

City of Aransas Pass, Texas
Annual Financial Report
For the Year Ended September 30, 2015

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CITY OF ARANSAS PASS, TEXAS

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September 30, 2015

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Introductory Section

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

Donna Cox Finance Director
Miguel Saldana Director of Development Services
Eric Blanchard Director of Public Safety
Sarah Lee Director of Community Enrichment
Jeffrey Martin Director of IT

Other Division Heads

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

Financial Section

BRENDA P. McELWEE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government auditing standards*, we have also issued our report dated May 24, 2016, on our consideration of the City of Aransas Pass, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aransas Pass, Texas's internal control over financial reporting and compliance.



Brenda P. McElwee, P.C.
May 24, 2016

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, 2015. 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 \$16,008 as a result of this year’s operations. Governmental activities increased \$2,819,388 offset with a balance of \$2,835,396 resulting from business-type activities.

General Fund Performance

As a result of this year’s operations, the General fund reported a decrease of \$1,616,454 to fund balance.

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)

	2015	2014	2015	2014	2015	2014
Current and Other Assets	11.3	10.6	3.9	9.2	15.2	19.8
Capital Assets	23.5	22.4	10.5	7.4	34.0	29.8
Total Assets	34.8	33.0	14.4	16.6	49.2	49.6
Long -Term Debt Outstanding	18.7	17.8	7.8	7.9	26.5	25.7
Other Liabilities	0.7	2.6	1.7	1.0	2.4	3.6
Total Liabilities	19.4	20.4	9.5	8.9	28.9	29.3
Net Assets:						
Invested in Capital Assets, Net of Debt	4.8	3.2	2.2	-0.8	7.0	2.4
Restricted	8.3	8.2	2.8	3.4	11.1	11.6
Unrestricted (Deficit)	2.3	1.2	-0.1	5.2	2.2	6.4
Total Net Assets	15.4	12.6	4.9	7.8	20.3	20.4

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	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for services	3.0	2.2	5.6	4.6	8.6	6.8
Grants	-	0.2			-	0.2
General Revenues:					-	-
Property Taxes	3.6	3.4			3.6	3.4
Sales Tax	3.6	3.6			3.6	3.6
Other Taxes	0.5	0.6			0.5	0.6
Other General Revenues	0.2	0.2			0.2	0.2
Total Revenues	10.9	10.2	5.6	4.6	16.5	14.8
Program Expenses						
General government	1.8	1.3			1.8	1.3
Public Safety	3.8	3.5			3.8	3.5
Public Works	1.7	1.2			1.7	1.2
Sanitation	1.1	1.4			1.1	1.4
Health and Welfare	0.1	0.1			0.1	0.1
Tourism	0.2	0.3			0.2	0.2
Culture and Recreation	0.8	0.7			0.8	0.7
Interest and Long Term Debt	0.8	0.7			0.8	0.7
Water and Sewer			4.1	3.2	4.1	3.2
Harbor			1.7	0.2	1.7	0.2
Aquatic Center			0.7	0.5	0.7	0.5
Civic Center			0.4	0.3	0.4	0.3
Total Expenses	10.3	9.2	6.9	4.2	17.2	13.3
Excess (Deficiency) Before Special Items and Transfers	0.6	1.0	(1.3)	0.4	(0.7)	1.5
Transfers	(0.9)	0.4	0.9	(0.4)	-	
Increase (Decrease) in Net Position	(0.3)	1.4	(0.4)	(0.0)	(0.7)	1.5

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 \$10.9 million. Expenses totaled at \$10.3 million.

The cost of all governmental activities this year was \$10.3 million. However, as shown on the Statement of Activities on page 23, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$7.3 million. \$3 million to finance

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

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

**Table 3
Governmental Activities
(in Millions)**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Public Safety	3.8	3.5	3.2	2.9
General Government	1.8	1.3	1.3	1.2
Public Works	1.7	1.2	1.7	1.2
Sanitation	1.1	1.4	-	-
Health and Welfare	0.1	0.1	0.1	0.1
Culture and Recreation	0.8	0.7	0.8	0.7
Total	9.3	8.2	7.1	6.1

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$5.6 million. Expenses totaled \$6.8 million, leaving \$1.2 million as an decrease to net assets before transfers. An additional net \$0.9 million in transfers from business-type activities was made, resulting in a \$0.3 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 \$10.8 million, an increase of \$1.8 million from last year.

Governmental Funds – A Detailed Discussion

Revenues and Transfers In

The following table presents a summary of total governmental funds’ revenues for the years ended September 30, 2015 and 2014.

**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 \$211,684 over last year.

Other Taxes

This year's reported sales taxes as a whole increased \$48,940 from the prior year.

Miscellaneous

Miscellaneous revenues totaling \$254,365 largely consists of rents and royalties, interest, insurance proceeds, and PILOT – Industrial Development District.

**Table 5
Expenditures and Transfers-Out**

Expenditures and Transfers-Out	2015 Amount	% of Total	2014 Amount	% Change
General government	1,654,575	12.62%	1,168,753	41.57%
Public Safety	3,433,695	26.18%	3,140,712	9.33%
Public Works	1,443,999	11.01%	1,060,954	36.10%
Sanitation, Health and Welfare	1,238,392	9.44%	1,562,708	-20.75%
Recreation and Tourism	883,156	6.73%	972,945	-9.23%
Capital Outlay	1,943,105	14.82%	598,051	224.91%
Debt Service:				
Principal	1,675,000	12.77%	1,690,000	-0.89%
Interest and Fiscal Charges	842,848	6.43%	601,318	40.17%
Total	13,114,770		10,795,441	

Fund Balance

Combined fund balance for all of the governmental fund types decreased \$1,422,327.

General Fund

Revenues and transfers-in generated \$7,121,325 and \$1,558,890 respectively, aggregating in \$8,680,215. Expenditures and transfers-out amounted to \$10,376,838 and \$1,504,831, respectively, aggregating \$11,881,669. The transfers out were primarily to the Aquatic Center Fund and Capital Projects Fund to cover operating costs.

Aransas Pass Municipal Development District Fund (APMDD)

The fund balance of the Aransas Pass Municipal Development District Fund increased from \$448,212 in the prior year to \$568,997, an increase of \$120,785. 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 \$445,794 in the prior year to \$492,933, an increase of \$47,139. 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 increased from \$179,732 in the prior year to \$395,816 an increase of \$216,084.

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	2014-2015	2013-2014	% Increase (Decrease)	2012-2013	% Increase (Decrease)
Total Consumption	344,847,000	343,470,000	(3.93)	403,822,000	(4.25)

**Table 7
Growth in Customer Base
Utility System Fund**

Fiscal Year	2014-2015	2013-2014	% Increase (Decrease)	2012-2013	% Increase (Decrease)
Total Meter Connections	3,999	3,968	0.24	3,757	(1.75)

Operating revenues for the Water and Sewer Fund were \$4,801,929 which is \$756,267 more than 2014. Expenses were \$3,872,407, which is \$829,985 more than 2014.

Harbor Fund

The Harbor Fund is funded with rental revenue. Revenues for the Harbor totaled \$407,401 which is \$196,257 more revenues than 2014. Expenses for the same period were \$1,699,719, which is \$1,445,882 more than 2014. The Harbor is undergoing complete redevelopment.

Aquatic Center

The Aquatic Center is funded with revenue from admissions, passes, rentals, instructional classes and concessions. Revenues for the Aquatic Center totaled \$219,477, which is \$32,585 less than revenues for 2014. Expenses for the same period were \$650,110, which is \$170,081 more than was expended in 2014.

Civic Center

The Civic Center is funded with revenue from rentals. Revenues for the Civic Center totaled \$143,802, which is \$22,370 more than revenues for 2014. Expenses for the same period were \$354,000, which is \$28,652 more than was expended in 2014.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$33.9 million in capital assets.

Table 8

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	7.5	7.5	0.4	0.4	7.9	7.9
Construction in Progress	-	-	-	0.7	-	0.7
Buildings and Improvements	8.6	10.6	0.1	0.2	8.7	10.8
Equipment	3.6	2.0	2.0	0.4	5.6	2.4
Infrastructure	3.8	2.3	7.9	5.7	11.7	8.0
Totals	23.5	22.4	10.4	7.4	33.9	29.8

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, 2015, 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 \$27.5 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	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds (backed by the City)	19.2	19.3	1.7	1.4	20.9	20.7
Revenue Bonds (Backed by specific tax and fee revenues)	-	-	6.6	6.8	6.6	6.8
Totals	19.2	19.3	8.3	8.2	27.5	27.5

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

During the budget process for fiscal year 2014-2105 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, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,602,227	\$ 264,978	\$ 1,867,205
Receivables, net of allowance for uncollectible amounts			
Property taxes	388,173	-	388,173
Accounts	52,905	871,129	924,034
Sales taxes	150,834	-	150,834
Inventories	100,742	-	100,742
Restricted Assets:			
Cash and cash equivalents	8,922,349	2,837,417	11,759,766
Sales tax receivable	130,533	-	130,533
Capital assets:			
Land	7,507,865	358,841	7,866,706
Depreciable Property, plant and equipment	25,305,645	21,188,356	46,494,001
Less: Accumulated depreciation	<u>(9,349,674)</u>	<u>(11,067,594)</u>	<u>(20,417,268)</u>
Total assets	<u>34,811,599</u>	<u>14,453,127</u>	<u>49,264,726</u>
LIABILITIES			
Accounts payable and other current liabilities	566,031	612,817	1,178,848
Accrued interest payable	143,945	29,462	173,407
Deferred revenue		154,558	154,558
Liabilities payable from restricted assets:			
Customer deposits	-	379,795	379,795
Long-Term Liabilities:			
Due within one year	1,818,174	540,000	2,358,174
Due in more than one year	16,852,174	7,819,819	24,671,993
Total liabilities	<u>19,380,324</u>	<u>9,536,451</u>	<u>28,916,775</u>
NET POSITION			
Net Investment In Capital Assets	4,793,488	2,169,603	6,963,091
Restricted for:			
Public Library	21,186	-	21,186
Debt Service	395,816	-	395,816
Tourism	37,212	-	37,212
Law Enforcement	492,933	-	492,933
Emergency Services	117,674	-	117,674
Building Security	21,091	-	21,091
Municipal Court Technology	39,771	-	39,771
Special Projects	7,216,000	2,837,417	10,053,417
Unrestricted	2,296,104	(90,344)	2,205,760
Total net position	<u>\$ 15,431,275</u>	<u>\$ 4,916,676</u>	<u>\$ 20,347,951</u>

City of Aransas Pass, Texas
Statement of Activities
Year Ended September 30, 2015

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	\$ 1,837,966	\$ 551,458	\$ 19,462	\$ -	\$ (1,267,046)	\$ -	\$ (1,267,046)
Public safety	3,800,476	566,041		-	(3,234,435)	-	(3,234,435)
Public works	1,700,746				(1,700,746)	-	(1,700,746)
Sanitation	1,135,540	1,835,211			699,671	-	699,671
Health and welfare	121,191				(121,191)	-	(121,191)
Culture and recreation	802,050				(802,050)	-	(802,050)
Tourism	172,801				(172,801)	-	(172,801)
Interest and fiscal charges	842,848				(842,848)	-	(842,848)
Total governmental activities	10,413,618	2,952,710	19,462	-	(7,441,446)	-	(7,441,446)
Business-type activities:							
Water & Sewer	4,133,631	4,801,929				668,298	668,298
Harbor	1,699,719	407,401				(1,292,318)	(1,292,318)
Aquatic Center	650,110	219,477				(430,633)	(430,633)
Civic Center	354,000	143,802				(210,198)	(210,198)
Total business-type activities	6,837,460	5,572,609	-	-	-	(1,264,851)	(1,264,851)
Total primary government	\$ 17,251,078	\$ 8,525,319	\$ 19,462	\$ -	(7,441,446)	(1,264,851)	(8,706,297)
General revenues:							
Property taxes					3,645,544		3,645,544
Sales taxes					3,619,502		3,619,502
Franchise taxes					343,544		343,544
Mixed beverage taxes					12,160		12,160
Occupancy taxes					187,221		187,221
Rents and royalties					91,775		91,775
Interest income					18,480	1,599	20,079
Other					130,088		130,088
Transfers					(915,375)	915,375	-
Total general revenues and transfers					7,132,939	916,974	8,049,913
Change in net position					(308,507)	(347,877)	(656,384)
Net position-beginning					12,611,887	7,752,072	20,363,959
Prior period adjustment					3,127,895	(2,487,519)	640,376
Net position-beginning as restated					15,739,782	5,264,553	21,004,335
Net position-ending					\$ 15,431,275	\$ 4,916,676	\$ 20,347,951

City of Aransas Pass, Texas

Balance Sheet Governmental Funds September 30, 2015

	General Fund	Debt Service Fund	Aransas Pass Municipal Development District	Aransas Pass Crime Control & Prevention District	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 1,251,828	\$ 26,132	\$ 100,367	\$ 277	\$ 223,623	\$ 1,602,227
Receivables, net of allowances for uncollectible						
Property taxes	175,422	212,751	-	-	-	388,173
Accounts	52,905	-	-	-	-	52,905
Sales taxes	150,834	-	-	-	-	150,834
Due from other funds	210,544	156,933	-	-	-	367,477
Inventories	100,742	-	-	-	-	100,742
Noncurrent assets:						
Restricted cash and cash equivalents	7,826,090	-	613,891	482,368	-	8,922,349
Sales taxes receivable	-	-	65,283	65,250	-	130,533
Total assets	<u>\$ 9,768,365</u>	<u>\$ 395,816</u>	<u>\$ 779,541</u>	<u>\$ 547,895</u>	<u>\$ 223,623</u>	<u>\$ 11,715,240</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 503,194	\$ -	\$ -	\$ 54,962	\$ 7,875	\$ 566,031
Due to other funds	156,933	-	210,544	-	-	367,477
Total liabilities	<u>660,127</u>	<u>-</u>	<u>210,544</u>	<u>54,962</u>	<u>7,875</u>	<u>933,508</u>
Fund balances:						
Restricted	-	-	568,997	492,933	215,748	1,277,678
Committed	-	395,816	-	-	-	395,816
Assigned	7,216,000	-	-	-	-	7,216,000
Unassigned	1,892,238	-	-	-	-	1,892,238
Total fund balances	<u>9,108,238</u>	<u>395,816</u>	<u>568,997</u>	<u>492,933</u>	<u>215,748</u>	<u>10,781,732</u>
Total liabilities and fund balances	<u>\$ 9,768,365</u>	<u>\$ 395,816</u>	<u>\$ 779,541</u>	<u>\$ 547,895</u>	<u>\$ 223,623</u>	<u>\$ 11,715,240</u>

City of Aransas Pass, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2015

Total fund balances - governmental funds balance sheet \$ 10,781,732

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not reported in the funds.	23,463,836
Payables for bond principal which are not due in the current period are not reported in the funds.	(18,370,011)
Payables for bond interest which are not due in the current period are not reported in the funds.	(143,945)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(198,174)
OPEB liabilities are not reported in the funds.	(102,163)
Net position of governmental activities - Statement of Net Position	<u>15,431,275</u>

City of Aransas Pass, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2015

	General Fund	Debt Service Fund	Aransas Pass Municipal Development District	Aransas Pass Crime Control & Prevention District	Other Governmental Funds	Total
REVENUES						
Property taxes	\$ 1,711,509	\$ 1,934,035	\$ -	\$ -	\$ -	\$ 3,645,544
Sales taxes	1,919,264	-	855,135	845,103	-	3,619,502
Franchise taxes	343,544	-	-	-	-	343,544
Mixed beverage taxes	12,160	-	-	-	-	12,160
Occupancy taxes	-	-	-	-	187,221	187,221
Licenses and permits	551,458	-	-	-	-	551,458
Fines and forfeitures	556,433	-	-	-	9,608	566,041
Assessments	2,332	-	-	-	-	2,332
Charges for services	1,771,311	-	-	-	63,900	1,835,211
Rents and royalties	91,775	-	-	-	-	91,775
Industrial development district	11,690	-	-	-	-	11,690
Intergovernmental	7,772	-	-	-	-	7,772
Interest income	12,166	8	2,587	3,426	293	18,480
Other	129,911	-	-	177	-	130,088
	<u>7,121,325</u>	<u>1,934,043</u>	<u>857,722</u>	<u>848,706</u>	<u>261,022</u>	<u>11,022,818</u>
Total revenues						
EXPENDITURES						
Current:						
General government	1,647,312	-	4,123	3,140	-	1,654,575
Public safety	3,348,675	-	-	2,000	83,020	3,433,695
Public works	1,443,999	-	-	-	-	1,443,999
Sanitation	1,135,540	-	-	-	-	1,135,540
Health and welfare	102,852	-	-	-	-	102,852
Culture and recreation	710,355	-	-	-	-	710,355
Tourism	-	-	-	-	172,801	172,801
Debt service:						
Principal	-	1,335,000	340,000	-	-	1,675,000
Interest and fiscal charges	45,000	575,578	222,270	-	-	842,848
Capital outlay	1,943,105	-	-	-	-	1,943,105
	<u>10,376,838</u>	<u>1,910,578</u>	<u>566,393</u>	<u>5,140</u>	<u>255,821</u>	<u>13,114,770</u>
Total expenditures						
Excess (deficiency) of revenues over expenditures	<u>(3,255,513)</u>	<u>23,465</u>	<u>291,329</u>	<u>843,566</u>	<u>5,201</u>	<u>(2,091,952)</u>
OTHER FINANCING SOURCES (USES)						
Grant proceeds	-	-	-	-	-	-
Bond proceeds	1,585,000	-	-	-	-	1,585,000
Transfers in	1,558,890	-	-	-	37,537	1,596,427
Transfers out	(1,504,831)	-	(210,544)	(796,427)	-	(2,511,802)
	<u>1,639,059</u>	<u>-</u>	<u>(210,544)</u>	<u>(796,427)</u>	<u>37,537</u>	<u>669,625</u>
Total other financing sources and uses						
Net change in fund balances	(1,616,454)	23,465	80,785	47,139	42,738	(1,422,327)
Fund balances-beginning	7,789,416	179,732	488,212	445,794	173,010	9,076,164
Prior period adjustment	2,935,276	192,619	-	-	-	3,127,895
Fund balances-beginning as restated	<u>10,724,692</u>	<u>372,351</u>	<u>488,212</u>	<u>445,794</u>	<u>173,010</u>	<u>12,204,059</u>
Fund balances-ending	<u>\$ 9,108,238</u>	<u>\$ 395,816</u>	<u>\$ 568,997</u>	<u>\$ 492,933</u>	<u>\$ 215,748</u>	<u>\$ 10,781,732</u>

City of Aransas Pass, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended September 30, 2015

Net change in fund balances, total governmental funds	\$ (1,422,327)
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.	1,943,105
The depreciation of capital assets used in governmental activities is not reported in the funds.	(916,953)
Bond proceeds is recorded in the funds as revenue but not in the SOA.	(1,585,000)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,675,000
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(2,332)
Change in net position of governmental activities - statement of activities	\$ (308,507)

City of Aransas Pass, Texas

Exhibit A-7

Statement of Net Position Enterprise Funds September 30, 2015

	Enterprise Funds		
	Major Fund Water & Sewer Fund	Non-Major Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 253,970	\$ 11,008	\$ 264,978
Receivables (net)	799,631	71,498	871,129
Total current assets	1,053,601	82,506	1,136,107
Noncurrent assets:			
Restricted cash and cash equivalents	2,837,417	-	2,837,417
Capital assets:			
Property, plant and equipment	18,791,616	2,755,581	21,547,197
Less accumulated depreciation	(8,431,978)	(2,635,616)	(11,067,594)
Total noncurrent assets	13,197,055	119,965	13,317,020
Total assets	14,250,656	202,471	14,453,127
LIABILITIES			
Current liabilities:			
Accounts payable	572,210	23,616	595,826
Accrued interest payable	29,462	-	29,462
Deferred revenue	-	154,558	154,558
Compensated absences payable	6,000	10,991	16,991
Certificates of Obligation payable-current	540,000	-	540,000
Total current liabilities	1,147,672	189,165	1,336,837
Current liabilities payable from restricted assets			
Customer deposits	379,795	-	379,795
Total current liabilities	1,527,467	189,165	1,716,632
Noncurrent liabilities:			
Compensated absences	49,819	-	49,819
Bonds, notes, and loans payable	7,770,000	-	7,770,000
Total noncurrent liabilities	7,819,819	-	7,819,819
Total liabilities	9,347,286	189,165	9,536,451
NET POSITION			
Net invested in capital assets	2,049,638	119,965	2,169,603
Restricted for Special Projects	2,837,417	-	2,837,417
Unrestricted	16,315	(106,659)	(90,344)
Total net position	\$ 4,903,370	\$ 13,306	\$ 4,916,676

City of Aransas Pass, Texas
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Enterprise Funds
Year Ended September 30, 2015

	Enterprise Funds		
	Major Fund Water & Sewer Fund	Non-Major Funds	Total
OPERATING REVENUES			
Charges for services	\$ 4,801,929	\$ 770,680	\$ 5,572,609
Total operating revenue	4,801,929	770,680	5,572,609
OPERATING EXPENSES			
Personal services	906,928	547,456	1,454,384
Contractual services	195,248	17,522	212,770
Supplies	1,670,330	54,390	1,724,720
Maintenance	277,040	1,777,202	2,054,242
Utilities	202,639	140,604	343,243
Advertising	-	11,567	11,567
Event expenses	-	10,180	10,180
Insurance	47,274	61,477	108,751
Depreciation and amortization	572,948	70,345	643,293
Total operating expenses	3,872,407	2,703,829	6,576,236
Operating income (loss)	929,522	(1,933,149)	(1,003,627)
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,599	-	1,599
Interest expense and agent fees	(261,224)	-	(261,224)
Total nonoperating revenue (expenses)	(259,625)	-	(259,625)
Income (loss) before contributions and transfers	669,897	(1,933,149)	(1,263,252)
Transfers in	-	1,715,375	1,715,375
Transfers out	(750,000)	(50,000)	(800,000)
Change in net assets	(80,103)	(267,774)	(347,877)
Total net position-beginning	7,612,170	139,902	7,752,072
Correction of prior period error	(2,628,697)	141,178	(2,487,519)
Total net position-beginning as restated	4,983,473	281,080	5,264,553
Total net position-ending	\$ 4,903,370	\$ 13,306	\$ 4,916,676

City of Aransas Pass, Texas

Statement of Cash Flows

Exhibit A-9

Enterprise Funds

Year Ended September 30, 2015

	Major Fund Water & Sewer Fund	Non-Major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,467,815	\$ 834,589	\$ 5,302,404
Payments to suppliers	(1,863,579)	(2,077,198)	(3,940,777)
Payments to employees	(906,928)	(547,456)	(1,454,384)
Net cash provided (used) by operating activities	1,697,308	(1,790,065)	(92,757)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers From (To) Other Funds	(750,000)	1,665,375	915,375
Net cash provided (used) by non-capital financing activities	(750,000)	1,665,375	915,375
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Increase in due to/from	2,634,475	101,225	2,735,700
Purchase or construction of capital assets	(3,764,844)	-	(3,764,844)
Proceeds from issuance of long-term debt	700,000	-	700,000
Principal, interest and agent fees paid	(702,627)	-	(702,627)
Net cash provided (used) by financing activities	(1,132,996)	101,225	(1,031,771)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	1,599	-	1,599
Adjustment for correction of prior period	(2,628,697)	141,175	(2,487,522)
Net cash provided (used) by investing activities	(2,627,098)	141,175	(2,485,923)
Net increase (decrease) in cash and cash equivalents	(2,812,786)	117,710	(2,695,076)
Balances-beginning of year	5,904,173	(106,702)	5,797,471
Balances-end of year	\$ 3,091,387	\$ 11,008	\$ 3,102,395
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 929,522	\$ (1,933,149)	\$ (1,003,627)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	572,948	70,345	643,293
Changes in assets and liabilities:			
Accounts receivable	(346,867)	4,030	(342,837)
Interfund payables	(29,207)	-	(29,207)
Prepaid items	-	59,879	59,879
Customer security deposits	12,753	59,879	72,632
Accounts payable	528,952	8,830	537,782
Accrued interest	6,131	-	6,131
Compensated absences	23,076	-	23,076
Total Adjustments	767,786	143,084	910,870
Net cash provided (used) by Operating Activities	\$ 1,697,308	\$ (1,790,065)	\$ (92,757)

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, 2015

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, 2015

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, 2015

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.

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

CITY OF ARANSAS PASS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

Capital assets are 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, 2015

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

CITY OF ARANSAS PASS, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

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

<u>Fund</u>	<u>Deficit</u>	
Aquatics Fund	\$ (15,093)	Temporary shortages to be replenished by General fund
Civic Center Fund	\$ (15,767)	Temporary shortages to be replenished by APMDD

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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CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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.

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, 2015, bank balance was \$1,386,669. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015, 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, 2015, 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

CITY OF ARANSAS PASS, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2015

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

This City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a 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, 2015

D. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<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	4,759,005	496,794	-	5,255,799
Machinery and Equipment	5,482,503	580,170	-	6,062,673
Infrastructure	4,191,991	866,141	-	5,058,132
Total capital assets being depreciated	<u>23,362,540</u>	<u>1,943,105</u>	<u>-</u>	<u>25,305,645</u>
Less accumulated depreciation for:				
Buildings	(1,901,666)	(229,649)	-	(2,131,315)
Improvements other than buildings	(3,260,791)	(207,503)	-	(3,468,294)
Machinery and Equipment	(2,157,170)	(311,197)	-	(2,468,367)
Infrastructure	(1,113,095)	(168,604)	-	(1,281,699)
Total accumulated depreciation	<u>(8,432,722)</u>	<u>(916,953)</u>	<u>-</u>	<u>(9,349,675)</u>
Total capital assets being depreciated, net	<u>14,929,818</u>	<u>1,026,152</u>	<u>-</u>	<u>15,955,970</u>
Governmental activities capital assets, net	<u>\$ 22,437,683</u>	<u>\$ 1,026,152</u>	<u>\$ -</u>	<u>\$ 23,463,835</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land, right of way	\$ 358,841	\$ 38,937	\$ -	\$ 397,778
Construction in progress	690,551	-	690,551	-
Total capital assets not being depreciated	<u>1,049,392</u>	<u>38,937</u>	<u>690,551</u>	<u>397,778</u>
Capital assets being depreciated:				
Improvements other than buildings	2,702,205	-	-	2,702,205
Water and sewer system	12,408,681	2,597,808	-	15,006,489
Machinery and Equipment	1,622,079	1,818,647	-	3,440,726
Total capital assets being depreciated	<u>16,732,965</u>	<u>4,416,455</u>	<u>-</u>	<u>21,149,420</u>
Less accumulated depreciation for:				
Improvements other than buildings	(2,523,053)	(67,555)	-	(2,590,608)
Water and sewer system	(6,780,451)	(300,130)	-	(7,080,581)
Machinery and Equipment	(1,120,799)	(275,609)	-	(1,396,408)
Total accumulated depreciation	<u>(10,424,303)</u>	<u>(643,294)</u>	<u>-</u>	<u>(11,067,597)</u>
Total capital assets being depreciated, net	<u>6,308,662</u>	<u>3,773,161</u>	<u>-</u>	<u>10,081,823</u>
Business-type activities capital assets, net	<u>\$ 7,358,054</u>	<u>\$ 3,812,098</u>	<u>\$ 690,551</u>	<u>\$ 10,479,601</u>

Depreciation was charged to functions as follows:

CITY OF ARANSAS PASS, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2015

Governmental Activities:

General Government	\$ 183,391
Public Safety	366,781
Culture and Recreation	91,695
Public Works	256,747
Public Health and Welfare	18,339
	<u>\$ 916,953</u>

Business Activities:

Water and Sewer	\$ 572,948
Harbor	70,345
	<u>\$ 643,293</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2015, consisted of the following:

	<u>Receivable</u>	<u>Payable</u>	<u>Net</u>
Governmental Fund Types:			
Governmental Funds:			
General Fund	\$ -	\$ 156,933	
Debt Service Fund	156,933	-	
Aransas Pass Municipal Development District	-	210,544	
Aransas Pass Crime Control & Prevention District	-	-	
Municipal Court Technology Fund	-	-	
Building Security Fund	-	-	
	<u>\$ 156,933</u>	<u>\$ 367,477</u>	<u>\$ (210,544)</u>
Proprietary Fund Types:			
Enterprise Funds:			
Water and Sewer Fund	\$ -	\$ -	
Aquatics Fund	-	-	
Civic Center	210,544	-	
Harbor Fund	-	-	
	<u>\$ 210,544</u>	<u>\$ -</u>	<u>\$ 210,544</u>
			<u>\$ -</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, 2015, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Water and Sewer	General Fund	\$ 750,000	Administrative Charges
Harbor Fund	General Fund	1,074,198	Bond Proceeds Harbor Improvement
APMDD*	Civic Center Fund	210,544	Reimburse Civic Center losses
APCCPD**	General Fund	796,427	Crime Prevention Grants
General Fund	Aquatic Center Fund	430,633	Supplement other funds sources
	Total	<u>\$ 3,261,802</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, 2015

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, 2015:

	<u>Interest Rate</u>	<u>General Long- Term Debt</u>	<u>Enterprise Fund Debt</u>
<u>Bonded Debt</u>			
Combination Tax and Subordinate Lien Revenue			
Certificates of Obligation, Series 2005	1.70% - 3.75%		645,000
Combination Tax and Limited Pledge Revenue			
Certificates of Obligation, Series 2006	4.25%		480,000
General Obligation Refunding Bonds, Series 2007	4.025%	2,605,000	
Taxable Combination Tax and Limited Pledge Revenue			
Certificates of Obligation, Series 2007	5.75 - 6.375%	4,810,000	
Combination Tax and Limited Pledge Revenue			
Certificates of Obligation, Series 2007	3.92%	2,740,000	
Tax Notes, Series 2010	2.0 - 3.0%	115,000	
Tax Notes, Series 2011	2.78%	230,000	
Combination Tax and Limited Pledge Revenue			
Certificates of Obligation, Series 2012	1.50 - 3.0%		3,725,000
General Obligation Refunding Bonds, Series 2012	1.29%	885,000	
General Obligation Bonds, Series 2014	2.0 - 3.6%	6,380,000	2,900,000
Certificates of Obligation, Series 2015	1.89%	1,445,000	560,000
		\$ 19,210,000	\$ 8,310,000

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the ended September 30, 2015, are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental activities:</u>					
General bonded debt	\$ 19,300,000	\$ 1,585,000	\$ 1,675,000	\$ 19,210,000	\$ 1,765,000
Deferred loss on adv. ref.	(137,544)		14,058	(123,486)	(14,058)
OPEB obligation	102,163			102,163	102,163
Compensated absences	198,174			198,174	29,726
Contracts	42,498			42,498	6,071
Total governmental activities	<u>\$ 19,505,291</u>	<u>\$ 1,585,000</u>	<u>\$ 1,689,058</u>	<u>\$ 19,429,349</u>	<u>\$ 1,888,902</u>
<u>Business-type activities:</u>					
General bonded debt	\$ 8,150,000	\$ 700,000	\$ 540,000	\$ 8,310,000	\$ 540,000
Compensated absences	46,107	3,712		49,819	16,991
Total business-type activities	<u>\$ 8,196,107</u>	<u>\$ 703,712</u>	<u>\$ 540,000</u>	<u>\$ 8,359,819</u>	<u>\$ 556,991</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

2. Debt Service Requirements

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

Year Ending September 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,685,000	\$ 717,291	\$ 2,402,291
2017	1,520,000	665,702	2,185,702
2018	1,300,000	615,425	1,915,425
2019	1,355,000	565,965	1,920,965
2020	1,405,000	513,467	1,918,467
2021 - 2025	6,375,000	1,750,301	8,125,301
2026 - 2030	3,500,000	471,279	3,971,279
2031 - 2034	1,265,000	93,000	1,358,000
Totals	<u>\$ 18,405,000</u>	<u>\$ 5,392,430</u>	<u>\$ 23,797,430</u>

Year Ending September 30,	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 565,000	\$ 229,104	\$ 794,104
2017	585,000	216,048	801,048
2018	60,000	202,160	262,160
2019	610,000	186,651	796,651
2020	475,000	169,594	644,594
2021 - 2025	2,045,000	811,616	2,856,616
2026 - 2030	1,925,000	397,400	2,322,400
2031 - 2034	1,505,000	89,865	1,594,865
Totals	<u>\$ 7,770,000</u>	<u>\$ 2,302,438</u>	<u>\$ 10,072,438</u>

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

3. Advance Refunding of Debt

At September 30, 2015, 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, 2015.

H. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2015:

	<u>Type Activities</u>	<u>Type Activities</u>
Bond Construction Funds	\$ 7,826,090	\$ 2,457,622
Crime Control and Prevention	482,368	-
Municipal Development District	613,891	-
Customer Deposits	-	379,795
	<u>\$ 8,922,349</u>	<u>\$ 2,837,417</u>

Sales Tax Receivable was restricted for the following purposes at September 30, 2015:

	<u>Government- Type Activities</u>
Crime Control and Prevention	\$ 65,250
Municipal Development District	65,283
	<u>\$ 130,533</u>

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

J. Pension Plan

1. Plan Description

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

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

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

	Plan Year 2014	Plan Year 2015
Employee deposit rate	6.00%	6.00%
Matching Ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility expressed as age/years of service	60/10: 0/20	60/10: 0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to employees)	70% of CPI Repeating	70% of CPI Repeating

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

2. Contributions

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

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

Net Pension Obligation (NPO) at Beginning of Year	\$	-
Annual Pension Cost:		
Annual required contribution (ARC)	\$	397,191
Contributions Made	\$	397,191
NPO at End of Year	\$	-

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

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

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

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

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

4. Trend Information for the Plan

Fiscal Year Ending September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 464,498	100.00%	\$ -
2013	\$ 456,806	100.00%	\$ -
2014	\$ 397,191	100.00%	\$ -

5. Schedule of Funding Progress

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

K. Post Employment Benefits Other Than Pension Benefits

1. Health Insurance Plan

Plan Participants

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

Normal Health Care Retirement Conditions

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

Vested Termination Benefits

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

Death-In-Service Retirement Benefits

City does not provide death-in-service benefits.

Disability Retirement Benefits

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

Dental/Vision Care

City does not provide vision care.

Life Insurance Coverage

City does not provide life insurance for retirees.

Benefits for Spouse of Retired Employees

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

Spouse and Dependent Coverage

City does not provide spouse and dependent coverage.

Non-Medicare and Medicare – Eligible Provisions

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

Retiree Opt-Out

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

Premium Sharing

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2011 as required by GASB. The annual OPEB cost for the fiscal year ending September 30, 2015, is as follows:

Annual required contribution	\$	98,123
Interest on OPEB obligation	\$	981
Adjustment to ARC		(981)
Annual OPEB cost (expense end of year)		22,764
Net employer contributions		(29,680)
Increase in net OPEB		(6,916)
Net OPEB obligation - beginning of year		109,079
Net OPEB obligation - end of year	\$	102,163

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

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

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

<u>Fiscal Year Ending September 30,</u>	Annual OPEB COST	Percentage of OPEB COST CONTRIBUTED	Net OPEB Obligation
2012	\$ 90,728	66.04%	\$ 43,896
2013	\$ 93,450	44.26%	\$ 94,446
2014	\$ 22,764	44.26%	\$ 98,123

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Funding status and funding progress

The funded status of the City's retiree health care plan, under GASB statement No. 45 as December 31, 2012, its most recent actuarial valuation is as follows:

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

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

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

Actuarial methods and assumptions

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

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

Actuarial Methods and Assumptions

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

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

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

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

	Plan Year 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 employees' entire careers.

The City's contributions to the TMRS SDBF for the year ended 2015, 2014, 2011, and 2010 were \$611,257, \$5,967, \$6,569 and \$7,972, respectively, which equaled the required contributions each year.

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.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

M. Prior Period Adjustment

During the fiscal year 2015 inter-fund balances were examined and it was determined that these inter-fund balances were not accurate and adjusting the prior periods to correct these balances was warranted in lieu of reporting the corrections in the current period. The table below illustrates the effect on Net Position, Government wide and of each fund, respectively.

Effect on Net Position, Government-Wide:	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Total <u>Government</u>
Net position-beginning	\$ 12,611,887	\$ 7,752,072	\$ 20,363,959
Increase (Decrease) in Net Position due to correction of error	<u>3,127,895</u>	<u>(2,487,519)</u>	<u>640,376</u>
Net position-beginning as restated	<u>\$ 15,739,782</u>	<u>\$ 5,264,553</u>	<u>\$ 21,004,335</u>

Effect on Net Position, Fund Level:	General <u>Fund</u>	Debt Service <u>Fund</u>	Water & Sewer <u>Fund</u>	Non-Major Enterprise <u>Funds</u>	Total <u>Fund Level</u>
Net position-beginning	\$ 7,789,416	\$ 179,732	\$ 7,612,170	\$ 139,902	\$ 15,721,220
Increase (Decrease) in Net Position due to correction of error	<u>2,935,276</u>	<u>192,619</u>	<u>(2,628,697)</u>	<u>141,178</u>	<u>640,376</u>
Net position-beginning as restated	<u>\$ 10,724,692</u>	<u>\$ 372,351</u>	<u>\$ 4,983,473</u>	<u>\$ 281,080</u>	<u>\$ 16,361,596</u>

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Required Supplementary Information

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

City of Aransas Pass, Texas
General Fund
Budgetary Comparison Schedule
Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,598,604	\$ 1,768,000	\$ 1,711,509	\$ (56,491)
Other taxes	2,466,245	2,478,313	2,274,968	(203,345)
Licenses and permits	308,026	308,026	551,458	243,432
Fines and forfeitures	430,000	430,000	556,433	126,433
Assessments	-	-	2,332	2,332
Charges for services	354,137	354,137	1,771,311	1,417,174
Interest income	5,000	5,000	12,166	7,166
Other	234,130	234,130	241,148	7,018
	<u>5,396,142</u>	<u>5,577,606</u>	<u>7,121,325</u>	<u>1,543,719</u>
EXPENDITURES				
Current:				
General government	1,144,317	1,144,317	1,647,312	(502,995)
Public safety	2,326,180	2,326,180	3,348,675	(1,022,495)
Public works	1,003,084	1,042,628	1,443,999	(401,371)
Sanitation	788,811	1,150,000	1,135,540	14,460
Health and welfare	71,447	71,447	102,852	(31,405)
Culture and recreation	493,453	586,011	710,355	(124,344)
Capital outlay	-	-	1,943,105	(1,943,105)
	<u>5,827,291</u>	<u>6,320,583</u>	<u>10,376,838</u>	<u>(4,056,255)</u>
	5,827,291	5,827,291		
Excess (deficiency) of revenues over expenditures	<u>(431,149)</u>	<u>(742,977)</u>	<u>(3,255,513)</u>	<u>(2,512,536)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	1,585,000	-
Transfers in	1,450,000	1,450,000	1,558,890	108,890
Transfers out	-	-	(1,504,831)	(1,504,831)
	<u>1,450,000</u>	<u>1,450,000</u>	<u>1,639,059</u>	<u>189,059</u>
Net change in fund balances	1,018,851	707,023	(1,616,454)	<u>\$ (2,323,477)</u>
Fund balances-beginning	1,351,314	1,351,314	1,351,314	
Prior period adjustment	-	-	2,935,276	
Fund balances-beginning as restated	<u>1,351,314</u>	<u>1,351,314</u>	<u>4,286,590</u>	
Fund balances-ending	<u>\$ 2,370,165</u>	<u>\$ 2,058,337</u>	<u>\$ 2,670,136</u>	

City of Aransas Pass, Texas
Aransas Pass Municipal Development District
Budgetary Comparison Schedule
Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales taxes	\$ 825,000	\$ 825,000	\$ 855,135	\$ 30,135
Interest income	250	250	2,587	2,337
Total revenues	<u>825,250</u>	<u>825,250</u>	<u>857,722</u>	<u>32,472</u>
EXPENDITURES				
Current:				
General government	85,850	85,850	4,123	81,727
Debt service:				
Principal	340,000	340,000	340,000	-
Interest and fiscal charges	<u>222,440</u>	<u>222,440</u>	<u>222,270</u>	<u>170</u>
Total expenditures	<u>648,290</u>	<u>648,290</u>	<u>566,393</u>	<u>81,897</u>
Excess (deficiency) of revenues over expenditures	<u>176,960</u>	<u>176,960</u>	<u>291,329</u>	<u>(49,425)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(252,000)</u>	<u>(252,000)</u>	<u>(210,544)</u>	<u>41,456</u>
Total other financing sources and uses	<u>(252,000)</u>	<u>(252,000)</u>	<u>(210,544)</u>	<u>41,456</u>
Net change in fund balances	(75,040)	(75,040)	80,785	<u>\$ (7,969)</u>
Fund balances-beginning	<u>399,727</u>	<u>399,727</u>	<u>488,212</u>	
Fund balances-ending	<u>\$ 324,687</u>	<u>\$ 324,687</u>	<u>\$ 568,997</u>	

City of Aransas Pass, Texas
Aransas Pass Crime Control and Prevention District
Budgetary Comparison Schedule
Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales taxes	\$ 786,000	\$ 786,000	\$ 845,103	\$ 59,103
Interest income	1,000	1,000	3,426	2,426
Total revenues	<u>787,000</u>	<u>787,000</u>	<u>848,706</u>	<u>61,706</u>
EXPENDITURES				
Current:				
General government	5,000	5,000	3,140	1,860
Public safety	2,000	2,000	2,000	-
Capital outlay	-	-	-	-
Total expenditures	<u>7,000</u>	<u>7,000</u>	<u>5,140</u>	<u>1,860</u>
Excess (deficiency) of revenues over expenditures	<u>780,000</u>	<u>780,000</u>	<u>843,566</u>	<u>59,846</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(777,885)</u>	<u>(777,885)</u>	<u>(796,427)</u>	<u>(18,542)</u>
Total other financing sources and uses	<u>(777,885)</u>	<u>(777,885)</u>	<u>(796,427)</u>	<u>(18,542)</u>
Net change in fund balances	2,115	2,115	47,139	<u>\$ 41,304</u>
Fund balances-beginning	<u>339,267</u>	<u>339,267</u>	<u>445,794</u>	
Fund balances-ending	<u>\$ 341,382</u>	<u>\$ 341,382</u>	<u>\$ 492,933</u>	

Combining Statements and Budget Comparisons as Supplementary Information

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

City of Aransas Pass, Texas
Combining Balance Sheet
Non-Major Special Revenue Funds
September 30, 2015

	Emergency E911	Hotel/Motel Occupancy Tax	Municipal Court Technology	Building Security	Total
ASSETS					
Cash and cash equivalents	\$ 117,674	\$ 37,212	\$ 39,771	\$ 28,966	\$ 223,623
Investments	-	-	-	-	-
Receivable, net of allowance for uncollectible amounts					
Occupancy taxes	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 117,674</u>	<u>\$ 37,212</u>	<u>\$ 39,771</u>	<u>\$ 28,966</u>	<u>\$ 223,623</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 7,875	\$ 7,875
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,875</u>	<u>7,875</u>
Fund balances:					
Restricted	117,674	37,212	39,771	21,091	215,748
Reserved for:					
Debt service	-	-	-	-	-
Capital Improvement	-	-	-	-	-
Tourism	-	-	-	-	-
Unreserved	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total fund balances	<u>117,674</u>	<u>37,212</u>	<u>39,771</u>	<u>21,091</u>	<u>215,748</u>
Total liabilities and fund balances	<u>\$ 117,674</u>	<u>\$ 37,212</u>	<u>\$ 39,771</u>	<u>\$ 28,966</u>	<u>\$ 223,623</u>

City of Aransas Pass, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
Year Ended September 30, 2015

	Emergency E911	Hotel/Motel Occupancy Tax	Municipal Court Technology	Building Security	Total
REVENUES					
Occupancy taxes	\$ -	\$ 187,221	\$ -	\$ -	\$ 187,221
Fines and forfeitures	-	-	9,608	-	9,608
Fees	57,691	-	-	6,209	63,900
Interest income	257	32	-	4	293
	<u>57,948</u>	<u>187,253</u>	<u>9,608</u>	<u>6,213</u>	<u>261,022</u>
Total revenues					
EXPENDITURES					
Current:					
Public safety	74,015	-	1,145	7,860	83,020
Tourism	-	172,801	-	-	172,801
Capital outlay	-	-	-	-	-
	<u>74,015</u>	<u>172,801</u>	<u>1,145</u>	<u>7,860</u>	<u>255,821</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>(16,067)</u>	<u>14,452</u>	<u>8,463</u>	<u>(1,647)</u>	<u>5,201</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	37,537	-	-	-	37,537
Transfers out	-	-	-	-	-
	<u>37,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,537</u>
Total other financing sources and uses					
Net change in fund balances	21,470	14,452	8,463	(1,647)	42,738
Fund balances-beginning	96,204	22,760	31,308	22,738	173,010
Fund balances-ending	<u>\$ 117,674</u>	<u>\$ 37,212</u>	<u>\$ 39,771</u>	<u>\$ 21,091</u>	<u>\$ 215,748</u>

City of Aransas Pass, Texas
E911 Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 68,000	\$ 68,000	\$ 57,691	\$ (10,309)
Interest income	-	-	257	257
Total revenues	<u>68,000</u>	<u>68,000</u>	<u>57,948</u>	<u>(10,052)</u>
EXPENDITURES				
Current:				
Public safety	96,760	96,760	74,015	22,745
Capital outlay	-	-	-	-
Total expenditures	<u>96,760</u>	<u>96,760</u>	<u>148,030</u>	<u>51,270</u>
Excess (deficiency) of revenues over expenditures	<u>(28,760)</u>	<u>(28,760)</u>	<u>(90,082)</u>	<u>(61,322)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(43,885)</u>	<u>(43,885)</u>	<u>-</u>	<u>43,885</u>
Total other financing sources and uses	<u>(43,885)</u>	<u>(43,885)</u>	<u>-</u>	<u>43,885</u>
Net change in fund balances	(72,645)	(72,645)	(90,082)	<u>\$ (17,437)</u>
Fund balances-beginning	<u>65,981</u>	<u>65,981</u>	<u>65,981</u>	
Fund balances-ending	<u>\$ (6,664)</u>	<u>\$ (6,664)</u>	<u>\$ (24,101)</u>	

City of Aransas Pass, Texas
Hotel/Motel Occupancy Tax Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Occupancy taxes	\$ 224,750	\$ 224,750	\$ 187,221	\$ (37,529)
Interest income	157	157	32	(125)
Total revenues	<u>224,907</u>	<u>224,907</u>	<u>187,253</u>	<u>(37,654)</u>
EXPENDITURES				
Current:				
Tourism	<u>222,325</u>	<u>222,325</u>	<u>172,801</u>	<u>49,524</u>
Total expenditures	<u>222,325</u>	<u>222,325</u>	<u>172,801</u>	<u>(49,524)</u>
Excess (deficiency) of revenues over expenditures	<u>2,582</u>	<u>2,582</u>	<u>14,452</u>	<u>11,870</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,582	2,582	14,452	<u>\$ 11,870</u>
Fund balances-beginning	168,524	168,524	168,524	
Fund balances-ending	<u>\$ 171,106</u>	<u>\$ 171,106</u>	<u>\$ 182,976</u>	

City of Aransas Pass, Texas
Debt Service Fund
Budgetary Comparison Schedule
Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,841,556	\$ 1,841,556	\$ 1,934,035	\$ 92,479
Interest income	400	400	8	(392)
Total revenues	<u>1,841,956</u>	<u>1,841,956</u>	<u>1,934,043</u>	<u>92,087</u>
EXPENDITURES				
Debt service:				
Principal	1,365,000	1,365,000	1,335,000	30,000
Interest and fiscal charges	<u>388,967</u>	<u>388,967</u>	<u>575,578</u>	<u>(186,611)</u>
Total expenditures	<u>1,753,967</u>	<u>1,753,967</u>	<u>1,910,578</u>	<u>(156,611)</u>
Excess (deficiency) of revenues over expenditures	<u>87,989</u>	<u>87,989</u>	<u>23,465</u>	<u>(64,524)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	87,989	87,989	23,465	<u>\$ (64,524)</u>
Fund balances-beginning	89,149	89,149	89,149	
Fund balances-ending	<u>\$ 177,138</u>	<u>\$ 177,138</u>	<u>\$ 112,614</u>	

City of Aransas Pass, Texas
Combining Statement of Net Assets
Non-Major Enterprise Funds
September 30, 2015

	<u>Harbor Fund</u>	<u>Aquatic Center Fund</u>	<u>Civic Center Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 649	\$ 10,359	\$ 11,008
Receivables, net of allowance for uncollectible amounts	68,168	-	3,330	71,498
Total current assets	<u>68,168</u>	<u>649</u>	<u>13,689</u>	<u>82,506</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	2,755,581	-	-	2,755,581
Less accumulated depreciation	(2,635,616)	-	-	(2,635,616)
Total noncurrent assets	<u>119,965</u>	<u>-</u>	<u>-</u>	<u>119,965</u>
Total assets	<u>188,133</u>	<u>649</u>	<u>13,689</u>	<u>202,471</u>
LIABILITIES				
Current liabilities:				
Accounts payable	6,266	9,443	7,907	23,616
Compensated absences payable	2,160	6,299	2,532	10,991
Deferred revenue	135,541	-	19,017	154,558
Total current liabilities	<u>143,967</u>	<u>15,742</u>	<u>29,456</u>	<u>189,165</u>
Total liabilities	<u>143,967</u>	<u>15,742</u>	<u>29,456</u>	<u>189,165</u>
NET POSITION				
Net invested in capital assets	119,965	-	-	119,965
Unrestricted	(75,799)	(15,093)	(15,767)	(106,659)
Total net position	<u>\$ 44,166</u>	<u>\$ (15,093)</u>	<u>\$ (15,767)</u>	<u>\$ 13,306</u>

City of Aransas Pass, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Position
Non-Major Enterprise Funds
Year Ended September 30, 2015

	<u>Harbor Fund</u>	<u>Aquatic Center Fund</u>	<u>Civic Center Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 407,401	\$ 219,477	\$ 143,802	\$ 770,680
Total operating revenue	<u>407,401</u>	<u>219,477</u>	<u>143,802</u>	<u>770,680</u>
OPERATING EXPENSES				
Personal services	55,715	304,888	186,853	547,456
Contractual services	8,379	7,528	1,615	17,522
Supplies	337	45,780	8,273	54,390
Maintenance	1,533,071	214,697	29,434	1,777,202
Other	13,086	-	-	13,086
Utilities	16,908	43,402	80,294	140,604
Advertising	-	9,583	1,984	11,567
Event expenses	-	-	10,180	10,180
Insurance	1,878	24,232	35,367	61,477
Depreciation and amortization	70,345	-	-	70,345
Total operating expenses	<u>1,699,719</u>	<u>650,110</u>	<u>354,000</u>	<u>2,703,829</u>
Operating income (loss)	<u>(1,292,318)</u>	<u>(430,633)</u>	<u>(210,198)</u>	<u>(1,933,149)</u>
NONOPERATING REVENUES (EXPENSES)				
Total nonoperating revenue (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>(1,292,318)</u>	<u>(430,633)</u>	<u>(210,198)</u>	<u>(1,933,149)</u>
Transfers in	1,074,198	430,633	210,544	1,715,375
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Change in net assets	(268,120)	-	346	(267,774)
Total net position-beginning	326,237	(177,068)	(9,267)	139,902
Correction of prior period error	<u>(13,951)</u>	<u>161,975</u>	<u>(6,846)</u>	<u>141,178</u>
Total net position-beginning as restated	<u>312,286</u>	<u>(15,093)</u>	<u>(16,113)</u>	<u>281,080</u>
Total net position-ending	<u>\$ 44,166</u>	<u>\$ (15,093)</u>	<u>\$ (15,767)</u>	<u>\$ 13,306</u>

City of Aransas Pass, Texas
Combining Statement of Cash Flows
Non-Major Enterprise Funds
Year Ended September 30, 2015

	Harbor Fund	Aquatic Center Fund	Civic Center Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 473,890	\$ 219,477	\$ 141,222	\$ 834,589
Payments to suppliers	(1,568,034)	(349,173)	(159,991)	(2,077,198)
Payments to employees	(55,715)	(304,888)	(186,853)	(547,456)
Net cash provided (used) by operating activities	<u>(1,149,859)</u>	<u>(434,584)</u>	<u>(205,622)</u>	<u>(1,790,065)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers From (To) Other Funds	<u>1,024,198</u>	<u>430,633</u>	<u>210,544</u>	<u>1,665,375</u>
Net cash provided (used) by non-capital financing activities	<u>1,024,198</u>	<u>430,633</u>	<u>210,544</u>	<u>1,665,375</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Increase in due to/from	<u>(2,830)</u>	<u>(99,853)</u>	<u>203,908</u>	<u>101,225</u>
Net cash provided (used) by financing activities	<u>(2,830)</u>	<u>(99,853)</u>	<u>203,908</u>	<u>101,225</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Adjustment for correction of prior period	<u>(13,951)</u>	<u>161,975</u>	<u>(6,849)</u>	<u>141,175</u>
Net cash provided (used) by investing activities	<u>(13,951)</u>	<u>161,975</u>	<u>(6,849)</u>	<u>141,175</u>
Net increase (decrease) in cash and cash equivalents	(142,442)	58,171	201,981	117,710
Cash Balances-beginning of year	<u>142,442</u>	<u>(57,522)</u>	<u>(191,622)</u>	<u>(106,702)</u>
Cash Balances-end of year	<u>\$ -</u>	<u>\$ 649</u>	<u>\$ 10,359</u>	<u>\$ 11,008</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (1,292,318)	\$ (430,633)	\$ (210,198)	\$ (1,933,149)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	70,345	-	-	70,345
Changes in assets and liabilities:				
Accounts receivable	7,360	-	(3,330)	4,030
Customer security deposits	59,129	-	750	59,879
Accounts payable	5,625	(3,951)	7,156	8,830
Total Adjustments	<u>142,459</u>	<u>(3,951)</u>	<u>4,576</u>	<u>143,084</u>
Net cash provided (used) by Operating Activities	<u>\$ (1,149,859)</u>	<u>\$ (434,584)</u>	<u>\$ (205,622)</u>	<u>\$ (1,790,065)</u>

Other Supplementary Information

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

BRENDA P. McELWEE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aransas Pass, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Aransas Pass, Texas's basic financial statements, and have issued our report thereon dated May 24, 2016.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Brenda P. McElwee, P.C.

May 24, 2016

Statistical Section

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 2,997,920	\$ 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
Restricted	5,480,694	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
Unrestricted	(1,929,240)	(1,571,088)	279,870	1,818,939	1,972,523	1,196,816	(646,784)	3,545,092	1,248,611	2,296,104
Total Governmental Activities Net Assets	<u>\$ 6,549,374</u>	<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>
Business-type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 5,041,730	\$ 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
Restricted	180,621	123,193	-	-	-	-	-	4,124,281	3,405,193	2,837,417
Unrestricted	1,306,810	1,675,571	2,191,177	2,183,082	1,670,227	1,696,347	1,824,015	2,170,403	5,138,827	(90,344)
Total Business-Type Activities Net Assets	<u>\$ 6,529,161</u>	<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>
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 8,039,650	\$ 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
Restricted	5,661,315	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
Unrestricted	(622,430)	104,483	2,471,047	4,002,021	3,642,750	2,893,163	1,177,231	5,715,495	6,387,438	2,205,760
Total Primary Government Net Position	<u>\$ 13,078,535</u>	<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>

Table 2

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EXPENSES										
GOVERNMENTAL ACTIVITIES										
General Government	\$ 1,121,849	\$ 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
Public Safety	2,491,331	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
Public Works	900,257	899,265	986,818	975,070	1,005,017	1,061,717	1,165,413	1,022,907	1,198,227	1,700,746
Sanitation	844,745	907,874	1,055,961	1,162,022	1,169,879	1,487,975	1,467,011	1,591,962	1,438,808	1,135,540
Health and Welfare	144,671	167,223	192,719	378,774	185,885	163,167	587,530	127,566	139,931	121,191
Culture and Recreation	505,435	626,994	613,739	1,194,849	1,465,210	1,503,117	912,909	598,281	705,532	802,050
Tourism	249,402	175,604	131,576	174,744	172,048	190,983	222,911	300,618	348,241	172,801
Interest and Fiscal Charges	517,434	474,074	968,126	916,780	895,374	877,007	782,457	748,880	653,660	842,848
Total Governmental Activities Expenses	\$ 6,775,124	\$ 7,041,910	\$ 7,661,686	\$ 8,807,064	\$ 8,869,300	\$ 9,446,807	\$ 10,009,084	\$ 9,267,806	\$ 9,351,453	\$ 10,413,618
BUSINESS TYPE ACTIVITIES										
Water and Sewer	\$ 2,796,099	\$ 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
Harbor	191,522	567,715	283,947	389,666	259,459	199,337	210,306	170,958	253,837	1,699,719
Civic Center	-	-	-	-	-	-	434,378	323,071	480,029	354,000
Aquatic Center	414,241	323,340	363,538	476,724	460,462	459,065	510,936	513,001	325,349	650,110
Total Business-type Activities Expenses	3,401,862	3,768,521	3,630,316	3,992,108	3,700,942	3,829,268	4,742,322	4,392,573	4,252,383	6,837,460
Total Primary Government Expenses	\$ 10,176,986	\$ 10,810,431	\$ 11,292,002	\$ 12,799,172	\$ 12,570,242	\$ 13,276,075	\$ 14,751,406	\$ 13,660,379	\$ 13,603,836	\$ 17,251,078
PROGRAM REVENUES										
GOVERNMENTAL ACTIVITIES										
Charges for Services										
General Government	\$ 230,293	\$ 217,905	\$ 192,740	\$ 189,852	\$ 164,812	\$ 243,775	\$ 166,784	\$ 216,570	\$ 116,068	\$ 551,458
Public Safety	705,582	510,038	450,852	479,603	591,902	637,115	550,316	509,454	404,540	566,041
Public Works	16,428	13,824	51,738	23,118	2,643	-	-	-	-	-
Sanitation	976,282	1,044,125	1,212,542	1,333,719	1,290,006	1,384,868	1,417,023	1,618,794	1,706,986	1,835,211
Health and Welfare	1,578	1,579	1,901	3,945	-	-	-	-	-	-
Culture and Recreation	3,766	3,528	3,684	148,694	298,417	315,539	-	-	-	-
Tourism	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	41,474	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	\$ 1,975,403	\$ 2,045,495	\$ 2,024,187	\$ 2,486,677	\$ 2,644,976	\$ 3,154,851	\$ 3,273,694	\$ 2,628,084	\$ 2,476,597	\$ 2,972,172
BUSINESS-TYPE ACTIVITIES										
Charges for Services										
Water and Sewer	\$ 3,904,625	\$ 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
Harbor	216,631	238,000	141,737	160,237	156,838	137,497	234,372	200,107	211,144	407,401
Aquatic Center	256,468	240,588	234,473	323,373	320,099	299,088	310,332	282,382	121,432	219,477
Civic Center	-	-	-	-	-	-	114,457	128,589	252,062	143,802
Operating Grants and Contributions	-	31,171	7,720	-	-	-	-	-	-	-
Capital Grants and Contributions	16,696	28,538	218,206	3,080	-	31,765	505,447	-	42,755	-
Total Business-type Activities Program Revenues	4,394,420	4,288,802	4,239,447	4,119,500	3,889,945	4,197,795	5,359,385	5,045,555	4,673,055	5,572,609
Total Primary Government Program Revenues	\$ 6,369,823	\$ 6,334,297	\$ 6,263,634	\$ 6,606,177	\$ 6,534,921	\$ 7,352,646	\$ 8,633,079	\$ 7,673,639	\$ 7,149,652	\$ 8,544,781
NET (EXPENSE)/REVENUE										
Governmental Activities	\$ (4,799,721)	\$ (4,996,415)	\$ (5,637,499)	\$ (6,320,387)	\$ (6,224,324)	\$ (6,291,956)	\$ (6,735,390)	\$ (6,639,722)	\$ (6,874,856)	\$ (7,441,446)
Business-type Activities	992,558	520,281	609,131	127,392	189,003	368,527	617,063	652,982	420,672	(1,264,851)
Total Primary Government Net Expense	\$ (3,807,163)	\$ (4,476,134)	\$ (5,028,368)	\$ (6,192,995)	\$ (6,035,321)	\$ (5,923,429)	\$ (6,118,327)	\$ (5,986,740)	\$ (6,454,184)	\$ (8,706,297)

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NET (EXPENSE)/REVENUE										
Governmental Activities	\$ (4,799,721)	\$ (4,996,415)	\$ (5,637,499)	\$ (6,320,387)	\$ (6,224,324)	\$ (6,291,956)	\$ (6,735,390)	\$ (6,639,722)	\$ (6,874,856)	\$ (7,441,446)
Business-type Activities	992,558	520,281	609,131	127,392	189,003	368,527	617,063	652,982	420,672	(1,264,851)
Total Primary Government Net Expense	<u>(3,807,163)</u>	<u>(4,476,134)</u>	<u>(5,028,368)</u>	<u>(6,192,995)</u>	<u>(6,035,321)</u>	<u>(5,923,429)</u>	<u>(6,118,327)</u>	<u>(5,986,740)</u>	<u>(6,454,184)</u>	<u>(8,706,297)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS										
GOVERNMENTAL ACTIVITIES										
Taxes										
Property Taxes	\$ 2,444,665	\$ 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
Sales Taxes	1,971,266	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
Franchise Taxes	377,821	398,789	385,256	393,495	393,601	385,897	386,893	381,816	401,609	343,544
Occupancy Taxes	238,706	234,691	201,845	173,469	182,573	205,300	203,766	245,493	202,440	187,221
Other Taxes	7,144	6,459	8,367	8,327	11,954	10,517	10,641	10,640	15,430	12,160
Investment Earnings	266,845	464,101	420,386	60,477	15,637	12,397	10,680	8,812	5,054	18,480
Royalties	124,830	127,365	124,770	85,867	74,455	72,330	40,478	153,388	132,374	91,775
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
Insurance Proceeds	10,053	9,958	20,994	22,701	39,662	13,265	271,380	10,129	1,519	-
Miscellaneous	86,873	61,497	31,570	20,196	38,696	45,688	76,735	68,788	71,563	130,088
Transfers	240,532	416,358	259,033	245,737	355,563	448,445	117,847	465,804	425,179	(915,375)
Total Governmental Activities	<u>\$ 5,768,735</u>	<u>\$ 6,363,684</u>	<u>\$ 6,635,403</u>	<u>\$ 6,227,431</u>	<u>\$ 6,689,878</u>	<u>\$ 7,317,609</u>	<u>\$ 7,685,856</u>	<u>\$ 8,122,462</u>	<u>\$ 8,259,590</u>	<u>\$ 7,132,939</u>
BUSINESS-TYPE ACTIVITIES										
Investment Earnings	\$ 114,019	\$ 137,869	\$ 56,969	\$ 15,497	\$ 2,416	\$ 903	\$ 558	\$ 4,097	\$ 1,387	\$ 1,599
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-
Transfers	(240,532)	(416,358)	(259,033)	(245,737)	(355,563)	(448,445)	(117,847)	(222,842)	(425,179)	915,375
Total Business-type Activities	<u>(126,513)</u>	<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>
Total Primary Government	<u>\$ 5,642,222</u>	<u>\$ 6,085,195</u>	<u>\$ 6,433,339</u>	<u>\$ 5,997,191</u>	<u>\$ 6,336,731</u>	<u>\$ 6,870,067</u>	<u>\$ 7,568,567</u>	<u>\$ 7,903,717</u>	<u>\$ 7,835,798</u>	<u>\$ 8,049,913</u>
CHANGE IN NET ASSETS										
Governmental Activities	\$ 969,014	\$ 1,367,269	\$ 997,904	\$ (92,956)	\$ 465,554	\$ 1,025,653	\$ 950,466	\$ 1,482,740	\$ 1,384,734	\$ (308,507)
Business-type Activities	866,045	241,792	407,067	(102,848)	(164,144)	(110,780)	499,774	434,237	(3,120)	(347,877)
Total Primary Government	<u>\$ 1,835,059</u>	<u>\$ 1,609,061</u>	<u>\$ 1,404,971</u>	<u>\$ (195,804)</u>	<u>\$ 301,410</u>	<u>\$ 914,873</u>	<u>\$ 1,450,240</u>	<u>\$ 1,916,977</u>	<u>\$ 1,381,614</u>	<u>\$ (656,384)</u>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable	99,327	14,687	-	45,382	-	14,472	15,741	27,649	-	-
Restricted	-	-	-	-	-	-	-	200,089	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	7,216,000	7,216,000
Unassigned	811,743	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
Total General Fund	<u>911,070</u>	<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>
All Other Governmental Funds										
Restricted	4,971,104	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
Committed	14,555	24,207	109,880	124,985	133,111	135,648	140,372	-	-	395,816
Total All Other Governmental Funds	<u>4,985,659</u>	<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>

CITY OF ARANSAS PASS, TEXAS

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Taxes	\$ 5,116,051	\$ 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
Licenses, Fees and Permits	112,074	94,808	65,787	63,368	57,185	131,414	55,742	91,921	116,068	551,458
Intergovernmental	41,474	238,213	93,322	290,681	286,783	556,072	1,129,196	509,454	48,852	7,772
Charges for Services	1,075,096	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
Fines and Penalties	539,801	375,440	373,455	340,054	344,971	424,939	359,420	262,667	404,540	566,041
Special Assessments	41,714	25,247	15,911	12,989	7,325	1,503	2,537	2,332	10,197	2,332
Investment Earnings	266,845	435,539	420,386	60,477	12,382	11,107	10,680	8,812	5,054	18,480
Rents and Royalties	231,018	239,511	241,253	185,795	182,082	184,691	151,520	153,388	132,374	91,775
PILOT	57,796	52,276	59,590	136,206	102,050	88,648	93,695	124,649	145,054	11,690
Other Revenues	96,926	87,738	64,787	52,366	83,358	76,435	87,110	68,788	71,563	130,088
Total Revenues	\$ 7,578,795	\$ 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
EXPENDITURES										
General Government	\$ 1,129,835	\$ 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
Public Safety	2,318,351	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
Public Works	651,434	685,593	747,534	728,658	754,767	811,744	922,705	940,847	1,060,954	1,443,999
Sanitation	844,745	906,684	1,055,961	1,162,022	1,169,879	1,487,975	1,467,011	1,471,414	1,438,808	1,135,540
Health and Welfare	144,671	165,370	188,505	365,616	180,972	158,254	581,429	113,432	123,900	102,852
Culture and Recreation	345,138	388,021	473,688	931,250	1,129,390	1,167,621	490,797	563,500	624,704	710,355
Tourism	249,402	175,604	131,576	174,744	172,048	190,983	222,911	300,618	348,241	172,801
Capital Outlay	399,654	356,396	9,926,524	3,463,337	524,878	905,253	1,670,479	1,570,698	598,051	1,943,105
Debt Service										
Principal	756,704	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
Interest and Fees	520,406	540,835	1,015,354	890,164	907,584	846,650	782,322	678,584	601,318	842,848
Total Expenditures	\$ 7,360,340	\$ 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
Excess of Revenues Over (Under) Expenditures	\$ 218,455	\$ 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)
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
Refunding Bonds Issued	-	4,435,000	2,105,000	-	-	-	-	(1,225,000)	-	-
Payments to Escrow Agent	-	(4,495,049)	(2,090,551)	-	-	-	-	(55,000)	-	-
Insurance Proceeds and Other Sources	-	-	-	-	-	-	271,380	30,728	56,616	-
Capital Leases	-	-	-	-	-	-	-	-	-	-
Transfers In	410,000	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
Transfers Out	(169,468)	(450,914)	(323,369)	(1,016,845)	(701,118)	(1,372,309)	(1,860,091)	(1,266,970)	(1,267,582)	(2,511,802)
Total Other Financing Sources (Uses)	\$ 240,532	\$ 7,064,871	\$ 4,273,482	\$ 245,737	\$ 1,823,818	\$ 949,735	\$ 389,227	\$ 496,532	\$ 6,981,795	\$ 669,625
Prior Period Adjustments	-	-	(42,721)	-	-	-	-	-	-	-
Net Change in Fund Balances	\$ 458,987	\$ 7,564,032	\$ (5,493,757)	\$ (3,796,945)	\$ 720,513	\$ (84,102)	\$ (1,219,794)	\$ (793,073)	\$ 6,450,943	\$ (1,422,327)
Debt Service as a Percentage of Noncapital Expenditures	18.3%	17.3%	25.0%	20.7%	23.9%	22.5%	21.8%	23.3%	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
2006	\$ 2,521,114	\$ 1,971,266	\$ 377,821	\$ 238,706	\$ 7,144	\$ 5,116,051
2007	2,613,744	2,090,487	398,789	234,691	6,459	5,344,170
2008	2,954,388	2,213,912	385,256	201,845	8,367	5,763,768
2009	2,872,547	2,326,056	393,495	173,469	8,327	5,773,894
2010	2,887,934	2,685,802	393,601	182,573	11,954	6,161,864
2011	2,980,460	3,066,826	385,897	205,300	10,517	6,649,000
2012	3,348,762	3,337,846	386,893	203,766	10,641	7,287,908
2013	3,333,281	3,444,311	381,816	245,493	10,640	7,415,541
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
Percentage Change 2006-2015	44.60%	83.61%	-9.07%	-21.57%	70.21%	52.62%

Table 7

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

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

Source: San Patricio County Appraisal District

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

Taxpayer	2014			2005 (Data Not Available)		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Real Estate Business	\$ 10,863,722	1	2.16%	\$		
Lowe's Home Centers Inc.	7,200,000	2	1.43%			
Coastal Navy Housing	6,556,920	3	1.30%			
Wal-Mart Stores TX LP #0555	6,278,559	4	1.25%			
Lowe's Companies Inc. #2506	4,441,829	5	0.88%			
Firethorne Group LP	4,290,998	6	0.85%			
Coastal Bend Apartments LLC	4,274,348	7	0.85%			
AEP Texas Central Co	4,176,670	8	0.83%			
Care Holdings LLC	4,053,292	9	0.81%			
Commercial Motor Co.	3,924,334	10	0.78%			
TOTAL	\$ 56,060,672		11.13%	\$		

Source: San Patricio County Appraisal District

Table 9

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 2,361,086	\$ 2,239,461	94.85%	\$ 86,408	\$ 2,325,869	98.51%
2006	2,448,503	2,321,225	94.80%	95,913	2,417,138	98.72%
2007	2,534,009	2,405,181	94.92%	93,611	2,498,792	98.61%
2008	2,923,711	2,767,047	94.64%	94,767	2,861,814	97.88%
2009	2,770,530	2,604,814	94.02%	88,642	2,693,456	97.22%
2010	2,881,287	2,698,994	93.67%	92,566	2,791,560	96.89%
2011	2,908,095	2,746,758	94.45%	83,483	2,830,241	97.32%
2012	3,242,935	3,104,275	95.72%	N/A	3,104,275	95.72%
2013	3,235,569	3,102,610	95.89%	130,946	3,233,556	99.94%
2014	3,474,182	3,254,708	93.68%	100,396	3,355,104	96.57%

Source: San Patricio County Appraisal District