

CITY OF ARANSAS PASS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012

City of Aransas Pass, Texas
 Comprehensive Annual Financial Report
 For The Year Ended September 30, 2012

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Introductory Section

CITY OF ARANSAS PASS, TEXAS

LIST OF PRINCIPAL OFFICIALS

September 30, 2012

Elected Officials

<u>Name</u>	<u>Office</u>
Tommy Knight	Mayor
Vicki Abrego	Mayor Pro Tempore
James A. Mills	Council Member
Billy Ellis	Council Member
Phillip Hyatt	Council Member

Appointed Officials

<u>Name</u>	<u>Position</u>
Reggie Winters	City Manager
Yvonne Stonebraker	City Secretary
Sandy Roddel	Finance Director
Allen Lawrence, Jr.	City Attorney
Eric Blanchard	Interim Chief of Police
Donna Cox	Municipal Court Judge
Frank Truitt	Building Inspector
Paul Alvarado	Director of Public Works
Rickie Kilgore	Fire Chief

Financial Section

Michael A. Arnold, PLLC

501 E. MARKET
P.O. BOX 1266
ROCKPORT, TEXAS 78381-1266

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545
FAX (361) 790-9692

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, 2012, 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 the 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, 2012, 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 27, 2013, 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 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aransas Pass, Texas's financial statements as a whole. not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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 27, 2013

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, 2012. 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 \$1,450,240 as a result of this year's operations. Governmental activities increased \$950,466 with the balance of \$499,774 resulting from business-type activities.

General Fund Performance

As a result of this year's operations, the General fund reported a \$264,422 decrease to fund balance.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 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, civic center and the aquatic center, are activities that are reported in this category.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds commences on page 16. 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

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 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	4.1	6.5	2.5	2.1	6.6	8.6
Capital Assets	22.8	22.0	7.1	6.8	29.9	28.8
Total Assets	27.9	28.5	9.6	8.9	35.5	37.4
Long-term debt outstanding	16.3	17.7	1.5	1.7	17.8	19.4
Other liabilities	.4	.5	.7	.4	1.1	.9
Total liabilities	16.7	18.2	2.2	2.1	18.9	20.3
Net assets:						
Invested in capital assets,						
Net of debt	7.0	5.6	5.6	5.2	11.6	10.8
Restricted	1.8	2.8	-	-	1.8	2.8
Unrestricted (deficit)	2.4	1.9	1.8	1.6	4.2	3.5
Total net assets	11.2	10.3	7.4	6.8	18.6	17.1

Net assets of the City's governmental activities increased \$950,466.

The net assets of the City's business-type activities increased 499,774.

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	2.1	2.6	4.8	4.2	6.9	6.8
Grants	1.2	.6	0.5		1.7	0.6
General revenues:						
Property taxes	3.2	3.1			3.2	3.1
Sales tax	3.3	3.1			3.3	3.1
Other taxes	0.6	0.6			0.6	0.6
Other general revenues	0.4	0.1			0.4	0.1
Total revenues	10.8	10.1	5.3	4.2	16.1	14.3
Program expenses						
General government	1.5	1.1			1.5	1.1
Public safety	3.3	3.0			3.3	3.0
Public works	1.2	1.1			1.2	1.1
Sanitation	1.5	1.5			1.5	1.5
Health and Welfare	0.6	0.2			0.6	0.2
Tourism	0.5	0.2			0.2	0.2
Culture and recreation	0.9	1.5			0.9	1.5
Interest on long-term debt	0.8	0.9			0.8	0.9
Water and Sewer			3.6	3.2	3.6	3.2
Harbor			0.2	0.2	0.2	0.2
Aquatic Center			0.5	0.5	0.5	0.5
Civic Center			0.4		0.4	
Total expenses	10.0	9.5	4.7	3.9	14.7	13.4
Excess (deficiency)						
Before special items						
And transfers	0.8	0.6	0.6	0.3	1.4	0.9
Transfers	0.1	0.4	(0.1)	(0.4)	-	-
Increase (decrease)						
In net assets	0.9	1.0	0.5	(0.1)	1.4	0.9

Total revenues generated from both governmental and business-type activities this year amounted to \$16.1 million.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$10.8 million. Expenses came in at \$10.0 million.

The cost of all governmental activities this year was \$10.0 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 \$7.5 million. \$3.3 million to finance these programs was paid by those who directly benefited from them, bond funds, construction funds and by other governments that subsidized certain programs with grants.

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

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

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Public Safety	3.3	3.0	2.6	1.8
General Government	1.5	1.1	1.4	0.9
Public Works	1.2	1.1	1.2	1.1
Sanitation	1.5	1.5	-	0.1
Health and Welfare	0.6	0.2	0.3	0.2
Culture and Recreation	0.9	1.5	0.9	1.2
Total	9.0	8.8	6.4	5.7

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$5.3 million. Expenses came in at \$4.7 million, leaving \$0.6 million as an increase to net assets before transfers. An additional net \$0.1 million in transfers from business-type activities was made, resulting in an all-inclusive decrease to net assets amounting to \$0.4 million.

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

THE CITY'S FUNDS

As a result of this year's operation, governmental funds (as reflected in the balance sheet on page 18) produced a combined fund balance of \$3.6 million, a decrease of \$1.2 million from last year.

Governmental Funds - A Detailed Discussion

Revenues and Transfers-In

The following table presents a summary of total governmental funds' revenues for the years ended September 30, 2012 and 2011.

Table 4
Revenues and Transfers-In

Revenues and Transfers- In	2012 Amount	% of Total	2011 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	7,287,908	66.5	6,650,290	637,638	9.6
Licenses & Permits	55,742	.5	131,414	(75,672)	(57.6)
Intergovernmental	1,129,196	10.3	556,072	573,124	103.1
Charges for services	1,514,224	13.8	1,798,935	(284,711)	(15.9)
Fines and Forfeitures	359,420	3.3	424,939	(65,519)	(15.5)
Other	617,022	5.6	362,382	254,640	70.3
Total	10,963,432		9,924,032	1,039,500	

Taxes

Property Taxes

Property taxes increased \$368,302 over last year.

Other Taxes

This year's reported sales taxes as a whole increased \$271,020 from the prior year.

Miscellaneous

Miscellaneous revenues totaling \$617,022 largely consists of insurance proceeds, rents and royalties, interest and PILOT – Industrial Development District.

Table 5
Expenditures and Transfers-Out

Expenditures and Transfers- Out	2012 Amount	Percent of Total	2011 Amount	Percent Change
General government	1,412,895	11.5	1,080,464	30.8
Public safety	3,214,453	26.1	3,293,266	(2.4)
Public Works	922,705	7.5	811,744	13.7
Sanitation , Health and Welfare	2,048,440	16.7	1,646,229	24.4
Recreation & Tourism	713,708	5.8	1,358,604	(47.5)
Capital Outlay	1,670,479	13.6	905,253	84.5
Debt Service:				
Principal	1,536,071	12.5	1,416,071	8.5
Interest and Fiscal Charges	782,322	6.3	846,650	(7.6)
Total	12,301,073		11,358,285	

Fund Balance

Combined fund balance for all of the governmental fund types decreased \$1,219,794, from a balance of \$4,845,707 in the prior year to \$3,625,913 as of the current fiscal year end.

General Fund

Revenues and transfers-in generated \$8,364,998 and 1,421,313, respectively, aggregating \$7,786,341. Expenditures and transfers-out amounted to \$7,502,717 and \$548,046, respectively, aggregating \$8,050,763. The resulting effect on fund balance represented an decrease of \$264,422. The transfers out were primarily to the Aquatic Center Fund and Citizens Collection Fund to cover operating costs.

AP Municipal Development District Fund

The fund balance of the AP Municipal Development District Fund decreased from \$479,413 in the prior year to \$364,705, a decrease of \$114,708. The District is a separate legal entity, but has been reported as a blended component unit in the financial statements. The District provides financing services to the City including payment of debt and civic center losses.

Debt Service Fund

The fund balance of the debt service fund increased from \$73,657 in the prior year to \$76,932, an increase of \$3,275.

PROPRIETARY FUNDS

Enterprise Funds

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

Consumption

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

**Table 6
Consumption**

Fiscal Year	11-12	10-11	% Increase/ Decrease	09-10	% Increase/ Decrease
Total Consumption	420,327,500	421,745,900	(.3%)	408,163,400	(.45%)

**Table 7
Growth in Customer Base**

Fiscal Year	11-12	10-11	% Increase/ Decrease	09-10	% Increase/ Decrease
Total Meter Connections	3,748	3,824	(2%)	3,765	

Utility System Fund

Operating revenues for the Water and Sewer Fund were \$4,194,777, which is \$465,332 more than 2011. Expenses were \$3,525,506, which is \$420,945 more than 2011.

Harbor Fund

The Harbor Fund is funded with rental revenue. Revenues for the Harbor totaled \$234,372, which is \$96,875 more than revenues for 2011. Expenses for the same period were \$210,306, a total of \$10,969 more than 2011. The Harbor is undergoing various clean up projects.

Aquatic Center

The Aquatic Center is funded with revenue from admissions, passes, rentals, instructional classes and concessions. Revenues for the Aquatic Center totaled \$310,332, which is \$11,244 more than revenues for 2011. Expenses for the same period were \$510,936, a total of \$51,871 more than 2011.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$29,650,917 in capital assets.

Table 8

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2012	2012	2011
Land	7.5	7.5	.3	.3	7.8	7.8
Const in Prog.			.3		.3	
Buildings and improvements	12.8	9.7	.3	.3	13.1	10.0
Equipment	1.8	1.9	.3	.3	2.1	2.2
Infrastructure	2.6	2.6	5.8	5.8	8.4	8.4
Totals	22.8	21.7	7.0	6.7	29.6	28.4

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, 2012, the City had no bonds of any type approved that had not been issued.

Bond Ratings

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

Bonds Outstanding

At the end of the fiscal year, the City had \$17.8 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	
	2012	2011	2012	2011	2012	2011
General obligation bonds (backed by the City)	16.3	17.7	1.5	1.7	17.8	19.4
Revenue bonds (backed by specific tax and fee revenues)	0.0	0.0	0.0	0.0	0.0	0.0
Totals	16.3	17.7	1.5	1.7	17.8	19.4

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2012-13 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, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 2,630,168	\$ 1,493,959	\$ 4,124,127
Receivables (net of allowances for uncollectibles):			
Property Taxes	333,075	--	333,075
Accounts	161,677	495,048	656,725
Occupancy Taxes	76,568	--	76,568
Sales Taxes	159,083	--	159,083
Assessments	371,847	--	371,847
Fines	250,000	--	250,000
Intergovernmental	9,300	51,495	60,795
Internal Balances	5,068	(5,068)	--
Inventories	15,741	738	16,479
Restricted Assets:			
Cash and Cash Equivalents	695,976	424,090	1,120,066
Sales Taxes Receivable	189,370	--	189,370
Unamortized Bond Costs	238,990	65,790	304,780
Capital Assets:			
Land	7,507,865	308,583	7,816,448
Construction in Progress	--	324,865	324,865
Buildings	8,929,041	--	8,929,041
Water and Sewer System	--	12,083,814	12,083,814
Improvements other than Buildings	4,759,005	2,702,205	7,461,210
Furniture and Equipment	4,820,050	1,285,591	6,105,641
Infrastructure	3,476,595	--	3,476,595
Less Accumulated Depreciation	(6,693,618)	(9,627,152)	(16,320,770)
Total Assets	<u>27,935,801</u>	<u>9,603,958</u>	<u>37,539,759</u>
LIABILITIES:			
Accounts Payable and Other Current Liabilities	317,038	333,879	650,917
Accrued Interest Payable	116,044	9,642	125,686
Customer Deposits	--	15,345	15,345
Liabilities Payable from Restricted Assets			
Customer Deposits	--	319,716	319,716
Noncurrent Liabilities-			
Due within one year	1,560,013	136,000	1,696,013
Due in more than one year	14,682,926	1,407,455	16,090,381
Total Liabilities	<u>16,676,021</u>	<u>2,222,037</u>	<u>18,898,058</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,992,170	5,557,906	12,550,076
Restricted For:			
Public Library	59,733	--	59,733
Debt Service	241,612	--	241,612
Capital Outlay	179,470	--	179,470
Tourism	223,504	--	223,504
Law Enforcement	596,192	--	596,192
Emergency Services	65,981	--	65,981
Building Security	63,971	--	63,971
Municipal Court Technology	19,516	--	19,516
Special Projects	364,705	--	364,705
Unrestricted	2,452,926	1,824,015	4,276,941
Total Net Assets	<u>\$ 11,259,780</u>	<u>\$ 7,381,921</u>	<u>\$ 18,641,701</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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,523,225	\$ 166,784	\$ --	\$ --
Public Safety	3,347,628	550,316	244,800	--
Public Works	1,165,413	--	--	--
Sanitation	1,467,011	1,417,023	--	--
Health and Welfare	587,530	--	316,696	--
Culture and Recreation	912,909	--	10,375	--
Tourism	222,911	--	--	--
Capital Outlay	--	--	--	567,700
Interest and Fiscal Charges	782,457	--	--	--
Total Governmental Activities	10,009,084	2,134,123	571,871	567,700
Business-type Activities:				
Water and Sewer	3,586,702	4,194,777	--	473,000
Harbor	210,306	234,372	--	32,447
Aquatic Center	510,936	310,332	--	--
Civic Center	434,378	114,457	--	--
Total Business-type Activities	4,742,322	4,853,938	--	505,447
Total Primary Government	\$ 14,751,406	\$ 6,988,061	\$ 571,871	\$ 1,073,147

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Mixed Beverage Taxes
Occupancy Taxes
Interest Income
Insurance Proceeds
Royalties
Miscellaneous
Transfers
Total General Revenues and Transfers
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>
\$ (1,356,441)		\$ (1,356,441)
(2,552,512)		(2,552,512)
(1,165,413)		(1,165,413)
(49,988)		(49,988)
(270,834)		(270,834)
(902,534)		(902,534)
(222,911)		(222,911)
567,700		567,700
(782,457)		(782,457)
<u>(6,735,390)</u>		<u>(6,735,390)</u>
--	\$ 1,081,075	1,081,075
--	56,513	56,513
--	(200,604)	(200,604)
--	(319,921)	(319,921)
--	617,063	617,063
<u>(6,735,390)</u>	<u>617,063</u>	<u>(6,118,327)</u>
3,229,590	--	3,229,590
3,337,846	--	3,337,846
386,893	--	386,893
10,641	--	10,641
203,766	--	203,766
10,680	558	11,238
271,380	--	271,380
40,478	--	40,478
76,735	--	76,735
117,847	(117,847)	--
<u>7,685,856</u>	<u>(117,289)</u>	<u>7,569,021</u>
950,466	499,774	1,450,240
10,309,314	6,882,147	17,191,461
<u>\$ 11,259,780</u>	<u>\$ 7,381,921</u>	<u>\$ 18,641,701</u>

CITY OF ARANSAS PASS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	AP Municipal Development District
ASSETS		
Cash and Cash Equivalents	\$ 1,571,586	\$ --
Receivables (net of allowances for uncollectibles):		
Property Taxes	168,395	--
Accounts	161,677	--
Occupancy Taxes	--	--
Sales Taxes	159,083	--
Assessments	--	--
Intergovernmental	9,300	--
Due from Other Funds	208,040	--
Inventories	15,741	--
Restricted Assets:		
Cash and Cash Equivalents	--	503,876
Sales Taxes Receivable	--	63,801
Total Assets	<u>\$ 2,293,822</u>	<u>\$ 567,677</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 289,153	\$ --
Due to Other Funds	--	202,972
Deferred Revenue	168,395	--
Total Liabilities	<u>457,548</u>	<u>202,972</u>
Fund Balances:		
Nonspendable	15,741	--
Restricted	--	364,705
Committed	--	--
Unassigned	1,820,533	--
Total Fund Balance	<u>1,836,274</u>	<u>364,705</u>
Total Liabilities and Fund Balance	<u>\$ 2,293,822</u>	<u>\$ 567,677</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ 76,932	\$ 140,372	\$ 841,278	\$ 2,630,168
164,680	--	--	333,075
--	--	--	161,677
--	--	76,568	76,568
--	--	--	159,083
--	371,847	--	371,847
--	--	--	9,300
--	--	--	208,040
--	--	--	15,741
--	--	192,100	695,976
--	--	125,569	189,370
<u>\$ 241,612</u>	<u>\$ 512,219</u>	<u>\$ 1,235,515</u>	<u>\$ 4,850,845</u>
\$ --	\$ --	\$ 27,885	\$ 317,038
--	--	--	202,972
164,680	371,847	--	704,922
<u>164,680</u>	<u>371,847</u>	<u>27,885</u>	<u>1,224,932</u>
--	--	--	15,741
76,932	--	1,207,630	1,649,267
--	140,372	--	140,372
--	--	--	1,820,533
<u>76,932</u>	<u>140,372</u>	<u>1,207,630</u>	<u>3,625,913</u>
<u>\$ 241,612</u>	<u>\$ 512,219</u>	<u>\$ 1,235,515</u>	<u>\$ 4,850,845</u>

CITY OF ARANSAS PASS, TEXASRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	\$ 3,625,913
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	22,798,938
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	333,075
Payables for bond principal which are not due in the current period are not reported in the funds.	(15,914,340)
Payables for bond interest which are not due in the current period are not reported in the funds.	(116,044)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(179,493)
Payables for contracts which are not due in the current period are not reported in the funds.	(54,640)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	238,990
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	250,000
OPEB liabilities are not reported in the funds.	(94,466)
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	371,847
Net assets of governmental activities - Statement of Net Assets	<u>\$ 11,259,780</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, 2012

	General Fund	AP Municipal Development District
Revenue:		
Taxes:		
General Property Taxes	\$ 1,583,446	\$ --
Sales Taxes	1,842,419	757,733
Franchise Taxes	386,893	--
Occupancy Taxes	--	--
Mixed Beverage Taxes	10,641	--
License and Permits	55,742	--
Intergovernmental	107,220	--
Charges for Services	1,439,259	--
Fines and Forfeitures	340,482	--
Special Assessments	--	--
Interest	5,566	608
Rents and Royalties	151,520	--
PILOT - Industrial Development District	93,695	--
Other	76,735	--
Total revenues	<u>6,093,618</u>	<u>758,341</u>
Expenditures:		
Current:		
General Government	1,409,892	2,683
Public Safety	3,074,143	--
Public Works	922,705	--
Sanitation	1,286,718	--
Health and Welfare	250,333	--
Culture and Recreation	475,699	--
Tourism	--	--
Debt Service:		
Principal	6,071	290,000
Interest and Fiscal Charges	--	260,098
Fiscal Agent's Fees	--	--
Capital Outlay	77,156	--
Total Expenditures	<u>7,502,717</u>	<u>552,781</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,409,099)</u>	<u>205,560</u>
Other Financing Sources (Uses):		
Operating Transfers In	1,421,343	--
Operating Transfers Out	(548,046)	(320,268)
Insurance Proceeds	271,380	--
Total Other Financing Sources (Uses)	<u>1,144,677</u>	<u>(320,268)</u>
Net Change in Fund Balances	(264,422)	(114,708)
Fund Balances - Beginning	2,100,696	479,413
Fund Balances - Ending	<u>\$ 1,836,274</u>	<u>\$ 364,705</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,765,336	\$ --	\$ --	\$ 3,348,782
--	--	737,694	3,337,846
--	--	--	386,893
--	--	203,766	203,766
--	--	--	10,641
--	--	--	55,742
--	--	1,021,976	1,129,196
--	--	74,965	1,514,224
--	--	18,938	359,420
--	2,537	--	2,537
163	2,187	2,156	10,680
--	--	--	151,520
--	--	--	93,695
--	--	10,375	87,110
<u>1,765,499</u>	<u>4,724</u>	<u>2,069,870</u>	<u>10,692,052</u>
--	--	320	1,412,895
--	--	140,310	3,214,453
--	--	--	922,705
--	--	180,293	1,467,011
--	--	331,096	581,429
--	--	15,098	490,797
--	--	222,911	222,911
1,240,000	--	--	1,536,071
520,524	--	--	780,622
1,700	--	--	1,700
--	--	1,593,323	1,670,479
<u>1,762,224</u>	<u>--</u>	<u>2,483,351</u>	<u>12,301,073</u>
<u>3,275</u>	<u>4,724</u>	<u>(413,481)</u>	<u>(1,609,021)</u>
--	--	556,595	1,977,938
--	--	(991,777)	(1,860,091)
--	--	--	271,380
--	--	<u>(435,182)</u>	<u>389,227</u>
3,275	4,724	(848,663)	(1,219,794)
73,657	135,648	2,056,293	4,845,707
<u>\$ 76,932</u>	<u>\$ 140,372</u>	<u>\$ 1,207,630</u>	<u>\$ 3,625,913</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, 2012

Net change in fund balances - total governmental funds	\$ (1,219,794)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,670,479
The depreciation of capital assets used in governmental activities is not reported in the funds.	(844,100)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(119,192)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,530,000
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.	(31,281)
(Increase) decrease in accrued interest from beginning of period to end of period.	45,204
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(19,756)
The current accrual of OPEB is recorded in the SOA, but not the funds.	(50,570)
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(2,537)
Amortization of deferred loss on bond refunding is not recorded in the funds, but in the SOA.	<u>(14,058)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 950,466</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS

STATEMENT OF NET ASSETS

ENTERPRISE FUNDS

SEPTEMBER 30, 2012

	Enterprise Fund <u>Water and Sewer Fund</u>	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,421,365	\$ 72,594	\$ 1,493,959
Receivables (net of allowances for uncollectibles):			
Accounts	445,484	49,564	495,048
Intergovernmental	51,495	--	51,495
Inventories	--	738	738
Total Current Assets	<u>1,918,344</u>	<u>122,896</u>	<u>2,040,502</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents			
Cash	424,090	--	424,090
Bond Issuance cost, net	65,790	--	65,790
Capital Assets:			
Land	308,583	--	308,583
Construction in Progress	324,865	--	324,865
Improvements Other Than Buildings	--	2,702,205	2,702,205
Water System	3,534,077	--	3,534,077
Sewer System	8,549,737	--	8,549,737
Machinery and Equipment	1,246,164	39,427	1,285,591
Less Accumulated Depreciation	(7,199,781)	(2,427,371)	(9,627,152)
Total Noncurrent Assets	<u>7,253,525</u>	<u>314,261</u>	<u>7,567,786</u>
Total Assets	<u>\$ 9,171,869</u>	<u>\$ 437,157</u>	<u>\$ 9,609,026</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 263,458	\$ 18,926	\$ 282,384
Contracts payable	51,495	--	51,495
Due to other funds	4,847	221	5,068
Accrued interest payable	9,642	--	9,642
Customer deposits	--	15,345	15,345
Compensated absences pay. - current	6,000	--	6,000
Certificates of Obligation Payable-current	130,000	--	130,000
Total Current Liabilities	<u>465,442</u>	<u>34,492</u>	<u>499,934</u>
Current Liabilities Payable from Restricted Assets-			
Customer Deposits	319,716	--	319,716
Total Current Liabilities Payable	<u>319,716</u>	<u>--</u>	<u>319,716</u>
Noncurrent Liabilities:			
Bonds and Certificates of Oblg. Payable	1,390,000	--	1,390,000
Compensated absences payable	17,455	--	17,455
Total Noncurrent Liabilities	<u>1,407,455</u>	<u>--</u>	<u>1,407,455</u>
Total Liabilities	<u>2,192,613</u>	<u>34,492</u>	<u>2,227,105</u>
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt	5,243,645	314,261	5,557,906
Unrestricted Net Assets	1,735,611	88,404	1,824,015
Total Net Assets	<u>\$ 6,979,256</u>	<u>\$ 402,665</u>	<u>\$ 7,381,921</u>

CITY OF ARANSAS PASS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Fund <u>Water and Sewer Fund</u>	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 4,194,777	\$ 659,161	\$ 4,853,938
Total Operating Revenues	<u>4,194,777</u>	<u>659,161</u>	<u>4,853,938</u>
OPERATING EXPENSES:			
Personal services	844,391	378,176	1,222,567
Contractual services	551,231	402,191	953,422
Supplies	1,511,863	135,043	1,646,906
Maintenance	317,769	171,228	488,997
Other	--	1,258	1,258
Depreciation and Amortization	300,252	67,724	367,976
Total Operating Expenses	<u>3,525,506</u>	<u>1,155,620</u>	<u>4,681,126</u>
Operating Income	<u>669,271</u>	<u>(496,459)</u>	<u>172,812</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	536	22	558
Interest expense	(61,196)	--	(61,196)
Total Non-operating Revenues (Expenses)	<u>(60,660)</u>	<u>22</u>	<u>(60,638)</u>
Income before Transfers	608,611	(496,437)	112,174
Contributions	473,000	32,447	505,447
Operating transfers In	--	458,824	458,824
Operating transfers out	(576,671)	--	(576,671)
Change in Net Assets	<u>504,940</u>	<u>(5,166)</u>	<u>499,774</u>
Total Net Assets - Beginning	6,474,316	407,831	6,882,147
Total Net Assets - Ending	<u>\$ 6,979,256</u>	<u>\$ 402,665</u>	<u>\$ 7,381,921</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, 2012

	Enterprise Funds		
	Water & Sewer Fund	Other Funds	Totals
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 4,208,425	\$ 616,770	\$ 4,825,195
Cash Received from Grants	--	--	--
Cash Receipts (Payments) for Operating Transactions with Other Funds	(70,707)		(70,707)
Cash Payments to Employees for Services	(767,655)	(378,176)	(1,145,831)
Cash Payments to Other Suppliers for Goods and Services	(2,306,104)	(711,593)	(3,017,697)
Net Cash Provided (Used) by Operating Activities	1,063,959	(472,999)	590,960
Cash Flows from Non-capital Financing Activities:			
Transfers From Other Funds	--	458,824	458,824
Transfers To Other Funds	(576,671)	--	(576,671)
Net Cash Provided (Used) by Non-capital Financing Activities	(576,671)	458,824	(117,847)
Cash Flows from Capital and Related Financing Activities:			
Principal and Interest Paid	(186,727)	--	(186,727)
Acquisition or Construction of Capital Assets	(575,480)	(32,447)	(607,927)
Proceeds from Capital Grants	421,505	32,447	453,952
Net Cash Provided (Used) for Capital & Related Financing Activities	(340,702)	--	(340,702)
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	536	21	557
Net Cash Provided (Used) for Investing Activities	536	21	557
Net Increase (Decrease) in Cash and Cash Equivalents	147,122	(14,154)	132,968
Cash and Cash Equivalents at Beginning of Year	1,698,333	86,748	1,785,081
Cash and Cash Equivalents at End of Year	\$ 1,845,455	\$ 72,594	\$ 1,918,049

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:			
Operating Income (Loss)	\$ 669,271	\$ (496,459)	\$ 172,812
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Amortization	300,252	67,724	367,976
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(14,999)	(34,397)	(49,396)
Decrease (Increase) in Inventories	--	2,489	2,489
Increase (Decrease) in Accounts Payable	145,466	(4,067)	141,399
Increase (Decrease) in Interfund Payables	(70,707)	(295)	(71,002)
Increase (Decrease) in Accrued Expenses	6,029		6,029
Increase (Decrease) in Customer Deposits	28,647	(7,994)	20,653
Total Adjustments	394,688	23,460	418,148
Net Cash Provided (Used) by Operating Activities	\$ 1,063,959	\$ (472,999)	\$ 590,960

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, 2012

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 Units

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 units are reported:

Aransas Pass Municipal Development District

The Aransas Pass Municipal Development District (the District) was created pursuant to the provisions of Chapter 377 of the Texas Local Government Code by a general election on May 2, 1998. A 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.

Aransas Pass Crime Control and Prevention District

In May 2009, the voters approved the creation of the Aransas Pass Crime Control and Prevention District which will be funded by a 1/2 cent sales tax. Board Members are appointed by the City Council. Although the District is legally separate from the City, the District will be reported as if it were part of the primary government because

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

it is a financing mechanism for the City to provide public safety to the citizens of the City. The District issues separate financial statements which are available upon request. The District changed its fiscal year from July to September in 2012. The District's financial statements included herein are as of and for the year ended September 30, 2012.

Discretely Presented Component Units

There are no component units which require discrete presentation.

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 have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The City reports the following major governmental funds:

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

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

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.

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.

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b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

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historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

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

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

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

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

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

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

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

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

4. Budgetary Data

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

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

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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, Crime Control, Hotel/Motel Occupancy Tax Fund, Debt Service Fund and Enhanced 911 Fund.

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

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

5. Encumbrance Accounting

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

<u>Fund</u>	<u>Deficit</u>	
Citizens Collection Fund	\$ (8,095.00)	Temporary shortages to be replenished by General Fund
Aquatics Fund	(497)	
Civic Center Fund	(9,267)	

3. Budget Compliance

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

General Fund	\$ (301,411)
Hotel/Motel Occupancy Tax	(17,811)
Debt Service Fund	(75,498)

C. Fund Changes and Restatement of Net Assets

Aransas Pass Crime Control and Prevention District

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The Aransas Pass Crime Control and Prevention District, a blended component unit, changed its fiscal year from July 31, to September 30, the City's year end. Accordingly, the District's financial statements included in this audit are as of, and for the year ending September 30, 2012. In the previous year, the District's statements were presented as of, and for the year July 31, 2011. The beginning fund balance at October 1, 2012 required restatement.

The beginning fund balance at September 30, 2011 has been restated as follows:

Fund balance at September 30, 2011	\$ 389,332
Fund balance at July 31, 2011 as previously reported	<u>299,941</u>
Increase in beginning net assets	<u>\$ 89,391</u>

Aransas Pass Civic Center

In prior years, the Aransas Pass Civic Center was considered a blended component unit. It was managed by Venue Works of Aransas Pass, LLC and overseen by the Aransas Pass Municipal Development District. In fiscal 2012, the City terminated its contract with Venue Works of Aransas Pass, LLC and began operating the center. Accordingly, the fund balance at September 30, 2011 of \$50,154 has been transferred from the Governmental Activities net assets and added to the Business Activities beginning net assets.

D. Deposits and Investments

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

Cash Deposits:

At September 30, 2012, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,673,648 and the bank balance was \$1,060,138. The City's cash deposits at September 30, 2012 and during the year ended September 30, 2012, 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.

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<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	1 Day	\$ 3,570,545
Total Investments		<u>\$ 3,570,545</u>

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

At September 30, 2012, 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

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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 pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

E. Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 7,507,865	\$ --	\$ --	\$ 7,507,865
Construction in progress	--	--	--	--
Total capital assets not being depreciated	7,507,865	--	--	7,507,865
Capital assets being depreciated:				
Buildings	8,929,041	--	--	8,929,041
Improvements other than buildings	3,400,419	1,358,586	--	4,759,005
Machinery and Equipment	4,576,949	243,101	--	4,820,050
Infrastructure	3,407,803	68,792	--	3,476,595
Total capital assets being depreciated	20,314,212	1,670,479	--	21,984,691
Less accumulated depreciation for:				
Buildings	(1,453,592)	(227,918)	--	(1,681,510)
Improvements other than buildings	(962,493)	(160,459)	--	(1,122,952)
Machinery and Equipment	(2,641,455)	(340,408)	--	(2,981,863)
Infrastructure	(791,978)	(115,315)	--	(907,293)
Total accumulated depreciation	(5,849,518)	(844,100)	--	(6,693,618)
Total capital assets being depreciated, net	14,464,694	826,379	--	15,291,073
Governmental activities capital assets, net	\$ 21,972,559	\$ 826,379	\$ --	\$ 22,798,938

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 308,583	\$ --	\$ --	\$ 308,583
Construction in progress	31,765	293,100	--	324,865

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Total capital assets not being depreciated	340,348	293,100	--	633,448
Capital assets being depreciated:				
Improvements other than buildings	2,663,013	39,192	--	2,702,205
Water and sewer system	11,857,798	226,016	--	12,083,814
Machinery and equipment	1,177,732	107,859	--	1,285,591
Total capital assets being depreciated	15,698,543	373,067	--	16,071,610
Less accumulated depreciation for:				
Improvements other than buildings	(2,320,219)	(67,724)	--	(2,387,943)
Water and sewer system	(6,047,412)	(236,690)	--	(6,284,102)
Machinery and equipment	(897,358)	(57,749)	--	(955,107)
Total accumulated depreciation	(9,264,989)	(362,163)	--	(9,627,152)
Total capital assets being depreciated, net	6,433,554	10,904	--	6,444,458
Business-type activities capital assets, net	\$ 6,773,902	\$ 304,004	\$ --	\$ 7,077,906

Depreciation was charged to functions as follows:

Governmental Activities:	
General Government	\$ 40,004
Public Safety	133,175
Culture and Recreation	422,112
Public Works	242,708
Public Health and Welfare	6,101
	<u>\$ 844,100</u>
Business Activities:	
Water and Sewer	\$ 294,439
Harbor	67,724
	<u>\$ 362,163</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2012, consisted of the following:

	Receivable	Payable	Net
Governmental Fund Types:			
Governmental Funds:			
General Fund	\$ 202,972	\$ --	
Aransas Pass Municipal Development District	--	202,972	
Other nonmajor enterprise funds	221		
	<u>\$ 208,040</u>	<u>\$ 202,972</u>	<u>\$ 5,068</u>
Proprietary Fund Types:			
Enterprise Funds:			
Water and Sewer Fund	\$ --	\$ 4,847	
Harbor Fund	--	221	
	<u>\$ --</u>	<u>\$ 5,068</u>	<u>\$ (5,068)</u>
			<u>\$ --</u>

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2012, consisted of the following:

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<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Water and Sewer Fund	General Fund	\$ 550,000	Administrative Charges
	General Fund	26,729	Reimburse Grant Matching Funds
	General Fund	188	Reimburse expenses
Aransas Pass Municipal Dev. District	General Fund	202,972	Reimburse General Fund for Civic Center Losses
	Civic Center Fund	117,296	Supplement other funds sources
Aransas Pass Crime Control and Prevention District	General Fund	641,172	Crime Prevention Grants
	Crime Control Grant Fund	325,000	Crime Prevention Grants
Forfeiture Fund	Crime Control Grant Fund	25,423	Supplement other funds sources
Nonmajor Capital Projects Fund	General Fund	182	Reimburse expenses
General Fund	Civic Center Fund	143,550	Cover cash shortages
General Fund	Citizens Collection Fund	191,772	Supplement other funds sources
General Fund	Home Grant 100197	14,400	Grant Matching Portion
General Fund	Aquatic Center Fund	198,324	Supplement other funds sources
	Total	<u>\$ 2,437,008</u>	

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, 2012:

	<u>Interest Rate</u>	<u>General Long-Term Debt</u>	<u>Enterprise Fund Debt</u>
Bonded Debt			
Tax and Limited Pledge Revenue, Certificates of Obligation, Series 2003	2.50 - 4.35%	1,350,000	--
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2005	1.70% - 3.75%	--	800,000
Combination Tax and Limited Pledge Revenue			

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Certificates of Obligation, Series 2006	4.25%	--	720,000
General Obligation Refunding Bonds, Series 2007	4.025%	4,050,000	--
Taxable Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007	5.75 - 6.375%	5,550,000	--
Tax Notes, Series 2007	4.30%	155,000	--
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007	3.92%	3,250,000	--
General Obligation Refunding Bonds, Series 2008	2.95%	380,000	--
Tax Notes, Series 2009	2.85-3.00%	80,000	--
Tax Notes, Series 2010	2.0%-3.0%	830,000	--
Tax Notes, Series 2011	2.78%	435,000	--
Totals		16,080,000	1,520,000
Deferred Loss on Advance Refunding		(165,660)	--
		<u>\$ 15,914,340</u>	<u>\$ 1,520,000</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, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General bonded debt	\$ 17,610,000	\$ --	\$ 1,530,000	\$ 16,080,000	1,505,000
Deferred loss on adv. ref.	(179,718)		(14,058)	(165,660)	(14,058)
OPEB obligation*	43,896	50,570		94,466	51,000
Compensated absences *	159,737	19,756		179,493	12,000
Contracts*	60,711	--	6,071	54,640	6,071
Total governmental activities	<u>\$ 17,694,626</u>	<u>\$ 70,326</u>	<u>\$ 1,522,013</u>	<u>\$ 16,242,939</u>	<u>\$ 1,560,013</u>
<u>Business-type activities:</u>					
General bonded debt	\$ 1,645,000	\$ --	\$ 125,000	\$ 1,520,000	130,000
Compensated absences *	39,004		15,549	23,455	6,000
Total business-type activities	<u>\$ 1,684,004</u>	<u>\$ --</u>	<u>\$ 140,549</u>	<u>\$ 1,543,455</u>	<u>\$ 136,000</u>

Other long-term liabilities

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

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

2. Debt Service Requirements

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Debt service requirements on long-term debt at September 30, 2012, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,605,000	\$ 720,219	\$ 2,325,219
2014	1,675,000	656,118	2,331,118
2015	1,400,000	595,325	1,995,325
2016	1,040,000	546,216	1,586,216
2017	960,000	501,832	1,461,832
2018-2022	4,395,000	1,843,069	6,238,069
2023-2027	5,005,000	697,633	5,702,633
Totals	\$ 16,080,000	\$ 5,560,412	\$ 21,640,412

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 130,000	\$ 57,127	\$ 187,127
2014	130,000	52,252	182,252
2015	135,000	47,250	182,250
2016	145,000	42,118	187,118
2017	150,000	36,519	186,519
2018-2022	610,000	94,164	704,164
2023-2025	220,000	12,471	232,471
Totals	\$ 1,520,000	\$ 341,901	\$ 1,861,901

3. **Advance Refunding of Debt**

At September 30, 2012, the City had no legally defeased bonds outstanding.

4. **Contracts payable are due as follows:**

<u>Year Ending September 30,</u>	<u>Government-type Activities</u>
2013	\$ 6,071
2014	6,071
2015	6,071
2016	6,071
2018-2020	24,285
Totals	\$ 54,640

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, 2012.

I. **Restricted Assets**

Cash and cash equivalents were restricted for the following purposes at September 30, 2012:

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ 162,212	\$ --
Special Projects	503,876	--
Crime Control and Prevention	29,888	
Debt Service	--	104,559
Customer Deposits	--	319,531
	<u>\$ 695,976</u>	<u>\$ 424,090</u>

Sales Taxes Receivable were restricted for the following purposes at September 30, 2012:

	Governmental Activities
Special Projects	\$ 63,801
Crime Control and Prevention	125,569
	<u>\$ 189,370</u>

J. Risk Management

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

K. Pension Plan

1. Plan Description

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

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

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

	Plan Year 2011	Plan Year 2012
Employee deposit rate	6.00%	6.00%
Matching ratio(city to employee)	2 to 1	2 to 1
Years required for vesting	10	10

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Service retirement eligibility express as age/years of service	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to employees)	70% of CPI Repeating	70% of CPI Repeating

2. Contributions

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

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

Net Pension Obligation (NPO) at Beginning of Year	\$	--
Annual Pension Cost:		
Annual required contribution (ARC)	\$	464,498
Contributions Made	\$	464,498
NPO at End of Year	\$	--

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	28.1 years: closed period	27.1 years: closed period	26.1 years: closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10 year Smoothed Market	10 year Smoothed Market	10 year Smoothed Market
Investment Rate of Return	7.5%	7.0%	7.0%

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

3 The funding status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	12/31/11
Actuarial Value of Assets	\$ 8,138,282
Actuarial Accrued Liability	\$ 11,190,796
Percentage Funded	72.7%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 3,052,514
Annual Covered Payroll	\$ 3,258,971
UAAL as a Percentage of Covered Payroll	93.7%

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

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

4. Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/10	\$ 347,608	100.00%	\$ --
09/30/11	360,647	100.00%	--
09/30/12	464,498	100.00%	--

5. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/09	\$ 4,238,802	\$ 7,588,781	\$ 3,349,979	55.90%	\$ 3,054,203	109.7%
12/31/10	7,503,978	10,617,211	3,113,233	70.68%	3,148,461	98.88%
12/31/11	8,138,282	11,190,796	3,052,514	72.72%	3,258,971	93.7%

L. Post Employment Benefits Other Than Pension Benefits

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. Health Insurance Plan

Plan Participants

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

Normal Health Care Retirement Conditions

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

Vested Termination Benefits

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

Death-In-Service Retirement Benefits

City does not provided death-in-service benefits.

Disability Retirement Benefits

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

Dental/Vision Care

City does not provide vision care.

Life Insurance Coverage

City does not provide life insurance for retirees.

Benefits for Spouse of Retired Employees

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

Spouse and Dependent Coverage

City does not provide spouse and dependent coverage.

Non-Medicare and Medicare - Eligible Provisions

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

Retiree Opt-Out

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

Premium Sharing

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

Funding Policy and Annual OPEB Cost

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2011 as required by GASB. The annual OPEB cost for the fiscal year ending September 30, 2012, is as follows:

Annual required contribution	\$90,728
Interest on OPEB obligation	2,722
Adjustment to ARC	(2,722)
Annual OPEB cost (expense end of year)	90,728
Net employer contributions	(40,158)
Increase in net OPEB	<u>50,570</u>
Net OPEB obligation - as of beginning of the year	<u>43,896</u>
Net OPEB obligation (asset)- as of end of year	<u><u>\$94,466</u></u>

Funding status and funding progress

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

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

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

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
September 30			
2009	\$ 54,617	82.86%	\$ 24,230
2010	57,912	66.04%	43,896
2011	90,728	44.26%	94,466

Funding status and funding progress

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

Actuarial accrued liability (AAL)	\$ 526,660
Actuarial value of assets	--
Unfunded AAL(UAAL)	\$ 526,660
Funded ratio	--
Covered Payroll	\$ 3,258,927
UAAL as % of covered payroll	16.16%

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Actuarial Valuation Date as of December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
2009	--	\$339,018	\$339,018	0%
2010	--	\$363,248	\$363,248	0%
2011	--	\$526,660	\$526,660	0%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$526,660 at December 31, 2011.

Actuarial methods and assumptions

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

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

Actuarial Methods and Assumptions

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

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

B. Supplemental Death Benefits

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

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Plan Year 2011	Plan Year 2012
The City offers supplemental death benefits to:		
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

Contributions:

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

The City's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were \$6,569, \$7,972 and \$7,779, respectively, which equaled the required contributions each year.

M. 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.

N. Subsequent Events

Bond Issues

In October 2012, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 in the amount of \$4,200,000. The interest rate on the bonds is 1.5% to 3.0% and the bonds mature February 1, 2033.

In November 2012, The City issued General Obligation Refunding Bonds, Series 2012 in the amount of \$1,280,000. The interest rate on the bond is 1.29% and the bonds mature February 1, 2019.

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, 2012

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
General Property Taxes	\$ 1,618,109	\$ 1,636,802	\$ 1,583,446	\$ (53,356)
Sales Taxes	1,650,000	1,650,000	1,842,419	192,419
Franchise Taxes	414,597	414,597	386,893	(27,704)
Mixed Beverage Taxes	13,143	10,517	10,641	124
License and Permits	51,854	57,480	55,742	(1,738)
Intergovernmental	70,000	70,000	107,220	37,220
Charges for Services	1,376,349	1,381,211	1,439,259	58,048
Fines and Forfeitures	475,000	475,000	340,482	(134,518)
Interest	10,000	10,000	5,566	(4,434)
Rents and Royalties	180,000	180,000	151,520	(28,480)
PILOT - Industrial Development District	100,000	100,000	93,695	(6,305)
Other	33,862	26,000	76,735	50,735
Total revenues	<u>5,992,914</u>	<u>6,011,607</u>	<u>6,093,618</u>	<u>82,011</u>
Expenditures:				
Current:				
General Government	1,199,368	1,199,368	1,409,892	(210,524)
Public Safety	2,978,014	3,013,439	3,074,143	(60,704)
Public Works	937,552	927,553	922,705	4,848
Sanitation	1,180,000	1,180,000	1,286,718	(106,718)
Health and Welfare	273,363	273,363	250,333	23,030
Culture and Recreation	501,512	501,512	475,699	25,813
Debt Service:				
Principal	6,071	6,071	6,071	--
Capital Outlay	100,000	100,000	77,156	22,844
Total Expenditures	<u>7,175,880</u>	<u>7,201,306</u>	<u>7,502,717</u>	<u>(301,411)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,182,966)</u>	<u>(1,189,699)</u>	<u>(1,409,099)</u>	<u>(219,400)</u>
Other Financing Sources (Uses):				
Operating Transfers In	1,316,267	1,316,267	1,421,343	105,076
Operating Transfers Out	(119,234)	(119,234)	(548,046)	(428,812)
Insurance Proceeds	--	--	271,380	271,380
Total Other Financing Sources (Uses)	<u>1,197,033</u>	<u>1,197,033</u>	<u>1,144,677</u>	<u>(52,356)</u>
Net Change in Fund Balances	14,067	7,334	(264,422)	(271,756)
Fund Balances - Beginning	2,100,696	2,100,696	2,100,696	--
Fund Balances - Ending	<u>\$ 2,114,763</u>	<u>\$ 2,108,030</u>	<u>\$ 1,836,274</u>	<u>\$ (271,756)</u>

CITY OF ARANSAS PASS, TEXAS
 ARANSAS PASS MUNICIPAL DEVELOPMENT DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Sales Taxes	\$ 716,000	\$ 716,000	\$ 757,733	\$ 41,733
Interest	1,100	1,100	608	(492)
Total revenues	<u>717,100</u>	<u>717,100</u>	<u>758,341</u>	<u>41,241</u>
Expenditures:				
Current:				
General Government	7,134	7,134	2,683	4,451
Debt Service:				
Principal	290,000	290,000	290,000	--
Interest and Fiscal Charges	260,946	260,946	260,098	848
Capital Outlay	20,000	20,000	--	20,000
Total Expenditures	<u>578,080</u>	<u>578,080</u>	<u>552,781</u>	<u>25,299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>139,020</u>	<u>139,020</u>	<u>205,560</u>	<u>66,540</u>
Other Financing Sources (Uses):				
Operating Transfers Out	(471,670)	(352,436)	(320,268)	32,168
Total Other Financing Sources (Uses)	<u>(471,670)</u>	<u>(352,436)</u>	<u>(320,268)</u>	<u>32,168</u>
Net Change in Fund Balances	(332,650)	(213,416)	(114,708)	98,708
Fund Balances - Beginning	479,413	479,413	479,413	--
Fund Balances - Ending	<u>\$ 146,763</u>	<u>\$ 265,997</u>	<u>\$ 364,705</u>	<u>\$ 98,708</u>

Combining Statements and Budget Comparisons as Supplementary Information

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

CITY OF ARANSAS PASS, TEXAS

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Cash and Cash Equivalents	\$ 840,454	\$ 824	\$ 841,278
Receivables (net of allowances for uncollectibles):			
Occupancy Taxes	76,568	--	76,568
Restricted Assets:			
Cash and Cash Equivalents	29,888	162,212	192,100
Sales Taxes Receivable	125,569	--	125,569
Total Assets	\$ 1,072,479	\$ 163,036	\$ 1,235,515
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 21,578	\$ 6,307	\$ 27,885
Total Liabilities	21,578	6,307	27,885
Fund Balances:			
Restricted	1,050,901	156,729	1,207,630
Total Fund Balance	1,050,901	156,729	1,207,630
Total Liabilities and Fund Balance	\$ 1,072,479	\$ 163,036	\$ 1,235,515

CITY OF ARANSAS PASS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes:			
Sales Taxes	\$ 737,694	\$ --	\$ 737,694
Occupancy Taxes	203,766	--	203,766
Intergovernmental	454,276	567,700	1,021,976
Charges for Services	74,965	--	74,965
Fines and Forfeitures	18,938	--	18,938
Interest	1,469	687	2,156
Other	10,375	--	10,375
Total revenues	<u>1,501,483</u>	<u>568,387</u>	<u>2,069,870</u>
Expenditures:			
Current:			
General Government	--	320	320
Public Safety	140,310	--	140,310
Sanitation	180,293	--	180,293
Health and Welfare	331,096	--	331,096
Culture and Recreation	15,098	--	15,098
Tourism	222,911	--	222,911
Capital Outlay	104,379	1,488,944	1,593,323
Total Expenditures	<u>994,087</u>	<u>1,489,264</u>	<u>2,483,351</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>507,396</u>	<u>(920,877)</u>	<u>(413,481)</u>
Other Financing Sources (Uses):			
Operating Transfers In	556,595	--	556,595
Operating Transfers Out	(991,595)	(182)	(991,777)
Total Other Financing Sources (Uses)	<u>(435,000)</u>	<u>(182)</u>	<u>(435,182)</u>
Net Change in Fund Balances	72,396	(921,059)	(848,663)
Fund Balances - Beginning	978,505	1,077,788	2,056,293
Fund Balances - Ending	<u>\$ 1,050,901</u>	<u>\$ 156,729</u>	<u>\$ 1,207,630</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2012

	Emergency 911 Fund	Forfeiture	Hotel/Motel Occupancy Tax Fund	Library Fund
ASSETS				
Cash and Cash Equivalents	\$ 70,069	\$ 115,375	\$ 151,698	\$ 62,359
Receivables (net of allowances for uncollectibles):				
Occupancy Taxes	--	--	76,568	--
Restricted Assets:				
Cash and Cash Equivalents	--	--	--	--
Sales Taxes Receivable	--	--	--	--
Total Assets	<u>\$ 70,069</u>	<u>\$ 115,375</u>	<u>\$ 228,266</u>	<u>\$ 62,359</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 4,088	\$ --	\$ 4,762	\$ 2,626
Total Liabilities	<u>4,088</u>	<u>--</u>	<u>4,762</u>	<u>2,626</u>
Fund Balances:				
Restricted	65,981	115,375	223,504	59,733
Total Fund Balance	<u>65,981</u>	<u>115,375</u>	<u>223,504</u>	<u>59,733</u>
Total Liabilities and Fund Balance	<u>\$ 70,069</u>	<u>\$ 115,375</u>	<u>\$ 228,266</u>	<u>\$ 62,359</u>

<u>Holiday Lights</u>	<u>Crime Control Grant Fund</u>	<u>Seamen's Memorial Tower</u>	<u>Municipal Court Tech Fund</u>	<u>Building Security</u>
\$ 4,826	\$ 325,360	\$ 2,532	\$ 19,516	\$ 63,971
--	--	--	--	--
--	--	--	--	--
\$ <u>4,826</u>	\$ <u>325,360</u>	\$ <u>2,532</u>	\$ <u>19,516</u>	\$ <u>63,971</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
<u>4,826</u>	<u>325,360</u>	<u>2,532</u>	<u>19,516</u>	<u>63,971</u>
<u>4,826</u>	<u>325,360</u>	<u>2,532</u>	<u>19,516</u>	<u>63,971</u>
\$ <u>4,826</u>	\$ <u>325,360</u>	\$ <u>2,532</u>	\$ <u>19,516</u>	\$ <u>63,971</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2012

	Citizens Collection Fund	Aransas Pass Crime Control & Preven. District
ASSETS		
Cash and Cash Equivalents	\$ 2,007	\$ --
Receivables (net of allowances for uncollectibles):		
Occupancy Taxes	--	--
Restricted Assets:		
Cash and Cash Equivalents	--	29,888
Sales Taxes Receivable	--	125,569
Total Assets	<u>\$ 2,007</u>	<u>\$ 155,457</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 10,102	\$ --
Total Liabilities	<u>10,102</u>	<u>--</u>
Fund Balances:		
Restricted	(8,095)	155,457
Total Fund Balance	<u>(8,095)</u>	<u>155,457</u>
Total Liabilities and Fund Balance	<u>\$ 2,007</u>	<u>\$ 155,457</u>

Home Grant 1001197	Home Grant 100074	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ --	\$ 22,741	\$ 840,454
--	--	76,568
--	--	29,888
--	--	125,569
<u>\$ --</u>	<u>\$ 22,741</u>	<u>\$ 1,072,479</u>
\$ --	\$ --	\$ 21,578
--	--	21,578
--	22,741	1,050,901
--	22,741	1,050,901
<u>\$ --</u>	<u>\$ 22,741</u>	<u>\$ 1,072,479</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, 2012

	Emergency 911 Fund	Forfeiture	Hotel/Motel Occupancy Tax Fund	Library Fund
Revenue:				
Taxes:				
Sales Taxes	\$ --	\$ --	\$ --	\$ --
Occupancy Taxes	--	--	203,766	--
Intergovernmental	--	137,580	--	--
Charges for Services	69,507	--	--	--
Fines and Forfeitures	--	3,833	--	--
Interest	338	--	167	141
Other	--	--	--	10,375
Total revenues	<u>69,845</u>	<u>141,413</u>	<u>203,933</u>	<u>10,516</u>
Expenditures:				
Current:				
Public Safety	64,796	64,712	--	--
Sanitation	--	--	--	--
Health and Welfare	--	--	--	--
Culture and Recreation	--	--	--	15,098
Tourism	--	--	222,911	--
Capital Outlay	--	35,903	--	--
Total Expenditures	<u>64,796</u>	<u>100,615</u>	<u>222,911</u>	<u>15,098</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,049</u>	<u>40,798</u>	<u>(18,978)</u>	<u>(4,582)</u>
Other Financing Sources (Uses):				
Operating Transfers In	--	--	--	--
Operating Transfers Out	--	(25,423)	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>(25,423)</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	5,049	15,375	(18,978)	(4,582)
Fund Balances - Beginning	60,932	100,000	242,482	64,315
Fund Balances - Ending	<u>\$ 65,981</u>	<u>\$ 115,375</u>	<u>\$ 223,504</u>	<u>\$ 59,733</u>

Holiday Lights	Crime Control Grant Fund	Seamen's Memorial Tower	Municipal Court Tech Fund	Building Security
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
24	181	113	8,676	6,429
--	--	--	--	66
<u>24</u>	<u>181</u>	<u>113</u>	<u>8,676</u>	<u>6,495</u>
--	349	--	1,483	3,152
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	68,476	--	--	--
--	<u>68,825</u>	--	<u>1,483</u>	<u>3,152</u>
<u>24</u>	<u>(68,644)</u>	<u>113</u>	<u>7,193</u>	<u>3,343</u>
--	350,423	--	--	--
--	--	--	--	--
--	<u>350,423</u>	--	--	--
24	281,779	113	7,193	3,343
4,802	43,581	2,419	12,323	60,628
<u>\$ 4,826</u>	<u>\$ 325,360</u>	<u>\$ 2,532</u>	<u>\$ 19,516</u>	<u>\$ 63,971</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, 2012

	Citizens Collection Fund	Aransas Pass Crime Control & Preven. District
Revenue:		
Taxes:		
Sales Taxes	\$ --	\$ 737,694
Occupancy Taxes	--	--
Intergovernmental	--	--
Charges for Services	5,458	--
Fines and Forfeitures	--	--
Interest	10	421
Other	--	--
Total revenues	<u>5,468</u>	<u>738,115</u>
Expenditures:		
Current:		
Public Safety	--	5,818
Sanitation	180,293	--
Health and Welfare	--	--
Culture and Recreation	--	--
Tourism	--	--
Capital Outlay	--	--
Total Expenditures	<u>180,293</u>	<u>5,818</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(174,825)</u>	<u>732,297</u>
Other Financing Sources (Uses):		
Operating Transfers In	191,772	--
Operating Transfers Out	--	(966,172)
Total Other Financing Sources (Uses)	<u>191,772</u>	<u>(966,172)</u>
Net Change in Fund Balances	16,947	(233,875)
Fund Balances - Beginning	(25,042)	389,332
Fund Balances - Ending	<u>\$ (8,095)</u>	<u>\$ 155,457</u>

Home Grant 1001197	Home Grant 100074	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ 737,694
--	--	203,766
316,696	--	454,276
--	--	74,965
--	--	18,938
--	8	1,469
--	--	10,375
<u>316,696</u>	<u>8</u>	<u>1,501,483</u>
--	--	140,310
--	--	180,293
331,096	--	331,096
--	--	15,098
--	--	222,911
--	--	104,379
<u>331,096</u>	<u>--</u>	<u>994,087</u>
(14,400)	8	507,396
14,400	--	556,595
--	--	(991,595)
<u>14,400</u>	<u>--</u>	<u>(435,000)</u>
--	8	72,396
--	22,733	978,505
<u>\$ --</u>	<u>\$ 22,741</u>	<u>\$ 1,050,901</u>

CITY OF ARANSAS PASS, TEXAS

EMERGENCY 911

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-5

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Charges for Services	\$ 68,000	\$ 69,507	\$ 1,507
Interest	300	338	38
Total revenues	<u>68,300</u>	<u>69,845</u>	<u>1,545</u>
Expenditures:			
Current:			
Public Safety	68,300	64,796	3,504
Total Expenditures	<u>68,300</u>	<u>64,796</u>	<u>3,504</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>5,049</u>	<u>5,049</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	<u>--</u>	<u>5,049</u>	<u>5,049</u>
Fund Balances - Beginning	60,932	60,932	--
Fund Balances - Ending	<u>\$ 60,932</u>	<u>\$ 65,981</u>	<u>\$ 5,049</u>

CITY OF ARANSAS PASS, TEXAS
HOTEL/MOTEL OCCUPANCY TAX
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-6

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Taxes:			
Occupancy Taxes	\$ 205,000	\$ 203,766	\$ (1,234)
Interest	100	167	67
Total revenues	<u>205,100</u>	<u>203,933</u>	<u>(1,167)</u>
Expenditures:			
Current:			
Tourism	205,100	222,911	(17,811)
Total Expenditures	<u>205,100</u>	<u>222,911</u>	<u>(17,811)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>(18,978)</u>	<u>(18,978)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	--	(18,978)	(18,978)
Fund Balances - Beginning	212,032	242,482	30,450
Fund Balances - Ending	<u>\$ 212,032</u>	<u>\$ 223,504</u>	<u>\$ 11,472</u>

CITY OF ARANSAS PASS, TEXAS

ARANSAS PASS CRIME CONTROL AND PREVENTION DISTRICT

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-7

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Taxes:			
Sales Taxes	\$ 843,644	\$ 737,694	\$ (105,950)
Interest	459	421	(38)
Total revenues	<u>844,103</u>	<u>738,115</u>	<u>(105,988)</u>
Expenditures:			
Current:			
Public Safety	77,770	5,818	71,952
Total Expenditures	<u>77,770</u>	<u>5,818</u>	<u>71,952</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>766,333</u>	<u>732,297</u>	<u>(34,036)</u>
Other Financing Sources (Uses):			
Operating Transfers Out	(924,102)	(966,172)	(42,070)
Total Other Financing Sources (Uses)	<u>(924,102)</u>	<u>(966,172)</u>	<u>(42,070)</u>
Net Change in Fund Balances	(157,769)	(233,875)	(34,036)
Fund Balances - Beginning	389,332	389,332	--
Fund Balances - Ending	<u>\$ 231,563</u>	<u>\$ 155,457</u>	<u>\$ (34,036)</u>

CITY OF ARANSAS PASS, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
General Property Taxes	\$ 1,440,825	\$ 1,765,336	\$ 324,511
Interest	900	163	(737)
Total revenues	<u>1,441,725</u>	<u>1,765,499</u>	<u>323,774</u>
Expenditures:			
Debt Service:			
Principal	1,130,000	1,240,000	(110,000)
Interest and Fiscal Charges	554,826	520,524	34,302
Fiscal Agent's Fees	1,900	1,700	200
Total Expenditures	<u>1,686,726</u>	<u>1,762,224</u>	<u>(75,498)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(245,001)</u>	<u>3,275</u>	<u>248,276</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	(245,001)	3,275	248,276
Fund Balances - Beginning	73,657	73,657	--
Fund Balances - Ending	<u>\$ (171,344)</u>	<u>\$ 76,932</u>	<u>\$ 248,276</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2012

	2003 Certificate of Obligation Fund	2007 Certificate of Obligation	2007 Tax Anticipation Notes
ASSETS			
Cash and Cash Equivalents	\$ --	\$ --	\$ 824
Restricted Assets:			
Cash and Cash Equivalents	--	--	--
Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 824</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ --	\$ --	\$ --
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:			
Restricted	--	--	824
Total Fund Balance	<u>--</u>	<u>--</u>	<u>824</u>
Total Liabilities and Fund Balance	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 824</u>

2009 Tax Anticipation Notes	2010 Tax Anticipation Notes	2011 Tax Anticipation Notes	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ --	\$ --	\$ --	\$ 824
41,472	63,939	56,801	162,212
<u>\$ 41,472</u>	<u>\$ 63,939</u>	<u>\$ 56,801</u>	<u>\$ 163,036</u>
\$ 6,307	\$ --	\$ --	\$ 6,307
<u>6,307</u>	<u>--</u>	<u>--</u>	<u>6,307</u>
35,165	63,939	56,801	156,729
<u>35,165</u>	<u>63,939</u>	<u>56,801</u>	<u>156,729</u>
<u>\$ 41,472</u>	<u>\$ 63,939</u>	<u>\$ 56,801</u>	<u>\$ 163,036</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, 2012

	2003 Certificate of Obligation Fund	2007 Certificate of Obligation	2007 Tax Anticipation Notes
Revenue:			
Intergovernmental	\$ --	\$ --	\$ --
Interest	--	--	--
Total revenues	<u> --</u>	<u> --</u>	<u> --</u>
Expenditures:			
Current:			
General Government	320	--	--
Capital Outlay	--	--	--
Total Expenditures	<u> 320</u>	<u> --</u>	<u> --</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u> (320)</u>	<u> --</u>	<u> --</u>
Other Financing Sources (Uses):			
Operating Transfers Out	--	(182)	--
Total Other Financing Sources (Uses)	<u> --</u>	<u> (182)</u>	<u> --</u>
Net Change in Fund Balances	<u> (320)</u>	<u> (182)</u>	<u> --</u>
Fund Balances - Beginning	320	182	824
Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 824</u>

2009 Tax Anticipation Notes	2010 Tax Anticipation Notes	2011 Tax Anticipation Notes	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ 567,700	\$ --	\$ 567,700
132	458	97	687
<u>132</u>	<u>568,158</u>	<u>97</u>	<u>568,387</u>
--	--	--	320
102,558	1,136,502	249,884	1,488,944
<u>102,558</u>	<u>1,136,502</u>	<u>249,884</u>	<u>1,489,264</u>
(102,426)	(568,344)	(249,787)	(920,877)
--	--	--	(182)
<u>--</u>	<u>--</u>	<u>--</u>	<u>(182)</u>
(102,426)	(568,344)	(249,787)	(921,059)
137,591	632,283	306,588	1,077,788
<u>\$ 35,165</u>	<u>\$ 63,939</u>	<u>\$ 56,801</u>	<u>\$ 156,729</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2012

EXHIBIT C-11

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-7)
	Harbor Fund	Aquatic Center Fund	Civic Center Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 55,255	\$ 2,780	\$ 14,559	\$ 72,594
Receivables (net of allowances for uncollectibles):				
Accounts	49,325	--	239	49,564
Inventories	--	--	738	738
Total Current Assets	<u>104,580</u>	<u>2,780</u>	<u>15,536</u>	<u>122,896</u>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents				
Capital Assets:				
Improvements Other Than Buildings	2,702,205	--	--	2,702,205
Machinery and Equipment	39,427	--	--	39,427
Less Accumulated Depreciation	(2,427,371)	--	--	(2,427,371)
Total Noncurrent Assets	<u>314,261</u>	<u>--</u>	<u>--</u>	<u>314,261</u>
Total Assets	<u>\$ 418,841</u>	<u>\$ 2,780</u>	<u>\$ 15,536</u>	<u>\$ 437,157</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 6,191	\$ 3,277	\$ 9,458	\$ 18,926
Due to other funds	221	--	--	221
Customer deposits	--	--	15,345	15,345
Total Current Liabilities	<u>6,412</u>	<u>3,277</u>	<u>24,803</u>	<u>34,492</u>
NET ASSETS:				
Investment in Capital Assets, Net of Related Debt	314,261	--	--	314,261
Unrestricted Net Assets	98,168	(497)	(9,267)	88,404
Total Net Assets	<u>\$ 412,429</u>	<u>\$ (497)</u>	<u>\$ (9,267)</u>	<u>\$ 402,665</u>

CITY OF ARANSAS PASS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
	Harbor Fund	Aquatic Center Fund	Civic Center Fund	
OPERATING REVENUES:				
Charges for services	\$ 234,372	\$ 310,332	\$ 114,457	\$ 659,161
Total Operating Revenues	<u>234,372</u>	<u>310,332</u>	<u>114,457</u>	<u>659,161</u>
OPERATING EXPENSES:				
Personal services	22,534	274,734	80,908	378,176
Contractual services	14,093	115,909	272,189	402,191
Supplies	4,030	75,141	55,872	135,043
Maintenance	101,925	45,152	24,151	171,228
Other	--	--	1,258	1,258
Depreciation and Amortization	67,724	--	--	67,724
Total Operating Expenses	<u>210,306</u>	<u>510,936</u>	<u>434,378</u>	<u>1,155,620</u>
Operating Income	<u>24,066</u>	<u>(200,604)</u>	<u>(319,921)</u>	<u>(496,459)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	9	13	--	22
Total Non-operating Revenues (Expenses)	<u>9</u>	<u>13</u>	<u>--</u>	<u>22</u>
Income before Transfers	<u>24,075</u>	<u>(200,591)</u>	<u>(319,921)</u>	<u>(496,437)</u>
Contributions	32,447	--	--	32,447
Operating transfers In	--	198,324	260,500	458,824
Operating transfers out	--	--	--	--
Change in Net Assets	<u>56,522</u>	<u>(2,267)</u>	<u>(59,421)</u>	<u>(5,166)</u>
Total Net Assets - Beginning	355,907	1,770	50,154	407,831
Total Net Assets - Ending	<u>\$ 412,429</u>	<u>\$ (497)</u>	<u>\$ (9,267)</u>	<u>\$ 402,665</u>

CITY OF ARANSAS PASS, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-13

	Harbor Fund	Aquatic Center Fund	Civic Center Fund	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 198,387	\$ 310,332	\$ 108,051	\$ 616,770
Cash Received from Grants	--	--	--	--
Cash Payments to Employees	(22,534)	(274,734)	(80,908)	(378,176)
Cash Payments to Suppliers for Goods and Services	(123,906)	(233,929)	(353,758)	(711,593)
Cash Payments for Grants to Other Organizations	--	--	--	--
Other Operating Cash Receipts (Payments)	--	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>51,947</u>	<u>(198,331)</u>	<u>(326,615)</u>	<u>(472,999)</u>
Cash Flows from Non-capital Financing Activities:				
Transfers From (To) Other Funds	--	198,324	260,500	458,824
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>	<u>198,324</u>	<u>260,500</u>	<u>458,824</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition or Construction of Capital Assets	(32,447)	--	--	(32,447)
Proceeds from Sale of Capital Assets	--	--	--	--
Proceeds from Capital Grants	32,447	--	--	32,447
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	8	13	--	21
Net Cash Provided (Used) for Investing Activities	<u>8</u>	<u>13</u>	<u>--</u>	<u>21</u>
Net Increase (Decrease) in Cash and Cash Equivalents	51,955	6	(66,115)	(14,154)
Cash and Cash Equivalents at Beginning of Year	3,300	2,774	80,674	86,748
Cash and Cash Equivalents at End of Year	<u>\$ 55,255</u>	<u>\$ 2,780</u>	<u>\$ 14,559</u>	<u>\$ 72,594</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 24,066	\$ (200,604)	\$ (319,921)	\$ (496,459)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	67,724	--	--	67,724
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(35,985)	--	1,588	(34,397)
Decrease (Increase) in Inventories	--	--	2,489	2,489
Increase (Decrease) in Accounts Payable	(3,563)	2,273	(2,777)	(4,067)
Increase (Decrease) in Customer Deposits	--	--	(7,994)	(7,994)
Increase (Decrease) in Interfund Payables	(295)	--	--	(295)
Total Adjustments	<u>27,881</u>	<u>2,273</u>	<u>(6,694)</u>	<u>23,460</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 51,947</u>	<u>\$ (198,331)</u>	<u>\$ (326,615)</u>	<u>\$ (472,999)</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.

Michael A. Arnold, PLLC

501 E. MARKET

P.O. BOX 1266

ROCKPORT, TEXAS 78381-1266

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545

FAX (361) 790-9692

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, 2012, which collectively comprise the City of Aransas Pass, Texas's basic financial statements and have issued our report thereon dated March 27, 2013. 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

Management of City of Aransas Pass, Texas is responsible for establishing and maintaining effective 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 deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

We noted certain matters that we reported to management of City of Aransas Pass, Texas in a separate letter dated March 27, 2013.

This report is intended solely for the information and use of management, others within the entity, the City Council, and federal awarding agencies and pass-through entities 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 that reads "Michael A. Arnold, PLLC". The signature is written in a cursive, flowing style.

Michael A. Arnold, PLLC

March 27, 2013

Michael A. Arnold, PLLC

501 E. MARKET
P.O. BOX 1266
ROCKPORT, TEXAS 78381-1266

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545
FAX (361) 790-9692

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Members of the City Council:

Compliance

We have audited City of Aransas Pass, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Aransas Pass, Texas's major federal programs for the year ended September 30, 2012. City of Aransas Pass, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Aransas Pass, Texas's management. Our responsibility is to express an opinion on City of Aransas Pass, Texas's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Aransas Pass, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Aransas Pass, Texas's compliance with those requirements.

In our opinion, City of Aransas Pass, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of City of Aransas Pass, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Aransas Pass, Texas's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Aransas Pass, Texas's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, others within the entity, the City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Michael A. Arnold, PLLC

March 27, 2013

CITY OF ARANSAS PASS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
15.622	Sportfishing and Boating Safety Act
14.239	Home Investment Program
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF ARANSAS PASS, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

CITY OF ARANSAS PASS, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2012

N/A

CITY OF ARANSAS PASS, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT D-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S DEPARTMENT OF HOMELAND SECURITY			
Passed Through Texas Department of Public Safety: Operation Stonegarden *	97.067	09-GA 3600-03	\$ 50,006
Total U.S Department of Homeland Security			50,006
U. S. DEPARTMENT OF THE INTERIOR			
Passed Through Texas Parks and Wildlife Department: Sportfishing and Boating Safety Act	15.622	Y-16-D	600,147
Total U. S. Department of the Interior			600,147
U. S. DEPARTMENT OF JUSTICE			
Passed Through Drug Enforcement Agency: Equitable Sharing Program	16.922	N/A	137,581
Total U. S. Department of Justice			137,581
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Passed Through Texas Department of Housing & Community Affairs: Home Investment Partnerships Program	14.239	1001197	316,696
Passed Through Texas Department of Agriculture: Community Development Block Grant *	14.228	711152	225,913
Community Development Block Grant *	14.228	710021	247,087
Total Passed Through Texas Department of Agriculture			473,000
Total U. S. Department of Housing & Urban Development			789,696
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,577,430

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Aransas Pass, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Statistical Section

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

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities									
Invested in Capital Assets,									
Net of Related Debt	\$ 993,949	\$ 2,536,578	\$ 2,997,920	\$ 3,924,568	\$ 2,215,641	\$ 3,754,958	\$ 4,655,260	\$ 5,635,357	\$ 6,992,170
Restricted	5,303,247	4,985,737	5,480,694	5,563,163	6,376,315	3,204,973	2,616,641	3,437,904	4,914,394
Unrestricted	(1,866,882)	(1,941,955)	(1,929,240)	(1,571,088)	279,870	1,818,939	1,972,523	1,196,816	(646,784)
Total Governmental Activities Net Assets	\$ 4,430,314	\$ 5,580,360	\$ 6,549,374	\$ 7,916,643	\$ 8,871,826	\$ 8,778,870	\$ 9,244,424	\$ 10,270,077	\$ 11,259,780
Business-type Activities									
Invested in Capital Assets,									
Net of Related Debt	\$ 4,575,866	\$ 4,635,033	\$ 5,041,730	\$ 4,972,189	\$ 4,986,843	\$ 4,892,071	\$ 5,240,781	\$ 5,135,647	\$ 5,557,906
Restricted	--	6,739	180,621	123,193	--	--	--	--	--
Unrestricted	814,971	1,021,344	1,306,810	1,675,571	2,191,177	2,183,082	1,670,227	1,696,347	1,824,015
Total Business-type Activities Net Assets	\$ 5,390,837	\$ 5,663,116	\$ 6,529,161	\$ 6,770,953	\$ 7,178,020	\$ 7,075,153	\$ 6,911,008	\$ 6,831,994	\$ 7,381,921
Primary Government									
Invested in Capital Assets,									
Net of Related Debt	\$ 5,569,815	\$ 7,171,611	\$ 8,039,650	\$ 8,896,757	\$ 7,202,484	\$ 8,647,029	\$ 9,896,041	\$ 10,771,004	\$ 12,550,076
Restricted	5,303,247	4,992,476	5,661,315	5,686,356	6,376,315	3,204,973	2,616,641	3,437,904	4,914,394
Unrestricted	(1,051,911)	(920,611)	(622,430)	104,483	2,471,047	4,002,021	3,642,750	2,893,163	1,177,231
Total Primary Government Net Assets	\$ 9,821,151	\$ 11,243,476	\$ 13,078,535	\$ 14,687,596	\$ 16,049,846	\$ 15,854,023	\$ 16,155,432	\$ 17,102,071	\$ 18,641,701

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

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

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental Activities:									
General Government	\$ 901,150	\$ 1,106,080	\$ 1,121,849	\$ 1,160,353	\$ 1,025,014	\$ 1,213,190	\$ 1,044,585	\$ 1,140,134	\$ 1,523,225
Public Safety	2,163,889	2,344,836	2,491,331	2,630,523	2,687,733	2,791,635	2,931,302	3,022,707	3,347,628
Public Works	887,683	795,375	900,257	899,265	986,818	975,070	1,005,017	1,061,717	1,165,413
Sanitation	664,071	804,729	844,745	907,874	1,055,961	1,162,022	1,169,879	1,487,975	1,467,011
Health and Welfare	126,411	123,863	144,671	167,223	192,719	378,774	185,885	163,167	587,530
Culture and Recreation	415,217	523,299	505,435	626,994	613,739	1,194,849	1,465,210	1,503,117	912,909
Tourism	141,152	156,660	249,402	175,604	131,576	174,744	172,048	190,983	222,911
Interest and fiscal charges	503,428	555,515	517,434	474,074	968,126	916,780	895,374	877,007	782,457
Total Governmental Activities Expenses	5,803,001	6,410,357	6,775,124	7,041,910	7,661,686	8,807,064	8,869,300	9,446,807	10,009,084
Business-type Activities									
Water and Sewer	2,832,688	2,803,238	2,796,099	2,877,466	2,982,831	3,125,718	2,981,021	3,170,866	3,586,702
Harbor	496,618	159,099	191,522	567,715	283,947	389,666	259,459	199,337	210,306
Civic Center	--	--	--	--	--	--	--	--	434,378
Aquatic Center	393,666	388,200	414,241	323,340	363,538	476,724	460,462	459,065	510,936
Total Business-type Activities Expenses	3,722,972	3,350,537	3,401,862	3,768,521	3,630,316	3,992,108	3,700,942	3,829,268	4,742,322
Total Primary Government Expenses	\$ 9,525,973	\$ 9,760,894	\$ 10,176,986	\$ 10,810,431	\$ 11,292,002	\$ 12,799,172	\$ 12,570,242	\$ 13,276,075	\$ 14,751,406
Program Revenues									
Governmental Activities:									
Charges for Services:									
General Government	\$ 203,793	\$ 201,125	\$ 230,293	\$ 217,905	\$ 192,740	\$ 189,852	\$ 164,812	\$ 243,775	\$ 166,784
Public Safety	457,037	577,298	705,582	510,038	450,852	479,603	591,902	637,115	550,316
Public Works	389,722	64,898	16,428	13,824	51,738	23,118	2,643	--	--
Sanitation	865,419	923,993	976,282	1,044,125	1,212,542	1,333,719	1,290,006	1,384,868	1,417,023
Health and Welfare	1,896	1,556	1,578	1,579	1,901	3,945	--	--	--
Culture and Recreation	4,280	3,860	3,766	3,528	3,684	148,694	298,417	315,539	--
Tourism	--	--	--	--	--	--	--	--	--
Interest and fiscal charges	9	14	--	--	--	--	--	--	--
Operating Grants and Contributions	--	99,535	41,474	232,804	110,730	307,746	297,196	573,554	571,871
Capital Grants and Contributions	104,175	108,098	--	21,692	--	--	--	--	567,700
Total Governmental Activities Program Revenues	2,026,331	1,980,377	1,975,403	2,045,495	2,024,187	2,486,677	2,644,976	3,154,851	3,273,694
Business-type Activities:									
Charges for Services:									
Water and Sewer	2,714,649	3,256,196	3,904,625	3,750,505	3,637,311	3,632,810	3,413,008	3,729,445	4,194,777
Harbor	326,523	246,757	216,631	238,000	141,737	160,237	156,838	137,497	234,372
Civic Center	--	--	--	--	--	--	--	--	114,457
Aquatic Center	224,243	270,846	256,468	240,588	234,473	323,373	320,099	299,088	310,332
Operating Grants and Contributions	--	--	--	31,171	7,720	--	--	--	--
Capital Grants and Contributions	--	--	16,696	28,538	218,206	3,080	--	31,765	505,447
Total Business-type Activities Program Revenues	3,265,415	3,773,799	4,394,420	4,288,802	4,239,447	4,119,500	3,889,945	4,197,795	5,359,385
Total Primary Government Program Revenues	\$ 5,291,746	\$ 5,754,176	\$ 6,369,823	\$ 6,334,297	\$ 6,263,634	\$ 6,606,177	\$ 6,534,921	\$ 7,352,646	\$ 8,633,079
Net (Expense)/Revenue									
Governmental Activities	\$ (3,776,670)	\$ (4,429,980)	\$ (4,799,721)	\$ (4,996,415)	\$ (5,637,499)	\$ (6,320,387)	\$ (6,224,324)	\$ (6,291,956)	\$ (6,735,390)
Business-type Activities	(457,557)	423,262	992,558	520,281	609,131	127,392	189,003	368,527	617,063
Total Primary Government Net Expense	\$ (4,234,227)	\$ (4,006,718)	\$ (3,807,163)	\$ (4,476,134)	\$ (5,028,368)	\$ (6,192,995)	\$ (6,035,321)	\$ (5,923,429)	\$ (6,118,327)

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 NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue									
Governmental Activities	\$ (3,776,670)	\$ (4,429,980)	\$ (4,799,721)	\$ (4,996,415)	\$ (5,637,499)	\$ (6,320,387)	\$ (6,224,324)	\$ (6,291,956)	\$ (6,735,390)
Business-type Activities	(457,557)	423,262	992,558	520,281	609,131	127,392	189,003	368,527	617,063
Total Primary Government Net Expense	\$ (4,234,227)	\$ (4,006,718)	\$ (3,807,163)	\$ (4,476,134)	\$ (5,028,368)	\$ (6,192,995)	\$ (6,035,321)	\$ (5,923,429)	\$ (6,118,327)
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Taxes									
Property Taxes	\$ 2,214,244	\$ 2,465,422	\$ 2,444,665	\$ 2,553,979	\$ 2,969,270	\$ 2,891,106	\$ 2,891,935	\$ 3,056,944	\$ 3,229,590
Sales Taxes	1,749,375	1,751,103	1,971,266	2,090,487	2,213,912	2,326,056	2,685,802	3,066,826	3,337,846
Franchise Taxes	368,474	387,932	377,821	398,789	385,256	393,495	393,601	385,897	386,893
Occupancy Taxes	190,657	195,847	238,706	234,691	201,845	173,469	182,573	205,300	203,766
Other Taxes	7,591	6,522	7,144	6,459	8,367	8,327	11,954	10,517	10,641
Investment Earnings	94,329	139,736	266,845	464,101	420,386	60,477	15,637	12,397	10,680
Royalties	118,607	131,758	124,830	127,365	124,770	85,867	74,455	72,330	40,478
Gain on Sale of Capital Assets	--	145,500	--	--	--	--	--	--	--
Insurance Proceeds	202,064	22,955	10,053	9,958	20,994	22,701	39,662	13,265	271,380
Miscellaneous	63,141	51,977	86,873	61,497	31,570	20,196	38,696	45,688	76,735
Transfers	102,976	281,274	240,532	416,358	259,033	245,737	355,563	448,445	117,847
Total Governmental Activities	\$ 5,111,458	\$ 5,580,026	\$ 5,768,735	\$ 6,363,684	\$ 6,635,403	\$ 6,227,431	\$ 6,689,878	\$ 7,317,609	\$ 7,685,856
Business-type Activities:									
Investment Earnings	10,048	29,845	114,019	137,869	56,969	15,497	2,416	903	558
Gain on Sale of Capital Assets	30,315	81,749	--	--	--	--	--	--	--
Insurance Proceeds	15,988	18,697	--	--	--	--	--	--	--
Transfers	(102,976)	(281,274)	(240,532)	(416,358)	(259,033)	(245,737)	(355,563)	(448,445)	(117,847)
Total Business-type Activities	(46,625)	(150,983)	(126,513)	(278,489)	(202,064)	(230,240)	(353,147)	(447,542)	(117,289)
Total Primary Government	\$ 5,064,833	\$ 5,429,043	\$ 5,642,222	\$ 6,085,195	\$ 6,433,339	\$ 5,997,191	\$ 6,336,731	\$ 6,870,067	\$ 7,568,567
Change in Net Assets									
Governmental Activities	\$ 1,334,788	\$ 1,150,046	\$ 969,014	\$ 1,367,269	\$ 997,904	\$ (92,956)	\$ 465,554	\$ 1,025,653	\$ 950,466
Business-type Activities	(504,182)	272,279	866,045	241,792	407,067	(102,848)	(164,144)	(110,780)	499,774
Total Primary Government	\$ 830,606	\$ 1,422,325	\$ 1,835,059	\$ 1,609,061	\$ 1,404,971	\$ (195,804)	\$ 301,410	\$ 914,873	\$ 1,450,240

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012
General Fund										
Nonspendable	\$ --	\$ 77,283	\$ 125,016	\$ 99,327	\$ 14,687	\$ --	\$ 45,382	\$ --	\$ 14,472	\$ 15,741
Unreserved	2,489,306	490,759	647,336	811,743	1,499,300	1,635,631	1,544,039	1,671,160	2,086,224	1,820,533
Total General Fund	\$ 2,489,306	\$ 568,042	\$ 772,352	\$ 911,070	\$ 1,513,987	\$ 1,635,631	\$ 1,589,421	\$ 1,671,160	\$ 2,100,696	\$ 1,836,274
All Other Governmental Funds										
Restricted	\$ 2,847,360	\$ 4,979,743	\$ 4,667,190	\$ 4,971,104	\$ 11,902,567	\$ 6,221,493	\$ 2,455,653	\$ 3,086,301	\$ 2,570,126	\$ 1,649,267
Committed	1,225,272	(2,165)	(1,800)	14,555	24,207	109,880	124,985	133,111	135,648	140,372
Total All Other Governmental Funds	\$ 4,072,632	\$ 4,977,578	\$ 4,665,390	\$ 4,985,659	\$ 11,926,774	\$ 6,331,373	\$ 2,580,638	\$ 3,219,412	\$ 2,705,774	\$ 1,789,639

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

CITY OF ARANSAS PASS, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 4,361,947	\$ 4,647,708	\$ 4,850,148	\$ 5,116,051	\$ 5,344,170	\$ 5,763,768	\$ 5,773,894	\$ 6,161,864	\$ 6,649,000	\$ 7,287,928
Licenses, Fees and Permits	250,467	126,517	92,749	112,074	94,808	65,787	63,368	57,185	131,414	55,742
Intergovernmental	595,260	104,175	207,633	41,474	238,213	93,322	290,681	286,783	556,072	1,129,196
Charges for Services	765,598	930,387	1,013,140	1,075,096	1,138,679	1,319,462	1,557,015	1,692,852	1,798,935	1,514,224
Fines and Penalties	292,312	360,249	477,729	539,801	375,440	373,455	340,054	344,971	424,939	359,420
Special Assessments	94,748	90,976	281,816	41,714	25,247	15,911	12,989	7,325	1,503	2,537
Investment Earnings	103,783	83,224	139,736	266,845	435,539	420,386	60,477	12,382	11,107	10,680
Rents and Royalties	81,735	182,793	226,512	231,018	239,511	241,253	185,795	182,082	184,691	151,520
PILOT	82,324	71,144	64,225	57,796	52,276	59,590	136,206	102,050	88,648	93,695
Other Revenues	--	63,141	220,432	96,926	87,738	64,787	52,366	83,358	76,435	87,110
Total Revenues	6,628,174	6,660,314	7,574,120	7,578,795	8,031,621	8,417,721	8,472,845	8,930,852	9,922,744	10,692,052
Expenditures										
General Government	1,077,777	885,996	1,086,690	1,129,835	1,153,454	1,022,225	1,178,893	1,009,234	1,080,464	1,412,895
Public Safety	1,687,323	2,071,179	2,284,425	2,318,351	2,463,214	2,542,801	2,637,772	2,824,334	2,891,566	3,214,453
Public Works	956,635	771,531	655,087	651,434	685,593	747,534	728,658	754,767	811,744	922,705
Sanitation	--	664,071	804,729	844,745	906,684	1,055,961	1,162,022	1,169,879	1,487,975	1,467,011
Health and Welfare	811,267	126,411	123,863	144,671	165,370	188,505	365,616	180,972	158,254	581,429
Culture and Recreation	222,100	285,376	307,323	345,138	388,021	473,688	931,250	1,129,390	1,167,621	490,797
Tourism	122,836	141,152	156,660	249,402	175,604	131,576	174,744	172,048	190,983	222,911
Capital Outlay	2,464,078	4,407,467	1,258,646	399,654	356,396	9,926,524	3,463,337	524,878	905,253	1,670,479
Debt Service										
Principal	632,000	742,362	726,140	756,704	697,289	1,038,071	983,071	1,361,071	1,416,071	1,536,071
Interest and fees	551,584	625,354	559,739	520,406	540,835	1,015,354	890,164	907,584	846,650	782,322
Total Expenditures	8,525,600	10,720,899	7,963,302	7,360,340	7,532,460	18,142,239	12,515,527	10,034,157	10,956,581	12,301,073
Excess of Revenues Over (Under) Expenditures	(1,897,426)	(4,060,585)	(389,182)	218,455	499,161	(9,724,518)	(4,042,682)	(1,103,305)	(1,033,837)	(1,609,021)
Other Financing Sources (Uses)										
Bonds Issued	--	2,261,105	--	--	6,708,562	4,000,000	--	1,468,255	501,290	--
Refunding Bonds Issued	--	--	--	--	4,435,000	2,105,000	--	--	--	--
Payments to Escrow Agent	--	--	--	--	(4,495,049)	(2,090,551)	--	--	--	--
Insurance Proceeds	--	202,064	--	--	--	--	--	--	--	271,380
Capital Leases	--	28,424	--	--	--	--	--	--	--	--
Transfers In	350,000	2,613,785	673,358	410,000	867,272	582,402	1,262,582	1,056,681	1,820,754	1,977,938
Transfers Out	--	(2,510,809)	(392,084)	(169,468)	(450,914)	(323,369)	(1,016,845)	(701,118)	(1,372,309)	(1,860,091)
Total Other Financing Sources (Uses)	350,000	2,594,569	281,274	240,532	7,064,871	4,273,482	245,737	1,823,818	949,735	389,227
Prior Period Adjustments	--	422,462	--	--	--	(42,721)	--	--	--	--
Net Change in Fund Balances	\$ (1,547,426)	\$ (1,043,554)	\$ (107,908)	\$ 458,987	\$ 7,564,032	\$ (5,451,036)	\$ (3,796,945)	\$ 720,513	\$ (84,102)	\$ (1,219,794)
Debt Service As A Percentage Of Noncapital Expenditures	19.5%	21.7%	19.2%	18.3%	17.3%	25.0%	20.7%	23.9%	22.5%	21.8%

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
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
2008	2,954,388	2,213,912	385,256	201,845	8,367	5,763,768
2009	2,872,547	2,326,056	393,495	173,469	8,327	5,773,894
2010	2,887,934	2,685,802	393,601	182,573	11,954	6,161,864
2011	2,980,460	3,066,826	385,897	205,300	10,517	6,649,000
2012	3,348,762	3,337,846	386,893	203,766	10,641	7,287,908
Percent Change 2004-2012	34.8%	90.7%	6.9%	17.8%	N/A	52.7%

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
2003	\$ 265,606,127	\$ 100.00%	\$ 265,606,127	\$ 0.832	\$ 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
2008	490,811,034	100.00%	490,811,034	0.580	2,846,704
2009	487,538,448	100.00%	487,538,448	0.580	2,827,723
2010	485,990,497	100.00%	485,990,497	0.5929	2,881,287
2011	478,705,857	100.00%	478,705,857	0.6075	2,908,095
2012	451,195,712	100.00%	451,195,712	0.7230	3,262,145

Source: San Patricio County Appraisal District

CITY OF ARANSAS PASS, TEXAS

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Real Estate	\$ 8,756,676	1	1.95%	\$		
Wal-Mart Stores Tx LP 0555	6,483,491	2	1.45%			
Lowe's Home Centers Inc	6,157,177	3	1.37%			
North Bay General Hospital	4,909,498	4	1.09%			
Lowe's Companies Inc. #2506	4,786,757	5	1.07%			
Coastal Navy Housing	4,474,014	6	1.00%			
Carolyns Texas LP	3,516,885	7	0.78%			
AEP Texas Central Comp	3,493,226	8	0.78%		(1)	
Commercial Motor Co	3,292,868	9	0.73%			
Aransas Pass Lodging Inc	2,824,426	10	0.63%			
Total	\$ 48,695,018		10.86%	\$ --		--

Source: San Patricio County Appraisal District.

(1) 2003 information is not available.

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 2,098,290	\$ 1,954,849	93.16%	\$ 115,499	\$ 2,070,348	98.67%
2004	2,263,488	2,129,242	94.07%	105,723	2,234,965	98.74%
2005	2,361,086	2,239,461	94.85%	86,408	2,325,869	98.51%
2006	2,448,503	2,321,225	94.80%	95,913	2,417,138	98.72%
2007	2,534,009	2,405,181	94.92%	93,611	2,498,792	98.61%
2008	2,923,711	2,767,047	94.64%	94,767	2,861,814	97.88%
2009	2,770,530	2,604,814	94.02%	88,642	2,693,456	97.22%
2010	2,881,287	2,698,994	93.67%	92,566	2,791,560	96.89%
2011	2,908,095	2,746,758	94.45%	83,483	2,830,241	97.32%
2012	3,242,935	3,104,275	95.72%	N/A	3,104,275	95.72%