempore
Carrie Scruggs Council Member 1
Phillip Hyatt Council Member 3
Vickie Abrego Council Member 4

Appointed Officials

Sylvia Carrillo City Manager
Mary Juarez City Secretary
Allen Lawrence, Jr. City Attorney
Henrietta Morales Municipal Court Judge

Department Heads

Vacant Finance Director
Fernando Quintanilla Director of Public Works
Eric Blanchard Director of Public Safety
Sarah Lee Director of Community Enrichment
Jeffrey Martin Director of IT

Other Division Heads

Dale Wells Building Inspector
William Cox Fire Chief
Maxine Bowen..... Civic Center Manager
Lillian Villarreal Librarian
Katherine Comeaux City Planner
Cory Elrod Aquatics Manager
Chuck West..... Harbormaster
Roy Vasquez..... Code Enforcement Officer
Robert Price Chief Plant Operator
Ysidro Villarreal Public Works Superintendent
Manuela Camarillo Planning Coordinator

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Financial Section

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2016, 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 on pages 9-20 and other required supplemental information on pages 54-58 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 them.



Brenda P. McElwee, P.C.
July 21, 2017

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, 2016. Please read it in conjunction with the City’s financial statements, which begin on page 22.

FINANCIAL HIGHLIGHTS

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

Total government-wide net assets decreased \$1,208,320 as a result of this year’s operations. Governmental activities decreased \$2,843,117 offset with an increase of \$1,634,797 from business-type activities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 22 and 23) provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements start on page 24. 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 Position 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 Position 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 Position. 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 service 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 24 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 Position is presented in Table 1.

Table 1
Net Position
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	10.3	11.3	2.5	3.9	12.8	15.2
Capital Assets	23.4	23.5	13.2	10.5	36.6	34.0
Total Assets	33.7	34.8	15.7	14.4	49.4	49.2
Long -Term Debt Outstanding	21.3	18.7	7.8	7.8	29.1	26.5
Other Liabilities	0.5	0.7	0.8	1.7	1.3	2.4
Total Liabilities	21.8	19.4	8.6	9.5	30.4	28.9
Net Assets:						
Invested in Capital Assets, Net of Debt	2.1	4.8	5.5	2.2	7.6	7.0
Restricted	8.2	8.3	0.0	2.8	8.2	11.1
Unrestricted (Deficit)	2.3	2.3	1.1	-0.1	3.4	2.2
Total Net Assets	12.6	15.4	6.6	4.9	19.2	20.3

Net Assets of the City’s governmental activities increased \$2,819,388.

The net assets of the City’s business-type activities decreased \$2,835,396.

Table 2
Changes in Net Position
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for services	2.9	3.0	5.5	5.6	8.4	8.6
Grants	-	-			-	-
General Revenues:					-	-
Property Taxes	4.1	3.6			4.1	3.6
Sales Tax	3.8	3.6			3.8	3.6
Other Taxes	0.5	0.5			0.5	0.5
Other General Revenues	0.6	0.2			0.6	0.2
Total Revenues	11.9	10.9	5.5	5.6	17.4	16.5
Program Expenses					-	-
General government	1.5	1.8			1.5	1.8
Public Safety	4.2	3.8			4.2	3.8
Public Works	1.8	1.7			1.8	1.7
Sanitation, Health and Welfare	1.4	1.2			1.4	1.2
Tourism	0.3	0.2			0.3	0.2
Culture and Recreation	0.6	0.8			0.6	0.8
Interest and Long Term Debt	0.8	0.8			0.8	0.8
Water and Sewer			4.8	4.1	4.8	4.1
Harbor			0.4	1.7	0.4	1.7
Aquatic Center			0.2	0.7	0.2	0.7
Civic Center			0.1	0.4	0.1	0.4
Total Expenses	10.6	10.3	5.5	6.9	16.1	17.2
Excess (Deficiency) Before Special Items and Transfers	1.3	0.6	-	(1.3)	1.3	(0.7)
Transfers	(1.6)	(0.9)	1.6	0.9	-	-
Removal of obsolete capital assets	(2.2)				(2.2)	-
Tax abatement/development payment	(0.2)				(0.2)	-
Increase (Decrease) in Net Assets	(2.7)	(0.3)	1.6	(0.4)	(1.1)	(0.7)
Net Position - Beginning	15.4	15.7	4.9	5.3	20.3	21.0
Net Position - Ending	12.7	15.4	6.5	4.9	19.2	20.3

Total revenues generated from both governmental and business-type activities this year amounted to \$16.5 million.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$11.8 million. Expenses totaled \$10.8 million.

The cost of all governmental activities this year was \$10.6 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 \$7.9 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 five 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	
	2016	2015	2016	2015
Public Safety	4.2	3.8	3.8	3.2
General Government	1.5	1.8	1.2	1.3
Public Works	1.8	1.7	1.8	1.7
Sanitation, Health and Welfare	1.5	1.2	0.4	0.1
Culture and Recreation	0.9	0.8	0.6	0.8
Total	9.9	9.3	7.8	7.1

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$5.55 million. Expenses totaled \$5.49 million, leaving \$.06 million as an increase to net assets before transfers. An additional net \$1.6 million in transfers from business-type activities was made, resulting in a \$1.6 million decrease in net assets.

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 \$10.3 million, a decrease of \$.4 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, 2016 and 2015.

Table 4
Revenues and Transfers-In

Revenues and Transfers-In	2015 Amount	% of Total	2014 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	7,807,971	0.7	7,623,901	184,070	0.0
Licenses and Permits	551,458	0.1	116,068	435,390	3.8
Intergovernmental	7,772	0.0	48,852	(41,080)	(0.8)
Charges for Services	1,835,211	0.2	1,706,986	128,225	0.1
Fines and Forfeitures	566,041	0.1	404,540	161,501	0.4
Other	254,365	0.0	364,242	(109,877)	(0.3)
Total	11,022,818		10,264,589	758,229	

Taxes

Property Taxes

Property Taxes increased from \$3,645,544 to \$4,113,408, an increase of \$467,864.

Sales Taxes

This year's reported sales taxes increased from \$3,619,502 to \$3,775,237, an increase of \$155,735.

Miscellaneous

Miscellaneous revenues totaling \$254,365 largely consists of rents and royalties, interest, sale of surplus/obsolete machinery and equipment, and Industrial Development District payments in lieu of property taxes.

**Table 5
Expenditures and Transfers-Out**

Expenditures and Transfers-Out	2016 Amount	% of Total	2015 Amount	% Change
General government	1,349,644	10.09%	1,654,575	(18.43%)
Public Safety	3,759,241	28.10%	3,433,695	9.48%
Public Works	1,527,057	11.42%	1,443,999	5.75%
Sanitation, Health and Welfare	1,533,438	11.46%	1,238,392	23.82%
Recreation and Tourism	755,871	5.65%	883,156	(14.41%)
Capital Outlay	1,958,615	14.64%	1,943,105	0.80%
Debt Service:				
Principal	1,920,082	14.35%	1,675,000	14.63%
Interest and Fiscal Charges	571,952	4.28%	842,848	(32.14%)
Total	13,375,900		13,114,770	

Fund Balance

Combined fund balance for all of the governmental fund types decreased from \$10,781,732 in the prior year to \$10,781,732, a decrease of \$415,899.

General Fund

Revenues and transfers-in generated \$7,773,354 and \$697,955 respectively, aggregating in \$8,471,309. Expenditures and transfers-out amounted to \$8,626,778 and \$10,218,987, respectively, aggregating \$18,845,765. The transfers out were primarily to the Aquatic Center Fund to cover operating costs and Capital Projects Fund to account for bond projects.

Aransas Pass Municipal Development District Fund (APMDD)

The fund balance of the Aransas Pass Municipal Development District Fund decreased from \$568,997 in the prior year to \$561,961, a decrease of \$7,036. 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 funding civic center losses.

Aransas Pass Crime Control and Prevention District Fund (APCCPD)

The fund balance of the Aransas Pass Crime Control and Prevention District Fund increased from \$492,933 in the prior year to \$705,943, an increase of \$213,010. The District is a separate legal entity, but has been reported as a blended component unit in the financial statements. The District provides funds and safety equipment for the police department.

Debt Service Fund

The fund balance of the debt service fund decreased from \$395,816 in the prior year to \$357,119 a decrease of \$38,697.

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
Water Consumption

Fiscal Year	2015-2016	2014-2015	% Increase (Decrease)	2012-2013	% Increase (Decrease)
Total Consumption	469,423,000	344,847,000	36.13%	343,470,000	36.67%

Table 7
Growth (Reduction) in Customer Base
Utility System Fund

Fiscal Year	2015-2016	2014-2015	% Increase (Decrease)	2013-2014	% Increase (Decrease)
Total Meter Connections	3,925	3,999	(1.85%)	3,968	(1.08%)

Operating revenues for the Water and Sewer Fund were \$4,843,142 which is \$41,213 more than 2015. Expenses were \$4,029,486, which is \$157,079 more than 2015.

Harbor Fund

The Harbor Fund is funded with rental revenue. Revenues for the Harbor totaled \$419,908 which is \$12,507 more revenues than 2015. Expenses for the same period were \$281,046, which is \$1,418,673 less than 2015.

Aquatic Center

The Aquatic Center is funded with revenue from admissions, passes, rentals, instructional classes and concessions. Revenues for the Aquatic Center totaled \$163,126, which is \$56,351 less than revenues for 2015. Expenses for the same period were \$569,617, which is \$80,493 less than was expended in 2015.

Civic Center

The Civic Center is funded with revenue from rentals. Revenues for the Civic Center totaled \$122,279, which is \$21,523 less than revenues for 2015. Expenses for the same period were \$381,502, which is \$27,502 more than was expended in 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$36.4 million in capital assets.

Table 8

**Capital Assets at Year-end
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	7.5	7.5	0.4	0.4	7.9	7.9
Construction in Progress	-	-	-	-	-	-
Buildings and Improvements	8.1	8.6	0.8	0.1	8.9	8.7
Equipment	3.3	3.6	1.8	2.0	5.1	5.6
Infrastructure	4.4	3.8	10.1	7.9	14.5	11.7
Totals	23.3	23.5	13.1	10.4	36.4	33.9

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, 2016, 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 \$28.2 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	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds (backed by the City)	20.4	19.2	5.0	5.6	25.4	24.8
Revenue Bonds (Backed by specific tax and fee revenues)	-	-	2.8	2.9	2.8	2.9
Totals	20.4	19.2	7.8	8.5	28.2	27.7

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2015-2016 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 begin on page 21.

Basic Financial Statements

City of Aransas Pass, Texas

Statement of Net Position

September 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 7,738,615	\$ 1,330,070	\$ 9,068,685
Receivables, net of allowance for uncollectible amounts			
Property taxes	384,973	-	384,973
Accounts	32,031	822,903	854,934
Sales taxes	165,718	-	165,718
Inventories	100,742	-	100,742
Restricted Assets:			
Cash and cash equivalents	1,778,829	392,949	2,171,778
Sales tax receivable	145,362	-	145,362
Capital assets:			
Land	7,507,865	358,841	7,866,706
Depreciable buildings, machinery and equipment	26,189,051	23,889,016	50,078,067
Less: Accumulated depreciation	(10,331,914)	(11,001,282)	(21,333,196)
Total assets	<u>34,303,472</u>	<u>15,200,297</u>	<u>49,503,769</u>
LIABILITIES			
Accounts payable and other current liabilities	452,603	342,647	795,250
Accrued interest payable	-	36,578	36,578
Deferred revenue		66,939	66,939
Liabilities payable from restricted assets:			
Customer deposits	-	392,949	392,949
Long-Term Liabilities:			
Due within one year	2,184,711	548,000	2,732,711
Due in more than one year	19,078,000	7,261,711	26,339,711
Total liabilities	<u>21,715,314</u>	<u>8,648,824</u>	<u>30,364,138</u>
NET POSITION			
Net Investment In Capital Assets	2,102,291	5,465,877	7,568,168
Restricted for:	-		
Public Library	21,247	-	21,247
Debt Service	357,119	-	357,119
Tourism	51,546	-	51,546
Law Enforcement	671,079	-	671,079
Emergency Services	192,770	-	192,770
Building Security	27,615	-	27,615
Municipal Court Technology	34,059	-	34,059
Special Projects	6,839,850	-	6,839,850
Unrestricted	2,290,582	1,085,596	3,376,178
Total net position	<u>\$ 12,588,158</u>	<u>\$ 6,551,473</u>	<u>\$ 19,139,631</u>

City of Aransas Pass, Texas
Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,546,092	\$ 391,446	\$ -	\$ -	\$ (1,154,646)	\$ -	\$ (1,154,646)
Public safety	4,152,137	340,522		-	(3,811,615)	-	(3,811,615)
Public works	1,802,084				(1,802,084)	-	(1,802,084)
Sanitation, health and welfare	1,553,083	1,925,510			372,427	-	372,427
Culture and recreation	596,445				(596,445)	-	(596,445)
Tourism	257,650	237,635			(20,015)	-	(20,015)
Development agreement	197,834				(197,834)	-	(197,834)
Interest and fiscal charges	782,796				(782,796)	-	(782,796)
Total governmental activities	<u>10,888,121</u>	<u>2,895,113</u>	<u>-</u>	<u>-</u>	<u>(7,993,008)</u>	<u>-</u>	<u>(7,993,008)</u>
Business-type activities:							
Water & Sewer	4,256,823	4,843,142				586,319	586,319
Harbor	281,046	419,908				138,862	138,862
Aquatic Center	569,617	163,126				(406,491)	(406,491)
Civic Center	381,502	122,279				(259,223)	(259,223)
Total business-type activities	<u>5,488,988</u>	<u>5,548,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,467</u>	<u>59,467</u>
Total primary government	<u>\$ 16,377,109</u>	<u>\$ 8,443,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(7,993,008)</u>	<u>59,467</u>	<u>(7,933,541)</u>
General revenues:							
Property taxes					4,113,408		4,113,408
Sales taxes					3,775,237		3,775,237
Franchise taxes					435,990		435,990
Mixed beverage taxes					15,763		15,763
Industrial district					209,253		209,253
Intergovernmental					130,004		130,004
Rents and royalties					64,945		64,945
Interest income					52,389	5,627	58,016
Other					150,615		150,615
Removal of obsolete assets from books					(2,228,010)		(2,228,010)
Transfers					(1,569,703)	1,569,703	-
Total general revenues and transfers					<u>5,149,891</u>	<u>1,575,330</u>	<u>6,725,221</u>
Change in net position					(2,843,117)	1,634,797	(1,208,320)
Net position-beginning					15,431,275	4,916,676	20,347,951
Net position-ending					<u>\$ 12,588,158</u>	<u>\$ 6,551,473</u>	<u>\$ 19,139,631</u>

City of Aransas Pass, Texas

Balance Sheet Governmental Funds September 30, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	Aransas Pass Municipal Development District	Aransas Pass Crime Control & Prevention District	Other Governmental Funds	Total
ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES							
Cash and cash equivalents	\$ 798,419	\$ 6,839,850	\$ -	\$ 100,169	\$ 177	\$ -	\$ 7,738,615
Receivables, net of allowances for uncollectible							
Property taxes	184,787	-	200,186	-	-	-	384,973
Accounts	32,031	-	-	-	-	-	32,031
Sales taxes	165,718	-	-	-	-	-	165,718
Due from other funds	1,011,328	-	156,933	-	-	112,667	1,280,928
Inventories	100,742	-	-	-	-	-	100,742
Noncurrent assets:							
Restricted cash and cash equivalents	130,365	-	-	698,592	742,732	207,140	1,778,829
Sales taxes receivable	-	-	-	72,723	72,639	-	145,362
Total assets	<u>\$ 2,423,390</u>	<u>\$ 6,839,850</u>	<u>\$ 357,119</u>	<u>\$ 871,484</u>	<u>\$ 815,548</u>	<u>\$ 319,807</u>	<u>\$ 11,627,198</u>
LIABILITIES PLUS DEFERRED INFLOWS OF RESOURCES							
Liabilities:							
Accounts payable	\$ 437,986	\$ -	\$ -	\$ -	\$ -	\$ 13,817	\$ 451,803
Due to other funds	269,600	-	-	309,523	109,605	-	688,728
Compensated absences	120,034	-	-	-	-	-	120,034
Deferred inflows	800	-	-	-	-	-	800
Total liabilities	<u>828,420</u>	<u>-</u>	<u>-</u>	<u>309,523</u>	<u>109,605</u>	<u>13,817</u>	<u>1,261,365</u>
FUND BALANCES:							
Restricted	-	-	-	561,961	705,943	305,990	1,573,894
Committed	-	6,839,850	357,119	-	-	-	7,196,969
Unassigned	1,594,970	-	-	-	-	-	1,594,970
Total fund balances	<u>1,594,970</u>	<u>6,839,850</u>	<u>357,119</u>	<u>561,961</u>	<u>705,943</u>	<u>305,990</u>	<u>10,365,833</u>
Total liabilities and fund balances	<u>\$ 2,423,390</u>	<u>\$ 6,839,850</u>	<u>\$ 357,119</u>	<u>\$ 871,484</u>	<u>\$ 815,548</u>	<u>\$ 319,807</u>	<u>\$ 11,627,198</u>

City of Aransas Pass, Texas
Reconciliation of the Balance Sheet of Government Funds
to the Statement of Net Position
September 30, 2016

Total fund balances - governmental funds balance sheet	\$ 10,365,833
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fi	23,365,002
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(21,142,677)
--	--------------

Net position of governmental activities - Statement of Net Position	<table style="margin-left: auto; margin-right: 0; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">12,588,158</td> </tr> </table>	12,588,158
12,588,158		

City of Aransas Pass, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	SPECIAL REVENUE FUNDS		Other Non-Major Governmental Funds	Total
				Aransas Pass Municipal Development District	Aransas Pass Crime Control & Prevention District		
REVENUES							
Taxes							
Property taxes	\$ 2,110,806	\$ -	\$ 2,002,602	\$ -	\$ -	\$ -	\$ 4,113,408
Sales taxes	2,016,735	-	-	861,845	896,657	-	3,775,237
Franchise taxes	435,990	-	-	-	-	-	435,990
Mixed beverage taxes	15,763	-	-	-	-	-	15,763
Occupancy taxes	-	-	-	-	-	237,635	237,635
Licenses and permits	391,446	-	-	-	-	-	391,446
Intergovernmental	121,208	-	-	-	-	8,796	130,004
Special assessments	11,185	-	-	-	-	-	11,185
Charges for services	1,861,760	-	-	-	-	63,750	1,925,510
Rents and royalties	64,945	-	-	-	-	-	64,945
Industrial development district	209,253	-	-	-	-	-	209,253
Fines and forfeitures	340,522	-	-	-	-	-	340,522
Interest income	43,126	-	5	3,886	4,685	687	52,389
Other	150,615	-	-	-	-	-	150,615
Total revenues	7,773,354	-	2,002,607	865,731	901,342	310,868	11,853,902
EXPENDITURES							
Current:							
General government	1,343,504	-	-	3,000	3,140	-	1,349,644
Public safety	3,724,558	-	-	-	-	34,683	3,759,241
Public works	1,527,057	-	-	-	-	-	1,527,057
Sanitation, health and welfare	1,533,438	-	-	-	-	-	1,533,438
Culture and recreation	498,221	-	-	-	-	-	498,221
Tourism	-	-	-	-	-	257,650	257,650
Debt service:							
Principal	-	-	1,463,042	350,000	-	-	1,813,042
Interest and fiscal charges	-	-	509,081	210,244	-	-	719,325
Bond issuance costs	-	-	63,471	-	-	-	63,471
Capital outlay	-	1,958,615	-	-	-	-	1,958,615
Total expenditures	8,626,778	1,958,615	2,035,594	563,244	3,140	292,333	13,479,704
Excess (deficiency) of revenues over under expenditures	(853,424)	(1,958,615)	(32,987)	302,487	898,202	18,535	(1,625,802)
OTHER FINANCING SOURCES (USES)							
Transfers in	697,955	8,798,465	75,872	-	-	71,707	9,643,999
Transfers out	(10,218,987)	-	-	(309,523)	(685,192)	-	(11,213,702)
Refunding bonds issued	-	-	4,580,000	-	-	-	4,580,000
Payment to refunded bond escrow agent	-	-	(4,661,582)	-	-	-	(4,661,582)
Development fees	(197,834)	-	-	-	-	-	(197,834)
Bond proceeds	2,890,000	-	-	-	-	-	2,890,000
Bond premium	169,022	-	-	-	-	-	169,022
Sale of general capital assets	-	-	-	-	-	-	-
Total other financing sources and uses	(6,659,844)	8,798,465	(5,710)	(309,523)	(685,192)	71,707	1,209,903
Net change in fund balances	(7,513,268)	6,839,850	(38,697)	(7,036)	213,010	90,242	(415,899)
Fund balances-beginning	9,108,238	-	395,816	568,997	492,933	215,748	10,781,732
Fund balances-beginning as restated	9,108,238	-	395,816	568,997	492,933	215,748	10,781,732
Fund balances-ending	\$ 1,594,970	\$ 6,839,850	\$ 357,119	\$ 561,961	\$ 705,943	\$ 305,990	\$ 10,365,833

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
For the Year Ended September 30, 2016

Net change in fund balances, total governmental funds	\$ (415,899)
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.	1,958,615
The depreciation of capital assets used in governmental activities is not reported in the funds.	(982,240)
The write off of obsolete capital assets is not reported in the funds.	(2,228,010)
Bond proceeds are recorded in the funds as revenue but not in the SOA.	(7,470,000)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	6,491,301
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	
Interest expense reported in the SOA does not require the use of current financial resources and is therefore not reported as expenditures in governmental funds.	(169,022)
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(11,185)
Amortization of deferred loss on bond refunding is not recorded in the funds, but in the SOA.	(16,677)
Change in net position of governmental activities - statement of activities	\$ (2,843,117)

City of Aransas Pass, Texas
General Fund
Budgetary Comparison Statement
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original Budget</u>	<u>Final Amended Budget</u>		
REVENUES				
Property taxes	\$ 1,827,000	\$ 1,827,000	\$ 2,110,806	\$ 283,806
Sales taxes	1,940,000	1,940,000	2,016,735	76,735
Franchise taxes	400,600	400,600	435,990	35,390
Mixed beverage taxes	8,400	8,400	15,763	7,363
Licenses and permits	211,480	211,480	391,446	179,966
Intergovernmental	272,694	272,694	121,208	(151,486)
Special assessments	-	-	11,185	11,185
Charges for services	1,735,000	1,735,000	1,861,760	126,760
Rents and royalties	120,000	120,000	64,945	(55,055)
Industria development district	130,000	130,000	209,253	79,253
Fines and forfeitures	350,000	350,000	340,522	(9,478)
Interest income	-	-	43,126	43,126
Other	173,022	173,022	150,615	(22,407)
	<u>7,168,196</u>	<u>7,168,196</u>	<u>7,773,354</u>	<u>605,158</u>
EXPENDITURES				
Current:				
General government	1,365,505	1,365,505	1,343,504	22,001
Public safety	4,085,000	4,085,000	3,724,558	360,442
Public works	1,819,010	1,819,010	1,527,057	291,953
Sanitation, health and welfare	1,412,220	1,412,220	1,533,438	(121,218)
Culture and recreation	660,399	660,399	498,221	162,178
	<u>9,342,134</u>	<u>9,342,134</u>	<u>8,626,778</u>	<u>715,356</u>
Excess (deficiency) of revenues over expenditures	<u>(2,173,938)</u>	<u>(2,173,938)</u>	<u>(853,424)</u>	<u>1,320,514</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	697,955	(697,955)
Transfers out	-	-	(10,218,987)	10,218,987
Bond premium	2,177,201	2,177,201	(197,834)	2,375,035
Sale of capital assets	-	-	2,890,000	(2,890,000)
Insurance proceeds	-	-	169,022	(169,022)
	<u>2,177,201</u>	<u>2,177,201</u>	<u>(6,659,844)</u>	<u>(8,837,045)</u>
Total other financing sources and uses	<u>2,177,201</u>	<u>2,177,201</u>	<u>(6,659,844)</u>	<u>(8,837,045)</u>
Net change in fund balances	<u>\$ 3,263</u>	<u>\$ 3,263</u>	<u>(7,513,268)</u>	<u>\$ (7,516,531)</u>
Fund balances-beginning			9,108,238	
Fund balances-ending			<u>\$ 1,594,970</u>	

City of Aransas Pass, Texas

Exhibit A-8

Statement of Net Position

Enterprise Funds

September 30, 2016

	Enterprise Funds		
	Major Fund Water & Sewer Fund	Other Non-Major Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,319,688	\$ 10,382	\$ 1,330,070
Receivables (net)	798,368	24,535	822,903
Restricted assets-customer deposits	392,949	-	392,949
Total current assets	2,511,005	34,917	2,545,922
Noncurrent Assets:			
Capital assets:			
Land			
Buildings, machinery and vehicles	20,635,276	3,612,581	24,247,857
Less accumulated depreciation	(8,268,746)	(2,732,536)	(11,001,282)
Total noncurrent assets	12,366,530	880,045	13,246,575
Total assets	14,877,535	914,962	15,792,497
LIABILITIES			
Current liabilities:			
Accounts payable	321,193	10,059	331,252
Accrued interest payable	36,578	-	36,578
Customer deposits	392,949	-	392,949
Deferred revenue	-	66,939	66,939
Due to other funds	522,200	70,000	592,200
Compensated absences payable	8,000	3,395	11,395
Notes payable-current	-	8,000	8,000
Certificates of obligation payable-current	540,000	-	540,000
Total current liabilities	1,820,920	158,393	1,979,313
Noncurrent liabilities:			
Compensated absences	21,013	-	21,013
Bonds, notes, and loans payable	7,205,000	35,698	7,240,698
Total noncurrent liabilities	7,226,013	35,698	7,261,711
Total liabilities	9,046,933	194,091	9,241,024
NET POSITION			
Net invested in capital assets	4,621,530	844,347	5,465,877
Unrestricted	1,209,072	(123,476)	1,085,596
Total net position	\$ 5,830,602	\$ 720,871	\$ 6,551,473

The accompanying notes are an integral part of this statement.

City of Aransas Pass, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Enterprise Funds
For the Year Ended September 30, 2016

	Enterprise Funds		
	Major Fund Water & Sewer Fund	Other Non-Major Funds	Total
OPERATING REVENUES			
Charges for services	\$ 4,843,142	\$ 705,313	\$ 5,548,455
Total operating revenue	<u>4,843,142</u>	<u>705,313</u>	<u>5,548,455</u>
OPERATING EXPENSES			
Personal services	868,106	546,783	1,414,889
Contractual services	137,669	18,286	155,955
Supplies	1,655,521	89,289	1,744,810
Maintenance	461,728	268,607	730,335
Administrative	55,961	8,451	64,412
Utilities	213,634	170,065	383,699
Advertising	-	13,651	13,651
Event expenses	-	11,663	11,663
Insurance	21,603	8,450	30,053
Depreciation and amortization	615,264	96,920	712,184
Total operating expenses	<u>4,029,486</u>	<u>1,232,165</u>	<u>5,261,651</u>
Operating income (loss)	<u>813,656</u>	<u>(526,852)</u>	<u>286,804</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	5,627	-	5,627
Interest expense and agent fees	(227,337)	-	(227,337)
Total nonoperating revenue (expenses)	<u>(221,710)</u>	<u>-</u>	<u>(221,710)</u>
Income (loss) before contributions and transfers	591,946	(526,852)	65,094
Transfers in	<u>335,286</u>	<u>1,234,417</u>	<u>1,569,703</u>
Change in net assets	927,232	707,565	1,634,797
Total net position-beginning	<u>4,903,370</u>	<u>13,306</u>	<u>4,916,676</u>
Total net position-ending	<u>\$ 5,830,602</u>	<u>\$ 720,871</u>	<u>\$ 6,551,473</u>

City of Aransas Pass, Texas

Exhibit A-10

Statement of Cash Flows

Enterprise Funds

For the Year Ended September 30, 2016

	Major Fund Water & Sewer Fund	Non-Major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,857,559	\$ 664,657	\$ 5,522,216
Payments to suppliers of goods or services	(2,797,133)	(604,179)	(3,401,312)
Payments to employees for services	(894,912)	(552,219)	(1,447,131)
Net cash provided (used) by operating activities	1,165,514	(491,741)	673,773
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	857,486	1,304,417	2,161,903
Transfers (to) other funds	(522,200)	(70,000)	(592,200)
Net cash provided (used) by non-capital financing activities	335,286	1,234,417	1,569,703
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Increase in due to/from	522,200	70,000	592,200
Purchase or construction of capital assets	(2,622,156)	(857,000)	(3,479,156)
Principal, interest and agent fees paid	(785,221)	-	(785,221)
Net cash provided (used) by financing activities	(2,885,177)	(787,000)	(3,672,177)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	5,627	-	5,627
Proceeds from note payable	-	43,698	43,698
Net cash provided (used) by investing activities	5,627	43,698	49,325
Net increase (decrease) in cash and cash equivalents	(1,378,750)	(626)	(1,379,376)
Beginning Cash	3,091,387	11,008	3,102,395
Ending Cash	\$ 1,712,637	\$ 10,382	\$ 1,723,019
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 813,656	\$ (526,852)	\$ 286,804
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	615,264	96,920	712,184
Changes in assets and liabilities:			
Accounts receivable	1,263	46,963	48,226
Prepaid items	-	(87,619)	(87,619)
Customer security deposits	13,154	(87,619)	(74,465)
Accounts payable	(251,017)	(13,557)	(264,574)
Compensated absences	(26,806)	(2,160)	(28,966)
Total Adjustments	351,858	35,111	386,969
Net cash provided (used) by operating activities	\$ 1,165,514	\$ (491,741)	\$ 673,773

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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.

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.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

The City reports the following major enterprise fund:

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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) 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.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

Inventories are valued at cost which approximates market, using first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method).

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 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 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 Position.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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.
- 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.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

- 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

1. 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

3. Budget Compliance

The following funds expended more than their budgeted appropriations for the current fiscal year:

Hotel/Motel Occupancy Tax Fund	\$	(49,542)
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C. 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.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash Deposits

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At September 30, 2016, bank balance was \$1,386,669. The City's cash deposits at September 30, 2016 and during the year ended September 30, 2016, 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.

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	\$ 5,202,300
Texas Class	1 Day	\$ 8,011,615
Total Investment		<u>\$ 13,213,915</u>

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, 2016, 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
Texas Class	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.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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 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.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

D. Capital Assets

Capital asset activity for the year ended September 30, 2016, 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
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	5,255,799	-	-	5,255,799
Machinery and Equipment	6,062,673	-	-	6,062,673
Infrastructure	5,058,132	1,958,615	1,075,209	5,941,538
Total capital assets being depreciated	<u>25,305,645</u>	<u>1,958,615</u>	<u>1,075,209</u>	<u>26,189,051</u>
Less accumulated depreciation for:				
Buildings	(2,131,314)	(229,648)	-	(2,360,962)
Improvements other than buildings	(3,468,294)	(207,503)	-	(3,675,797)
Machinery and Equipment	(2,468,366)	(311,197)	-	(2,779,563)
Infrastructure	(1,281,700)	(233,892)	-	(1,515,592)
Total accumulated depreciation	<u>(9,349,674)</u>	<u>(982,240)</u>	<u>-</u>	<u>(10,331,914)</u>
Total capital assets being depreciated, net	<u>15,955,971</u>	<u>976,375</u>	<u>1,075,209</u>	<u>15,857,137</u>
Governmental activities capital assets, net	<u>\$ 23,463,836</u>	<u>\$ 976,375</u>	<u>\$ 1,075,209</u>	<u>\$ 23,365,002</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land, right of way	\$ 397,778	\$ -	\$ -	\$ 397,778
Total capital assets not being depreciated	<u>397,778</u>	<u>-</u>	<u>-</u>	<u>397,778</u>
Capital assets being depreciated:				
Improvements other than buildings	2,702,205	813,302	-	3,515,507
Water and sewer system	15,006,489	2,613,852	-	17,620,341
Machinery and Equipment	3,440,726	52,004	778,496	2,714,234
Total capital assets being depreciated	<u>21,149,420</u>	<u>3,479,158</u>	<u>778,496</u>	<u>23,850,082</u>
Less accumulated depreciation for:				
Improvements other than buildings	(2,590,608)	(87,888)	-	(2,678,496)
Water and sewer system	(7,080,581)	(352,407)	-	(7,432,988)
Machinery and Equipment	(1,396,408)	(271,889)	(778,496)	(889,801)
Total accumulated depreciation	<u>(11,067,597)</u>	<u>(712,184)</u>	<u>(778,496)</u>	<u>(11,001,285)</u>
Total capital assets being depreciated, net	<u>10,081,823</u>	<u>2,766,974</u>	<u>-</u>	<u>12,848,797</u>
Business-type activities capital assets, net	<u>\$ 10,479,601</u>	<u>\$ 2,766,974</u>	<u>\$ -</u>	<u>\$ 13,246,575</u>

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Depreciation was charged to functions as follows:

<u>Governmental Activities:</u>		<u>Business Type Activities:</u>	
General Government	\$ 196,448	Water and Sewer	\$ 615,264
Public Safety	392,896	Harbor	96,920
Culture and Recreation	98,224		<u>\$ 712,184</u>
Public Works	275,027		
Public Health and Welfare	19,645		
	<u>\$ 982,240</u>		

E. Interfund Balances and Activity

1. Due To and Due From Other Funds

Balances due to and due from other funds at September 30, 2016, consisted of the following:

	<u>Receivable</u>	<u>Payable</u>	<u>Net</u>
Governmental Fund Types:			
Governmental Funds:			
General Fund	\$ 1,011,328	\$ 269,600	741,728
Debt Service Fund	156,933	-	
Aransas Pass Municipal Development District	-	309,523	
Aransas Pass Crime Control & Prevention District	-	109,605	
Municipal Court Technology Fund	37,426	-	
Building Security Fund	19,481	-	
E911 Fund	55,760	-	
	<u>\$ 1,280,928</u>	<u>\$ 688,728</u>	<u>\$ 592,200</u>
Proprietary Fund Types:			
Enterprise Funds:			
Water and Sewer Fund	\$ -	\$ 522,200	
Harbor Fund	-	70,000	
	<u>\$ -</u>	<u>\$ 592,200</u>	<u>\$ (592,200)</u>

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2016, consisted of the following:

<u>Transfers From:</u>	<u>Transfers To:</u>	<u>Amount</u>	<u>Reason:</u>
General Fund	Debt Service Fund	\$ 75,872	Bond payments
General Fund	Water & Sewer Fund	335,286	Capital Expenditures
General Fund	Harbor Fund	557,072	Capital Expenditures
General Fund	Aquatic Center Fund	418,122	Supplement other funds sources
General Fund	Capital Projects Fund	8,798,465	Reimburse Civic Center losses
General Fund	Hotel Motel Tax Fund	34,170	Supplement other funds sources
APMDD*	General Fund	50,300	Reimburse Civic Center repair
APMDD*	Civic Center Fund	259,223	Reimburse Civic Center losses
APCCPD**	General Fund	647,655	Crime Prevention Grants
APCCPD**	E-911 Fund	37,537	Crime Prevention Grants
	Total	<u>\$ 11,213,702</u>	

* Aransas Pass Municipal Development District

** Aransas Pass Crime Control and Prevention District

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

F. 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, 2016:

	<u>Interest</u> <u>Rate</u>	<u>General Long-</u> <u>Term Debt</u>	<u>Enterprise</u> <u>Fund Debt</u>
<u>Bonded Debt</u>			
Tax and Limited Pledge Revenue, Certificates of Obligation, Series 2003	2.50 - 4.35%		
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2005	1.70% - 3.75%		590,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006	4.25%		390,000
General Obligation Refunding Bonds, Series 2007	4.025%	2,440,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007A	3.92%	2,555,000	
Tax Notes, Series 2011	2.78%	155,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	1.50 - 3.0%		3,555,000
General Obligation Refunding Bonds, Series 2012	1.29%	655,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	2.0 - 3.6%	5,805,000	2,780,000
Certificates of Obligation, Series 2015	1.89%	1,300,000	430,000
General Obligation Refunding Bonds, Series 2016	1.860 - 3.590 %	4,580,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	2.00 - 3.00 %	2,890,000	
		\$ 20,380,000	\$ 7,745,000

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the ended September 30, 2016, are as follows:

	Beginning			Ending	Amounts
	Balance	Increases	Decreases	Balance	Due Within
					One Year
<u>Governmental activities:</u>					
General bonded debt	\$ 19,210,000	\$ 7,470,000	\$ 5,950,000	\$ 20,730,000	\$ 1,920,082
Note payable-paver	372,658	-	48,042	324,616	50,082
Deferred loss on adv. ref.	(123,486)	-	14,058	(109,428)	(14,058)
OPEB obligation	102,163	337	-	102,500	102,500
Compensated absences	198,174	-	13,507	184,667	120,034
Contracts	36,427	-	6,071	30,356	6,071
Total governmental activities	<u>\$ 19,505,291</u>	<u>\$ 7,470,337</u>	<u>\$ 6,031,678</u>	<u>\$ 21,262,711</u>	<u>\$ 2,184,711</u>
<u>Business-type activities:</u>					
General bonded debt	\$ 8,310,000	\$ 3,000,000	\$ 290,000	\$ 11,020,000	\$ 585,000
Note payable	\$ -	\$ 35,698	\$ -	35,698	\$ 8,000
Compensated absences	49,819	-	17,411	32,408	11,395
Total business-type activities	<u>\$ 8,196,107</u>	<u>\$ 3,035,698</u>	<u>\$ 307,411</u>	<u>\$ 11,088,106</u>	<u>\$ 604,395</u>

Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated Absences	Governmental	General Fund
Contracts	Governmental	General Fund
OPEB	Governmental	General Fund
Compensated Absences	Business-type	Water and Sewer Fund

Debt Service Requirement note 2 follows

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2016, are as follows:

Governmental Activities			
Year Ending September 30,	Principal	Interest	Balance
2017	\$ 1,870,000	\$ 620,112	\$ 2,490,112
2018	1,610,000	555,034	2,165,034
2019	1,665,000	513,944	2,178,944
2020	1,700,000	470,610	2,170,610
2021	1,530,000	426,324	1,956,324
2022-2026	6,970,000	1,472,421	8,442,421
2027-2031	3,195,000	526,388	3,721,388
2032-2036	1,840,000	133,260	1,973,260
Total governmental activities	\$ 20,380,000	\$ 4,718,093	\$ 25,098,093

Business-type Activities			
Year Ending September 30,	Principal	Interest	Balance
2017	\$ 585,000	\$ 216,048	\$ 801,048
2018	600,000	202,160	802,160
2019	610,000	186,651	796,651
2020	475,000	169,594	644,594
2021	390,000	154,885	544,885
2022-2026	2,015,000	614,549	2,629,549
2027-2031	1,985,000	338,500	2,323,500
2032-2034	1,085,000	47,085	1,132,085
Total governmental activities	\$ 7,745,000	\$ 1,929,472	\$ 9,674,472

3. Advance Refunding of Debt

At September 30, 2016, the City had no legally defeased bonds outstanding.

4. 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.

G. Commitments Under Noncapitalized Leases

The City had no material commitments under noncapitalized leases for the year ended September 30, 2016.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

H. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2016:

	<u>Government-</u>	<u>Business</u>
	<u>Type Activities</u>	<u>Type Activities</u>
Crime Control and Prevention	\$ 1,717,130	\$ -
Tourism	61,699	-
Customer Deposits	-	392,949
	\$ 1,778,829	\$ 392,949

Sales Tax Receivable was restricted for the following purposes at September 30, 2016:

	<u>Government-</u>	<u>Business</u>
	<u>Type Activities</u>	<u>Type Activities</u>
Crime Control and Prevention	\$ 72,723	\$ -
Municipal Development	72,639	-
	\$ 145,362	\$ -

I. 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 2016, 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.

J. Pension Plan

1. Plan Description

The City of Aransas Pass participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

2. Benefits Provided

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

Plan Provisions-

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

	Plan Year 2015
Employee Deposit Rate	6.00%
Matching ration (city to employee)	2 to 1
Years required for vesting	10 years
Service retirement eligibility	10Yrs/Age 60, 20 Yrs/Any Age
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

Employees covered by benefit terms-

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	111
Active employees	97
	251

3. Contributions

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

Employees for the City of Aransas Pass were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Aransas Pass were 11.80% and 11.84% in Calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$516,867, and were equal to the required contributions.

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions-

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.5%-10% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

Effective December 31, 2015, the long-term expected rate of return on TMRS pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation of 2.5%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	<u>100.0%</u>	

Discount Rate-

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability-

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at 12/31/2014	\$ 13,072,487	\$ 10,795,405	\$ 2,277,082
Changes for the year:			-
Service Cost	555,212	-	555,212
Interest	906,889	-	906,889
Change of benefit terms	-	-	-
Difference between expected and actual experience	(81,543)	-	(81,543)
Changes of assumptions	35,770	-	35,770
Contributions - employer	-	505,944	(505,944)
Contributions - employee	-	256,449	(256,449)
Net investment income	-	15,928	(15,928)
Benefit payments, including refunds of employee contributions	(789,086)	(789,086)	-
Administrative expense	-	(9,703)	9,703
Other changes	-	(479)	479
Net changes	<u>627,242</u>	<u>(20,947)</u>	<u>648,189</u>
Balance at 12/31/2015	<u>\$ 13,699,729</u>	<u>\$ 10,774,458</u>	<u>\$ 2,925,271</u>

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Current Single Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$ 4,949,848	\$ 2,925,271	\$ 1,293,196

Pension Plan Fiduciary Net Position-

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$467,180.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 58,955
Changes in actuarial assumptions	25,861	-
Difference between projected and actual investment earnings	591,802	-
Total	\$ 617,663	\$ 58,955

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Year ended December 31:		
2016	\$	253,289
2017	\$	253,282
2018	\$	252,804
2019	\$	222,732
2020	\$	-
Thereafter	\$	-

K. Postemployment Benefits

Effective for fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)” prospectively (no beginning Net OPEB Obligation).

1. Healthcare Plan

Plan Description

The City subsidizes individual coverage for eligible retirees until age 65. All active employees who retire from the City and meet the eligibility criteria may participate. Currently there are only two retirees on the plan. Continuation of these benefits is dependent on periodic authorization by the City Council.

Funding Policy-

The City may contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For 2016, the City made no contributions and instead elected to continue funding on a pay-as-you-go basis, which amounted to \$10,098 for 2016. In 2015 and prior years, the General Fund and Water and Sewer System Fund have been used to provide funding.

Annual OPEB Cost and Net OPEB Obligation-

For 2016, the components of the City’s annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation to the Plan were as follows:

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Annual required contribution	\$	10,098
Interest on net OPEB obligation		4,597
Adjustment to annual required contribution		(4,260)
Annual OPEB cost		10,435
Contributions or payments made		10,098
Increase in net OPEB		337
Net OPEB obligation - beginning of year		102,163
 Net OPEB obligation - end of year	 \$	 102,500

The end of year net OPEB obligation is shown as a non-current liability on the Government-wide Statement of Net Assets. It is allocated between the Governmental and Business-Type Activities.

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

Fiscal Years Ending September 30	Annual OPEB COST	Percentage of OPEB COST CONTRIBUTED	Net OPEB Obligation
2016	\$ 10,435	96.77%	\$ 102,500
2015	\$ 22,764	130.38%	\$ 102,163
2014	\$ 22,764	44.26%	\$ 98,123

Funded Status and Funding Progress-

The funded status of the Plan as of September 30, 2016, the date of the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	(1)	\$ 88,849	
Actuarial Value of Assets	(2)	-	
Unfunded AAL (UAAL)	(3)	\$ 88,849	(1) - (2)
Funded Ratio	(4)	0.0%	(2) / (1)
Covered Payroll	(5)	\$ 4,274,147	
UAAL as a Percentage of Covered Payroll	(6)	2.08%	(3) / (5)

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts of assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the City and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The latest actuarial valuation for the City was completed as of September 30, 2016. The significant assumptions underlying the actuarial calculations are as follows:

Actuarial Method: Project Unit Cost Method

Service Cost: Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date of expected termination.

Accumulated Post-Retirement Benefit Obligation:

The Actuarial Present Value of Benefits allocated to all periods prior to valuation year.

Discount Rate: 4.00% (1.00% real rate of return plus 3.00% inflation)

Average Per Capita Claim Cost:

Determined as of October 1, 2015

<u>Age</u>	<u>Medical</u>
50	6,558
51	6,722
52	6,890
53	7,063
54	7,239
55	7,420
56	7,606
57	7,796
58	7,911
59	8,190
60	8,395
64	8,267

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Health Care Cost Trend:	5.50% level trend						
Mortality:	RP-2014 Total Table with Projection MP-2015						
Turnover:	Rates varying by gender and service. Sample rates for males with at least 5 years of service (YOS):						
	<table> <tr> <td style="text-align: center;"><u>5 YOS</u></td> <td style="text-align: center;"><u>10 YOS</u></td> <td style="text-align: center;"><u>20 YOS</u></td> </tr> <tr> <td style="text-align: center;">18.80%</td> <td style="text-align: center;">10.80%</td> <td style="text-align: center;">3.60%</td> </tr> </table>	<u>5 YOS</u>	<u>10 YOS</u>	<u>20 YOS</u>	18.80%	10.80%	3.60%
<u>5 YOS</u>	<u>10 YOS</u>	<u>20 YOS</u>					
18.80%	10.80%	3.60%					
Disability:	None assumed						
Sales Increase Rate:	3.00%						
Retirement Rates:	Rates vary by age, with an average retirement age of 62.						
Retiree Contributions:	50% of the individual medical premium rate.						

Data Assumptions:

<i>Age Difference/% Married</i>	Males are assumed to be 3 years older than females, 50% married.
<i>Coverage</i>	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 50% of all actives who currently have individual or family healthcare coverage will continue with individual only coverage upon retirement.

Valuation Methodology and Terminology:

We have used GASB accounting methodology to determine the postretirement medical benefit obligations.

Amortization Period:

The period used to determine amortization costs for the initial Unfunded Actuarial Accrued Liability is a level period for 30 years.

Valuation Date:

October 1, 2015

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.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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 OPEB.

	Plan Year 2014	Plan Year 2015
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 employee's entire careers.

L. 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
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
For the Year Ended September 30, 2016

	<u>2015</u>	<u>2014</u>
A. TOTAL PENSION LIABILITY		
1. Service Cost	\$ 555,212	\$ 450,354
2. Interest (on the Total Pension Liability)	906,889	896,956
3. Changes of benefit terms	-	-
4. Difference between expected and actual experience	(81,543)	(548,243)
5. Changes of assumptions	35,770	-
6. Benefit payments, including refunds of employee contributions	(789,086)	(630,130)
7. Net change in total pension liability	<u>627,242</u>	<u>168,937</u>
8. Total pension liability -- beginning	13,072,487	12,903,550
9. Total pension liability -- ending (a)	<u><u>\$ 13,699,729</u></u>	<u><u>\$ 13,072,487</u></u>
B. Plan fiduciary net position		
1. Contributions -- employer	\$ 505,944	\$ 484,605
2. Contributions -- employee	256,449	246,394
3. Net investment income	15,927	579,058
4. Benefit payments, including refunds of employee contributions	(789,086)	(630,130)
5. Administrative Expense	(9,703)	(6,045)
6. Other	(479)	(497)
7. Net change in plan fiduciary net position	<u>(20,948)</u>	<u>673,385</u>
8. Plan fiduciary net position -- beginning	10,795,405	10,122,020
9. Plan fiduciary net position -- ending (b)	<u><u>\$ 10,774,457</u></u>	<u><u>\$ 10,795,405</u></u>
C. Net pension liability (a) - (b)	<u><u>\$ 2,925,271</u></u>	<u><u>2,277,082</u></u>
D. Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	78.65%	82.58%
E. Covered-employee payroll	\$ 4,274,147	\$ 4,106,569
F. Net pension liability as a percentage of covered employee payroll	68.44%	55.45%

City of Aransas Pass, Texas
Schedule of Contributions
Texas Municipal Retirement System

Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 484,605	\$ 505,944	\$ 516,867
Contributions in relation to the actuarially determined contribution	\$ 484,605	\$ 505,944	\$ 516,867
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,988,492	\$ 4,106,569	\$ 4,274,147
Contributions as a percentage of covered employee payroll	12.15%	12.32%	12.09%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

City of Aransas Pass, Texas
Required Supplementary Information
Postemployment Healthcare Plan
Schedule of Funding Progress
Last Three Fiscal Years
(Unaudited)

Fiscal Year	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	Funded Ratio (a) / (b)	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
2016	\$ -	\$ 0	0.00%	\$ 88,849	\$ 4,274,147	2.08%
2015	\$ -	\$ 0	0.00%	\$ 102,163	\$ 4,106,569	2.49%
2014	\$ -	\$ 88,849	0.00%	\$ 102,163	\$ 3,988,492	2.56%

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, 2016

	<u>Emergency E911</u>	<u>Hotel/Motel Occupancy Tax</u>	<u>Municipal Court Technology</u>	<u>Building Security</u>	<u>Total</u>
ASSETS					
Restricted cash	\$ 137,010	\$ 61,996	\$ -	\$ 8,134	\$ 207,140
Due from other funds	55,760	-	37,426	19,481	112,667
Total assets	<u>\$ 192,770</u>	<u>\$ 61,996</u>	<u>\$ 37,426</u>	<u>\$ 27,615</u>	<u>\$ 319,807</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 10,450	\$ 3,367	\$ -	\$ 13,817
Total liabilities	<u>-</u>	<u>10,450</u>	<u>3,367</u>	<u>-</u>	<u>13,817</u>
Fund balances:					
Restricted	192,770	51,546	34,059	27,615	305,990
Total fund balances	<u>192,770</u>	<u>51,546</u>	<u>34,059</u>	<u>27,615</u>	<u>305,990</u>
Total liabilities and fund balances	<u>\$ 192,770</u>	<u>\$ 61,996</u>	<u>\$ 37,426</u>	<u>\$ 27,615</u>	<u>\$ 319,807</u>

City of Aransas Pass, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended September 30, 2016

	Emergency E911	Hotel/Motel Occupancy Tax	Municipal Court Technology	Building Security	Total
REVENUES					
Occupancy taxes	\$ -	\$ 237,635	\$ -	\$ -	\$ 237,635
Fines and forfeitures	-	-	8,796	-	8,796
Fees	57,249	-	-	6,501	63,750
Interest income	485	179	-	23	687
	<u>57,734</u>	<u>237,814</u>	<u>8,796</u>	<u>6,524</u>	<u>310,868</u>
Total revenues					
EXPENDITURES					
Current:					
Public safety	20,175	-	14,508	-	34,683
Tourism	-	257,650	-	-	257,650
	<u>20,175</u>	<u>257,650</u>	<u>14,508</u>	<u>-</u>	<u>292,333</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>37,559</u>	<u>(19,836)</u>	<u>(5,712)</u>	<u>6,524</u>	<u>18,535</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>37,537</u>	<u>34,170</u>	<u>-</u>	<u>-</u>	<u>71,707</u>
Total other financing sources and uses	<u>37,537</u>	<u>34,170</u>	<u>-</u>	<u>-</u>	<u>71,707</u>
Net change in fund balances	75,096	14,334	(5,712)	6,524	90,242
Fund balances-beginning	117,674	37,212	39,771	21,091	215,748
Fund balances-ending	<u>\$ 192,770</u>	<u>\$ 51,546</u>	<u>\$ 34,059</u>	<u>\$ 27,615</u>	<u>\$ 305,990</u>

City of Aransas Pass, Texas
Aransas Pass Municipal Development District
Budgetary Comparison Statement
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original Budget</u>	<u>Final Amended Budget</u>		
REVENUES				
Sales taxes	\$ 825,000	\$ 825,000	\$ 861,845	\$ 36,845
Interest income	2,400	2,400	3,886	1,486
Total revenues	<u>827,400</u>	<u>827,400</u>	<u>865,731</u>	<u>38,331</u>
EXPENDITURES				
Current:				
General government	84,400	84,400	3,000	81,400
Debt service:				
Principal	350,000	350,000	350,000	-
Interest and fiscal charges	<u>208,939</u>	<u>208,939</u>	<u>210,244</u>	<u>(1,305)</u>
Total expenditures	<u>643,339</u>	<u>643,339</u>	<u>563,244</u>	<u>80,095</u>
Excess (deficiency) of revenues over expenditures	<u>184,061</u>	<u>184,061</u>	<u>302,487</u>	<u>(41,764)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(252,000)</u>	<u>(252,000)</u>	<u>(309,523)</u>	<u>(57,523)</u>
Total other financing sources and uses	<u>(252,000)</u>	<u>(252,000)</u>	<u>(309,523)</u>	<u>(57,523)</u>
Net change in fund balances	(67,939)	(67,939)	(7,036)	<u>\$ (99,287)</u>
Fund balances-beginning	<u>341,382</u>	<u>341,382</u>	<u>568,997</u>	
Fund balances-ending	<u>\$ 273,443</u>	<u>\$ 273,443</u>	<u>\$ 561,961</u>	

City of Aransas Pass, Texas
Aransas Pass Crime Control and Prevention District
Budgetary Comparison Statement
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original Budget</u>	<u>Final Amended Budget</u>		
REVENUES				
Sales taxes	\$ 792,000	\$ 792,000	\$ 896,657	\$ 104,657
Interest income	2,500	2,500	4,685	2,185
Total revenues	<u>794,500</u>	<u>794,500</u>	<u>901,342</u>	<u>106,842</u>
EXPENDITURES				
Current:				
General government	4,600	4,600	3,140	1,460
Public safety	2,000	2,000	-	2,000
Total expenditures	<u>6,600</u>	<u>6,600</u>	<u>3,140</u>	<u>3,460</u>
Excess (deficiency) of revenues over expenditures	<u>787,900</u>	<u>787,900</u>	<u>898,202</u>	<u>103,382</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(782,537)</u>	<u>(782,537)</u>	<u>(685,192)</u>	<u>97,345</u>
Total other financing sources and uses	<u>(782,537)</u>	<u>(782,537)</u>	<u>(685,192)</u>	<u>97,345</u>
Net change in fund balances	5,363	5,363	213,010	<u>\$ 200,727</u>
Fund balances-beginning	324,687	324,687	492,933	
Fund balances-ending	<u>\$ 330,050</u>	<u>\$ 330,050</u>	<u>\$ 705,943</u>	

City of Aransas Pass, Texas
Combining Statement of Net Position
Non-Major Enterprise Funds
September 30, 2016

	Harbor Fund	Aquatic Center Fund	Civic Center Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 750	\$ 9,632	\$ 10,382
Receivables, net of allowance for uncollectible amounts	22,471	-	2,064	24,535
Due from other funds	-	-	-	-
Total current assets	<u>22,471</u>	<u>750</u>	<u>11,696</u>	<u>34,917</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	3,612,581	-	-	3,612,581
Less accumulated depreciation	<u>(2,732,536)</u>	<u>-</u>	<u>-</u>	<u>(2,732,536)</u>
Total noncurrent assets	<u>880,045</u>	<u>-</u>	<u>-</u>	<u>880,045</u>
Total assets	<u>902,516</u>	<u>750</u>	<u>11,696</u>	<u>914,962</u>
LIABILITIES				
Current liabilities:				
Accounts payable	198	4,115	5,746	10,059
Due to other funds	70,000	-	-	70,000
Compensated absences payable	-	97	3,298	3,395
Deferred revenue	48,520	-	18,419	66,939
Notes payable -current	8,000	-	-	8,000
Total current liabilities	<u>126,718</u>	<u>4,212</u>	<u>27,463</u>	<u>158,393</u>
Noncurrent liabilities:				
Notes payable	<u>35,698</u>	<u>-</u>	<u>-</u>	<u>35,698</u>
Total noncurrent liabilities	<u>35,698</u>	<u>-</u>	<u>-</u>	<u>35,698</u>
Total liabilities	<u>162,416</u>	<u>4,212</u>	<u>27,463</u>	<u>194,091</u>
NET POSITION				
Net invested in capital assets	-	-	-	844,347
Unrestricted	<u>740,100</u>	<u>(3,462)</u>	<u>(15,767)</u>	<u>(123,476)</u>
Total net position	<u>\$ 740,100</u>	<u>\$ (3,462)</u>	<u>\$ (15,767)</u>	<u>\$ 720,871</u>

City of Aransas Pass, Texas
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Enterprise Funds
For the Year Ended September 30, 2016

	<u>Harbor Fund</u>	<u>Aquatic Center Fund</u>	<u>Civic Center Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 419,908	\$ 163,126	\$ 122,279	\$ 705,313
Total operating revenue	<u>419,908</u>	<u>163,126</u>	<u>122,279</u>	<u>705,313</u>
OPERATING EXPENSES				
Personal services	48,852	296,996	200,935	546,783
Contractual services	5,008	12,016	1,262	18,286
Supplies	14,390	62,309	12,590	89,289
Maintenance	102,941	135,492	30,174	268,607
Administrative	-	8,451	-	8,451
Utilities	12,235	44,397	113,433	170,065
Advertising	-	6,509	7,142	13,651
Event expenses	-	-	11,663	11,663
Insurance	700	3,447	4,303	8,450
Depreciation and amortization	96,920	-	-	96,920
Total operating expenses	<u>281,046</u>	<u>569,617</u>	<u>381,502</u>	<u>1,232,165</u>
Operating income (loss)	<u>138,862</u>	<u>(406,491)</u>	<u>(259,223)</u>	<u>(526,852)</u>
NONOPERATING REVENUES (EXPENSES)				
Total nonoperating revenue (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before contributions and transfers	138,862	(406,491)	(259,223)	(526,852)
Transfers in	<u>557,072</u>	<u>418,122</u>	<u>259,223</u>	<u>1,234,417</u>
Change in net position	695,934	11,631	-	707,565
Total net position-beginning	<u>44,166</u>	<u>(15,093)</u>	<u>(15,767)</u>	<u>13,306</u>
Total net position-ending	<u>\$ 740,100</u>	<u>\$ (3,462)</u>	<u>\$ (15,767)</u>	<u>\$ 720,871</u>

City of Aransas Pass, Texas
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended September 30, 2016

	Harbor Fund	Aquatic Center Fund	Civic Center Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 378,584	\$ 163,126	\$ 122,947	\$ 664,657
Payments to suppliers	(143,502)	(277,949)	(182,728)	(604,179)
Payments to employees	(48,852)	(303,198)	(200,169)	(552,219)
Net cash provided (used) by operating activities	<u>186,230</u>	<u>(418,021)</u>	<u>(259,950)</u>	<u>(491,741)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	627,072	418,122	259,223	1,304,417
Transfers (to) other funds	(70,000)	-	-	(70,000)
Net cash provided (used) by non-capital financing activities	<u>557,072</u>	<u>418,122</u>	<u>259,223</u>	<u>1,234,417</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Increase in due to/from	70,000	-	-	70,000
Purchases of capital assets	(857,000)	-	-	(857,000)
Net cash provided (used) by financing activities	<u>(787,000)</u>	<u>-</u>	<u>-</u>	<u>(787,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from note payable	43,698	-	-	43,698
Net cash provided (used) by investing activities	<u>43,698</u>	<u>-</u>	<u>-</u>	<u>43,698</u>
Net increase (decrease) in cash and cash equivalents	-	101	(727)	(626)
Cash Balances-beginning of year	<u>-</u>	<u>649</u>	<u>10,359</u>	<u>11,008</u>
Cash Balances-end of year	<u>\$ -</u>	<u>\$ 750</u>	<u>\$ 9,632</u>	<u>\$ 10,382</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 138,862	\$ (406,491)	\$ (259,223)	\$ (526,852)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	96,920	-	-	96,920
Changes in assets and liabilities:				
Accounts receivable	45,697	-	1,266	46,963
Customer security deposits	(87,021)	-	(598)	(87,619)
Accounts payable	(6,068)	(5,328)	(2,161)	(13,557)
Compensated absences payable	-	(6,202)	766	(5,436)
Contracts payable	(2,160)	-	-	(2,160)
Total Adjustments	47,368	(11,530)	(727)	35,111
Net cash provided (used) by operating activities	<u>\$ 186,230</u>	<u>\$ (418,021)</u>	<u>\$ (259,950)</u>	<u>\$ (491,741)</u>

Statistical Section

CITY OF ARANSAS PASS, TEXAS

NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in										
Capital Assets	\$ 3,924,568	\$ 2,215,641	\$ 3,754,958	\$ 4,655,260	\$ 5,635,357	\$ 6,992,170	\$ 8,085,871	\$ 3,275,228	\$ 4,793,488	\$ 2,102,291
Restricted	5,563,163	6,376,315	3,204,973	2,616,641	3,437,904	4,914,394	1,046,557	8,088,048	8,341,683	8,195,285
Unrestricted	<u>(1,571,088)</u>	<u>279,870</u>	<u>1,818,939</u>	<u>1,972,523</u>	<u>1,196,816</u>	<u>(646,784)</u>	<u>3,545,092</u>	<u>1,248,611</u>	<u>2,296,104</u>	<u>2,290,582</u>
Total Governmental Activities Net Assets	<u>\$ 7,916,643</u>	<u>\$ 8,871,826</u>	<u>\$ 8,778,870</u>	<u>\$ 9,244,424</u>	<u>\$ 10,270,077</u>	<u>\$ 11,259,780</u>	<u>\$ 12,677,520</u>	<u>\$ 12,611,887</u>	<u>\$ 15,431,275</u>	<u>\$ 12,588,158</u>
Business-type Activities										
Net Investment in										
Capital Assets	\$ 4,972,189	\$ 4,986,843	\$ 4,892,071	\$ 5,240,781	\$ 5,135,647	\$ 5,557,906	\$ 1,460,508	\$ (791,948)	\$ 2,169,603	\$ 5,465,877
Restricted	123,193	-	-	-	-	-	4,124,281	3,405,193	2,837,417	-
Unrestricted	<u>1,675,571</u>	<u>2,191,177</u>	<u>2,183,082</u>	<u>1,670,227</u>	<u>1,696,347</u>	<u>1,824,015</u>	<u>2,170,403</u>	<u>5,138,827</u>	<u>(90,344)</u>	<u>1,085,596</u>
Total Business-Type Activities Net Assets	<u>\$ 6,770,953</u>	<u>\$ 7,178,020</u>	<u>\$ 7,075,153</u>	<u>\$ 6,911,008</u>	<u>\$ 6,831,994</u>	<u>\$ 7,381,921</u>	<u>\$ 7,755,192</u>	<u>\$ 7,752,072</u>	<u>\$ 4,916,676</u>	<u>\$ 6,551,473</u>
Primary Government										
Net Investment in										
Capital Assets	\$ 8,896,757	\$ 7,202,484	\$ 8,647,029	\$ 9,896,041	\$ 10,771,004	\$ 12,550,076	\$ 9,546,379	\$ 2,483,280	\$ 6,963,091	\$ 7,568,168
Restricted	5,686,356	6,376,315	3,204,973	2,616,641	3,437,904	4,914,394	5,170,838	11,493,241	11,179,100	8,195,285
Unrestricted	<u>104,483</u>	<u>2,471,047</u>	<u>4,002,021</u>	<u>3,642,750</u>	<u>2,893,163</u>	<u>1,177,231</u>	<u>5,715,495</u>	<u>6,387,438</u>	<u>2,205,760</u>	<u>3,376,178</u>
Total Primary Government Net Position	<u>\$ 14,687,596</u>	<u>\$ 16,049,846</u>	<u>\$ 15,854,023</u>	<u>\$ 16,155,432</u>	<u>\$ 17,102,071</u>	<u>\$ 18,641,701</u>	<u>\$ 20,432,712</u>	<u>\$ 20,363,959</u>	<u>\$ 20,347,951</u>	<u>\$ 19,139,631</u>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EXPENSES										
GOVERNMENTAL ACTIVITIES										
General Government	\$ 1,160,353	\$ 1,025,014	\$ 1,213,190	\$ 1,044,585	\$ 1,140,134	\$ 1,523,225	\$ 1,252,536	\$ 1,319,974	\$ 1,837,966	\$ 1,546,092
Public Works	2,630,523	2,687,733	2,791,635	2,931,302	3,022,707	3,347,628	3,625,056	3,547,080	3,800,476	4,152,137
Public Works	899,265	986,818	975,070	1,005,017	1,061,717	1,165,413	1,022,907	1,198,227	1,700,746	1,802,084
Sanitation, Health & Welfare	1,075,097	1,248,680	1,540,796	1,355,764	1,651,142	2,054,541	1,719,528	1,578,739	1,256,731	1,553,083
Culture and Recreation	626,994	613,739	1,194,849	1,465,210	1,503,117	912,909	598,281	705,532	802,050	596,445
Tourism	175,604	131,576	174,744	172,048	190,983	222,911	300,618	348,241	172,801	257,650
Tax abatement/development fees										197,834
Interest and Fiscal Charges	474,074	968,126	916,780	895,374	877,007	782,457	748,880	653,660	842,848	782,796
Total Governmental Activities Expenses	<u>\$ 7,041,910</u>	<u>\$ 7,661,686</u>	<u>\$ 8,807,064</u>	<u>\$ 8,869,300</u>	<u>\$ 9,446,807</u>	<u>\$ 10,009,084</u>	<u>\$ 9,267,806</u>	<u>\$ 9,351,453</u>	<u>\$ 10,413,618</u>	<u>\$ 10,888,121</u>
BUSINESS TYPE ACTIVITIES										
Water and Sewer	\$ 2,877,466	\$ 2,982,831	\$ 3,125,718	\$ 2,981,021	\$ 3,170,866	\$ 3,586,702	\$ 3,385,543	\$ 3,193,168	\$ 4,133,631	\$ 4,256,823
Harbor	567,715	283,947	389,666	259,459	199,337	210,306	170,958	253,837	1,699,719	281,046
Civic Center	-	-	-	-	-	434,378	323,071	480,029	354,000	569,617
Aquatic Center	323,340	363,538	476,724	460,462	459,065	510,936	513,001	325,349	650,110	381,502
Total Business-type Activities Expenses	<u>3,768,521</u>	<u>3,630,316</u>	<u>3,992,108</u>	<u>3,700,942</u>	<u>3,829,268</u>	<u>4,742,322</u>	<u>4,392,573</u>	<u>4,252,383</u>	<u>6,837,460</u>	<u>5,488,988</u>
Total Primary Government Expenses	<u>\$ 10,810,431</u>	<u>\$ 11,292,002</u>	<u>\$ 12,799,172</u>	<u>\$ 12,570,242</u>	<u>\$ 13,276,075</u>	<u>\$ 14,751,406</u>	<u>\$ 13,660,379</u>	<u>\$ 13,603,836</u>	<u>\$ 17,251,078</u>	<u>\$ 16,377,109</u>
PROGRAM REVENUES										
GOVERNMENTAL ACTIVITIES										
Charges for Services										
General Government	\$ 217,905	\$ 192,740	\$ 189,852	\$ 164,812	\$ 243,775	\$ 166,784	\$ 216,570	\$ 116,068	\$ 551,458	\$ 391,446
Public Safety	510,038	450,852	479,603	591,902	637,115	550,316	509,454	404,540	566,041	340,522
Public Works	13,824	51,738	23,118	2,643	-	-	-	-	-	-
Sanitation, Health & Welfare	1,045,704	1,214,443	1,337,664	1,290,006	1,384,868	1,417,023	1,618,794	1,706,986	1,835,211	1,925,510
Culture and Recreation	3,528	3,684	148,694	298,417	315,539	-	-	-	-	-
Tourism	234,691	201,845	173,469	182,573	205,300	203,766	245,493	202,440	187,221	237,635
Operating Grants and Contributions	232,804	110,730	307,746	297,196	573,554	571,871	-	249,003	19,462	-
Capital Grants and Contributions	21,692	-	-	-	-	567,700	283,266	-	-	-
Total Governmental Activities Program Revenues	<u>\$ 2,280,186</u>	<u>\$ 2,226,032</u>	<u>\$ 2,660,146</u>	<u>\$ 2,827,549</u>	<u>\$ 3,360,151</u>	<u>\$ 3,477,460</u>	<u>\$ 2,873,577</u>	<u>\$ 2,679,037</u>	<u>\$ 3,159,393</u>	<u>\$ 2,895,113</u>
BUSINESS-TYPE ACTIVITIES										
Charges for Services										
Water and Sewer	\$ 3,750,505	\$ 3,637,311	\$ 3,632,810	\$ 3,413,008	\$ 3,729,445	\$ 4,194,777	\$ 4,434,477	\$ 4,045,662	\$ 4,801,929	\$ 4,843,142
Harbor	238,000	141,737	160,237	156,838	137,497	234,372	200,107	211,144	407,401	419,908
Aquatic Center	240,588	234,473	323,373	320,099	299,088	310,332	282,382	121,432	219,477	163,126
Civic Center	-	-	-	-	-	114,457	128,589	252,062	143,802	122,279
Operating Grants and Contributions	31,171	7,720	-	-	-	-	-	-	-	-
Capital Grants and Contributions	28,538	218,206	3,080	-	31,765	505,447	-	42,755	-	-
Total Business-type Activities Program Revenues	<u>4,288,802</u>	<u>4,239,447</u>	<u>4,119,500</u>	<u>3,889,945</u>	<u>4,197,795</u>	<u>5,359,385</u>	<u>5,045,555</u>	<u>4,673,055</u>	<u>5,572,609</u>	<u>5,548,455</u>
Total Primary Government Program Revenues	<u>\$ 6,568,988</u>	<u>\$ 6,465,479</u>	<u>\$ 6,779,646</u>	<u>\$ 6,717,494</u>	<u>\$ 7,557,946</u>	<u>\$ 8,836,845</u>	<u>\$ 7,919,132</u>	<u>\$ 7,352,092</u>	<u>\$ 8,732,002</u>	<u>\$ 8,443,568</u>
NET (EXPENSE)/REVENUE										
Governmental Activities	\$ (4,761,724)	\$ (5,435,654)	\$ (6,146,918)	\$ (6,041,751)	\$ (6,086,656)	\$ (6,531,624)	\$ (6,394,229)	\$ (6,672,416)	\$ (7,254,225)	\$ (7,993,008)
Business-type Activities	520,281	609,131	127,392	189,003	368,527	617,063	652,982	420,672	(1,264,851)	59,467
Total Primary Government Net Expense	<u>\$ (4,241,443)</u>	<u>\$ (4,826,523)</u>	<u>\$ (6,019,526)</u>	<u>\$ (5,852,748)</u>	<u>\$ (5,718,129)</u>	<u>\$ (5,914,561)</u>	<u>\$ (5,741,247)</u>	<u>\$ (6,251,744)</u>	<u>\$ (8,519,076)</u>	<u>\$ (7,933,541)</u>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
GOVERNMENTAL ACTIVITIES										
Taxes										
Property Taxes	\$ 2,553,979	\$ 2,969,270	\$ 2,891,106	\$ 2,891,935	\$ 3,056,944	\$ 3,229,590	\$ 3,333,281	\$ 3,433,860	\$ 3,645,544	\$ 4,113,408
Sales Taxes	2,090,487	2,213,912	2,326,056	2,685,802	3,066,826	3,337,846	3,444,311	3,570,562	3,619,502	3,775,237
Franchise Taxes	398,789	385,256	393,495	393,601	385,897	386,893	381,816	401,609	343,544	435,990
Other Taxes	6,459	8,367	8,327	11,954	10,517	10,641	10,640	15,430	12,160	15,763
Industrial District										209,253
Intergovernmental										130,004
Investment Earnings	464,101	420,386	60,477	15,637	12,397	10,680	8,812	5,054	18,480	52,389
Royalties	127,365	124,770	85,867	74,455	72,330	40,478	153,388	132,374	91,775	64,945
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	(2,228,010)
Insurance Proceeds	9,958	20,994	22,701	39,662	13,265	271,380	10,129	1,519	-	-
Miscellaneous	61,497	31,570	20,196	38,696	45,688	76,735	68,788	71,563	130,088	150,615
Transfers	416,358	259,033	245,737	355,563	448,445	117,847	465,804	425,179	(915,375)	(1,569,703)
Total Governmental Activities	<u>\$ 6,128,993</u>	<u>\$ 6,433,558</u>	<u>\$ 6,053,962</u>	<u>\$ 6,507,305</u>	<u>\$ 7,112,309</u>	<u>\$ 7,482,090</u>	<u>\$ 7,876,969</u>	<u>\$ 8,057,150</u>	<u>\$ 6,945,718</u>	<u>\$ 5,149,891</u>
BUSINESS-TYPE ACTIVITIES										
Investment Earnings	\$ 137,869	\$ 56,969	\$ 15,497	\$ 2,416	\$ 903	\$ 558	\$ 4,097	\$ 1,387	\$ 1,599	\$ 5,627
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-
Transfers	(416,358)	(259,033)	(245,737)	(355,563)	(448,445)	(117,847)	(222,842)	(425,179)	915,375	1,569,703
Total Business-type Activities	<u>(278,489)</u>	<u>(202,064)</u>	<u>(230,240)</u>	<u>(353,147)</u>	<u>(447,542)</u>	<u>(117,289)</u>	<u>(218,745)</u>	<u>(423,792)</u>	<u>916,974</u>	<u>1,575,330</u>
Total Primary Government	<u>\$ 5,850,504</u>	<u>\$ 6,231,494</u>	<u>\$ 5,823,722</u>	<u>\$ 6,154,158</u>	<u>\$ 6,664,767</u>	<u>\$ 7,364,801</u>	<u>\$ 7,658,224</u>	<u>\$ 7,633,358</u>	<u>\$ 7,862,692</u>	<u>\$ 6,725,221</u>
CHANGE IN NET POSITION										
Governmental Activities	\$ 1,367,269	\$ 997,904	\$ (92,956)	\$ 465,554	\$ 1,025,653	\$ 950,466	\$ 1,482,740	\$ 1,384,734	\$ (308,507)	\$ (2,843,117)
Business-type Activities	241,792	407,067	(102,848)	(164,144)	(79,015)	499,774	434,237	(3,120)	(347,877)	1,634,797
Total Primary Government	<u>\$ 1,609,061</u>	<u>\$ 1,404,971</u>	<u>\$ (195,804)</u>	<u>\$ 301,410</u>	<u>\$ 946,638</u>	<u>\$ 1,450,240</u>	<u>\$ 1,916,977</u>	<u>\$ 1,381,614</u>	<u>\$ (656,384)</u>	<u>\$ (1,208,320)</u>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable	14,687	-	45,382	-	14,472	15,741	27,649	-	-	-
Restricted	-	-	-	-	-	-	200,089	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	7,216,000	7,216,000	-
Unassigned	1,499,300	1,635,631	1,544,039	1,671,160	2,086,224	1,820,533	1,123,576	573,416	1,892,238	1,594,970
Total General Fund	<u>1,513,987</u>	<u>1,635,631</u>	<u>1,589,421</u>	<u>1,671,160</u>	<u>2,100,696</u>	<u>1,836,274</u>	<u>1,351,314</u>	<u>7,789,416</u>	<u>9,108,238</u>	<u>1,594,970</u>
All Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	11,902,567	6,221,493	2,455,653	3,086,301	2,570,126	1,649,267	1,117,178	1,107,016	1,277,678	1,573,894
Committed	24,207	109,880	124,985	133,111	135,648	140,372	-	-	395,816	7,196,969
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>11,926,774</u>	<u>6,331,373</u>	<u>2,580,638</u>	<u>3,219,412</u>	<u>2,705,774</u>	<u>1,789,639</u>	<u>1,117,178</u>	<u>1,107,016</u>	<u>1,673,494</u>	<u>8,770,863</u>

CITY OF ARANSAS PASS, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING) UNAUDITED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Taxes	\$ 5,344,170	\$ 5,763,768	\$ 5,773,894	\$ 6,161,864	\$ 6,649,000	\$ 7,287,928	\$ 7,415,541	\$ 7,623,901	\$ 7,807,971	\$ 8,787,286
Licenses, Fees and Permits	94,808	65,787	63,368	57,185	131,414	55,742	91,921	116,068	551,458	391,446
Intergovernmental	238,213	93,322	290,681	286,783	556,072	1,129,196	509,454	48,852	7,772	130,004
Charges for Services	1,138,679	1,319,462	1,557,015	1,692,852	1,798,935	1,514,224	1,618,794	1,706,986	1,835,211	1,925,520
Fines and Penalties	375,440	373,455	340,054	344,971	424,939	359,420	262,667	404,540	566,041	340,522
Special Assessments	25,247	15,911	12,989	7,325	1,503	2,537	2,332	10,197	2,332	11,185
Investment Earnings	435,539	420,386	60,477	12,382	11,107	10,680	8,812	5,054	18,480	52,389
Rents and Royalties	239,511	241,253	185,795	182,082	184,691	151,520	153,388	132,374	91,775	64,945
PILOT	52,276	59,590	136,206	102,050	88,648	93,695	124,649	145,054	11,690	-
Other Revenues	87,738	64,787	52,366	83,358	76,435	87,110	68,788	71,563	130,088	150,615
Total Revenues	\$ 8,031,621	\$ 8,417,721	\$ 8,472,845	\$ 8,930,852	\$ 9,922,744	\$ 10,692,052	\$ 10,256,346	\$ 10,264,589	\$ 11,022,818	\$ 11,853,912
EXPENDITURES										
General Government	\$ 1,153,454	\$ 1,022,225	\$ 1,178,893	\$ 1,009,234	\$ 1,080,464	\$ 1,412,895	\$ 1,044,940	\$ 1,168,753	\$ 1,654,575	\$ 1,349,644
Public Safety	2,463,214	2,542,801	2,637,772	2,824,334	2,891,566	3,214,453	3,216,918	3,140,712	3,433,695	3,759,241
Public Works	685,593	747,534	728,658	754,767	811,744	922,705	940,847	1,060,954	1,443,999	1,527,057
Sanitation, Health & Welfare	1,072,054	1,244,466	1,527,638	1,350,851	1,646,229	2,048,440	1,584,846	1,562,708	1,238,392	1,533,438
Culture and Recreation	388,021	473,688	931,250	1,129,390	1,167,621	490,797	563,500	624,704	710,355	498,221
Tourism	175,604	131,576	174,744	172,048	190,983	222,911	300,618	348,241	172,801	257,650
Capital Outlay	356,396	9,926,524	3,463,337	524,878	905,253	1,670,479	1,570,698	598,051	1,943,105	1,958,615
Debt Service										
Principal	697,289	1,038,071	983,071	1,361,071	1,416,071	1,536,071	1,645,000	1,690,000	1,675,000	1,813,042
Interest and Fees	540,835	1,015,354	890,164	907,584	846,650	782,322	678,584	601,318	842,848	782,796
Total Expenditures	\$ 7,532,460	\$ 18,142,239	\$ 12,515,527	\$ 10,034,157	\$ 10,956,581	\$ 12,301,073	\$ 11,545,951	\$ 10,795,441	\$ 13,114,770	\$ 13,479,704
Excess of Revenues Over (Under) Expenditures	\$ 499,161	\$ (9,724,518)	\$ (4,042,682)	\$ (1,103,305)	\$ (1,033,837)	\$ (1,609,021)	\$ (1,289,605)	\$ (530,852)	\$ (2,091,952)	\$ (1,625,792)
OTHER FINANCING SOURCES (USES)										
Bonds Issued	\$ 6,708,562	\$ 4,000,000	\$ -	\$ 1,468,255	\$ 501,290	\$ -	\$ 1,280,000	\$ 6,500,000	\$ 1,585,000	\$ 2,890,000
Refunding Bonds Issued	4,435,000	2,105,000	-	-	-	-	(1,225,000)	-	-	4,580,000
Payments to Escrow Agent	(4,495,049)	(2,090,551)	-	-	-	-	(55,000)	-	-	(4,492,560)
Insurance Proceeds and Other Sources	-	-	-	-	-	271,380	30,728	56,616	-	-
Tax abatement development fees paid	-	-	-	-	-	-	-	-	-	(197,834)
Transfers In	867,272	582,402	1,262,582	1,056,681	1,820,754	1,977,938	1,732,774	1,692,761	1,596,427	9,643,999
Transfers Out	(450,914)	(323,369)	(1,016,845)	(701,118)	(1,372,309)	(1,860,091)	(1,266,970)	(1,267,582)	(2,511,802)	(11,213,702)
Total Other Financing Sources (Uses)	\$ 7,064,871	\$ 4,273,482	\$ 245,737	\$ 1,823,818	\$ 949,735	\$ 389,227	\$ 496,532	\$ 6,981,795	\$ 669,625	\$ 1,209,903
Prior Period Adjustments	-	(42,721)	-	-	-	-	-	-	-	-
Net Change in Fund Balances	\$ 7,564,032	\$ (5,493,757)	\$ (3,796,945)	\$ 720,513	\$ (84,102)	\$ (1,219,794)	\$ (793,073)	\$ 6,450,943	\$ (1,422,327)	\$ (415,889)
Debt Service as a Percentage of Noncapital Expenditures	17.3%	25.0%	20.7%	23.9%	22.5%	21.8%	23.3%	22.5%	22.5%	22.5%

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
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
2014	3,433,860	3,570,562	401,609	202,440	15,430	7,623,901
2015	3,645,544	3,619,502	343,544	187,221	12,160	7,807,971
2016	4,113,408	3,775,237	451,753	237,635	209,253	8,787,286
Percentage Change 2007-2016	57.38%	80.59%	13.28%	1.25%	3139.71%	64.43%

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 Estimated Actual Value	Total Direct Tax Rate	Tax Levy
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
2014	\$ 531,078,147	100.00%	\$ 531,078,147	0.6804	\$ 3,474,182
2015	\$ 572,724,918	100.00%	\$ 572,724,918	0.6804	\$ 3,474,182
2016	\$ 689,355,884	100.00%	\$ 689,355,884	0.6804	\$ 4,141,329

Source: San Patricio County Appraisal District

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

Taxpayer	2015			2006 (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
Care Holdings LLC	\$ 9,827,726	1	1.95%	\$		
Wal-Mart Real Estate Business	9,766,790	2	1.94%			
Lowe's Home Centers Inc.	7,977,924	3	1.58%			
Wal-Mart Stores TX LP #0555	7,953,684	4	1.58%			
Coastal Navy Housing	7,246,559	5	1.44%			
AEP Texas Central Co	6,270,307	6	1.25%			
Carolyns Texas Limited Partnership	4,942,879	7	0.98%			
Aransas Pass Lodging, Inc.	4,763,875	8	0.95%			
Lowe's Companies Inc. #2506	4,428,703	9	0.88%			
Community Retirement Center	4,413,929	10	0.88%			
TOTAL	\$ 67,592,376		13.42%	\$		

Source: San Patricio County Appraisal District

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
2006	\$ 2,448,503	\$ 2,321,225	94.80%	\$ 102,817	\$ 2,417,138	98.72%
2007	2,534,009	2,405,181	94.92%	98,364	2,498,792	98.61%
2008	2,923,711	2,767,047	94.64%	119,801	2,861,814	97.88%
2009	2,770,530	2,604,814	94.02%	123,219	2,693,456	97.22%
2010	2,881,287	2,698,994	93.67%	136,955	2,791,560	96.89%
2011	2,908,095	2,746,758	94.45%	105,509	2,830,241	97.32%
2012	3,242,935	3,104,275	95.72%	80,931	3,104,275	95.72%
2013	3,235,569	3,102,610	95.89%	79,052	3,181,662	98.33%
2014	3,474,182	3,254,708	93.68%	151,051	3,405,759	98.03%
2015	4,141,329	3,889,526	93.92%	129,393	4,018,919	97.04%

Source: San Patricio County Appraisal District