

CITY OF ARANSAS PASS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2007



City of Aransas Pass, Texas
 Comprehensive Annual Financial Report
 For The Year Ended September 30, 2007

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Introductory Section



CITY OF ARANSAS PASS, TEXAS
LIST OF PRINCIPAL OFFICIALS

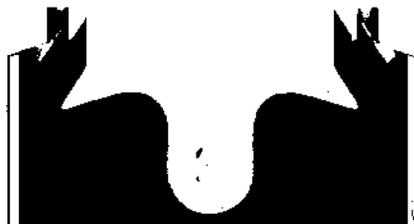
Elected Officials

<u>Name</u>	<u>Office</u>
Tommy Knight	Mayor
Jay Attaway	Mayor Pro Tempore
Karen Mayer	Council Member
Frank Hametner	Council Member
Vicki Abrego	Council Member

Appointed Officials

<u>Name</u>	<u>Position</u>
Tom Ginter	City Manager
Ada Owens	City Secretary
Sandy Roddel	Finance Director
Allen Lawrence, Jr.	City Attorney
Darrell Jones	Chief of Police
Mike Sullinger	Municipal Court Judge
Gilbert Ritz	Fire Marshall
Frank Truitt	Building Inspector
Donald Brummett	Interim Director of Public Works

Financial Section



Michael A. Arnold, PLLC

501 E. MARKET

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545

P.O. BOX 1266

FAX (361) 790-9692

ROCKPORT, TEXAS 78381-1266

Independent Auditor's Report on Financial Statements

City Council
City of Aransas Pass, Texas
P.O. Box 2000
Aransas Pass, Texas 78335

Members of the City Council:

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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Aransas Pass, Texas's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 City of Aransas Pass, Texas as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008, on our consideration of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the City of Aransas Pass, Texas's basic financial statements. The accompanying combining and individual fund financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael A. Arnold, PLLC". The signature is written in a cursive, flowing style.

Michael A. Arnold, PLLC

March 14, 2008

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, 2007. Please read it in conjunction with the City's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

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

Total government-wide net assets increased \$1,609,061 as a result of this year's operations. Governmental activities contributed \$1,367,269 with the balance of \$241,792 resulting from business-type activities.

General Fund Performance

As a result of this year's operations, the General fund reported a \$602,827 increase to fund balance.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15 and 16) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund finance statements start on page 42. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the central concerns in assessing any City's finances is summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this question begins on page 6. The analysis includes a condensed summary of the government-wide financial statements – The Statement of Net Assets and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies – including all assets and liabilities using the

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

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

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

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

Business-type activities – Certain services that the City provides are paid for from fees that are charged to customers. Water, wastewater, harbor rentals 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 18. The fund financial statements are presented on pages 42 through 58. 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 services it provides. This view of the City's operations provides

ion that helps to determine the extent to which financial resources are available
 d in the near future to finance City programs. The relationship between these
 governmental fund financial statements and the governmental activities column shown in
 government-wide financial statements is shown in the form of a reconciliation
 ted on the page following each governmental fund financial statement.

rietary funds- Services provided to either outside customers or to another unit of the
 , where a fee is charged, are generally reported in proprietary funds. Proprietary
 ds are reported the same way that is used in the government-wide financial statements.
 tter of fact, the City's enterprise funds (a component of proprietary funds) are
 substantially the same as the business-type funds (a component of proprietary funds) are
 financial statements but provides more detail including cash flows. The other component
 f proprietary funds is internal service funds.

THE CITY AS A WHOLE

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

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	14.8	7.5	2.4	3.6	17.2	11.1
Capital Assets	9.8	10.0	6.8	5.9	16.6	15.9
Total Assets	24.6	17.5	9.2	9.5	33.8	27.0
Long-term debt outstanding	16.3	10.4	2.3	2.6	18.6	13.0
Other liabilities	.3	.5	.2	.4	.5	.9
Total liabilities	16.6	10.9	2.5	3.0	19.1	13.9
Net assets:						
Invested in capital assets,	3.9	3.0	5.0	5.0	8.9	8.0
Net of debt	5.6	5.5	.1	.2	5.7	5.7
Restricted	(1.6)	(1.9)	1.7	1.3	.1	(.6)
Unrestricted (deficit)	7.9	6.6	6.8	6.5	14.7	13.1
Total net assets						

Net assets of the City's governmental activities increased \$1,367,269.

The net assets of the City's business-type activities increased \$241,792.

information that helps to determine the extent to which financial resources 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- Services 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 other component of proprietary funds is internal service funds.

THE CITY AS A WHOLE

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

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	14.8	7.5	2.4	3.6	17.2	11.1
Capital Assets	9.8	10.0	6.8	5.9	16.6	15.9
Total Assets	24.6	17.5	9.2	9.5	33.8	27.0
Long-term debt outstanding	16.3	10.4	2.3	2.6	18.6	13.0
Other liabilities	.3	.5	.2	.4	.5	.9
Total liabilities	16.6	10.9	2.5	3.0	19.1	13.9
Net assets:						
Invested in capital assets,						
Net of debt	3.9	3.0	5.0	5.0	8.9	8.0
Restricted	5.6	5.5	.1	.2	5.7	5.7
Unrestricted (deficit)	(1.6)	(1.9)	1.7	1.3	.1	(.6)
Total net assets	7.9	6.6	6.8	6.5	14.7	13.1

Net assets of the City's governmental activities increased \$1,367,269.

The net assets of the City's business-type activities increased \$241,792.

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	1.8	1.9	4.2	4.4	6.0	6.3
Grants	.3		.1		.4	
General revenues:						
Property taxes	2.6	2.5			2.6	2.5
Sales tax	2.1	1.9			2.1	1.9
Other taxes	.6	.9			.6	.9
Other general revenues	.7	.2	.1	.1	.7	.3
Total revenues	8.1	7.4	4.4	4.5	12.5	11.9
Program expenses						
General government	1.2	1.1			1.2	1.1
Public safety	2.6	2.5			2.6	2.5
Public works	.9	.9			.9	.9
Sanitation	.9	.8			.9	.8
Health and Welfare	.2	.1			.2	.1
Tourism	.2	.2			.2	.2
Culture and recreation	.6	.5			.6	.5
Interest on long-term debt	.5	.5			.5	.5
Water and Sewer			2.9	2.8	2.9	2.8
Harbor			.6	.2	.6	.2
Aquatic Center			.3	.4	.3	.4
Total expenses	7.1	6.6	3.8	3.4	10.9	10.0
Excess (deficiency)						
Before special items						
And transfers	1.0	.8	.6	1.1	1.6	1.9
Transfers	.4	.3	(.4)	(.3)	-	-
Increase (decrease)						
In net assets	1.4	1.1	.2	.8	1.6	1.9

Total revenues generated from both governmental and business-type activities this year amounted to \$12.5 million.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$8.1 million. Expenses came in at \$7.1 million.

The cost of all governmental activities this year was \$7.1 million. However, as shown on the Statement of Activities on pages 16 and 17, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$5.9 million. \$2.0 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	
	2007	2006	2007	2006
Public Safety	2.6	2.5	1.9	1.7
General Government	1.2	1.1	.9	.9
Public Works	.9	.9	.9	.9
Sanitation	.9	.8	(.2)	(.1)
Health and Welfare	.2	.1	.2	.1
Culture and Recreation	.6	.5	.6	.5
Total	6.4	5.9	4.3	4.0

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$4.4 million. Expenses came in at \$3.8 million, leaving \$.6 million as an increase to net assets before transfers. An additional net \$.4 million in transfers to governmental activities was made, resulting in an all-inclusive increase to net assets amounting to \$.2 million.

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

THE CITY'S FUNDS

As a result of this year's operation, governmental funds (as reflected in the balance sheet on page 18) increased combined fund balance to \$13.5 million, an increase of \$7.6 million from last year. This was primarily due to the issuance of the \$6,100,000 certificates of obligation and the \$580,000 tax notes.

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, 2007 and 2006.

Table 4
Revenues and Transfers-In

Revenues and Transfers- In	2007 Amount	% of Total	2006 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	5,344,170	67	\$5,116,051	228,119	4
Licenses & Permits	94,808	1	112,074	(17,266)	(16)
Intergovernmental	238,213	3	25,351	212,862	840
Charges for services	1,138,679	14	1,075,096	63,583	6
Fines and Forfeitures	375,440	5	539,801	(164,361)	(31)
Other	840,311	10	710,422	129,889	19
Total	8,031,621	100	\$7,578,795	452,826	

Taxes

Property Taxes

Property taxes increased \$92,630 over last year.

Growth in Taxable Assessed Value

Although the overall rate was reduced for this fiscal year, taxable assessed values, as adjusted for changes throughout each fiscal year, increased by \$41,129,307 or 11% over last year.

Other Taxes

This year's reported franchise taxes as a whole increased \$20,968 from the prior year.

Hotel Taxes

Occupancy taxes decreased over prior year revenues by \$4,015.

Miscellaneous

Miscellaneous revenues total \$840,311 largely consist of special assessments, rents and royalties, interest and PILOT – Industrial Development District.

**Table 5
Expenditures and Transfers-Out**

Expenditures and Transfers- Out	2007 Amount	Percent of Total	2006 Amount	Percent Change
General government	1,153,454	15	\$1,129,835	2
Public safety	2,463,214	33	2,318,351	6
Public Works	685,593	9	651,434	5
Sanitation , Health and Welfare	1,072,054	14	989,416	8
Recreation & Tourism	563,625	8	594,540	(5)
Capital Outlay	356,396	5	399,654	(11)
Debt Service:				
Principal	697,289	9	756,704	(8)
Interest and Fiscal Charges	540,835	7	520,406	4
Total	7,532,460	100	\$7,360,340	3

Fund Balance

Combined fund balance for all of the governmental fund types increased \$7,564,032, from a balance of \$5,896,729 in the prior year to \$13,460,761 as of the current fiscal year end.

General Fund

Revenues and transfers-in generated \$5,444,481 and 778,901, respectively, aggregating \$6,223,382. Expenditures and transfers-out amounted to \$5,438,452 and \$182,013, respectively, aggregating \$5,620,465. The resulting effect on fund balance represented an

increase of \$602,917. The transfers out were primarily to the Aquatic Center Fund to cover operating costs.

AP Municipal Development District Fund

The fund balance of the AP Municipal Development District Fund increased from \$3,671,528 in the prior year to \$3,886,676, an increase of \$215,148. 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.

Debt Service Fund

The fund balance of the debt service fund increased from \$459,060 in the prior year to \$584,611, an increase of \$125,551.

PROPRIETARY FUNDS

Enterprise Funds

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

General Comments

Increases of the cost of water purchased from San Patricio Municipal Water District were passed on to the customers attributing to the increased revenues. Revenues were up largely due to this increase.

Consumption

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

**Table 6
Consumption**

Fiscal Year	06-07	05-06	% Increase/ Decrease	04-05	% Increase/Dec rease
Total Consumption	436,988,100	431,123,700	1%	406,559,800	6%

Growth in Customer Base

The City of Aransas Pass has seen a growth in the customer base on the average of 1% annually since 2005. This is illustrated in the table below:

**Table 7
Growth in Customer Base**

Fiscal Year	06-07	05-06	% Increase/ Decrease	04-05	% Increase/ Decrease
Total Meter Connections	3774	3,739	1%	3,686	1%

Utility System Fund

Operating revenues for the Water and Sewer Fund were \$3,750,505, which is \$154,120 less than 2006. Expenses were \$2,784,181, which is \$67,273 more than 2006.

Harbor Fund

The Harbor Fund is funded with rental revenue. Revenues for the Harbor totaled \$238,000, which is \$21,369 more than revenues for 2006. Expenses for the same period were \$566,365, a total of \$377,688 more than 2006.

Aquatic Center

The Aquatic Center is funded with revenue from admissions, passes, rentals, instructional classes and concessions. Revenues for the Aquatic Center totaled \$240,588, which is \$15,880 under revenues for 2006. Expenses for the same period were \$323,340, a total of \$90,901 less than 2006.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$16,533,354 in capital assets.

Table 8
Capital Assets at Year-end
(Net of Depreciation,)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	1.4	\$1.4	.3	\$.3	1.7	\$1.7
Const in Prog.	.1		.1	.4	.2	.4
Buildings and improvements	4.2	4.3	.6	.7	4.8	5.0
Equipment	1.3	1.5	.5	.2	1.8	1.7
Infrastructure	2.8	2.9	5.2	4.2	8.0	7.1
Totals	9.8	\$10.1	6.7	\$5.8	16.5	\$15.9

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

Debt Administration

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

Type of Debt Issued

The types of debt the City has issued are revenue bonds, general obligation refunding bonds, and combination tax and revenue certificates of obligation. At September 30, 2007, 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 is AAA.

Bonds Outstanding

At the end of the fiscal year, the City had \$18.6 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 Government	
	2007	2006	2007	2006	2007	2006
General obligation bonds (backed by the City)	16.4	\$10.2	2.2	\$2.4	18.6	\$12.6
Revenue bonds (backed by specific tax and fee revenues)	0.0	0.0	0.0	0.0	0.0	0.0
Totals	16.4	\$10.2	2.2	\$2.4	18.6	12.6

During this fiscal year, the City issued \$4,435,000 General Obligation Refunding Bonds which saved the City approximately \$168,000. The City also issued \$6,100,000 Certificates of Obligation to be used primarily for the acquisition of land for the municipal harbor and \$580,000 of tax notes to be used for remodeling City Hall. In December, 2007, the City issued \$4,000,000 in Certificates of Obligation for construction of a new civic center. Debt service for this issue will be paid by the Aransas Pass Municipal Development District.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2007-08 the elected and appointed officials considered many factors including the forces 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 E. Cleveland, Aransas Pass, Texas 78336.

Basic Financial Statements



CITY OF ARANSAS PASS, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS:			
<i>Cash and Cash Equivalents</i>	\$ 2,717,827	\$ 902,468	\$ 3,620,295
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Property Taxes</i>	338,341	--	338,341
<i>Accounts</i>	104,098	470,162	574,260
<i>Occupancy Taxes</i>	107,312	--	107,312
<i>Sales Taxes</i>	118,435	--	118,435
<i>Other Taxes</i>	14,687	--	14,687
<i>Assessments</i>	397,643	--	397,643
<i>Sundry</i>	6,732	--	6,732
<i>Fines</i>	217,140	--	217,140
<i>Intergovernmental</i>	6,537	6,010	12,547
<i>Internal Balances</i>	(116,014)	116,014	--
<i>Note receivable</i>	--	24,675	24,675
<i>Inventories</i>	14,794	--	14,794
Restricted Assets:			
<i>Cash and Cash Equivalents</i>	10,571,692	837,933	11,409,625
<i>Sales Taxes Receivable</i>	53,162	--	53,162
<i>Unamortized Bond Costs</i>	198,157	94,855	293,012
Capital Assets:			
<i>Land</i>	1,420,756	308,583	1,729,339
<i>Construction in Progress</i>	134,091	53,333	187,424
<i>Buildings</i>	3,262,871	--	3,262,871
<i>Water and Sewer System</i>	--	10,573,729	10,573,729
<i>Improvements other than Buildings</i>	2,310,683	2,669,758	4,980,441
<i>Furniture and Equipment</i>	2,754,705	1,059,940	3,814,645
<i>Infrastructure</i>	3,118,979	--	3,118,979
<i>Less Accumulated Depreciation</i>	(3,197,476)	(7,904,818)	(11,102,294)
Total Assets	<u>24,555,152</u>	<u>9,212,642</u>	<u>33,767,794</u>
LIABILITIES:			
<i>Accounts Payable and Other Current Liabilities</i>	138,501	1,680	140,181
<i>Accrued Interest Payable</i>	168,104	15,456	183,560
<i>Customer Deposits</i>	--	18,851	18,851
<i>Liabilities Payable from Restricted Assets</i>			
<i>Customer Deposits</i>	--	134,949	134,949
Noncurrent Liabilities-			
<i>Due within one year</i>	884,071	274,750	1,158,821
<i>Due in more than one year</i>	15,447,833	1,996,003	17,443,836
Total Liabilities	<u>16,638,509</u>	<u>2,441,689</u>	<u>19,080,198</u>
NET ASSETS			
<i>Invested in Capital Assets, Net of Related Debt</i>	3,924,568	4,972,189	8,896,757
Restricted For:			
<i>Debt Service</i>	734,291	--	734,291
<i>Tourism</i>	185,181	--	185,181
<i>Building Security</i>	39,498	--	39,498
<i>Emergency Services</i>	335,196	--	335,196
<i>Law Enforcement</i>	43,719	--	43,719
<i>Court Technology</i>	12,258	--	12,258
<i>Capital Outlay</i>	1,267,695	123,193	1,390,888
<i>Special Projects</i>	2,945,325	--	2,945,325
<i>Unrestricted</i>	(1,571,088)	1,675,571	104,483
Total Net Assets	<u>\$ 7,916,643</u>	<u>\$ 6,770,953</u>	<u>\$ 14,687,596</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
<i>General Government</i>	\$ 1,160,353	\$ 217,905	\$ --	\$ --
<i>Public Safety</i>	2,630,523	510,038	212,852	--
<i>Public Works</i>	899,265	13,824	--	--
<i>Sanitation</i>	907,874	1,044,125	1,911	21,692
<i>Health and Welfare</i>	167,223	1,579	--	--
<i>Culture and Recreation</i>	626,994	3,528	18,041	--
<i>Tourism</i>	175,604	--	--	--
<i>Interest and Fiscal Charges</i>	474,074	--	--	--
Total Governmental Activities	<u>7,041,910</u>	<u>1,790,999</u>	<u>232,804</u>	<u>21,692</u>
Business-type Activities:				
<i>Water and Sewer</i>	2,877,466	3,750,505	--	28,538
<i>Harbor</i>	567,715	238,000	31,171	--
<i>Aquatic Center</i>	323,340	240,588	--	--
Total Business-type Activities	<u>3,768,521</u>	<u>4,229,093</u>	<u>31,171</u>	<u>28,538</u>
Total Primary Government	<u>\$ 10,810,431</u>	<u>\$ 6,020,092</u>	<u>\$ 263,975</u>	<u>\$ 50,230</u>

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Mixed Beverage Taxes
Occupancy Taxes
Interest Income
Insurance Proceeds
Royalties
Miscellaneous
Transfers
Total General Revenues
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (942,448)		\$ (942,448)
(1,907,633)		(1,907,633)
(885,441)		(885,441)
159,854		159,854
(165,644)		(165,644)
(605,425)		(605,425)
(175,604)		(175,604)
(474,074)		(474,074)
<u>(4,996,415)</u>		<u>(4,996,415)</u>
--	\$ 901,577	901,577
--	(298,544)	(298,544)
--	(82,752)	(82,752)
--	<u>520,281</u>	<u>520,281</u>
<u>(4,996,415)</u>	<u>520,281</u>	<u>(4,476,134)</u>
2,553,979	--	2,553,979
2,090,487	--	2,090,487
398,789	--	398,789
6,459	--	6,459
234,691	--	234,691
464,101	137,869	601,970
9,958	--	9,958
127,365	--	127,365
61,497	--	61,497
416,358	(416,358)	--
<u>6,363,684</u>	<u>(278,489)</u>	<u>6,085,195</u>
1,367,269	241,792	1,609,061
6,549,374	6,529,161	13,078,535
<u>\$ 7,916,643</u>	<u>\$ 6,770,953</u>	<u>\$ 14,687,596</u>

CITY OF ARANSAS PASS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	<u>General Fund</u>	<u>AP Municipal Development District</u>	<u>Debt Service Fund</u>
ASSETS			
<i>Cash and Cash Equivalents</i>	\$ 1,678,889	\$ --	\$ 362,722
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Property Taxes</i>	188,661	--	149,680
<i>Accounts</i>	104,098	--	--
<i>Occupancy Taxes</i>	--	--	--
<i>Sales Taxes</i>	118,435	--	--
<i>Other Taxes</i>	14,687	--	--
<i>Assessments</i>	--	--	--
<i>Sundry</i>	6,732	--	--
<i>Intergovernmental</i>	5,894	--	--
<i>Due from Other Funds</i>	94,879	--	221,889
<i>Inventories</i>	14,794	--	--
Restricted Assets:			
<i>Cash and Cash Equivalents</i>	--	3,874,603	--
<i>Sales Taxes Receivable</i>	--	53,162	--
Total Assets	\$ 2,227,069	\$ 3,927,765	\$ 734,291
LIABILITIES AND FUND BALANCES:			
Liabilities:			
<i>Accounts Payable</i>	\$ 92,462	\$ --	\$ --
<i>Due to Other Funds</i>	431,959	41,089	--
<i>Deferred Revenue</i>	188,661	--	149,680
Total Liabilities	713,082	41,089	149,680
Fund Balances:			
Reserved Fund Balances:			
<i>Reserved for Inventories</i>	14,687	--	--
<i>Reserved for Debt Service</i>	--	--	584,611
<i>Reserved for Tourism</i>	--	--	--
<i>Reserved for Law Enforcement</i>	--	--	--
<i>Reserved for Special Projects</i>	--	2,821,811	--
<i>Reserved for Public Library</i>	--	--	--
<i>Reserved for Capital Outlay</i>	--	1,064,865	--
<i>Reserved for Emergency Services</i>	--	--	--
<i>Reserved for Court Technology</i>	--	--	--
<i>Reserved for Building Security</i>	--	--	--
<i>Unreserved, Undesignated</i>	1,499,300	--	--
Total Fund Balance	1,513,987	3,886,676	584,611
Total Liabilities and Fund Balance	\$ 2,227,069	\$ 3,927,765	\$ 734,291

The accompanying notes are an integral part of this statement.

Capital Improvements Fund	2007 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ 17,902	\$ --	\$ 658,314	\$ 2,717,827
--	--	--	338,341
--	--	--	104,098
--	--	107,312	107,312
--	--	--	118,435
--	--	--	14,687
397,643	--	--	397,643
--	--	--	6,732
--	--	643	6,537
90,796	--	84,502	492,066
--	--	--	14,794
--	6,082,150	614,939	10,571,692
--	--	--	53,162
<u>\$ 506,341</u>	<u>\$ 6,082,150</u>	<u>\$ 1,465,710</u>	<u>\$ 14,943,326</u>
\$ --	\$ --	\$ 46,039	\$ 138,501
84,491	--	50,541	608,080
397,643	--	--	735,984
<u>482,134</u>	<u>--</u>	<u>96,580</u>	<u>1,482,565</u>
--	--	--	14,687
--	--	--	584,611
--	--	185,181	185,181
--	--	43,719	43,719
--	--	6,953	2,828,764
--	--	95,541	95,541
--	6,082,150	657,366	7,804,381
--	--	335,196	335,196
--	--	12,258	12,258
--	--	39,498	39,498
24,207	--	--	1,523,507
<u>24,207</u>	<u>6,082,150</u>	<u>1,369,130</u>	<u>13,460,761</u>
<u>\$ 506,341</u>	<u>\$ 6,082,150</u>	<u>\$ 1,465,710</u>	<u>\$ 14,943,326</u>

CITY OF ARANSAS PASS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

Total fund balances - governmental funds balance sheet	\$ 13,460,761
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	9,804,609
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	338,341
Payables for bond principal which are not due in the current period are not reported in the funds.	(16,148,328)
Payables for bond interest which are not due in the current period are not reported in the funds.	(168,104)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(98,581)
Payables for contracts which are not due in the current period are not reported in the funds.	(84,995)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	217,140
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	397,643
Bond issuance costs are not reported in the funds.	<u>198,157</u>
Net assets of governmental activities - statement of net assets	<u>\$ 7,916,643</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Fund	AP Municipal Development District	Debt Service Fund
Revenue:			
<i>Taxes:</i>			
General Property Taxes	\$ 1,641,878	\$ --	\$ 971,866
Sales Taxes	1,439,367	651,120	--
Franchise Taxes	398,789	--	--
Occupancy Taxes	--	--	--
Mixed Beverage Taxes	6,459	--	--
License and Permits	94,808	--	--
Intergovernmental	2,562	--	--
Charges for Services	1,064,079	--	--
Fines and Forfeitures	354,098	--	--
Special Assessments	--	--	--
Interest	82,633	199,663	16,374
Rents and Royalties	239,511	--	--
PILOT - Industrial Development District	52,276	--	--
Other	68,021	--	--
Total revenues	<u>5,444,481</u>	<u>850,783</u>	<u>988,240</u>
Expenditures:			
<i>Current:</i>			
General Government	1,143,186	10,268	--
Public Safety	2,145,260	--	--
Public Works	684,685	--	--
Sanitation	890,226	--	--
Health and Welfare	165,370	--	--
Culture and Recreation	369,407	--	--
Tourism	--	--	--
<i>Debt Service:</i>			
Principal	--	100,000	587,000
Interest and Fiscal Charges	--	105,378	264,651
Fiscal Agent's Fees	--	742	2,500
Bond Issuance Costs	--	--	52,851
Capital Outlay	40,318	74,546	--
Total Expenditures	<u>5,438,452</u>	<u>290,934</u>	<u>907,002</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,029</u>	<u>559,849</u>	<u>81,238</u>
Other Financing Sources (Uses):			
Operating Transfers In	778,901	--	--
Operating Transfers Out	(182,013)	(268,901)	--
Certificates of Obligation Issued	--	--	--
Accrued Interest from Bond Issue	--	--	28,562
Tax Notes Issued	--	--	--
Refunding Bonds Issued	--	--	4,435,000
Payment to Refunded Bond Escrow Agent	--	(75,800)	(4,419,249)
Total Other Financing Sources (Uses)	<u>596,888</u>	<u>(344,701)</u>	<u>44,313</u>
Net Change in Fund Balances	602,917	215,148	125,551
Fund Balances - Beginning	911,070	3,671,528	459,060
Fund Balances - Ending	<u>\$ 1,513,987</u>	<u>\$ 3,886,676</u>	<u>\$ 584,611</u>

The accompanying notes are an integral part of this statement.

Capital Improvements Fund	2007 Certificate of Obligation	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 2,613,744
--	--	--	2,090,487
--	--	--	398,789
--	--	234,691	234,691
--	--	--	6,459
--	--	--	94,808
--	--	235,651	238,213
--	--	74,600	1,138,679
--	--	21,342	375,440
25,247	--	--	25,247
186	82,150	54,533	435,539
--	--	--	239,511
--	--	--	52,276
157	--	19,560	87,738
<u>25,590</u>	<u>82,150</u>	<u>640,377</u>	<u>8,031,621</u>
--	--	--	1,153,454
--	--	317,954	2,463,214
908	--	--	685,593
--	--	16,458	906,684
--	--	--	165,370
--	--	18,614	388,021
--	--	175,604	175,604
10,289	--	--	697,289
63	--	--	370,092
--	--	--	3,242
--	100,000	14,650	167,501
--	--	241,532	356,396
<u>11,260</u>	<u>100,000</u>	<u>784,812</u>	<u>7,532,460</u>
<u>14,330</u>	<u>(17,850)</u>	<u>(144,435)</u>	<u>499,161</u>
--	--	88,371	867,272
--	--	--	(450,914)
--	6,100,000	--	6,100,000
--	--	--	28,562
--	--	580,000	580,000
--	--	--	4,435,000
--	--	--	(4,495,049)
<u>--</u>	<u>6,100,000</u>	<u>668,371</u>	<u>7,064,871</u>
<u>14,330</u>	<u>6,082,150</u>	<u>523,936</u>	<u>7,564,032</u>
9,877	--	845,194	5,896,729
<u>\$ 24,207</u>	<u>\$ 6,082,150</u>	<u>\$ 1,369,130</u>	<u>\$ 13,460,761</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
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Net change in fund balances - total governmental funds	\$ 7,564,032
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	280,498
The depreciation of capital assets used in governmental activities is not reported in the funds.	(550,718)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(59,765)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	687,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	4,218
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	6,071
Bond issuance costs and similar items are amortized in the SOA but not in the funds	(6,175)
(Increase) decrease in accrued interest from beginning of period to end of period	(85,188)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(3,280)
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	11,474
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(19,071)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(11,115,000)
Bond issuance costs are reported in the funds but not in the SOA.	167,501
Amortization of deferred loss on defeasance is reported in SOA, but not in funds.	(9,377)
Payments to refunding bond escrow are reported in the funds as other uses, but not in SOA.	4,495,049
Change in net assets of governmental activities - statement of activities	<u>\$ 1,367,269</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS

STATEMENT OF NET ASSETS

ENTERPRISE FUNDS

SEPTEMBER 30, 2007

	Enterprise Fund Water and Sewer Fund	Enterprise Fund Harbor Fund	Nonmajor Enterprise Fund Aquatic Center Fund	Total Enterprise Funds
ASSETS:				
Current Assets:				
<i>Cash and Cash Equivalents</i>	\$ 846,422	\$ 38,846	\$ 17,200	\$ 902,468
<i>Receivables (net of allowances for uncollectibles):</i>				
<i>Accounts</i>	413,208	56,346	608	470,162
<i>Intergovernmental</i>	6,010	--	--	6,010
<i>Due from other funds</i>	110,508	--	10,280	120,788
<i>Note Receivable - current portion</i>	--	24,675	--	24,675
Total Current Assets	1,376,148	119,867	28,088	1,524,103
Noncurrent Assets:				
Restricted Cash and Cash Equivalents				
<i>Cash</i>	837,933	--	--	837,933
<i>Bond Issuance cost, net</i>	94,855	--	--	94,855
Capital Assets:				
<i>Land</i>	308,583	--	--	308,583
<i>Construction in Progress</i>	53,333	--	--	53,333
<i>Improvements Other Than Buildings</i>	--	2,669,758	--	2,669,758
<i>Water System</i>	3,026,775	--	--	3,026,775
<i>Sewer System</i>	7,546,954	--	--	7,546,954
<i>Machinery and Equipment</i>	1,020,513	39,427	--	1,059,940
<i>Less Accumulated Depreciation</i>	(5,823,386)	(2,081,432)	--	(7,904,818)
Total Noncurrent Assets	7,065,560	627,753	--	7,693,313
Total Assets	\$ 8,441,708	\$ 747,620	\$ 28,088	\$ 9,217,416
LIABILITIES:				
Current Liabilities:				
<i>Accounts payable</i>	\$ 1,680	\$ --	\$ --	\$ 1,680
<i>Due to other funds</i>	4,718	56	--	4,774
<i>Accrued interest payable</i>	15,456	--	--	15,456
<i>Customer deposits</i>	18,851	--	--	18,851
<i>Compensated absences payable-current</i>	7,000	--	--	7,000
<i>Bonds and Certificates of Obligation</i>				
<i>payable - current</i>	190,000	--	--	190,000
<i>Contracts payable - current</i>	77,750	--	--	77,750
Total Current Liabilities	315,455	56	--	315,511
Current Liabilities Payable from Restricted Assets-				
<i>Customer Deposits</i>	134,949	--	--	134,949
Total Current Liabilities Payable	134,949	--	--	134,949
Noncurrent Liabilities:				
<i>Bonds and Certificates of Oblg. Payable</i>	1,990,000	--	--	1,990,000
<i>Compensated absences payable</i>	3,935	--	2,068	6,003
Total Noncurrent Liabilities	1,993,935	--	2,068	1,996,003
Total Liabilities	2,444,339	56	2,068	2,446,463
NET ASSETS:				
<i>Investment in Capital Assets, Net of Related Debt</i>	4,344,436	627,753	--	4,972,189
<i>Restricted for Capital Outlay</i>	123,193	--	--	123,193
<i>Unrestricted Net Assets</i>	1,529,740	119,811	26,020	1,675,571
Total Net Assets	\$ 5,997,369	\$ 747,564	\$ 26,020	\$ 6,770,953

CITY OF ARANSAS PASS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Enterprise Fund	Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
	Water and Sewer Fund	Harbor Fund	Aquatic Center Fund	
OPERATING REVENUES:				
Charges for services	\$ 3,750,505	\$ 238,000	\$ 240,588	\$ 4,229,093
Total Operating Revenues	<u>3,750,505</u>	<u>238,000</u>	<u>240,588</u>	<u>4,229,093</u>
OPERATING EXPENSES:				
Personal services	687,937	5,150	183,230	876,317
Contractual services	225,574	203,222	72,474	501,270
Supplies	1,459,473	2,087	56,939	1,518,499
Maintenance	177,109	285,951	10,697	473,757
Depreciation and Amortization	234,088	69,955	--	304,043
Total Operating Expenses	<u>2,784,181</u>	<u>566,365</u>	<u>323,340</u>	<u>3,673,886</u>
Operating Income	<u>966,324</u>	<u>(328,365)</u>	<u>(82,752)</u>	<u>555,207</u>
NON-OPERATING REVENUES (EXPENSES):				
Intergovernmental revenue	28,538	31,171	--	59,709
Interest income	114,499	22,797	573	137,869
Interest expense	(93,285)	(1,350)	--	(94,635)
Total Non-operating Revenues (Expenses)	<u>49,752</u>	<u>52,618</u>	<u>573</u>	<u>102,943</u>
Income before Transfers	<u>1,016,076</u>	<u>(275,747)</u>	<u>(82,179)</u>	<u>658,150</u>
Operating transfers in	--	--	93,642	93,642
Operating transfers out	(360,000)	(150,000)	--	(510,000)
Change in Net Assets	<u>656,076</u>	<u>(425,747)</u>	<u>11,463</u>	<u>241,792</u>
Total Net Assets - Beginning	5,341,293	1,173,311	14,557	6,529,161
Total Net Assets - Ending	<u>\$ 5,997,369</u>	<u>\$ 747,564</u>	<u>\$ 26,020</u>	<u>\$ 6,770,953</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Enterprise Fund	Enterprise Fund	Nonmajor Enterprise Fund	
	Water and Sewer	Harbor	Aquatic Center	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 3,770,021	\$ 225,167	\$ 240,633	\$ 4,235,821
Cash Receipts (Payments) for Operating Transactions with Other Funds	(179,758)	(1,588)	(17,051)	(198,397)
Cash Payments to Employees for Services	(693,206)	(5,150)	(184,659)	(883,015)
Cash Payments to Other Suppliers for Goods and Services	(2,010,485)	(491,260)	(140,110)	(2,641,855)
Net Cash Provided (Used) by Operating Activities	<u>886,572</u>	<u>(272,831)</u>	<u>(101,187)</u>	<u>512,554</u>
Cash Flows from Non-capital Financing Activities:				
Transfers To Other Funds	(360,000)	(150,000)	--	(510,000)
Transfers From Other Funds	--	--	93,642	93,642
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(360,000)</u>	<u>(150,000)</u>	<u>93,642</u>	<u>(416,358)</u>
Cash Flows from Capital and Related Financing Activities:				
Principal and Interest Paid	(271,887)	(51,350)	--	(323,237)
Acquisition or Construction of Capital Assets	(1,193,475)	--	--	(1,193,475)
Capital Grants Received	39,224	31,171	--	70,395
Long-term Contracts paid	(154,500)	--	--	(154,500)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,580,638)</u>	<u>(20,179)</u>	<u>--</u>	<u>(1,600,817)</u>
Cash Flows from Investing Activities:				
Principal collected on Note Receivable	--	29,768	--	29,768
Interest on Investments	114,499	22,797	573	137,869
Net Cash Provided (Used) for Investing Activities	<u>114,499</u>	<u>52,565</u>	<u>573</u>	<u>167,637</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(939,567)	(390,445)	(6,972)	(1,336,984)
Cash and Cash Equivalents at Beginning of Year	2,623,922	429,291	24,172	3,077,385
Cash and Cash Equivalents at End of Year	<u>\$ 1,684,355</u>	<u>\$ 38,846</u>	<u>\$ 17,200</u>	<u>\$ 1,740,401</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 966,324	\$ (328,365)	\$ (82,752)	\$ 555,207
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation and amortization	234,088	69,955	--	304,043
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	248	(12,833)	45	(12,540)
Decrease (Increase) in Interfund receivables	(3,553)	--	(10,280)	(13,833)
Increase (Decrease) in Accounts Payable	(148,329)	--	--	(148,329)
Increase (Decrease) in Deferred Revenue	--	--	--	--
Increase (Decrease) in Interfund Payables	(176,205)	(1,588)	(6,771)	(184,564)
Increase (Decrease) in Customer Deposits	19,268	--	--	19,268
Increase (Decrease) in Accrued Expenses	(5,269)	--	(1,429)	(6,698)
Total Adjustments	<u>(79,752)</u>	<u>55,534</u>	<u>(18,435)</u>	<u>(42,653)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 886,572</u>	<u>\$ (272,831)</u>	<u>\$ (101,187)</u>	<u>\$ 512,554</u>

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, 2007

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 the 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 Unit

Blended component units provide services exclusively or almost exclusively for the City, and/or their Board of Directors are substantially the same as the City Council. The following blended component unit is 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 1/2 cent sales tax was approved by the voters to fund the District's development projects. The City Council appoints all of the District's board members and can remove them at will. Since the City appoints the board of directors, the District provides services to the exclusive benefit of the City, and makes debt service payments for the City, it has been reported as a blended component unit in a special revenue fund. The District issues separate financial statements which are available upon request.

Discretely Presented Component Units

There are no component units which require discrete presentation.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations 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.

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

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

2007 Certificate of Obligation Fund. This fund is used to account for the proceeds and related disbursements from the 2007 Certificate of Obligation Issue.

The City reports the following major enterprise funds:

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

Harbor Fund. This fund accounts for operations of the City's harbor.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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 basis of accounting. Under this method, revenues are recognized when measurable and available. The City does not consider revenues collected after its year-end to be available in the current period. 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 a 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 when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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 \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	30-40
Other Improvements	20-25
Machinery and Equipment	5-10
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 from 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 transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

h. Use of Estimates

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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.

Once a budget is approved, it can be amended only by 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, Citizens Collection Fund, Hotel/Motel Occupancy Tax Fund, Municipal Court Technology Fund, Building Security 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. Budgeted expenditures exceed appropriations for the following funds:

<u>Fund</u>	<u>Expenditures over Budget</u>
Citizens Collection Fund	\$ 5,062

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Citizens Collection Fund	\$ (7,100)	Temporary shortage to be replenished by General Fund.

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:

At September 30, 2007, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$658,222 and the bank balance was \$898,540. The City's cash deposits at September 30, 2007 and during the year ended September 30, 2007, 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 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	\$ 14,371,698
Total Investments		\$ <u>14,371,698</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:

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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 AAAM rating.

At September 30, 2007, 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	AAAM	Standard and Poor's

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

The 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 funds 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 Pools to: 1) have an advisory board composed of participants in the

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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.

D. Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,420,756	\$ --	\$ --	\$ 1,420,756
Construction in progress	46,916	87,175	--	134,091
Total capital assets not being depreciated	1,467,672	87,175	--	1,554,847
<i>Capital assets being depreciated:</i>				
Buildings	3,130,038	132,833	--	3,262,871
Improvements other than buildings	2,310,683	--	--	2,310,683
Machinery and Equipment	2,694,215	60,490	--	2,754,705
Infrastructure	3,118,979	--	--	3,118,979
Total capital assets being depreciated	11,253,915	193,323	--	11,447,238
Less accumulated depreciation for:				
Buildings	(732,046)	(87,224)	--	(819,270)
Improvements other than buildings	(445,971)	(91,909)	--	(537,880)
Machinery and Equipment	(1,217,915)	(267,618)	--	(1,485,533)
Infrastructure	(250,826)	(103,967)	--	(354,793)
Total accumulated depreciation	(2,646,758)	(550,718)	--	(3,197,476)
Total capital assets being depreciated, net	8,607,157	(357,395)	--	8,249,762
Governmental activities capital assets, net	\$ 10,074,829	\$ (270,220)	\$ --	\$ 9,804,609

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 308,583	\$ --	\$ --	\$ 308,583
Construction in progress	440,634	36,637	423,938	53,333
Total capital assets not being depreciated	749,217	36,637	423,938	361,916
<i>Capital assets being depreciated:</i>				
Improvements other than buildings	2,669,758	--	--	2,669,758
Water and sewer system	9,196,765	1,198,832	--	10,395,597
Machinery and equipment	856,127	350,164	--	1,206,291
Total capital assets being depreciated	12,722,650	1,548,996	--	14,271,646
Less accumulated depreciation for:				
Improvements other than buildings	(1,986,499)	(66,744)	--	(2,053,243)

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Water and sewer system	(4,952,527)	(196,862)	--	(5,149,389)
Machinery and equipment	(667,561)	(34,624)	--	(702,185)
Total accumulated depreciation	<u>(7,606,587)</u>	<u>(298,230)</u>	<u>--</u>	<u>(7,904,817)</u>
Total capital assets being depreciated, net	5,116,063	1,250,766	--	6,366,829
Business-type activities capital assets, net	<u>\$ 5,865,280</u>	<u>\$ 1,287,403</u>	<u>\$ 423,938</u>	<u>\$ 6,728,745</u>

Depreciation was charged to functions as follows:

Governmental Activities:	
General Government	\$ 1,586
Public Safety	167,309
Culture and Recreation	140,997
Public Works	238,973
Public Health and Welfare	1,853
	<u>\$ 550,718</u>
Business Activities:	
Water and Sewer	\$ 228,275
Harbor	69,955
	<u>\$ 298,230</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2007, consisted of the following:

	Receivable	Payable	Net
Governmental Fund Types:			
Governmental Funds:			
General Fund	\$ 96,405	\$ 433,484	
AP Municipal Development District	--	41,089	
Hotel/Motel Tax Fund	--	90	
Building Security Fund	11	--	
Citizens Collection Fund	--	7,609	
E911 Fund	--	30	
Council on Governments Fund	--	749	
Debt Service Fund	221,889	--	
Capital Improvement Fund	90,796	84,491	
2003 Certificate Fund	84,491	27,732	
2007 Tax Notes	--	14,332	
	<u>\$ 493,592</u>	<u>\$ 609,606</u>	<u>\$ (116,014)</u>
Proprietary Fund Types:			
Enterprise Funds:			
Water and Sewer Fund	\$ 110,508	\$ 4,718	
Harbor Fund	--	56	
Aquatic Center Fund	10,280	--	
	<u>\$ 120,788</u>	<u>\$ 4,774</u>	<u>\$ 116,014</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, 2007, consisted of the following:

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Water and Sewer Fund	General Fund	\$ 360,000	Administrative Charges
Harbor Fund	General Fund	150,000	Administrative Charges
Aransas Pass Municipal Dev. District	General Fund	268,901	Reimburse General Fund for 50% of Aquatic Center Losses
General Fund	Library Fund	88,371	Establish Special Revenue Fund
General Fund	Aquatic Center Fund	93,642	Supplement other funds sources
	Total	\$ 960,914	

F. Short-Term Debt Activity

The City accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. The City had no short-term debt activity during the current fiscal year.

G. Long-Term Obligations

1. Long-Term Obligation Activity

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

Outstanding bonds, certificates of obligation and tax notes consisted of the following at September 30, 2007:

	<u>Interest Rate</u>	<u>General Long-Term Debt</u>	<u>Enterprise Fund Debt</u>
Bonded Debt			
Certificates of Obligation, Series 1980-A	5.00%	\$ 4,000	\$ --
General Obligation Refunding Bonds, Series 1998	3.90 - 5.15%	2,490,000	--
Tax and Limited Pledge Revenue, Certificates of Obligation, Series 1999	4.20 - 5.70%	380,000	145,000
Tax and Limited Pledge Revenue, Certificates of Obligation, Series 2002	4.30 - 6.00%	575,000	--
Tax and Limited Pledge Revenue, Certificates of Obligation, Series 2003	2.50 - 4.35%	1,825,000	--
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2005	1.70% - 3.75%	--	1,035,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006	4.25%	--	1,000,000
General Obligation Refunding Bonds, Series 2007	4.025%	4,435,000	--

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Taxable Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007	5.75 - 6.375%	6,100,000	—
Tax Notes, Series 2007	4.30%	580,000	—
Totals		16,389,000	2,180,000
Deferred Loss on Advance Refunding		(240,672)	—
		<u>\$ 16,148,328</u>	<u>\$ 2,180,000</u>

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2007, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General bonded debt	\$ 10,206,000	\$ 11,115,000	\$ 4,932,000	\$ 16,389,000	872,000
Deferred loss on adv. ref.	--	(250,049)	(9,377)	(240,672)	--
Capital leases	4,218	--	4,218	--	--
Compensated absences *	95,301	3,280	--	98,581	6,000
Contracts*	91,066	--	6,071	84,995	6,071
Total governmental activities	<u>\$ 10,396,585</u>	<u>\$ 10,868,231</u>	<u>\$ 4,932,912</u>	<u>\$ 16,331,904</u>	<u>\$ 884,071</u>
Business-type activities:					
General bonded debt	\$ 2,360,000	\$ --	\$ 180,000	\$ 2,180,000	190,000
Revenue bonds	50,000	--	50,000	--	--
Compensated absences *	19,701	--	6,698	13,003	7,000
Contracts*	232,250	--	154,500	77,750	77,750
Total business-type activities	<u>\$ 2,661,951</u>	<u>\$ --</u>	<u>\$ 391,198</u>	<u>\$ 2,270,753</u>	<u>\$ 274,750</u>

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund
Contracts	Governmental	General Fund
Compensated absences	Business-type	Water and Sewer Fund
Contracts	Business-type	Water and Sewer Fund

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2007, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2008	\$ 872,000	\$ 845,475	\$ 1,717,475
2009	817,000	776,658	1,593,658
2010	970,000	733,034	1,703,034
2011	1,105,000	677,634	1,782,634
2012	720,000	622,216	1,342,216
2013-2017	4,950,000	2,373,613	7,323,613
2018-2022	3,250,000	1,458,581	4,708,581
2023-2027	3,705,000	540,833	4,245,833
Totals	<u>\$ 16,389,000</u>	<u>\$ 8,028,044</u>	<u>\$ 24,417,044</u>

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Year Ending September 30,</u>	Business-type Activities		
	Principal	Interest	Total
2008	\$ 190,000	\$ 83,280	\$ 273,280
2009	110,000	74,036	184,036
2010	115,000	70,217	185,217
2011	120,000	66,041	186,041
2012	125,000	61,727	186,727
2013-2017	690,000	235,266	925,266
2018-2022	610,000	94,164	704,164
2022-2025	220,000	12,471	232,471
Totals	<u>\$ 2,180,000</u>	<u>\$ 697,202</u>	<u>\$ 2,877,202</u>

3. Advance Refunding of Debt

On January 11, 2007, the City issued \$4,435,000 in General Obligation Refunding Bonds with interest at 4.025%. The City issued the bonds to advance refund \$4,245,000 bonds with interest rates ranging from 4.3% to 5.1%. The City used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded bonds. As a result, these bonds are considered defeased, and the City has removed the liability from its books. The outstanding principal of the defeased bonds is \$4,245,000 at September 30, 2007.

The advance refunding reduced total debt service payments over the next 20 years by approximately \$257,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$168,300.

4. Contracts payable are due as follows:

<u>Year Ending September 30,</u>	Government-type Activities	Business-type Activities
2008	\$ 6,071	\$ 77,750
2009	6,071	--
2010	6,071	--
2011	6,071	--
2012	6,071	--
2013-2017	30,355	--
2018-2021	24,285	--
Totals	<u>\$ 84,995</u>	<u>\$ 77,750</u>

5 Continuing Disclosure

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

H. Commitments Under Noncapitalized Leases

The City had no material commitments under noncapitalized leases for the year ended September 30, 2007.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

I. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2007:

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ 7,761,954	\$ 501,194
Special Projects	2,809,738	--
Debt Service	--	201,790
Customer Deposits	--	134,949
	<u>\$ 10,571,692</u>	<u>\$ 837,933</u>

Sales Taxes Receivable were restricted for the following purposes at September 30, 2007:

	Governmental Activities
Special Projects	\$ 53,162

J. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2007, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

K. Pension Plan

1. Plan Description

The City's provided pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Deposit Rate:	6.0%
Matching Ratio (City to Employee):	2 to 1
A member is vested after:	10 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: 10 yrs/age 60, 20yrs/any age.

2. Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25 year amortization 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. (i.e. December 31, 2006 valuation is effective for rates beginning January 2008). A summary of actuarial assumptions is as follows:

Actuarial Valuation Date	12/31/06
Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Inflation Rate	3.5%
Cost of Living Adjustments	None

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/06
Actuarial Value of Assets	\$ 3,582,499
Actuarial Accrued Liability	\$ 5,319,021
Percentage Funded	67.4%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 1,736,522
Annual Covered Payroll	\$ 2,484,882
UAAL as a Percentage of Covered Payroll	69.9%
Net Pension Obligation (NPO) at Beginning of Year	\$ --
Annual Pension Cost:	
Annual required contribution (ARC)	\$ 291,612

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Contributions Made	\$	291,612
NPO at End of Year	\$	--

The City of Aransas Pass is one of 821 municipalities having their benefit plan administered by TMRS. Each of the 821 municipalities has an annual, individual actuarial valuation performed. All assumptions for the 12-31-06 valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, TX 78714-9153.

3. Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/05	\$ 334,037	100.00%	\$ --
09/30/06	298,437	100.00%	--
09/30/07	281,733	100.00%	--

4. Required Supplementary Information

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
12/31/04	\$ 4,110,808	\$ 5,622,365	\$ 1,511,557	71.9%	\$ 2,089,096	108.7%
12/31/05	4,209,963	5,788,248	1,578,285	72.7%	2,368,898	72.4%
12/31/06	3,582,499	5,319,021	1,736,522	67.4%	2,484,882	69.9%

L. Commitments and Contingencies

1. 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 collectibility 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.

2. Litigation

The City had no reportable litigation at September 30, 2007.

M. Subsequent Events

In December 2007, the City issued Certificates of Obligation, Series 2007A in the amount of \$4,000,000. The proceeds from the certificates have been deposited with the Aransas Pass Municipal Development District and will be used for the construction of a new civic center. The Aransas Pass Municipal Development District has agreed to pay the annual debt service due on the certificates from sales tax revenues as it becomes due.

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
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
General Property Taxes	\$ 1,611,843	\$ 1,613,843	\$ 1,641,878	\$ 28,035
Sales Taxes	1,400,000	1,400,000	1,439,367	39,367
Franchise Taxes	397,425	397,425	398,789	1,364
Mixed Beverage Taxes	4,100	6,100	6,459	359
License and Permits	86,000	90,706	94,808	4,102
Intergovernmental	-	-	2,562	2,562
Charges for Services	981,234	980,451	1,064,079	83,628
Fines and Forfeitures	550,000	550,000	354,098	(195,902)
Interest	55,000	65,000	82,633	17,633
Rents and Royalties	225,000	236,000	239,511	3,511
PILOT - Industrial Development District	60,000	60,000	52,276	(7,724)
Other	10,000	34,803	68,021	33,218
Total revenues	<u>5,380,602</u>	<u>5,434,328</u>	<u>5,444,481</u>	<u>10,153</u>
Expenditures:				
Current:				
General Government	1,239,408	1,304,412	1,143,186	161,226
Public Safety	2,283,092	2,288,090	2,145,260	142,830
Public Works	777,965	777,965	684,685	93,280
Sanitation	720,000	840,000	890,226	(50,226)
Health and Welfare	178,127	178,127	165,370	12,757
Culture and Recreation	403,524	403,524	369,407	34,117
Capital Outlay	140,000	140,000	40,318	99,682
Total Expenditures	<u>5,742,116</u>	<u>5,932,118</u>	<u>5,438,452</u>	<u>493,666</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(361,514)</u>	<u>(497,790)</u>	<u>6,029</u>	<u>503,819</u>
Other Financing Sources (Uses):				
Operating Transfers In	510,000	737,812	778,901	41,089
Operating Transfers Out	(65,000)	(65,000)	(182,013)	(117,013)
Total Other Financing Sources (Uses)	<u>445,000</u>	<u>672,812</u>	<u>596,888</u>	<u>75,924</u>
Net Change in Fund Balances	83,486	175,022	602,917	427,895
Fund Balances - Beginning	911,070	911,070	911,070	--
Fund Balances - Ending	<u>\$ 994,556</u>	<u>\$ 1,086,092</u>	<u>\$ 1,513,987</u>	<u>\$ 427,895</u>

CITY OF ARANSAS PASS, TEXAS
ARANSAS PASS MUNICIPAL DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Sales Taxes	\$ 656,469	\$ 656,469	\$ 651,120	\$ (5,349)
Interest	139,802	139,802	199,663	59,861
Total revenues	<u>796,271</u>	<u>796,271</u>	<u>850,783</u>	<u>54,512</u>
Expenditures:				
Current:				
General Government	--	--	10,268	(10,268)
Debt Service:				
Principal	100,000	100,000	100,000	--
Interest and Fiscal Charges	105,378	105,378	105,378	--
Fiscal Agent's Fees	742	742	742	--
Capital Outlay	--	--	74,546	(74,546)
Total Expenditures	<u>206,120</u>	<u>206,120</u>	<u>290,934</u>	<u>(84,814)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>590,151</u>	<u>590,151</u>	<u>559,849</u>	<u>(30,302)</u>
Other Financing Sources (Uses):				
Operating Transfers Out	--	(227,812)	(268,901)	(41,089)
Payment to Refunded Bond Escrow Agent	(75,800)	(75,800)	(75,800)	--
Total Other Financing Sources (Uses)	<u>(75,800)</u>	<u>(303,612)</u>	<u>(344,701)</u>	<u>41,089</u>
Net Change in Fund Balances	514,351	286,539	215,148	(71,391)
Fund Balances - Beginning	3,671,528	3,671,528	3,671,528	--
Fund Balances - Ending	<u>\$ 4,185,879</u>	<u>\$ 3,958,067</u>	<u>\$ 3,886,676</u>	<u>\$ (71,391)</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
ARANSAS PASS MUNICIPAL DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Sales Taxes	\$ 656,469	\$ 656,469	\$ 651,120	\$ (5,349)
Interest	139,802	139,802	199,663	59,861
Total revenues	<u>796,271</u>	<u>796,271</u>	<u>850,783</u>	<u>54,512</u>
Expenditures:				
Current:				
General Government	--	--	10,268	(10,268)
Debt Service:				
Principal	100,000	100,000	100,000	--
Interest and Fiscal Charges	105,378	105,378	105,378	--
Fiscal Agent's Fees	742	742	742	--
Capital Outlay	--	--	74,546	(74,546)
Total Expenditures	<u>206,120</u>	<u>206,120</u>	<u>290,934</u>	<u>(84,814)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>590,151</u>	<u>590,151</u>	<u>559,849</u>	<u>(30,302)</u>
Other Financing Sources (Uses):				
Operating Transfers Out	--	(227,812)	(268,901)	(41,089)
Payment to Refunded Bond Escrow Agent	(75,800)	(75,800)	(75,800)	--
Total Other Financing Sources (Uses)	<u>(75,800)</u>	<u>(303,612)</u>	<u>(344,701)</u>	<u>41,089</u>
Net Change in Fund Balances	514,351	286,539	215,148	(71,391)
Fund Balances - Beginning	3,671,528	3,671,528	3,671,528	--
Fund Balances - Ending	<u>\$ 4,185,879</u>	<u>\$ 3,958,067</u>	<u>\$ 3,886,676</u>	<u>\$ (71,391)</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
<i>Cash and Cash Equivalents</i>	\$ 658,314	\$ --	\$ 658,314
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Occupancy Taxes</i>	107,312	--	107,312
<i>Intergovernmental</i>	643	--	643
<i>Due from Other Funds</i>	11	84,491	84,502
<i>Restricted Assets:</i>			
<i>Cash and Cash Equivalents</i>	--	614,939	614,939
Total Assets	<u>\$ 766,280</u>	<u>\$ 699,430</u>	<u>\$ 1,465,710</u>
LIABILITIES AND FUND BALANCES:			
<i>Liabilities:</i>			
<i>Accounts Payable</i>	\$ 46,039	\$ --	\$ 46,039
<i>Due to Other Funds</i>	8,477	42,064	50,541
Total Liabilities	<u>54,516</u>	<u>42,064</u>	<u>96,580</u>
<i>Fund Balances:</i>			
<i>Reserved Fund Balances:</i>			
<i>Reserved for Tourism</i>	185,181	--	185,181
<i>Reserved for Law Enforcement</i>	43,719	--	43,719
<i>Reserved for Special Projects</i>	371	--	371
<i>Reserved for Public Library</i>	95,541	--	95,541
<i>Reserved for Capital Outlay</i>	--	657,366	657,366
<i>Reserved for Emergency Services</i>	335,196	--	335,196
<i>Reserved for Court Technology</i>	12,258	--	12,258
<i>Reserved for Building Security</i>	39,498	--	39,498
Total Fund Balance	<u>711,764</u>	<u>657,366</u>	<u>1,369,130</u>
Total Liabilities and Fund Balance	<u>\$ 766,280</u>	<u>\$ 699,430</u>	<u>\$ 1,465,710</u>

CITY OF ARANSAS PASS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes:			
<i>Occupancy Taxes</i>	\$ 234,691	\$ --	\$ 234,691
<i>Intergovernmental</i>	235,851	--	235,651
<i>Charges for Services</i>	74,600	--	74,600
<i>Fines and Forfeitures</i>	21,342	--	21,342
<i>Interest</i>	41,860	12,673	54,533
<i>Other</i>	19,560	--	19,560
Total revenues	<u>627,704</u>	<u>12,673</u>	<u>640,377</u>
Expenditures:			
Current:			
<i>Public Safety</i>	317,954	--	317,954
<i>Sanitation</i>	16,458	--	16,458
<i>Culture and Recreation</i>	18,614	--	18,614
<i>Tourism</i>	175,604	--	175,604
<i>Bond Issuance Costs</i>	--	14,650	14,650
Capital Outlay	21,692	219,840	241,532
Total Expenditures	<u>550,322</u>	<u>234,490</u>	<u>784,812</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>77,382</u>	<u>(221,817)</u>	<u>(144,435)</u>
Other Financing Sources (Uses):			
<i>Operating Transfers In</i>	88,371	--	88,371
<i>Tax Notes Issued</i>	--	580,000	580,000
Total Other Financing Sources (Uses)	<u>88,371</u>	<u>580,000</u>	<u>668,371</u>
Net Change in Fund Balances	165,753	358,183	523,936
Fund Balances - Beginning	546,011	299,183	845,194
Fund Balances - Ending	<u>\$ 711,764</u>	<u>\$ 657,366</u>	<u>\$ 1,369,130</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2007

	Emergency 911 Fund	Forfeiture	Hotel/Motel Occupancy Tax Fund
ASSETS			
<i>Cash and Cash Equivalents</i>	\$ 335,216	\$ 43,719	\$ 123,172
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Occupancy Taxes</i>	--	--	107,312
<i>Intergovernmental</i>	10	--	--
<i>Due from Other Funds</i>	--	--	--
Restricted Assets:			
Total Assets	<u>\$ 335,226</u>	<u>\$ 43,719</u>	<u>\$ 230,484</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
<i>Accounts Payable</i>	\$ --	\$ --	\$ 45,214
<i>Due to Other Funds</i>	30	--	89
Total Liabilities	<u>30</u>	<u>--</u>	<u>45,303</u>
Fund Balances:			
Reserved Fund Balances:			
<i>Reserved for Tourism</i>	--	--	185,181
<i>Reserved for Law Enforcement</i>	--	43,719	--
<i>Reserved for Special Projects</i>	--	--	--
<i>Reserved for Public Library</i>	--	--	--
<i>Reserved for Emergency Services</i>	335,196	--	--
<i>Reserved for Court Technology</i>	--	--	--
<i>Reserved for Building Security</i>	--	--	--
Total Fund Balance	<u>335,196</u>	<u>43,719</u>	<u>185,181</u>
Total Liabilities and Fund Balance	<u>\$ 335,226</u>	<u>\$ 43,719</u>	<u>\$ 230,484</u>

<u>Library Fund</u>	<u>Holiday Lights</u>	<u>Seamen's Memorial Tower</u>	<u>Municipal Court Fee Fund</u>	<u>Building Security</u>
\$ 96,366	\$ 4,706	\$ 2,247	\$ 12,258	\$ 39,487
--	--	--	--	--
--	--	--	--	11
<u>\$ 96,366</u>	<u>\$ 4,706</u>	<u>\$ 2,247</u>	<u>\$ 12,258</u>	<u>\$ 39,498</u>
\$ 825	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
<u>825</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
95,541	4,706	2,247	--	--
--	--	--	--	--
--	--	--	12,258	--
<u>95,541</u>	<u>4,706</u>	<u>2,247</u>	<u>12,258</u>	<u>39,498</u>
<u>\$ 96,366</u>	<u>\$ 4,706</u>	<u>\$ 2,247</u>	<u>\$ 12,258</u>	<u>\$ 39,498</u>

CITY OF ARANSAS PASS, TEXAS**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

SEPTEMBER 30, 2007

	Citizens Collection Fund	Council on Governments Grants	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS			
<i>Cash and Cash Equivalents</i>	\$ 509	\$ 634	\$ 658,314
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Occupancy Taxes</i>	--	--	107,312
<i>Intergovernmental</i>	--	633	643
<i>Due from Other Funds</i>	--	--	11
Restricted Assets:			
Total Assets	<u>\$ 509</u>	<u>\$ 1,267</u>	<u>\$ 766,280</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
<i>Accounts Payable</i>	\$ --	\$ --	\$ 46,039
<i>Due to Other Funds</i>	7,609	749	8,477
Total Liabilities	<u>7,609</u>	<u>749</u>	<u>54,516</u>
Fund Balances:			
Reserved Fund Balances:			
<i>Reserved for Tourism</i>	--	--	185,181
<i>Reserved for Law Enforcement</i>	--	--	43,719
<i>Reserved for Special Projects</i>	(7,100)	518	371
<i>Reserved for Public Library</i>	--	--	95,541
<i>Reserved for Emergency Services</i>	--	--	335,196
<i>Reserved for Court Technology</i>	--	--	12,258
<i>Reserved for Building Security</i>	--	--	39,498
Total Fund Balance	<u>(7,100)</u>	<u>518</u>	<u>711,764</u>
Total Liabilities and Fund Balance	<u>\$ 509</u>	<u>\$ 1,267</u>	<u>\$ 766,280</u>

CITY OF ARANSAS PASS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Emergency 911 Fund	Forfeiture	Hotel/Motel Occupancy Tax Fund
Revenue:			
<i>Taxes:</i>			
Occupancy Taxes	\$ -	\$ -	\$ 234,891
Intergovernmental	13,168	197,122	-
Charges for Services	74,600	-	-
Fines and Forfeitures	-	7,640	-
Interest	17,818	2,009	6,361
Other	-	-	-
Total revenues	<u>105,586</u>	<u>206,771</u>	<u>241,052</u>
Expenditures:			
<i>Current:</i>			
Public Safety	95,560	204,471	-
Sanitation	-	-	-
Culture and Recreation	-	-	-
Tourism	-	-	175,604
Capital Outlay	-	-	-
Total Expenditures	<u>95,560</u>	<u>204,471</u>	<u>175,604</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,026</u>	<u>2,300</u>	<u>65,448</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	10,026	2,300	65,448
Fund Balances - Beginning	325,170	41,419	119,733
Fund Balances - Ending	<u>\$ 335,196</u>	<u>\$ 43,719</u>	<u>\$ 185,181</u>

Library Fund	Holiday Lights	Seamen's Memorial Tower	Municipal Court Fee Fund	Building Security
\$ -	\$ -	\$ -	\$ --	\$ -
1,758	--	--	--	--
--	--	--	--	--
4,638	7,200	2,830	5,447	8,255
16,283	14	14	275	691
<u>22,679</u>	<u>7,214</u>	<u>2,844</u>	<u>5,722</u>	<u>8,946</u>
--	--	--	16,980	943
--	--	--	--	--
15,509	2,508	597	--	--
--	--	--	--	--
<u>15,509</u>	<u>2,508</u>	<u>597</u>	<u>16,980</u>	<u>943</u>
7,170	4,706	2,247	(11,258)	8,003
88,371	--	--	--	--
<u>88,371</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
95,541	4,706	2,247	(11,258)	8,003
--	--	--	23,516	31,495
<u>\$ 95,541</u>	<u>\$ 4,706</u>	<u>\$ 2,247</u>	<u>\$ 12,258</u>	<u>\$ 39,498</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Citizens Collection Fund	Council on Governments Grants	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenue:			
Taxes:			
Occupancy Taxes	\$ --	\$ --	\$ 234,691
Intergovernmental	--	23,603	235,651
Charges for Services	--	--	74,600
Fines and Forfeitures	--	--	21,342
Interest	35	3	41,860
Other	3,249	--	19,560
Total revenues	<u>3,284</u>	<u>23,606</u>	<u>627,704</u>
Expenditures:			
Current:			
Public Safety	--	--	317,954
Sanitation	15,062	1,396	16,458
Culture and Recreation	--	--	18,614
Tourism	--	--	175,604
Capital Outlay	--	21,692	21,692
Total Expenditures	<u>15,062</u>	<u>23,088</u>	<u>550,322</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,778)</u>	<u>518</u>	<u>77,382</u>
Other Financing Sources (Uses):			
Operating Transfers In	--	--	88,371
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>88,371</u>
Net Change in Fund Balances	(11,778)	518	165,753
Fund Balances - Beginning	4,678	--	546,011
Fund Balances - Ending	<u>\$ (7,100)</u>	<u>\$ 518</u>	<u>\$ 711,764</u>

CITY OF ARANSAS PASS, TEXAS
HOTEL/MOTEL OCCUPANCY TAX
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-5

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Taxes:			
Occupancy Taxes	\$ 220,454	\$ 234,691	\$ 14,237
Interest	5,000	6,361	1,361
Total revenues	<u>225,454</u>	<u>241,052</u>	<u>15,598</u>
Expenditures:			
Current:			
Tourism	216,071	175,604	40,467
Total Expenditures	<u>216,071</u>	<u>175,604</u>	<u>40,467</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,383</u>	<u>65,448</u>	<u>56,065</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	9,383	65,448	56,065
Fund Balances - Beginning	119,733	119,733	--
Fund Balances - Ending	<u>\$ 129,116</u>	<u>\$ 185,181</u>	<u>\$ 56,065</u>

CITY OF ARANSAS PASS, TEXAS
MUNICIPAL COURT FEE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Fines and Forfeitures</i>	\$ 10,000	\$ 5,447	\$ (4,553)
<i>Interest</i>	270	275	5
Total revenues	<u>10,270</u>	<u>5,722</u>	<u>(4,548)</u>
Expenditures:			
Current:			
<i>Public Safety</i>	17,000	16,980	20
Total Expenditures	<u>17,000</u>	<u>16,980</u>	<u>20</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,730)</u>	<u>(11,258)</u>	<u>(4,528)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	(6,730)	(11,258)	(4,528)
Fund Balances - Beginning	23,516	23,516	-
Fund Balances - Ending	<u>\$ 16,786</u>	<u>\$ 12,258</u>	<u>\$ (4,528)</u>

CITY OF ARANSAS PASS, TEXAS

BUILDING SECURITY FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Fines and Forfeitures</i>	\$ 8,200	\$ 8,255	\$ 55
<i>Interest</i>	700	691	(9)
Total revenues	<u>8,900</u>	<u>8,946</u>	<u>46</u>
Expenditures:			
Current:			
<i>Public Safety</i>	8,700	943	7,757
Total Expenditures	<u>8,700</u>	<u>943</u>	<u>7,757</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>200</u>	<u>8,003</u>	<u>7,803</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	200	8,003	7,803
Fund Balances - Beginning	31,495	31,495	--
Fund Balances - Ending	<u>\$ 31,695</u>	<u>\$ 39,498</u>	<u>\$ 7,803</u>

CITY OF ARANSAS PASS, TEXAS
CITIZENS COLLECTION FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Interest</i>	\$ --	\$ 35	\$ 35
<i>Other</i>	10,000	3,249	(6,751)
Total revenues	<u>10,000</u>	<u>3,284</u>	<u>(6,716)</u>
Expenditures:			
<i>Sanitation</i>	10,000	15,062	(5,062)
Total Expenditures	<u>10,000</u>	<u>15,062</u>	<u>(5,062)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>(11,778)</u>	<u>(11,778)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	--	(11,778)	(11,778)
Fund Balances - Beginning	4,678	4,678	--
Fund Balances - Ending	<u>\$ 4,678</u>	<u>\$ (7,100)</u>	<u>\$ (11,778)</u>

CITY OF ARANSAS PASS, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-9

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
<i>General Property Taxes</i>	\$ 918,766	\$ 971,866	\$ 53,100
<i>Interest</i>	4,000	16,374	12,374
Total revenues	<u>922,766</u>	<u>988,240</u>	<u>65,474</u>
Expenditures:			
Debt Service:			
<i>Principal</i>	587,000	587,000	--
<i>Interest and Fiscal Charges</i>	301,765	264,651	37,114
<i>Fiscal Agent's Fees</i>	10,000	2,500	7,500
<i>Bond Issuance Costs</i>	--	52,851	(52,851)
Total Expenditures	<u>898,765</u>	<u>907,002</u>	<u>(8,237)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>24,001</u>	<u>81,238</u>	<u>57,237</u>
Other Financing Sources (Uses):			
<i>Accrued Interest from Bond Issue</i>	--	28,562	28,562
<i>Refunding Bonds Issued</i>	--	4,435,000	4,435,000
<i>Payment to Refunded Bond Escrow Agent</i>	--	(4,419,249)	(4,419,249)
Total Other Financing Sources (Uses)	<u>--</u>	<u>44,313</u>	<u>(44,313)</u>
Net Change in Fund Balances	24,001	125,551	101,550
Fund Balances - Beginning	459,060	459,060	--
Fund Balances - Ending	<u>\$ 483,061</u>	<u>\$ 584,611</u>	<u>\$ 101,550</u>

CITY OF ARANSAS PASS, TEXAS*COMBINING BALANCE SHEET**NONMAJOR CAPITAL PROJECTS FUNDS*

SEPTEMBER 30, 2007

	2003 Certificate of Obligation Fund	2007 Tax Anticipation Notes	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS			
<i>Due from Other Funds</i>	\$ 84,491	\$ --	\$ 84,491
Restricted Assets:			
<i>Cash and Cash Equivalents</i>	49,119	565,820	614,939
Total Assets	<u>\$ 133,610</u>	<u>\$ 565,820</u>	<u>\$ 699,430</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
<i>Due to Other Funds</i>	\$ 27,732	\$ 14,332	\$ 42,064
Total Liabilities	<u>27,732</u>	<u>14,332</u>	<u>42,064</u>
Fund Balances:			
Reserved Fund Balances:			
<i>Reserved for Capital Outlay</i>	105,878	551,488	657,366
Total Fund Balance	<u>105,878</u>	<u>551,488</u>	<u>657,366</u>
Total Liabilities and Fund Balance	<u>\$ 133,610</u>	<u>\$ 565,820</u>	<u>\$ 699,430</u>

CITY OF ARANSAS PASS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2003 Certificate of Obligation Fund	2007 Tax Anticipation Notes	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenue:			
<i>Interest</i>	\$ 12,203	\$ 470	\$ 12,673
Total revenues	<u>12,203</u>	<u>470</u>	<u>12,673</u>
Expenditures:			
<i>Bond Issuance Costs</i>	--	14,650	14,650
<i>Capital Outlay</i>	205,508	14,332	219,840
Total Expenditures	<u>205,508</u>	<u>28,982</u>	<u>234,490</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(193,305)</u>	<u>(28,512)</u>	<u>(221,817)</u>
Other Financing Sources (Uses):			
<i>Tax Notes Issued</i>	--	580,000	580,000
Total Other Financing Sources (Uses)	<u>--</u>	<u>580,000</u>	<u>580,000</u>
Net Change in Fund Balances	(193,305)	551,488	358,183
Fund Balances - Beginning	299,183	--	299,183
Fund Balances - Ending	<u>\$ 105,878</u>	<u>\$ 551,488</u>	<u>\$ 657,366</u>

Other Supplementary Information

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



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Independent Auditor's Report

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

City Council
City of Aransas Pass, Texas
P.O. Box 2000
Aransas Pass, Texas 78335

Members of the City Council:

We have audited the 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, 2007, which collectively comprise the City of Aransas Pass, Texas's basic financial statements and have issued our report thereon dated March 14, 2008. 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, we considered City of Aransas Pass, Texas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Aransas Pass, Texas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Aransas Pass, Texas's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Aransas Pass, Texas's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Aransas Pass, Texas's financial statements that is more than inconsequential will not be prevented by the City of Aransas Pass, Texas's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Aransas Pass, Texas's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of management, others within the organization and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael A. Arnold". The signature is written in a cursive, flowing style.

Michael A. Arnold, PLLC

March 14, 2008

CITY OF ARANSAS PASS, TEXAS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT
For the Year Ended September 30, 2007

EXHIBIT D-1

FEDERAL FINANCIAL ASSISTANCE
GRANTOR: OFFICE OF RURAL COMMUNITY AFFAIRS
CONTRACT NUMBER 726021 - Water and Sewer Facilities
CONTRACT PERIOD: July 27, 2006 to July 26, 2008

	Budget	State		Match		Total
		Prior Years	Current Year	Prior Years	Current Year	
Revenues:						
Federal	\$ 286,500	\$ 16,696	\$ 28,538	\$ --	\$ --	\$ 45,234
Local	53,500	--	--	--	--	--
Total revenues	320,000	16,696	28,538	--	--	45,234
Expenditures:						
Federal:						
Water Facilities	35,450	--	--	--	--	--
Sewer Facilities	147,000	--	--	--	--	--
Rehab. Private Prop.:						
Water Facilities	4,400	--	--	--	--	--
Sewer Facilities	5,250	--	--	--	--	--
Acquisition	7,000	--	6,010	--	--	6,010
Engineering	37,000	1,496	22,528	--	--	24,024
Administration	30,400	15,200	--	--	--	15,200
Local:						
Water Facilities	50,150	--	--	--	--	--
Rehab. Private Prop.:						
Water Facilities	1,100	--	--	--	--	--
Sewer Facilities	2,250	--	--	--	--	--
Total expenditures	320,000	16,696	28,538	--	--	45,234
Excess of revenues over expenditures	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

Statistical Section

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

TABLE E-1

	Fiscal Year			
	2004	2005	2006	2007
Governmental Activities				
Invested in Capital Assets,				
Net of Related Debt	\$ 993,949	\$ 2,536,578	\$ 2,997,920	\$ 3,924,568
Restricted	5,303,247	4,985,737	5,480,694	5,563,163
Unrestricted	(1,866,882)	(1,941,955)	(1,929,240)	(1,571,089)
Total Governmental Activities Net Assets	<u>\$ 4,430,314</u>	<u>\$ 5,580,360</u>	<u>\$ 6,549,374</u>	<u>\$ 7,916,643</u>
Business-type Activities				
Invested in Capital Assets,				
Net of Related Debt	\$ 4,575,866	\$ 4,635,033	\$ 5,041,730	\$ 4,972,189
Restricted	-	6,739	180,621	123,193
Unrestricted	814,971	1,021,344	1,306,810	1,675,571
Total Business-type Activities Net Assets	<u>\$ 5,390,837</u>	<u>\$ 5,663,116</u>	<u>\$ 6,529,161</u>	<u>\$ 6,770,953</u>
Primary Government				
Invested in Capital Assets,				
Net of Related Debt	\$ 5,569,815	\$ 7,171,611	\$ 8,039,650	\$ 8,896,757
Restricted	5,303,247	4,992,476	5,661,315	5,686,356
Unrestricted	(1,051,911)	(920,611)	(622,430)	104,483
Total Primary Government Net Assets	<u>\$ 9,821,151</u>	<u>\$ 11,243,476</u>	<u>\$ 13,078,535</u>	<u>\$ 14,687,596</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

TABLE E-2

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

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental Activities:				
General Government	\$ 901,150	\$ 1,106,080	\$ 1,121,849	\$ 1,160,353
Public Safety	2,163,889	2,344,836	2,491,331	2,630,523
Public Works	887,683	795,375	900,257	899,265
Sanitation	664,071	804,729	844,745	907,874
Health and Welfare	126,411	123,863	144,671	167,223
Culture and Recreation	415,217	523,299	505,435	626,994
Tourism	141,152	156,660	249,402	175,604
Interest and fiscal charges	503,428	555,515	517,434	474,074
Total Governmental Activities Expenses	<u>5,803,001</u>	<u>6,410,367</u>	<u>6,775,124</u>	<u>7,041,910</u>
Business-type Activities				
Water and Sewer	2,832,688	2,803,238	2,796,099	2,877,466
Harbor	496,618	159,099	191,522	567,715
Aquatic Center	393,666	388,200	414,241	323,340
Total Business-type Activities Expenses	<u>3,722,972</u>	<u>3,350,537</u>	<u>3,401,862</u>	<u>3,768,521</u>
Total Primary Government Expenses	<u>\$ 9,525,973</u>	<u>\$ 9,760,904</u>	<u>\$ 10,176,986</u>	<u>\$ 10,810,431</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 203,793	\$ 201,125	\$ 230,293	\$ 217,905
Public Safety	457,037	577,298	705,582	510,038
Public Works	389,722	64,898	16,428	13,824
Sanitation	865,419	923,993	976,282	1,044,125
Health and Welfare	1,896	1,556	1,578	1,579
Culture and Recreation	4,280	3,860	3,766	3,528
Tourism				
Interest and fiscal charges	9	14		
Operating Grants and Contributions	-	99,535	41,474	232,804
Capital Grants and Contributions	104,175	108,098	-	21,692
Total Governmental Activities Program Revenues	<u>2,026,331</u>	<u>1,980,377</u>	<u>1,975,403</u>	<u>2,045,495</u>
Business-type Activities:				
Charges for Services:				
Water and Sewer	2,714,649	3,256,196	3,904,625	3,750,505
Harbor	326,523	246,757	216,631	238,000
Aquatic Center	224,243	270,848	256,468	240,588

Operating Grants and Contributions	-	-	-	31,171
Capital Grants and Contributions	-	-	16,696	28,538
Total Business-type Activities Program Revenues	3,265,415	3,773,799	4,394,420	4,288,802
Total Primary Government Program Revenues	\$ 5,291,746	\$ 5,754,176	\$ 6,369,823	\$ 6,334,297
Net (Expense)/Revenue				
Governmental Activities	\$ (3,776,670)	\$ (4,429,980)	\$ (4,799,721)	\$ (4,996,415)
Business-type Activities	(457,557)	423,262	992,558	520,281
Total Primary Government Net Expense	\$ (4,234,227)	\$ (4,006,718)	\$ (3,807,163)	\$ (4,476,134)

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

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

TABLE E-3

	Fiscal Year			
	2004	2005	2006	2007
Net (Expense)/Revenue				
Governmental Activities	\$ (3,776,670)	\$ (4,429,980)	\$ (4,799,721)	\$ (4,996,415)
Business-type Activities	(457,557)	423,262	992,558	520,281
Total Primary Government Net Expense	\$ (4,234,227)	\$ (4,006,718)	\$ (3,807,163)	\$ (4,476,134)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Property Taxes	\$ 2,214,244	\$ 2,465,422	\$ 2,444,665	\$ 2,553,979
Sales Taxes	1,749,375	1,751,103	1,971,266	2,090,487
Franchise Taxes	368,474	387,932	377,821	398,789
Occupancy Taxes	190,657	195,847	238,706	234,691
Other Taxes	7,591	6,522	7,144	6,459
Investment Earnings	94,329	139,736	266,845	464,101
Royalties	118,607	131,758	124,830	127,365
Gain on Sale of Capital Assets	--	145,500	--	--
Insurance Proceeds	202,064	22,955	10,053	9,958
Miscellaneous	63,141	51,977	86,873	61,497
Transfers	102,976	281,274	240,532	416,358
Total Governmental Activities	\$ 5,111,458	\$ 5,580,026	\$ 5,768,735	\$ 6,363,684
Business-type Activities:				
Investment Earnings	10,048	29,845	114,019	137,869
Gain on Sale of Capital Assets	30,315	81,749	--	--
Insurance Proceeds	15,988	18,697	--	--
Transfers	(102,976)	(281,274)	(240,532)	(416,358)
Total Business-type Activities	(46,625)	(150,983)	(126,513)	(278,489)
Total Primary Government	\$ 5,064,833	\$ 5,429,043	\$ 5,642,222	\$ 6,085,195
Change in Net Assets				
Governmental Activities	\$ 1,334,788	\$ 1,150,046	\$ 969,014	\$ 1,367,269
Business-type Activities	(504,182)	272,279	866,045	241,792
Total Primary Government	\$ 830,606	\$ 1,422,325	\$ 1,835,059	\$ 1,609,061

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

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

TABLE E-4

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 77,283	\$ 125,018	\$ 99,327	\$ 14,687
Unreserved	\$ 842,175	\$ 998,605	\$ 3,258,031	\$ 3,455,738	\$ 3,821,700	\$ 2,489,306	\$ 490,759	\$ 647,336	\$ 811,743	\$ 1,499,300
Total General Fund	\$ 842,175	\$ 998,605	\$ 3,258,031	\$ 3,455,738	\$ 3,821,700	\$ 2,489,306	\$ 568,042	\$ 772,352	\$ 911,070	\$ 1,513,987
All Other Governmental Funds										
Reserved	\$ --	\$ --	\$ --	\$ --	\$ 3,044,847	\$ 2,947,360	\$ 4,979,743	\$ 4,667,190	\$ 4,971,104	\$ 11,902,567
Unreserved, Reported In:										
Special Revenue Funds	111,246	184,016	246,168	183,542	147,873	212,346	--	--	--	--
Capital Projects Funds	1,999,213	2,048,241	625,700	553,773	746,836	565,596	(2,165)	(1,800)	14,555	24,207
Debt Service Funds	88,240	134,332	140,138	242,870	346,108	447,330	--	--	--	--
Total All Other Governmental Funds	\$ 2,198,699	\$ 2,366,589	\$ 1,012,006	\$ 990,185	\$ 4,287,664	\$ 4,072,632	\$ 4,977,578	\$ 4,665,390	\$ 4,985,659	\$ 11,926,774

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

TABLE E-5

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 2,849,438	\$ 2,946,534	\$ 3,176,703	\$ 3,407,499	\$ 4,063,071	\$ 4,361,947	\$ 4,647,708	\$ 4,850,148	\$ 5,116,051	\$ 5,344,170
Licenses, Fees and Permits	122,034	132,310	161,520	275,828	295,793	250,467	126,517	92,749	112,074	94,808
Intergovernmental	--	281,028	--	1,005,806	194,481	595,280	104,175	207,633	41,474	238,213
Changes for Services	747,775	728,520	790,516	784,445	930,516	765,588	930,387	1,013,140	1,075,096	1,138,679
Fines and Penalties	348,600	377,138	304,202	281,761	303,317	292,312	380,249	477,729	539,801	375,440
Special Assessments	80,253	35,539	141,531	103,110	72,928	94,748	90,976	281,816	41,714	25,247
Investment Earnings	115,240	135,794	279,836	339,805	150,939	103,783	83,224	139,736	266,845	435,539
Rents and Royalties	59,815	51,208	55,003	188,075	73,987	81,735	182,793	226,512	231,018	239,511
PILOT	69,109	72,703	77,818	82,324	80,400	82,324	71,144	64,225	57,796	52,276
Other Revenues	1,803	--	--	30,000	18,500	--	63,141	220,432	96,926	87,738
Total Revenues	4,392,067	4,760,774	4,987,129	6,458,653	6,183,942	6,628,174	6,660,314	7,574,120	7,578,795	8,031,621
Expenditures										
General Government	483,408	592,626	551,990	615,245	593,827	1,077,777	885,996	1,086,690	1,129,835	1,153,454
Public Safety	1,198,169	1,345,116	1,387,350	1,478,356	1,656,693	1,687,323	2,071,179	2,284,425	2,318,351	2,463,214
Public Works	548,245	647,153	673,943	688,075	689,563	956,635	771,531	655,087	651,434	685,583
Sanitation	--	--	--	--	--	--	664,071	804,729	844,745	906,684
Health and Welfare	628,877	663,217	739,192	831,144	819,278	811,267	126,411	123,863	144,671	165,370
Culture and Recreation	167,134	208,050	203,695	235,640	246,340	222,100	285,376	307,323	345,138	388,021
Tourism	70,167	77,801	81,296	109,263	131,273	122,836	141,152	156,690	249,402	175,604
Capital Outlay	224,117	435,094	1,689,254	1,348,472	2,965,407	2,464,078	4,407,467	1,258,846	399,654	356,396
Debt Service	--	--	--	--	--	--	--	--	--	--
Principal	376,000	416,000	491,000	511,000	541,000	632,000	742,362	728,140	758,704	697,289
Interest and fees	677,651	351,397	399,566	399,412	374,029	551,584	625,354	559,739	520,406	540,835
Total Expenditures	4,373,768	4,736,454	6,207,286	6,216,607	7,997,410	8,525,600	10,720,899	7,963,302	7,360,340	7,532,460
Excess of Revenues Over (Under) Expenditures	18,299	24,320	(1,220,157)	242,046	(1,813,468)	(1,897,426)	(4,060,585)	(389,182)	218,455	499,161
Other Financing Sources (Uses)										
Bonds Issued	--	--	1,950,000	--	--	--	2,261,105	--	--	6,708,562
Refunding Bonds Issued	4,765,695	--	--	--	--	--	--	--	--	4,436,000
Payments to Escrow Agent	(4,475,000)	--	--	--	--	--	202,064	--	--	(4,485,049)
Insurance Proceeds	--	--	--	--	--	--	28,424	--	--	--
Capital Leases	--	--	--	--	--	--	2,613,785	--	--	--
Transfers In	638,934	300,000	175,000	180,000	540,000	350,000	2,510,809	673,358	410,000	867,272
Transfers Out	--	--	--	--	--	--	(392,084)	--	(169,466)	(450,914)
Total Other Financing Sources (Uses)	929,629	300,000	2,125,000	180,000	4,500,062	350,000	2,594,569	281,274	240,532	7,064,871
Prior Period Adjustments	--	--	--	--	--	--	422,462	--	--	--
Net Change in Fund Balances	\$ 947,926	\$ 324,320	\$ 904,843	\$ 422,046	\$ 2,686,584	\$ (1,547,426)	\$ (1,043,554)	\$ (107,908)	\$ 458,987	\$ 7,564,032
Debt Service As A Percentage Of Noncapital Expenditures	25.4%	17.8%	19.8%	18.7%	18.2%	19.5%	21.7%	19.2%	18.3%	17.3%

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
1998	\$ 1,749,531	\$ 700,525	\$ 299,143	\$ 100,239	\$ --	\$ 2,849,438
1999	1,782,697	737,223	315,460	111,154	--	2,946,534
2000	1,946,949	774,571	339,046	116,137	--	3,176,703
2001	1,863,570	886,298	403,331	151,568	--	3,304,767
2002	2,070,181	1,428,784	375,687	188,419	--	4,063,071
2003	2,210,635	1,608,423	360,919	174,245	--	4,354,222
2004	2,331,611	1,749,375	368,474	190,657	7,591	4,647,708
2005	2,508,774	1,751,103	387,932	195,847	6,522	4,850,178
2006	2,521,114	1,971,266	377,821	238,706	7,144	5,116,051
2007	2,613,744	2,090,487	398,789	234,691	6,459	5,344,170
Percent Change 1998-2007	49.4%	198.4%	33.3%	134.1%		87.6%

TABLE E-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
1998	\$ 186,339,833	100.00%	\$ 186,339,833	0.890	\$ 1,658,425
1999	203,077,519	100.00%	203,077,519	0.870	1,766,774
2000	206,969,592	100.00%	206,969,592	0.870	1,800,635
2001	228,884,775	100.00%	228,884,775	0.832	1,903,978
2002	249,196,574	100.00%	249,196,574	0.810	2,018,492
2003	265,606,127	100.00%	265,606,127	0.790	2,098,288
2004	297,493,600	100.00%	297,493,600	0.750	2,231,202
2005	352,638,418	100.00%	352,638,418	0.670	2,362,664
2006	380,362,543	100.00%	380,362,543	0.634	2,409,978
2007	421,491,850	100.00%	421,491,850	0.6012	2,534,009

Source: San Patricio County Appraisal District

CITY OF ARANSAS PASS, TEXAS

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Cabot Oil & Gas	\$ 23,508,450	1	5.60%			
Coastal Navy Housing	19,208,699	2	4.57%			
Wal-Mart Stores Texas LP0555	6,315,883	3	1.50%			
AEP Texas Central Company	6,147,890	4	1.46%			
Lowes Companies Inc #2506	5,882,823	5	1.40%		(1)	
Wal-Mart Real Estate	4,215,715	6	1.00%			
Lowes Home Centers, Inc.	3,547,149	7	0.84%			
Aransas Pass Lodging Inc	3,277,513	8	0.78%			
Commercial Motor Co	2,694,360	9	0.64%			
Carolyns Texas Limited Ptr	2,364,956	10	0.56%			
Total	\$ 77,163,438		18.37%	--		--

Source: San Patricio County Appraisal District.

(1) 1998 information was not available.

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

TABLE E-9

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
1998	\$ 1,658,425	\$ 1,518,525	91.56%	\$ 122,998	\$ 1,641,523	98.98%
1999	1,766,774	1,477,466	83.63%	272,192	1,749,658	99.03%
2000	1,800,635	1,649,062	91.58%	130,762	1,779,824	98.84%
2001	1,903,978	1,767,086	92.81%	101,972	1,869,058	98.17%
2002	2,018,492	1,879,940	93.14%	107,111	1,987,051	98.44%
2003	2,098,290	1,954,849	93.16%	104,815	2,059,664	98.16%
2004	2,263,488	2,129,242	94.07%	90,320	2,219,562	98.06%
2005	2,361,086	2,239,461	94.85%	72,558	2,312,019	97.92%
2006	2,448,503	2,321,225	94.80%	45,494	2,366,719	96.66%
2007	2,534,009	2,405,181	94.92%	-	2,405,181	94.92%

CITY OF ARANSAS PASS, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita	Other Governmental Activities Debt		
				Tax Anticipation Notes	Total Primary Government	Per Capita
1998	\$ 6,598,000	3.54%	835	200,000	\$ 7,428,000	\$ 676
1999	6,282,000	3.09%	785	100,000	6,727,000	601
2000	7,841,000	3.79%	968	--	9,096,000	1,123
2001	7,330,000	3.20%	901	--	8,450,000	1,039
2002	10,789,000	4.26%	1,326	121,421	11,890,421	1,462
2003	10,157,000	3.82%	1,249	--	10,992,000	1,351
2004	11,670,000	3.92%	1,435	--	12,345,000	1,518
2005	10,953,000	3.11%	1,347	--	12,578,000	1,546
2006	10,206,000	2.68%	1,255	--	12,616,000	1,551
2007	15,809,000	3.75%	1,849	580,000	18,569,000	2,278

Fiscal Year	Business-type Activities		
	Water & Sewer Revenue Bonds	Harbort Revenue Bonds	Certificates of Obligation
1998	\$ 250,000	\$ 380,000	\$ --
1999	--	345,000	--
2000	--	310,000	945,000
2001	--	270,000	850,000
2002	--	230,000	750,000
2003	--	190,000	645,000
2004	--	145,000	530,000
2005	--	100,000	1,525,000
2006	--	50,000	2,360,000
2007	--	--	2,180,000

CITY OF ARANSAS PASS, TEXAS
PLEGGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Water Revenue Bonds		Debt Service Requirements		Coverage
	Utility Service Charges	Less: Operating Expenses(1)	Net Available Revenue	Service Requirements	
1998	\$ 1,953,839	\$ 1,421,180	\$ 532,659	\$ 260,874	2.04
1999	2,269,259	1,794,191	475,068	N/A	N/A
2000	2,279,616	2,361,570	(81,954)	N/A	N/A
2001	2,498,837	2,022,517	476,320	N/A	N/A
2002	2,403,032	2,033,030	370,002	N/A	N/A
2003	2,636,310	2,165,829	470,481	N/A	N/A
2004	2,714,649	2,610,882	103,767	N/A	N/A
2005	3,256,196	2,531,919	724,277	N/A	N/A
2006	3,904,625	2,503,827	1,400,798	N/A	N/A
2007	3,750,505	2,550,093	1,200,412	N/A	N/A

Harbor Revenue Bonds

Fiscal Year	Less: Operating Expenses(1)		Net Available Revenue	Debt Service Requirements	Coverage
	Utility Service Charges	Operating Expenses(1)			
1998	\$ 352,666	\$ 62,011	\$ 290,655	\$ 53,943	5.39
1999	326,214	58,050	268,164	53,887	4.98
2000	328,376	64,775	263,601	54,045	4.88
2001	303,890	87,922	215,968	46,031	4.69
2002	348,938	85,773	263,165	44,679	5.89
2003	339,362	247,911	91,451	53,984	1.69
2004	326,523	419,944	(93,421)	54,930	(1.70)(2)
2005	246,757	84,595	162,162	52,760	3.07
2006	216,631	120,204	96,427	52,845	1.82
2007	238,000	496,410	(258,410)	51,350	(5.03)(3)

(1) Exclusive of interest and depreciation.
 (2) Cash restricted for bond indebtedness is available in Harbor Fund to retire remaining balance of revenue bonds.
 (3) All Harbor Revenue Bonds were retired in 2007.

CITY OF ARANAS PASS, TEXAS
SELECTED WATER AND SEWER FUND DATA
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2007
UNAUDITED

TABLE E-12

<u>Fiscal Year Ended September 30,</u>	<u>Water Connections</u>	<u>Sewer Connections</u>	<u>Gallons of Water Consumed</u>
1998	3,331	2,711	395,464,900
1999	3,391	2,759	472,279,900
2000	3,445	2,804	436,169,300
2001	3,505	2,838	471,101,900
2002	3,508	2,939	421,871,500
2003	3,583	3,006	426,856,600
2004	3,628	3,047	389,790,192
2005	3,686	3,076	406,558,800
2006	3,739	3,119	431,123,700
2007	3,774	3,136	436,988,100

CITY OF ARANSAS PASS, TEXAS

TABLE E-13

*INSURANCE IN FORCE
SEPTEMBER 30, 2007
UNAUDITED*

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #8731	Real and Personal Property, \$11,673,117 Mobile Equipment, \$654,022 Errors & Omissions, \$1,000,000 occurrence, \$2,000,000 annual aggregate Law Enforcement Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate General Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate Auto Liability, \$3,000,000 occurrence, \$25,000 Medical Auto Physical Damage, coverage varies per vehicle Workers Compensation, limit statutory Public Employee Dishonesty, \$100,000 Forgery, Theft, Computer Fraud, \$20,000	October 1, 2007
Texas Windstorm Insurance Assoc. 20777711	Windstorm and Hail, \$11,662,986 80% Coinsurance	November 7, 2007