

City of Aransas Pass, Texas  
Annual Financial Report  
For the Year Ended September 30, 2014



# CITY OF ARANSAS PASS, TEXAS

Table of contents  
September 30, 2014

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

# CITY OF ARANSAS PASS, TEXAS

Table of contents, continued

September 30, 2013

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

# Introductory Section



**CITY OF ARANSAS PASS, TEXAS**  
**LIST OF PRINCIPAL OFFICIALS**

---

Elected Officials

---

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

---

Appointed Officials

---

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



## Financial Section



# BRENDA P. McELWEE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

---

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aransas Pass, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Aransas Pass, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government auditing standards*, we have also issued our report dated March 27, 2015, on our consideration of the City of Aransas Pass, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aransas Pass, Texas's internal control over financial reporting and compliance.



Brenda P. McElwee, P.C.  
March 27, 2015

**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, 2014. Please read it in conjunction with the City’s financial statements, which begin on page 22.

### **FINANCIAL HIGHLIGHTS**

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

Total government-wide net assets decreased \$68,753 as a result of this year’s operations. Governmental activities decreased \$65,633 with the balance of \$3,120 resulting from business-type activities.

#### **General Fund Performance**

As a result of this year’s operations, the General fund reported an increase of \$6,281,373 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 22 and 23) provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements start on page 24. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **Reporting the City as a Whole**

#### **The Statement of Net Assets and the Statement of Activities**

One of the central concerns in assessing any City’s finances is summarized in the question, “Is the City as a whole better off or worse off as a result of the year’s activities?” Our analysis addressing this question begins on page 12. The analysis includes a condensed summary of the

government-wide financial statements – The Statement of Net Position and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies – including all assets and liabilities using the accrual basis of accounting. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

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

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

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

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

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

Our analysis of the City's major funds commences on page 14. The fund financial statements are presented on pages 24 through 30. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons – some are required by state law; others, by bond covenants. Some funds are established by the City Council to assist in managing money that is to be spent for particular purposes. For example, the Aquatic Center Fund was established to demonstrate that money received for the operation of the Pool were used for that purpose. The city has two categories of funds, which can be used for public purpose – governmental and proprietary. Each category uses a different accounting approach.

**Governmental funds** – Most of the City's basic services are reported in governmental funds. These funds focus on the flow of money into and out of the funds and the balance left over at

the end of the year that is available for future spending. Governmental funds use a method of accounting called modified accrual. The purpose of this method is to measure cash and other financial assets that can readily be converted to cash. This approach provides a detailed short-term perspective of the City's general government operations and the basic service it provides. This view of the City's operations provides information that helps to determine the extent to which financial resource are available to spend in the near future to finance City programs. The relationship between these governmental fund financial statements and the governmental activities column shown in the government-wide financial statements is shown in the form of a reconciliation presented on the page following each governmental fund financial statement.

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

## THE CITY AS A WHOLE

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

**Table 1**  
**Net Assets**  
**(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	10.6	3.8	9.2	7.1	19.8	10.9
Capital Assets	22.4	22.8	7.4	6.9	29.8	29.7
Total Assets	33.0	26.6	16.6	14.0	49.6	40.6
Long -Term Debt Outstanding	17.8	13.0	7.9	5.3	25.7	18.3
Other Liabilities	2.6	2.6	1.0	0.9	3.6	3.5
Total Liabilities	20.4	15.6	8.9	6.2	29.3	21.8
Net Assets:						
Invested in Capital Assets, Net of Debt	3.2	8.1	-0.8	1.5	2.4	9.6
Restricted	8.2	1.0	3.4	4.1	11.6	5.1
Unrestricted (Deficit)	1.2	3.5	5.2	2.2	6.4	5.7
Total Net Assets	12.6	12.6	7.8	7.8	20.4	20.4

Net Assets of the City's governmental activities decreased \$65,633.

The net assets of the City's business-type activities decreased \$3,120.

**Table 2**  
**Changes in Net Assets**  
**(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for services	2.2	2.0	4.6	5.0	6.8	7.0
Grants	0.2				0.2	-
General Revenues:					-	-
Property Taxes	3.4	3.3			3.4	3.3
Sales Tax	3.6	3.4			3.6	3.4
Other Taxes	0.6	0.7			0.6	0.7
Other General Revenues	0.2	0.8			0.2	0.8
Total Revenues	10.2	10.2	4.6	5.0	14.8	15.2
Program Expenses						
General government	1.3	1.3			1.3	1.3
Public Safety	3.5	3.6			3.5	3.6
Public Works	1.2	1.0			1.2	1.0
Sanitation	1.4	1.6			1.4	1.6
Health and Welfare	0.1	0.2			0.1	0.2
Tourism	0.3	0.3			0.3	0.2
Culture and Recreation	0.7	0.6			0.7	0.6
Interest and Long Term Debt	0.7	0.7			0.7	0.7
Water and Sewer			3.2	3.4	3.2	3.4
Harbor			0.2	0.2	0.2	0.2
Aquatic Center			0.5	0.5	0.5	0.5
Civic Center			0.3	0.3	0.3	0.3
Total Expenses	9.2	9.3	4.2	4.4	13.4	13.6
Excess (Deficiency) Before Special Items and Transfers	1.0	0.9	0.4	0.6	1.4	1.6
Transfers	0.4	0.5	(0.4)	(0.2)	-	
Increase (Decrease) in Net Assets	1.4	1.4	(0.0)	0.4	1.4	1.6

Total revenues generated from both governmental and business-type activities this year amounted to \$14.8 million.

**Governmental Activities**

Total revenues generated from governmental activities this year amounted to \$10.2 million. Expenses totaled at \$9.2 million.

The cost of all governmental activities this year was \$9.2 million. However, as shown on the Statement of Activities on page 23, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$6.7 million. \$2.5 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	
	2014	2013	2014	2013
Public Safety	3.5	3.6	2.9	3.4
General Government	1.3	1.3	1.2	1.1
Public Works	1.2	1.0	1.2	1.0
Sanitation	1.4	1.6	-	-
Health and Welfare	0.1	0.2	0.1	0.2
Culture and Recreation	0.7	0.6	0.7	0.6
Total	8.2	8.3	6.1	6.3

#### **Business-type Activities**

Total revenues generate from business-type activities this year amounted to \$4.6 million. Expenses totaled \$4.2 million, leaving \$0.4 million as an increase to net assets before transfers. An additional net \$0.4 million in transfers from business-type activities was made, resulting in net assets remaining virtually unchanged.

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

#### **THE CITY'S FUNDS**

As a result of this year's operation, governmental funds (as reflected in the balance sheet on page 24) produced a combined fund balance of \$9.0 million, an increase of \$6.5 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, 2014 and 2013.

**Table 4  
Revenues and Transfers-In**

Revenues and Transfers-In	2014 Amount	% of Total	2013 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	7,623,901	0.7	7,415,541	208,360	0.0
Licenses and Permits	116,068	0.0	91,921	24,147	0.3
Intergovernmental	48,852	0.0	509,454	(460,602)	(0.9)
Charges for Services	1,706,986	0.2	1,618,794	88,192	0.1
Fines and Forfeitures	404,540	0.0	262,667	141,873	0.5
Other	364,242	0.0	357,969	6,273	0.0
Total	10,264,589		10,256,346	8,243	

**Taxes**

**Property Taxes**

Property Taxes increased \$100,579 over last year.

**Other Taxes**

This year's reported sales taxes as a whole increased \$126,251 from the prior year.

**Miscellaneous**

Miscellaneous revenues totaling \$364,242 largely consists of rents and royalties, interest, insurance proceeds, and PILOT – Industrial Development District.

**Table 5  
Expenditures and Transfers-Out**

Expenditures and Transfers-Out	2014 Amount	% of Total	2013 Amount	% Change
General government	1,168,753	10.83%	1,044,940	11.85%
Public Safety	3,140,712	29.09%	3,216,918	-2.37%
Public Works	1,060,954	9.83%	940,847	12.77%
Sanitation, Health and Welfare	1,562,708	14.48%	1,584,846	-1.40%
Recreation and Tourism	972,945	9.01%	864,118	12.59%
Capital Outlay	598,051	5.54%	1,570,698	-61.92%
Debt Service:				
Principal	1,690,000	15.65%	1,645,000	2.74%
Interest and Fiscal Charges	601,318	5.57%	678,584	-11.39%
Total	10,795,441		11,545,951	

**Fund Balance**

Combined fund balance for all of the governmental fund types increased \$6,450,943.

## **General Fund**

Revenues and transfers-in generated \$6,489,917 and \$1,692,761 respectively, aggregating in \$8,182,678. Expenditures and transfers-out amounted to \$8,056,017 and \$401,904, respectively, aggregating \$8,457,921. The transfers out were primarily to the Aquatic Center Fund and Capital Projects Fund to cover operating costs.

## **Aransas Pass Municipal Development District Fund (APMDD)**

The fund balance of the Aransas Pass Municipal Development District Fund increased from \$399,727 in the prior year to \$448,212, an increase of \$88,149. The District is a separate legal entity, but has been reported as a blended component unit in the financial statements. The District provides financing services to the City including payment of debt and funding civic center losses.

## **Aransas Pass Crime Control and Prevention District Fund (APCCPD)**

The fund balance of the Aransas Pass Crime Control and Prevention District Fund increased from \$339,267 in the prior year to \$445,794, an increase of \$106,527. The District is a separate legal entity, but has been reported as a blended component unit in the financial statements. The District provides funds and safety equipment for the police department.

## **Debt Service Fund**

The fund balance of the debt service fund increased from \$89,149 in the prior year to \$179,732 an increase of \$90,583.

## **PROPRIETARY FUNDS**

### **Enterprise Funds**

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

### **Consumption**

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

**Table 6  
Water Consumption**

<b>Fiscal Year</b>	<b>2013-2014</b>	<b>2012-2013</b>	<b>% Increase (Decrease)</b>	<b>2011-2012</b>	<b>% Increase (Decrease)</b>
<b>Total Consumption</b>	343,470,000	403,822,000	(3.93)	420,327,500	(4.25)

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

<b>Fiscal Year</b>	<b>2013-2014</b>	<b>2012-2013</b>	<b>% Increase (Decrease)</b>	<b>2011-2012</b>	<b>% Increase (Decrease)</b>
<b>Total Meter Connections</b>	3,968	3,757	0.24	3,748	(1.75)

Operating revenues for the Water and Sewer Fund were \$4,045,662 which is \$388,815 less than 2013. Expenses were \$3,042,422, which is \$343,121 less than 2013.

**Harbor Fund**

The Harbor Fund is funded with rental revenue. Revenues for the Harbor totaled \$211,144 which is \$11,037 more revenues than 2013. Expenses for the same period were \$253,837, which is \$82,879 more than 2013. The Harbor is undergoing complete redevelopment.

**Aquatic Center**

The Aquatic Center is funded with revenue from admissions, passes, rentals, instructional classes and concessions. Revenues for the Aquatic Center totaled \$252,062, which is \$30,320 less than revenues for 2013. Expenses for the same period were \$480,029, which is \$32,972 less than was expended in 2013.

**Civic Center**

The Civic Center is funded with revenue from rentals. Revenues for the Civic Center totaled \$121,432, which is \$7,157 less than revenues for 2013. Expenses for the same period were \$325,348, which is \$2,277 more than was expended in 2013.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year, the City had \$29.8 million in capital assets.

**Table 8**

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	7.5	7.5	0.4	0.4	7.9	7.9
Construction in Progress	-	-	0.7	-	0.7	-
Buildings and Improvements	10.6	10.4	0.2	0.2	10.8	10.6
Equipment	2.0	2.2	0.4	0.4	2.4	2.6
Infrastructure	2.3	2.6	5.7	5.8	8.0	8.4
Totals	22.4	22.7	7.4	6.8	29.8	29.5

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

### Debt Administration

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

### Type of Debt Issued

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

### Bond Ratings

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

### Bonds Outstanding

At the end of the fiscal year, the City had \$27.5 million in bonds outstanding – as shown in Table 9.

**Table 9**

**Outstanding Debt at Year-end  
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds (backed by the City)	19.3	14.5	1.4	1.4	20.7	15.9
Revenue Bonds (Backed by specific tax and fee revenues)	-	-	6.8	4.0	6.8	4.0
Totals	19.3	14.5	8.2	5.4	27.5	19.9

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

Basic Financial Statements begin on page 21

## Basic Financial Statements

## City of Aransas Pass, Texas

### Statement of Net Position

September 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,353,832	\$ 2,392,278	\$ 3,746,110
Receivables, net of allowance for uncollectible amounts			
Property taxes	381,145	-	381,145
Accounts	227,579	528,292	755,871
Occupancy taxes	58,111	-	58,111
Sales taxes	158,840	-	158,840
Assessments	370,905	-	370,905
Fines & forfeitures	130,476	-	130,476
Intergovernmental	-	-	-
Internal Balances	(2,735,697)	2,735,697	-
Inventories	82,266	-	82,266
Restricted Assets:			
Cash and cash equivalents	10,443,274	3,405,193	13,848,467
Sales tax receivable	134,368	-	134,368
Bond issuance costs	-	183,000	183,000
Capital assets:			
Land	7,507,865	358,841	7,866,706
Property, plant and equipment	23,362,540	17,423,512	40,786,052
Less: Accumulated depreciation	(8,432,721)	(10,424,301)	(18,857,022)
Total assets	33,042,783	16,602,512	49,645,295
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	414,614	75,035	489,649
Accrued interest payable	140,086	23,331	163,417
Deferred revenue	370,905	94,679	465,584
Liabilities payable from restricted assets:			
Customer deposits	-	367,042	367,042
Long-Term Liabilities:			
Due within one year	1,678,902	395,000	2,073,902
Due in more than one year	17,826,389	7,895,353	25,721,742
Total liabilities	20,430,896	8,850,440	29,281,336
<b>NET POSITION</b>			
Invested in Capital, Net of Related Debt	3,275,228	(791,948)	2,483,280
Restricted for:			
Public Library	73,512	-	73,512
Debt Service	179,732	-	179,732
Tourism	22,760	-	22,760
Law Enforcement	445,794	-	445,794
Emergency Services	96,204	-	96,204
Building Security	22,738	-	22,738
Municipal Court Technology	31,308	-	31,308
Special Projects	7,216,000	3,405,193	10,621,193
Unrestricted	1,248,611	5,138,827	6,387,438
Total net position	\$ 12,611,887	\$ 7,752,072	\$ 20,363,959

# City of Aransas Pass, Texas

## Statement of Activities

Year Ended September 30, 2014

<b>Functions/Programs</b>	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 1,319,974	\$ 116,068	\$ -	\$ -	\$ (1,203,906)	\$ -	\$ (1,203,906)
Public safety	3,547,080	404,540	249,003	-	(2,893,537)	-	(2,893,537)
Public works	1,198,227				(1,198,227)	-	(1,198,227)
Sanitation	1,438,808	1,706,986			268,178	-	268,178
Health and welfare	139,931				(139,931)	-	(139,931)
Culture and recreation	705,532				(705,532)	-	(705,532)
Tourism	348,241				(348,241)	-	(348,241)
Interest and fiscal charges	653,660				(653,660)	-	(653,660)
Total governmental activities	9,351,453	2,227,594	249,003	-	(6,874,856)	-	(6,874,856)
Business-type activities:							
Water & Sewer	3,193,168	4,045,662				852,494	852,494
Harbor	253,837	211,144		42,755		62	62
Aquatic Center	480,029	252,062				(227,967)	(227,967)
Civic Center	325,349	121,432				(203,917)	(203,917)
Total business-type activities	4,252,383	4,630,300	-	42,755	-	420,672	420,672
<b>Total primary government</b>	<b>\$ 13,603,836</b>	<b>\$ 6,857,894</b>	<b>\$ 249,003</b>	<b>\$ 42,755</b>	<b>(6,874,856)</b>	<b>420,672</b>	<b>(6,454,184)</b>
General revenues:							
Property taxes					3,433,860		3,433,860
Sales taxes					3,570,562		3,570,562
Franchise taxes					401,609		401,609
Mixed beverage taxes					15,430		15,430
Occupancy taxes					202,440		202,440
Rents and royalties					132,374		132,374
Insurance proceeds					1,519		1,519
Interest income					5,054	1,387	6,441
Other					71,563		71,563
Transfers					425,179	(425,179)	-
Total general revenues and transfers					8,259,590	(423,792)	7,835,798
Change in net assets					1,384,734	(3,120)	1,381,614
Net assets-beginning					11,227,153	7,755,192	18,982,345
Net assets-ending	<b>\$ 12,611,887</b>				<b>\$ 7,752,072</b>	<b>\$ 20,363,959</b>	

# City of Aransas Pass, Texas

## Balance Sheet Governmental Funds September 30, 2014

	General Fund	Debt Service Fund	Aransas Pass Municipal Development District	Aransas Pass Crime Control & Prevention District	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,041,856	\$ 94,676	\$ 2,844	\$ -	\$ 214,456	\$ 1,353,832
Receivables, net of allowances for uncollectible						
Property taxes	168,395	212,750	-	-	-	381,145
Accounts	227,579	-	-	-	-	227,579
Occupancy taxes	-	-	-	-	58,111	58,111
Sales taxes	158,840	-	-	-	-	158,840
Assessments	370,905	-	-	-	-	370,905
Intergovernmental	-	-	-	-	-	-
Due from other funds	781,401	85,056	-	-	-	866,457
Inventories	82,266	-	-	-	-	82,266
Noncurrent assets:						
Restricted cash and cash equivalents	9,392,825	-	622,531	427,918	-	10,443,274
Sales taxes receivable	-	-	66,742	67,626	-	134,368
<b>Total assets</b>	<b>\$ 12,224,067</b>	<b>\$ 392,482</b>	<b>\$ 692,117</b>	<b>\$ 495,544</b>	<b>\$ 272,567</b>	<b>\$ 14,076,777</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 556,845	\$ -	\$ -	\$ -	\$ 98,198	\$ 655,043
Due to other funds	3,347,140	-	203,905	49,750	1,359	3,602,154
Deferred revenue	530,666	212,750	-	-	-	743,416
			-	-	-	-
<b>Total liabilities</b>	<b>4,434,651</b>	<b>212,750</b>	<b>203,905</b>	<b>49,750</b>	<b>99,557</b>	<b>5,000,613</b>
<b>Fund balances:</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	488,212	445,794	173,010	1,107,016
Committed	-	179,732	-	-	-	179,732
Assigned	7,216,000	-	-	-	-	7,216,000
Unassigned	573,416	-	-	-	-	573,416
<b>Total fund balances</b>	<b>7,789,416</b>	<b>179,732</b>	<b>488,212</b>	<b>445,794</b>	<b>173,010</b>	<b>9,076,164</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,224,067</b>	<b>\$ 392,482</b>	<b>\$ 692,117</b>	<b>\$ 495,544</b>	<b>\$ 272,567</b>	<b>\$ 14,076,777</b>

**City of Aransas Pass, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2014**

Total fund balances - governmental funds balance sheet \$ 9,076,164

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.	22,437,684
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	372,511
Payables for bond principal which are not due in the current period are not reported in the funds.	(19,162,456)
Payables for bond interest which are not due in the current period are not reported in the funds.	(140,086)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(198,174)
Payables for contracts which are not due in the current period are not reported in the funds	(42,498)
OPEB liabilities are not reported in the funds.	(102,163)
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	370,905
Net position of governmental activities - Statement of Net Position	<u>12,611,887</u>

**City of Aransas Pass, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2014**

	General Fund	Debt Service Fund	Aransas Pass Municipal Development District	Aransas Pass Crime Control & Prevention District	Capital Projects Fund	Other Governmental Funds	Total
<b>REVENUES</b>							
Property taxes	\$ 1,610,375	\$ 1,823,485	\$ -	\$ -	\$ -	\$ -	\$ 3,433,860
Sales taxes	1,896,560	-	856,294	817,708	-	-	3,570,562
Franchise taxes	401,609	-	-	-	-	-	401,609
Mixed beverage taxes	15,430	-	-	-	-	-	15,430
Occupancy taxes	-	-	-	-	-	202,440	202,440
Licenses and permits	116,068	-	-	-	-	-	116,068
Fines and forfeitures	396,661	-	-	-	-	7,879	404,540
Assessments	10,197	-	-	-	-	-	10,197
Charges for services	1,641,933	-	-	-	-	65,053	1,706,986
Rents and royalties	132,374	-	-	-	-	-	132,374
Industrial development district	145,054	-	-	-	-	-	145,054
Intergovernmental	48,852	-	-	-	-	-	48,852
Interest income	3,241	23	315	1,078	-	397	5,054
Other	71,563	-	-	-	-	-	71,563
<b>Total revenues</b>	<b>6,489,917</b>	<b>1,823,508</b>	<b>856,609</b>	<b>818,786</b>	<b>-</b>	<b>275,769</b>	<b>10,264,589</b>
<b>EXPENDITURES</b>							
Current:							
General government	1,162,927	-	5,826	-	-	-	1,168,753
Public safety	3,092,212	-	-	6,601	-	41,899	3,140,712
Public works	1,060,954	-	-	-	-	-	1,060,954
Sanitation	1,438,808	-	-	-	-	-	1,438,808
Health and welfare	123,900	-	-	-	-	-	123,900
Culture and recreation	624,704	-	-	-	-	-	624,704
Tourism	-	-	-	-	-	348,241	348,241
Debt service:							
Principal	-	1,365,000	325,000	-	-	-	1,690,000
Interest and fiscal charges	-	367,925	233,393	-	-	-	601,318
Capital outlay	552,512	-	-	43,885	-	1,654	598,051
<b>Total expenditures</b>	<b>8,056,017</b>	<b>1,732,925</b>	<b>564,219</b>	<b>50,486</b>	<b>-</b>	<b>391,794</b>	<b>10,795,441</b>
Excess (deficiency) of revenues over expenditures	(1,566,100)	90,583	292,390	768,300	-	(116,025)	(530,852)
<b>OTHER FINANCING SOURCES (USES)</b>							
Grant proceeds	55,097	-	-	-	-	-	55,097
Bond proceeds	6,500,000	-	-	-	-	-	6,500,000
Transfers in	1,692,761	-	-	-	-	-	1,692,761
Transfers out	(401,904)	-	(203,905)	(661,773)	-	-	(1,267,582)
Insurance proceeds	1,519	-	-	-	-	-	1,519
<b>Total other financing sources and uses</b>	<b>7,847,473</b>	<b>-</b>	<b>(203,905)</b>	<b>(661,773)</b>	<b>-</b>	<b>-</b>	<b>6,981,795</b>
<b>Net change in fund balances</b>	<b>6,281,373</b>	<b>90,583</b>	<b>88,485</b>	<b>106,527</b>	<b>-</b>	<b>(116,025)</b>	<b>6,450,943</b>
Fund balances-beginning	1,351,314	89,149	399,727	339,267	156,729	289,035	2,625,221
Residual equity transfer	156,729	-	-	-	(156,729)	-	-
Fund balances-beginning as restated	1,508,043	89,149	399,727	339,267	-	289,035	2,625,221
<b>Fund balances-ending</b>	<b>\$ 7,789,416</b>	<b>\$ 179,732</b>	<b>\$ 488,212</b>	<b>\$ 445,794</b>	<b>\$ -</b>	<b>\$ 173,010</b>	<b>\$ 9,076,164</b>

**City of Aransas Pass, Texas**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended September 30, 2014**

Net change in fund balances, total governmental funds	\$ 6,450,943
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Capital outlays are not reported as expenses in the Statement of Activities.	598,051
The depreciation of capital assets used in governmental activities is not reported in the funds.	(791,721)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	
Bond proceeds is recorded in the funds as revenue but not in the SOA.	(6,500,000)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,690,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(35,000)
(Increase) decrease in accrued interest from beginning of period to end of period.	(3,284)
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(10,197)
Amortization of deferred loss on bond refunding is not recorded in the funds, but in the SOA.	(14,058)
Change in net assets of governmental activities - statement of activities	\$ 1,384,734

# City of Aransas Pass, Texas

Exhibit A-7

## Statement of Net Position Enterprise Funds September 30, 2014

	Enterprise Funds		
	Major Fund Water & Sewer Fund	Non-Major Funds	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,498,980	\$ (106,702)	\$ 2,392,278
Receivables (net)	452,764	75,528	528,292
Due from other funds	2,634,475	203,905	2,838,380
Total current assets	5,586,219	172,731	5,758,950
Noncurrent assets:			
Restricted cash and cash equivalents	3,405,193	-	3,405,193
Bond issuance cost, net	183,000	-	183,000
Capital assets:			
Property, plant and equipment	15,026,772	2,755,581	17,782,353
Less accumulated depreciation	(7,859,030)	(2,565,271)	(10,424,301)
Total noncurrent assets	10,755,935	190,310	10,946,245
Total assets	16,342,154	363,041	16,705,195
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	43,258	14,786	58,044
Accrued interest payable	23,331	-	23,331
Deferred revenue	-	94,679	94,679
Due to other funds	-	102,683	102,683
Compensated absences payable	6,000	10,991	16,991
Certificates of Obligation payable-current	395,000	-	395,000
Total current liabilities	467,589	223,139	690,728
Current liabilities payable from restricted assets			
Customer deposits	367,042	-	367,042
Total current liabilities	834,631	223,139	1,057,770
Noncurrent liabilities:			
Compensated absences	26,743	-	26,743
Bond premium	113,610	-	113,610
Bonds, notes, and loans payable	7,755,000	-	7,755,000
Total noncurrent liabilities	7,895,353	-	7,895,353
Total liabilities	8,729,984	223,139	8,953,123
<b>NET POSITION</b>			
Net invested in capital assets	(982,258)	190,310	(791,948)
Restricted for Special Projects	3,405,193	-	3,405,193
Unrestricted	5,189,235	(50,408)	5,138,827
Total net position	\$ 7,612,170	\$ 139,902	\$ 7,752,072

**City of Aransas Pass, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Net Assets**  
**Enterprise Funds**  
**Year Ended September 30, 2014**

	Enterprise Funds		
	Major Fund Water & Sewer Fund	Non-Major Funds	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,045,662	\$ 584,638	\$ 4,630,300
Total operating revenue	4,045,662	584,638	4,630,300
<b>OPERATING EXPENSES</b>			
Personal services	702,094	427,318	1,129,412
Contractual services	170,078	17,310	187,388
Supplies	1,425,864	75,440	1,501,304
Maintenance	227,953	186,892	414,845
Utilities	185,306	144,246	329,552
Advertising	-	7,557	7,557
Event expenses	-	11,359	11,359
Insurance	-	78,930	78,930
Taxes	-	39,818	39,818
Depreciation and amortization	331,127	70,345	401,472
Total operating expenses	3,042,422	1,059,215	4,101,637
Operating income (loss)	1,003,240	(474,577)	528,663
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grant proceeds	-	42,755	42,755
Interest income	1,372	15	1,387
Interest expense and agent fees	(150,746)	-	(150,746)
Total nonoperating revenue (expenses)	(149,374)	42,770	(106,604)
Income (loss) before contributions and transfers	853,866	(431,807)	422,059
Transfers in		359,905	359,905
Transfers out	(750,000)	(35,084)	(785,084)
Change in net assets	103,866	(106,986)	(3,120)
Total net assets-beginning	7,508,304	246,888	7,755,192
Total net assets-ending	\$ 7,612,170	\$ 139,902	\$ 7,752,072

# City of Aransas Pass, Texas

Exhibit A-9

## Statement of Cash Flows Enterprise Funds Year Ended September 30, 2014

	Major Fund Water & Sewer Fund	Non-Major Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 4,046,107	\$ 567,932	\$ 4,614,039
Payments to suppliers	(2,170,972)	(548,757)	(2,719,729)
Payments to employees	(702,094)	(427,318)	(1,129,412)
Net cash provided (used) by operating activities	1,173,041	(408,143)	764,898
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers From (To) Other Funds	(750,000)	324,821	(425,179)
Net cash provided (used) by non-capital financing activities	(750,000)	324,821	(425,179)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Increase in due to/from	(2,673,927)	(201,075)	(2,875,002)
Purchase or construction of capital assets	(845,067)	(13,949)	(859,016)
Grant revenue	-	42,755	42,755
Proceeds from issuance of long-term debt	3,000,000	-	3,000,000
Principal, interest and agent fees paid	(440,746)	-	(440,746)
Net cash provided (used) by financing activities	(959,740)	(172,269)	(1,132,009)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	1,372	15	1,387
Net cash provided (used) by investing activities	1,372	15	1,387
Net increase (decrease) in cash and cash equivalents	(535,327)	(255,576)	(790,903)
Balances-beginning of year	6,439,500	148,874	6,588,374
Balances-end of year	\$ 5,904,173	\$ (106,702)	\$ 5,797,471
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 1,003,240	\$ (474,577)	\$ 528,663
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	331,127	70,345	401,472
Changes in assets and liabilities:			
Accounts receivable	(22,989)	(70,903)	(93,892)
Prepaid items	-	54,197	54,197
Customer security deposits	23,434	54,197	77,631
Accounts payable	(161,771)	12,795	(148,976)
Total Adjustments	169,801	66,434	236,235
Net cash provided (used) by Operating Activities	\$ 1,173,041	\$ (408,143)	\$ 764,898

**CITY OF ARANSAS PASS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

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

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

1. Reporting Entity

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

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

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

Blended Component Units

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

Aransas Pass Municipal Development District

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

Aransas Pass Crime Control and Prevention District

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

**CITY OF ARANSAS PASS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Discretely Presented Component Units

There are no component units which require discrete presentation.

2. Bases of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major enterprise funds:

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

**CITY OF ARANSAS PASS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

b. Measurement Focus, Basis of Accounting

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

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

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

e. Receivable and Payable Balances

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

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

f. Compensated Absences

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

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfer. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of Net Position.

**CITY OF ARANSAS PASS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

h. Use of Estimates

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

i. Fund Balances-Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

4. Budgetary Data

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

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

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

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

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

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

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

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

5. Encumbrance Accounting

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

<u>Fund</u>	<u>Deficit</u>	
Aquatics Fund	\$ (177,068)	Temporary shortages to be replenished by General fund
Civic Center Fund	\$ (9,267)	Temporary shortages to be replenished by APMDD

3. Budget Compliance

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

Hotel/Motel Occupancy Tax Fund	\$ (125,916)
--------------------------------	--------------

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

C. Deposits and Investments

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

Cash Deposits

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,861,150 and the bank balance was \$1,396,832. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

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

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	1 Day	\$ 7,731,677
Texas Class	1 Day	\$ 8,001,751
Total Investment		<u>\$ 15,733,428</u>

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

At September 30, 2014, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>Rating</u>	<u>Rating Agency</u>
TexPool	AAA	Standard and Poor's
Texas Class	AAAm	Standard and Poor's

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 7,507,865	\$ -	\$ -	\$ 7,507,865
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>7,507,865</u>	<u>-</u>	<u>-</u>	<u>7,507,865</u>
Capital assets being depreciated:				
Buildings	8,929,041	-	-	8,929,041
Improvements other than buildings	4,759,005	-	-	4,759,005
Machinery and Equipment	5,482,503	-	-	5,482,503
Infrastructure	3,637,825	-	-	3,637,825
Total capital assets being depreciated	<u>22,808,374</u>	<u>-</u>	<u>-</u>	<u>22,808,374</u>
Less accumulated depreciation for:				
Buildings	(1,911,159)	(229,649)	-	(2,140,808)
Improvements other than buildings	(1,310,583)	(187,631)	-	(1,498,214)
Machinery and Equipment	(3,148,184)	(253,180)	-	(3,401,364)
Infrastructure	(1,271,075)	(121,261)	-	(1,392,336)
Total accumulated depreciation	<u>(7,641,001)</u>	<u>(791,721)</u>	<u>-</u>	<u>(8,432,722)</u>
Total capital assets being depreciated, net	<u>15,167,373</u>	<u>(791,721)</u>	<u>-</u>	<u>14,375,652</u>
Governmental activities capital assets, net	<u>\$ 22,675,238</u>	<u>\$ (791,721)</u>	<u>\$ -</u>	<u>\$ 21,883,517</u>
	Balances	Increases	Decreases	Balances
<b><u>Business-type activities:</u></b>				
Capital assets not being depreciated:				
Land, right of way	\$ 358,841	\$ -	\$ -	\$ 358,841
Construction in progress	-	690,551	-	690,551
Total capital assets not being depreciated	<u>358,841</u>	<u>690,551</u>	<u>-</u>	<u>1,049,392</u>
Capital assets being depreciated:				
Improvements other than buildings	2,702,205	-	-	2,702,205
Water and sewer system	12,408,681	-	-	12,408,681
Machinery and Equipment	1,453,611	168,468	-	1,622,079
Total capital assets being depreciated	<u>16,564,497</u>	<u>168,468</u>	<u>-</u>	<u>16,732,965</u>
Less accumulated depreciation for:				
Improvements other than buildings	(2,455,498)	(67,555)	-	(2,523,053)
Water and sewer system	(6,532,277)	(248,174)	-	(6,780,451)
Machinery and Equipment	(1,035,055)	(85,744)	-	(1,120,799)
Total accumulated depreciation	<u>(10,022,830)</u>	<u>(401,473)</u>	<u>-</u>	<u>(10,424,303)</u>
Total capital assets being depreciated, net	<u>6,541,667</u>	<u>(233,005)</u>	<u>-</u>	<u>6,308,662</u>
Business-type activities capital assets, net	<u>\$ 6,900,508</u>	<u>\$ 457,546</u>	<u>\$ -</u>	<u>\$ 7,358,054</u>

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Depreciation was charged to functions as follows:

Governmental Activities:

General Government	\$ 151,221
Public Safety	406,368
Culture and Recreation	80,828
Public Works	137,273
Public Health and Welfare	16,031
	<u>\$ 791,721</u>

Business Activities:

Water and Sewer	\$ 331,127
Harbor	70,345
	<u>\$ 401,472</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2014, consisted of the following:

	<u>Receivable</u>	<u>Payable</u>	<u>Net</u>
Governmental Fund Types:			
Governmental Funds:			
General Fund	\$ -	\$ 3,765,739	
Debt Service Fund	1,285,056	-	
Aransas Pass Municipal Development District	-	203,905	
Aransas Pass Crime Control & Prevention District	-	49,750	
Municipal Court Technology Fund	-	1,340	
Building Security Fund	-	19	
	<u>\$ 1,285,056</u>	<u>\$ 4,020,753</u>	<u>\$ (2,735,697)</u>
Proprietary Fund Types:			
Enterprise Funds:			
Water and Sewer Fund	\$ 2,634,475	\$ -	
Aquatics Fund	-	99,853	
Civic Center	203,905	-	
Harbor Fund	-	2,830	
	<u>\$ 2,838,380</u>	<u>\$ 102,683</u>	<u>\$ 2,735,697</u>
			<u>\$ -</u>

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

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2014, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Water and Sewer	General Fund	\$ 750,000	Administrative Charges
Harbor Fund	General Fund	35,084	Reimburse expenses
APMDD*	Civic Center Fund	203,905	Reimburse Civic Center losses
APCCPD**	General Fund	661,773	Crime Prevention Grants
Building Security	General Fund	39,062	Building security reimbursements
General Fund	Nonmajor Capital Projects	206,842	Reimburse expenses
General Fund	Aquatic Center Fund	156,000	Supplement other funds sources
	Total	<u>\$ 2,052,666</u>	

\* Aransas Pass Municipal Development District

\*\* Aransas Pass Crime Control and Prevention District

(The remainder of this page was left blank intentionally.)

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**F. Long-Term Obligations**

**1. Long-Term Obligation Activity**

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

Outstanding bonds, certificates of obligation and tax notes consisted of the following at September 30, 2014:

	<u>Interest Rate</u>	<u>General Long- Term Debt</u>	<u>Enterprise Fund Debt</u>
<u>Bonded Debt</u>			
Combination Tax and Subordinate Lien Revenue			
Certificates of Obligation, Series 2005	1.70% - 3.75%		700,000
Combination Tax and Limited Pledge Revenue			
Certificates of Obligation, Series 2006	4.25%		560,000
General Obligation Refunding Bonds, Series 2007	4.025%	2,955,000	
Taxable Combination Tax and Limited Pledge Revenue			
Certificates of Obligation, Series 2007	5.75 - 6.375%	5,070,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007	3.92%	2,915,000	
General Obligation Refunding Bonds, Series 2008	2.95%	-	
Tax Notes, Series 2009	2.85 - 3.00%	-	
Tax Notes, Series 2010	2.0 - 3.0%	460,000	
Tax Notes, Series 2011	2.78%	300,000	
Combination Tax and Limited Pledge Revenue			
Certificates of Obligation, Series 2012	1.50 - 3.0%		3,890,000
General Obligation Refunding Bonds, Series 2012	1.29%	1,100,000	
General Obligation Bonds, Series 2014	2.0 - 3.6%	6,500,000	3,000,000
		\$ 19,300,000	\$ 8,150,000

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the ended September 30, 2014, are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
General bonded debt	\$ 14,490,000	\$ 6,500,000	\$ 1,690,000	\$ 19,300,000	\$ 1,555,000
Deferred loss on adv. ref.	(151,602)		14,058	(137,544)	(14,058)
OPEB obligation	97,298	4,865		102,163	102,163
Compensated absences	188,737	9,437		198,174	29,726
Contracts	48,569		6,071	42,498	6,071
Total governmental activities	<u>\$ 14,673,002</u>	<u>\$ 6,514,302</u>	<u>\$ 1,710,129</u>	<u>\$ 19,505,291</u>	<u>\$ 1,678,902</u>
<b>Business-type activities:</b>					
General bonded debt	\$ 5,440,000	\$ 3,000,000	\$ 290,000	\$ 8,150,000	\$ 290,000
Compensated absences	43,911	2,196		46,107	16,991
Total business-type activities	<u>\$ 5,483,911</u>	<u>\$ 3,002,196</u>	<u>\$ 290,000</u>	<u>\$ 8,196,107</u>	<u>\$ 306,991</u>

**Other long-term liabilities**

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

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

**2. Debt Service Requirements**

Debt service requirements on long-term debt at September 30, 2014, are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,535,000	\$ 777,440	\$ 2,312,440
2016	1,620,000	689,981	2,309,981
2017	1,455,000	641,132	2,096,132
2018	1,235,000	594,730	1,829,730
2019	1,285,000	549,144	1,834,144
2020 - 2024	6,165,000	1,995,797	8,160,797
2025 - 2029	4,450,000	658,695	5,108,695
2030 - 2034	1,555,000	143,315	1,698,315
Totals	<u>\$ 19,300,000</u>	<u>\$ 6,050,234</u>	<u>\$ 25,350,234</u>
Year Ending September 30,	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 400,000	\$ 246,660	\$ 646,660
2016	435,000	218,520	653,520
2017	445,000	207,921	652,921
2018	455,000	196,679	651,679
2019	465,000	183,910	648,910
2020 - 2024	2,095,000	724,930	2,819,930
2025 - 2029	1,940,000	453,700	2,393,700
2030 - 2034	1,915,000	145,983	2,060,983
Totals	<u>\$ 8,150,000</u>	<u>\$ 2,378,303</u>	<u>\$ 10,528,303</u>

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

3. Advance Refunding of Debt

At September 30, 2014, the City had no legally defeased bonds outstanding.

4. Contracts payable are due as follows:

Year Ending September 30,	<u>Government- Type Activities</u>
2015	\$ 6,071
2016	6,071
2017	6,071
2018	6,071
2019	6,071
2020 - 2021	12,142
	<u>\$ 42,497</u>

5. Continuing Disclosure

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

G. Commitments Under Noncapitalized Leases

The City had no material commitments under noncapitalized leases for the year ended September 30, 2014.

H. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2014:

	<u>Government- Type Activities</u>	<u>Business Type Activities</u>
Bond Construction Funds	\$ 9,392,825	\$ 3,038,151
Crime Control and Prevention	427,918	-
Municipal Development District	622,531	-
Customer Deposits	-	367,042
	<u>\$ 10,443,274</u>	<u>\$ 3,405,193</u>

Sales Tax Receivable was restricted for the following purposes at September 30, 2014:

	<u>Government- Type Activities</u>
Crime Control and Prevention	\$ 66,742
Crime Control and Prevention	67,626
	<u>\$ 134,368</u>

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**I. Risk Management**

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

**J. Pension Plan**

**1. Plan Description**

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

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

	<b>Plan Year 2013</b>	<b>Plan Year 2014</b>
Employee deposit rate	6.00%	6.00%
Matching Ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility expressed as age/years of service	60/10: 0/20	60/10: 0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to employees)	70% of CPI Repeating	70% of CPI Repeating

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

2. Contributions

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

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

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

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

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

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

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

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

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

4. Trend Information for the Plan

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

5. Schedule of Funding Progress

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

**CITY OF ARANSAS PASS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

K. Post Employment Benefits Other Than Pension Benefits

1. Health Insurance Plan

Plan Participants

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

Normal Health Care Retirement Conditions

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

Vested Termination Benefits

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

Death-In-Service Retirement Benefits

City does not provide death-in-service benefits.

Disability Retirement Benefits

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

Dental/Vision Care

City does not provide vision care.

Life Insurance Coverage

City does not provide life insurance for retirees.

Benefits for Spouse of Retired Employees

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

Spouse and Dependent Coverage

City does not provide spouse and dependent coverage.

Non-Medicare and Medicare – Eligible Provisions

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

Retiree Opt-Out

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

Premium Sharing

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

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2011 as required by GASB. The annual OPEB cost for the fiscal year ending September 30, 2014, is as follows:

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

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

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

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

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

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Funding status and funding progress

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

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

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

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

Actuarial methods and assumptions

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

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

Actuarial Methods and Assumptions

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented

**CITY OF ARANSAS PASS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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.

2. Supplemental Death Benefits

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

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

	Plan Year 2013	Plan Year 2014
The City offers supplemental death benefits to:		
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

Contributions:

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

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

L. Commitments and Contingencies

Contingencies

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

This page is intentionally left blank

# Required Supplementary Information

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

# City of Aransas Pass, Texas

## General Fund

### Budgetary Comparison Schedule

Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,598,604	\$ 1,598,604	\$ 1,610,375	\$ 11,771
Other taxes	2,375,176	2,375,176	2,313,599	(61,577)
Licenses and permits	116,400	116,400	116,068	(332)
Fines and forfeitures	537,894	537,894	396,661	(141,233)
Assessments	-	-	10,197	10,197
Charges for services	1,403,600	1,403,600	1,641,933	238,333
Other	524,788	588,943	401,084	(187,859)
Total revenues	6,556,462	6,620,617	6,489,917	(130,700)
<b>EXPENDITURES</b>				
Current:				
General government	1,141,160	1,112,476	1,162,927	(50,451)
Public safety	3,504,800	3,549,820	3,092,212	457,608
Public works	1,029,669	1,029,669	1,060,954	(31,285)
Sanitation	1,624,851	1,624,851	1,438,808	186,043
Health and welfare	135,277	134,477	123,900	10,577
Culture and recreation	770,591	789,746	624,704	165,042
Capital outlay	-	-	552,512	(552,512)
Total expenditures	8,206,348	8,241,039	8,056,017	185,022
Excess (deficiency) of revenues over expenditures	(1,649,886)	(1,620,422)	(1,566,100)	54,322
<b>OTHER FINANCING SOURCES (USES)</b>				
Grant proceeds	-	-	55,097	55,097
Bond proceeds	-	-	6,500,000	-
Transfers in	1,866,725	1,866,725	1,692,761	(173,964)
Transfers out	-	(156,000)	(401,904)	(245,904)
Insurance proceeds	10,000	10,000	1,519	(8,481)
Total other financing sources and uses	1,876,725	1,720,725	7,847,473	6,126,748
Net change in fund balances	226,839	100,303	6,281,373	6,181,070
Fund balances-beginning	1,351,314	1,351,314	1,351,314	-
Residual equity transfer	-	-	156,729	-
Fund balances-beginning as restated	1,351,314	1,351,314	1,508,043	-
Fund balances-ending	\$ 1,578,153	\$ 1,451,617	\$ 7,789,416	\$ 6,181,070

**City of Aransas Pass, Texas**  
**Aransas Pass Municipal Development District**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Sales taxes	\$ 780,000	\$ 780,000	\$ 856,294	\$ 76,294
Interest income	600	600	315	(285)
Total revenues	<u>780,600</u>	<u>780,600</u>	<u>856,609</u>	<u>76,009</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,850	5,850	5,826	24
Debt service:				
Principal	500,078	500,078	325,000	175,078
Interest and fiscal charges	-	60,466	233,393	(172,927)
Capital outlay	-	-	-	-
Total expenditures	<u>505,928</u>	<u>566,394</u>	<u>564,219</u>	<u>2,175</u>
Excess (deficiency) of revenues over expenditures	<u>274,672</u>	<u>214,206</u>	<u>292,390</u>	<u>73,834</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(209,235)	(209,235)	(203,905)	5,330
Total other financing sources and uses	<u>(209,235)</u>	<u>(209,235)</u>	<u>(203,905)</u>	<u>5,330</u>
Net change in fund balances	65,437	4,971	88,485	79,164
Fund balances-beginning	399,727	399,727	399,727	-
Fund balances-ending	<u>\$ 465,164</u>	<u>\$ 404,698</u>	<u>\$ 488,212</u>	<u>\$ 79,164</u>

**City of Aransas Pass, Texas**  
**Aransas Pass Crime Control and Prevention District**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Sales taxes	\$ 744,000	\$ 744,000	\$ 817,708	\$ 73,708
Interest income	300	300	1,078	778
Total revenues	<u>744,300</u>	<u>744,300</u>	<u>818,786</u>	<u>74,486</u>
<b>EXPENDITURES</b>				
Current:				
General government	8,600	8,600	-	8,600
Public safety	-	-	6,601	(6,601)
Capital outlay	-	-	43,885	(43,885)
Total expenditures	<u>8,600</u>	<u>8,600</u>	<u>50,486</u>	<u>(41,886)</u>
Excess (deficiency) of revenues over expenditures	<u>735,700</u>	<u>735,700</u>	<u>768,300</u>	<u>116,372</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(625,000)	(713,885)	(661,773)	52,112
Total other financing sources and uses	<u>(625,000)</u>	<u>(713,885)</u>	<u>(661,773)</u>	<u>52,112</u>
Net change in fund balances	110,700	21,815	106,527	168,484
Fund balances-beginning	339,267	339,267	339,267	-
Fund balances-ending	<u>\$ 449,967</u>	<u>\$ 361,082</u>	<u>\$ 445,794</u>	<u>\$ 168,484</u>

## Combining Statements and Budget Comparisons as Supplementary Information

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

# City of Aransas Pass, Texas

## Combining Balance Sheet Non-Major Special Revenue Funds September 30, 2014

	Emergency E911	Hotel/Motel Occupancy Tax	Municipal Court Technology	Building Security	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 97,481	\$ 61,570	\$ 32,648	\$ 22,757	\$ 214,456
Receivable, net of allowance for uncollectible amounts					
Occupancy taxes	-	58,111	-	-	58,111
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 97,481</u>	<u>\$ 119,681</u>	<u>\$ 32,648</u>	<u>\$ 22,757</u>	<u>\$ 272,567</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,277	\$ 96,921	\$ -	\$ -	\$ 98,198
Due to other funds	-	-	1,340	19	1,359
Total liabilities	<u>1,277</u>	<u>96,921</u>	<u>1,340</u>	<u>19</u>	<u>99,557</u>
Fund balances:					
Restricted	<u>96,204</u>	<u>22,760</u>	<u>31,308</u>	<u>22,738</u>	<u>173,010</u>
Total fund balances	<u>96,204</u>	<u>22,760</u>	<u>31,308</u>	<u>22,738</u>	<u>173,010</u>
Total liabilities and fund balances	<u>\$ 97,481</u>	<u>\$ 119,681</u>	<u>\$ 32,648</u>	<u>\$ 22,757</u>	<u>\$ 272,567</u>

**City of Aransas Pass, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**Year Ended September 30, 2014**

	Emergency E911	Hotel/Motel Occupancy Tax	Municipal Court Technology	Building Security	Total
<b>REVENUES</b>					
Occupancy taxes	\$ -	\$ 202,440	\$ -	\$ -	\$ 202,440
Fines and forfeitures	-	-	7,879	-	7,879
Fees	59,183	-	-	5,870	65,053
Interest income	356	37	-	4	397
Total revenues	<u>59,539</u>	<u>202,477</u>	<u>7,879</u>	<u>5,874</u>	<u>275,769</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	41,631	-	-	268	41,899
Tourism	-	348,241	-	-	348,241
Capital outlay	-	-	1,654	-	1,654
Total expenditures	<u>41,631</u>	<u>348,241</u>	<u>1,654</u>	<u>268</u>	<u>391,794</u>
Excess (deficiency) of revenues over expenditures	<u>17,908</u>	<u>(145,764)</u>	<u>6,225</u>	<u>5,606</u>	<u>(116,025)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	17,908	(145,764)	6,225	5,606	(116,025)
Fund balances-beginning	78,296	168,524	25,083	17,132	289,035
Fund balances-ending	<u>\$ 96,204</u>	<u>\$ 22,760</u>	<u>\$ 31,308</u>	<u>\$ 22,738</u>	<u>\$ 173,010</u>

# City of Aransas Pass, Texas

## E911 Special Revenue Fund Budgetary Comparison Schedule Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 68,000	\$ 68,000	\$ 59,183	\$ (8,817)
Interest income	-	-	356	356
Total revenues	<u>68,000</u>	<u>68,000</u>	<u>59,539</u>	<u>(8,461)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	52,875	96,760	41,631	55,129
Capital outlay	-	-	-	-
Total expenditures	<u>52,875</u>	<u>96,760</u>	<u>83,262</u>	<u>(13,498)</u>
Excess (deficiency) of revenues over expenditures	<u>15,125</u>	<u>(28,760)</u>	<u>(23,723)</u>	<u>5,037</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(43,885)	-	43,885
Total other financing sources and uses	<u>-</u>	<u>(43,885)</u>	<u>-</u>	<u>43,885</u>
Net change in fund balances	15,125	(72,645)	(23,723)	48,922
Fund balances-beginning	65,981	65,981	65,981	-
Fund balances-ending	<u>\$ 81,106</u>	<u>\$ (6,664)</u>	<u>\$ 42,258</u>	<u>\$ 48,922</u>

**City of Aransas Pass, Texas**  
**Hotel/Motel Occupancy Tax Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Occupancy taxes	\$ 224,750	\$ 224,750	\$ 202,440	\$ (22,310)
Interest income	157	157	37	(120)
Total revenues	<u>224,907</u>	<u>224,907</u>	<u>202,477</u>	<u>(22,430)</u>
<b>EXPENDITURES</b>				
Current:				
Tourism	<u>222,325</u>	<u>222,325</u>	<u>348,241</u>	<u>(125,916)</u>
Total expenditures	<u>222,325</u>	<u>222,325</u>	<u>348,241</u>	<u>125,916</u>
Excess (deficiency) of revenues over expenditures	<u>2,582</u>	<u>2,582</u>	<u>(145,764)</u>	<u>(148,346)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,582	2,582	(145,764)	(148,346)
Fund balances-beginning	168,524	168,524	168,524	-
Fund balances-ending	<u>\$ 171,106</u>	<u>\$ 171,106</u>	<u>\$ 22,760</u>	<u>\$ (148,346)</u>

# City of Aransas Pass, Texas

## Debt Service Fund

### Budgetary Comparison Schedule

Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,841,556	\$ 1,841,556	\$ 1,823,485	\$ (18,071)
Interest income	400	400	23	(377)
Total revenues	<u>1,841,956</u>	<u>1,841,956</u>	<u>1,823,508</u>	<u>(18,448)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	1,365,000	1,365,000	1,365,000	-
Interest and fiscal charges	<u>388,967</u>	<u>388,967</u>	<u>367,925</u>	<u>21,042</u>
Total expenditures	<u>1,753,967</u>	<u>1,753,967</u>	<u>1,732,925</u>	<u>21,042</u>
Excess (deficiency) of revenues over expenditures	<u>87,989</u>	<u>87,989</u>	<u>90,583</u>	<u>2,594</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	87,989	87,989	90,583	2,594
Fund balances-beginning	89,149	89,149	89,149	-
Fund balances-ending	<u>\$ 177,138</u>	<u>\$ 177,138</u>	<u>\$ 179,732</u>	<u>\$ 2,594</u>

# City of Aransas Pass, Texas

## Combining Statement of Net Assets

### Non-Major Enterprise Funds

September 30, 2014

	Harbor Fund	Aquatic Center Fund	Civic Center Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 142,442	\$ (57,522)	\$ (191,622)	\$ (106,702)
Receivables, net of allowance for uncollectible amounts	75,528	-	-	75,528
Due from other funds	-	-	203,905	203,905
Total current assets	<u>217,970</u>	<u>(57,522)</u>	<u>12,283</u>	<u>172,731</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	2,755,581	-	-	2,755,581
Less accumulated depreciation	(2,565,271)	-	-	(2,565,271)
Total noncurrent assets	<u>190,310</u>	<u>-</u>	<u>-</u>	<u>190,310</u>
Total assets	<u>408,280</u>	<u>(57,522)</u>	<u>12,283</u>	<u>363,041</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	641	13,394	751	14,786
Compensated absences payable	2,160	6,299	2,532	10,991
Deferred revenue	76,412	-	18,267	94,679
Due to other funds	2,830	99,853	-	102,683
Total current liabilities	<u>82,043</u>	<u>119,546</u>	<u>21,550</u>	<u>223,139</u>
Noncurrent liabilities:				
Compensated absences	-	-	-	-
Bonds, notes, and loans payable	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>82,043</u>	<u>119,546</u>	<u>21,550</u>	<u>223,139</u>
<b>NET POSITION</b>				
Net invested in capital assets	190,310	-	-	190,310
Restricted	7,000	-	-	-
Unrestricted	135,927	(177,068)	(9,267)	(50,408)
Total net position	<u>\$ 326,237</u>	<u>\$ (177,068)</u>	<u>\$ (9,267)</u>	<u>\$ 139,902</u>

**City of Aransas Pass, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Net Assets**  
**Non-Major Enterprise Funds**  
**Year Ended September 30, 2014**

	<u>Harbor Fund</u>	<u>Aquatic Center Fund</u>	<u>Civic Center Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 211,144	\$ 252,062	\$ 121,432	\$ 584,638
Total operating revenue	<u>211,144</u>	<u>252,062</u>	<u>121,432</u>	<u>584,638</u>
<b>OPERATING EXPENSES</b>				
Personal services	32,680	244,866	149,772	427,318
Contractual services	8,808	4,084	4,418	17,310
Supplies	10,229	60,630	4,581	75,440
Maintenance	74,782	81,752	30,358	186,892
Utilities	14,987	55,117	74,142	144,246
Advertising	-	4,540	3,017	7,557
Event expenses	-	-	11,359	11,359
Insurance	2,188	29,040	47,702	78,930
Taxes	39,818	-	-	39,818
Depreciation and amortization	70,345	-	-	70,345
Total operating expenses	<u>253,837</u>	<u>480,029</u>	<u>325,349</u>	<u>1,059,215</u>
Operating income (loss)	<u>(42,693)</u>	<u>(227,967)</u>	<u>(203,917)</u>	<u>(474,577)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Grant proceeds	42,755	-	-	42,755
Interest income	1	2	12	15
Total nonoperating revenue (expenses)	<u>42,756</u>	<u>2</u>	<u>12</u>	<u>42,770</u>
Income (loss) before contributions and transfers	<u>63</u>	<u>(227,965)</u>	<u>(203,905)</u>	<u>(431,807)</u>
Contributions	-			
Transfers in	-	156,000	203,905	359,905
Transfers out	<u>(35,084)</u>	<u>-</u>	<u>-</u>	<u>(35,084)</u>
Change in net assets	<u>(35,021)</u>	<u>(71,965)</u>	<u>-</u>	<u>(106,986)</u>
Total net assets-beginning	<u>361,258</u>	<u>(105,103)</u>	<u>(9,267)</u>	<u>246,888</u>
Total net assets-ending	<u>\$ 326,237</u>	<u>\$ (177,068)</u>	<u>\$ (9,267)</u>	<u>\$ 139,902</u>

**City of Aransas Pass, Texas**  
**Combining Statement of Cash Flows**  
**Non-Major Enterprise Funds**  
**Year Ended September 30, 2014**

	Harbor Fund	Aquatic Center Fund	Civic Center Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 193,728	\$ 252,062	\$ 122,142	\$ 567,932
Payments to suppliers	(150,598)	(223,333)	(174,826)	(548,757)
Payments to employees	(32,680)	(244,866)	(149,772)	(427,318)
Net cash provided (used) by operating activities	10,450	(216,137)	(202,456)	(408,143)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers From (To) Other Funds	(35,084)	156,000	203,905	324,821
Net cash provided (used) by non-capital financing activities	(35,084)	156,000	203,905	324,821
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Increase in due to/from	2,830	-	(203,905)	(201,075)
Purchases of capital assets	(13,949)	-	-	(13,949)
Grant revenue	42,755	-	-	42,755
Net cash provided (used) by financing activities	31,636	-	(203,905)	(172,269)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	1	2	12	15
Net cash provided (used) by investing activities	1	2	12	15
Net increase (decrease) in cash and cash equivalents	7,003	(60,135)	(202,444)	(255,576)
Balances-beginning of year	135,439	2,613	10,822	148,874
Balances-end of year	\$ 142,442	\$ (57,522)	\$ (191,622)	\$ (106,702)
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (42,693)	\$ (227,967)	\$ (203,917)	\$ (474,577)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	70,345	-	-	70,345
Changes in assets and liabilities:				
Accounts receivable	(70,903)	-	-	(70,903)
Customer security deposits	53,487	-	710	54,197
Accounts payable	214	11,830	751	12,795
Total Adjustments	53,143	11,830	1,461	66,434
Net cash provided (used) by Operating Activities	\$ 10,450	\$ (216,137)	\$ (202,456)	\$ (408,143)

The accompanying notes are an integral part of this statement.

## Other Supplementary Information

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

# BRENDA P. McELWEE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

---

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aransas Pass, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Aransas Pass, Texas's basic financial statements, and have issued our report thereon dated March 27, 2105.

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

## **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

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

#### **Purpose of this Report**

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



Brenda P. McElwee, P.C.

March 27, 2105

## Statistical Section



Table 1

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities</b>										
Invested in Capital Assets,										
Net of Related Debt	\$ 2,536,578	\$ 2,997,920	\$ 3,924,568	\$ 2,215,641	\$ 3,754,958	\$ 4,655,260	\$ 5,635,357	\$ 6,992,170	\$ 8,085,871	\$ 3,275,228
Restricted	4,985,737	5,480,694	5,563,163	6,376,315	3,204,973	2,616,641	3,437,904	4,914,394	1,046,557	8,088,048
Unrestricted	(1,941,955)	(1,929,240)	(1,571,088)	279,870	1,818,939	1,972,523	1,196,816	(646,784)	3,545,092	1,248,611
<b>Total Governmental Activities Net Assets</b>	<b>\$ 5,580,360</b>	<b>\$ 6,549,374</b>	<b>\$ 7,916,643</b>	<b>\$ 8,871,826</b>	<b>\$ 8,778,870</b>	<b>\$ 9,244,424</b>	<b>\$ 10,270,077</b>	<b>\$ 11,259,780</b>	<b>\$ 12,677,520</b>	<b>\$ 12,611,887</b>
<b>Business-type Activities</b>										
Invested in Capital Assets,										
Net of Related Debt	\$ 4,635,033	\$ 5,041,730	\$ 4,972,189	\$ 4,986,843	\$ 4,892,071	\$ 5,240,781	\$ 5,135,647	\$ 5,557,906	\$ 1,460,508	\$ (791,948)
Restricted	6,739	180,621	123,193	-	-	-	-	-	4,124,281	3,405,193
Unrestricted	1,021,344	1,306,810	1,675,571	2,191,177	2,183,082	1,670,227	1,696,347	1,824,015	2,170,403	5,138,827
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 5,663,116</b>	<b>\$ 6,529,161</b>	<b>\$ 6,770,953</b>	<b>\$ 7,178,020</b>	<b>\$ 7,075,153</b>	<b>\$ 6,911,008</b>	<b>\$ 6,831,994</b>	<b>\$ 7,381,921</b>	<b>\$ 7,755,192</b>	<b>\$ 7,732,072</b>
<b>Primary Government</b>										
Invested in Capital Assets,										
Net of Related Debt	\$ 7,171,611	\$ 8,039,650	\$ 8,896,757	\$ 7,202,484	\$ 8,647,029	\$ 9,896,041	\$ 10,771,004	\$ 12,550,076	\$ 9,546,379	\$ 2,483,280
Restricted	4,992,476	5,661,315	5,686,356	6,376,315	3,204,973	2,616,641	3,437,904	4,914,394	5,170,838	11,493,241
Unrestricted	(920,611)	(622,430)	104,483	2,471,047	4,002,021	3,642,750	2,893,163	1,177,231	5,715,495	6,387,438
<b>Total Primary Government Net Position</b>	<b>\$ 11,243,476</b>	<b>\$ 13,078,535</b>	<b>\$ 14,687,596</b>	<b>\$ 16,049,846</b>	<b>\$ 15,854,023</b>	<b>\$ 16,155,432</b>	<b>\$ 17,102,071</b>	<b>\$ 18,641,701</b>	<b>\$ 20,432,712</b>	<b>\$ 20,363,959</b>

Table 2

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>EXPENSES</b>										
<b>GOVERNMENTAL ACTIVITIES</b>										
General Government	\$ 1,106,080	\$ 1,121,849	\$ 1,160,353	\$ 1,025,014	\$ 1,213,190	\$ 1,044,585	\$ 1,140,134	\$ 1,523,225	\$ 1,252,536	\$ 1,319,974
Public Safety	2,344,836	2,491,331	2,630,523	2,687,733	2,791,635	2,931,302	3,022,707	3,347,628	3,625,056	3,547,080
Public Works	795,375	890,257	899,265	986,818	975,070	1,005,017	1,061,717	1,165,413	1,022,907	1,198,227
Sanitation	804,729	844,745	907,874	1,055,961	1,162,022	1,169,879	1,487,975	1,467,011	1,591,962	1,438,808
Health and Welfare	123,863	144,671	167,223	192,719	378,774	185,885	163,167	587,530	127,566	139,931
Culture and Recreation	523,299	505,435	626,994	613,739	1,194,849	1,465,210	1,503,117	912,909	598,281	705,532
Tourism	156,660	249,402	175,604	131,576	174,744	172,048	190,983	222,911	300,618	348,241
Interest and Fiscal Charges	555,515	517,434	474,074	968,126	916,780	895,374	877,007	782,457	748,880	653,660
Total Governmental Activities Expenses	\$ 6,410,357	\$ 6,775,124	\$ 7,041,910	\$ 7,661,686	\$ 8,807,064	\$ 8,869,300	\$ 9,446,807	\$ 10,009,084	\$ 9,267,806	\$ 9,351,453
<b>BUSINESS TYPE ACTIVITIES</b>										
Water and Sewer	\$ 2,803,238	\$ 2,796,099	\$ 2,877,466	\$ 2,982,831	\$ 3,125,718	\$ 2,981,021	\$ 3,170,866	\$ 3,586,702	\$ 3,385,543	\$ 3,193,168
Harbor	159,099	191,522	567,715	283,947	389,666	259,459	195,337	210,306	170,958	253,877
Civic Center	388,200	414,241	323,340	363,538	476,724	460,462	459,065	510,936	323,071	480,029
Aquatic Center	3,350,537	3,401,862	3,768,521	3,630,316	3,292,108	3,700,942	3,829,268	4,742,322	4,392,573	4,252,383
Total Business-type Activities Expenses	\$ 9,760,894	\$ 10,176,986	\$ 10,810,431	\$ 11,292,002	\$ 12,295,172	\$ 12,370,242	\$ 13,276,075	\$ 14,751,406	\$ 13,660,379	\$ 13,603,836
<b>PROGRAM REVENUES</b>										
<b>GOVERNMENTAL ACTIVITIES</b>										
Charges for Services	\$ 201,125	\$ 230,293	\$ 217,905	\$ 192,740	\$ 189,852	\$ 164,812	\$ 243,775	\$ 166,784	\$ 216,570	\$ 116,068
General Government	577,298	705,582	510,038	450,852	479,603	591,902	637,115	550,316	509,454	404,540
Public Safety	64,898	16,428	13,824	51,738	23,118	2,643	-	-	-	-
Public Works	923,993	976,282	1,044,125	1,212,542	1,333,719	1,290,006	1,384,868	1,417,023	1,618,794	1,706,986
Sanitation	1,556	1,578	1,579	1,901	3,945	-	-	-	-	-
Health and Welfare	3,860	3,766	3,528	3,684	148,694	298,417	315,539	-	-	-
Culture and Recreation	14	-	-	-	-	-	-	-	-	-
Tourism	99,535	41,474	232,804	110,730	307,746	297,196	573,871	571,871	-	249,003
Interest and Fiscal Charges	108,098	-	21,692	-	-	-	-	567,700	283,266	-
Operating Grants and Contributions	1,980,377	1,975,403	2,045,495	2,024,187	2,486,677	2,644,976	3,154,851	3,273,694	2,628,084	2,476,597
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	\$ 3,256,196	\$ 3,904,625	\$ 3,750,505	\$ 3,637,311	\$ 3,632,810	\$ 3,413,008	\$ 3,729,445	\$ 4,194,777	\$ 4,434,477	\$ 4,045,662
<b>BUSINESS-TYPE ACTIVITIES</b>										
Charges for Services	246,757	216,631	238,000	141,737	160,237	156,838	137,497	234,372	200,107	211,144
Water and Sewer	-	-	-	-	-	-	-	-	-	-
Harbor	-	-	-	-	-	-	-	-	-	-
Civic Center	270,846	256,468	240,588	234,473	323,373	320,099	299,088	310,332	282,382	121,432
Aquatic Center	-	-	31,171	7,720	-	-	-	-	-	-
Operating Grants and Contributions	-	16,696	28,538	218,206	3,080	-	31,765	505,447	-	42,755
Capital Grants and Contributions	3,773,799	4,394,420	4,285,802	4,239,447	4,119,500	3,889,945	4,197,795	5,359,385	5,045,555	4,673,055
Total Business-type Activities Program Revenues	\$ 5,754,176	\$ 6,369,823	\$ 6,334,297	\$ 6,263,634	\$ 6,606,177	\$ 6,534,921	\$ 7,352,646	\$ 8,633,079	\$ 7,673,639	\$ 7,149,652
<b>NET (EXPENSE)/REVENUE</b>										
Governmental Activities	\$ (4,420,980)	\$ (4,799,721)	\$ (4,996,415)	\$ (5,637,499)	\$ (6,320,387)	\$ (6,224,324)	\$ (6,291,956)	\$ (6,735,390)	\$ (6,639,722)	\$ (6,874,856)
Business-type Activities	423,262	992,558	520,281	609,131	127,392	189,003	368,527	617,063	652,982	420,672
Total Primary Government Net Expense	\$ (4,006,718)	\$ (3,807,163)	\$ (4,476,134)	\$ (5,028,368)	\$ (6,192,995)	\$ (6,035,321)	\$ (5,923,429)	\$ (6,118,327)	\$ (5,986,740)	\$ (6,454,184)

Table 3

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>NET (EXPENSE)/REVENUE</b>										
Governmental Activities	\$ (4,429,980)	\$ (4,799,721)	\$ (4,996,415)	\$ (5,637,499)	\$ (6,320,387)	\$ (6,224,324)	\$ (6,291,956)	\$ (6,735,390)	\$ (6,639,722)	\$ (6,874,856)
Business-type Activities	423,262	992,558	520,281	609,131	127,392	189,003	368,527	617,063	652,982	420,672
Total Primary Government Net Expense	<u>(4,006,718)</u>	<u>(3,807,163)</u>	<u>(4,476,134)</u>	<u>(5,028,368)</u>	<u>(6,192,995)</u>	<u>(6,035,321)</u>	<u>(5,923,429)</u>	<u>(6,118,327)</u>	<u>(5,986,740)</u>	<u>(6,454,184)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>										
<b>GOVERNMENTAL ACTIVITIES</b>										
Taxes										
Property Taxes	\$ 2,465,422	\$ 2,444,665	\$ 2,553,979	\$ 2,969,270	\$ 2,891,106	\$ 2,891,935	\$ 3,056,944	\$ 3,229,590	\$ 3,333,281	\$ 3,433,860
Sales Taxes	1,751,103	1,971,266	2,090,487	2,213,912	2,326,056	2,685,802	3,066,826	3,337,846	3,444,311	3,570,562
Franchise Taxes	387,932	377,821	398,789	385,256	393,495	393,601	385,897	386,893	381,816	401,609
Occupancy Taxes	195,847	238,706	234,691	201,845	173,469	182,573	205,300	203,766	245,493	202,440
Other Taxes	6,522	7,144	6,459	8,367	8,327	11,954	10,517	10,641	10,640	15,430
Investment Earnings	139,736	266,845	464,101	420,386	60,477	15,637	12,397	10,680	8,812	5,054
Royalties	131,758	124,830	127,365	124,770	85,867	74,455	72,330	40,478	153,388	132,374
Gain on Sale of Capital Assets	145,500									
Insurance Proceeds	22,955	10,053	9,958	20,994	22,701	39,662	13,265	271,380	10,129	1,519
Miscellaneous	51,977	86,873	61,497	31,570	20,196	38,696	45,688	76,735	68,788	71,563
Transfers	281,274	240,532	416,358	259,033	245,737	355,563	448,445	117,847	465,804	425,179
Total Governmental Activities	<u>\$ 5,580,026</u>	<u>\$ 5,768,735</u>	<u>\$ 6,363,684</u>	<u>\$ 6,635,403</u>	<u>\$ 6,227,431</u>	<u>\$ 6,689,878</u>	<u>\$ 7,317,609</u>	<u>\$ 7,685,856</u>	<u>\$ 8,122,462</u>	<u>\$ 8,259,590</u>
<b>BUSINESS-TYPE ACTIVITIES</b>										
Investment Earnings	\$ 29,845	\$ 114,019	\$ 137,869	\$ 56,969	\$ 15,497	\$ 2,416	\$ 903	\$ 558	\$ 4,097	\$ 1,387
Gain on Sale of Capital Assets	81,749									
Insurance Proceeds	18,697									
Transfers	(281,274)	(240,532)	(416,358)	(259,033)	(245,737)	(355,563)	(448,445)	(117,847)	(222,842)	(425,179)
Total Business-type Activities	<u>(150,983)</u>	<u>(126,513)</u>	<u>(278,489)</u>	<u>(202,064)</u>	<u>(230,240)</u>	<u>(353,147)</u>	<u>(447,542)</u>	<u>(117,289)</u>	<u>(218,745)</u>	<u>(423,792)</u>
Total Primary Government	<u>\$ 5,429,043</u>	<u>\$ 5,642,222</u>	<u>\$ 6,085,195</u>	<u>\$ 6,433,339</u>	<u>\$ 5,997,191</u>	<u>\$ 6,336,731</u>	<u>\$ 6,870,067</u>	<u>\$ 7,568,567</u>	<u>\$ 7,903,717</u>	<u>\$ 7,835,798</u>
<b>CHANGE IN NET ASSETS</b>										
Governmental Activities	\$ 1,150,046	\$ 969,014	\$ 1,367,269	\$ 997,904	\$ (92,956)	\$ 465,554	\$ 1,025,653	\$ 950,466	\$ 1,482,740	\$ 1,384,734
Business-type Activities	272,279	866,045	241,792	407,067	(102,848)	(164,144)	(110,780)	499,774	434,237	(3,120)
Total Primary Government	<u>\$ 1,422,325</u>	<u>\$ 1,835,059</u>	<u>\$ 1,609,061</u>	<u>\$ 1,404,971</u>	<u>\$ (195,804)</u>	<u>\$ 301,410</u>	<u>\$ 914,873</u>	<u>\$ 1,450,240</u>	<u>\$ 1,916,977</u>	<u>\$ 1,381,614</u>

Table 4

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

General Fund	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Nonspendable	125,016	99,327	14,687	-	45,382	-	14,472	15,741	27,649	-
Restricted	-	-	-	-	-	-	-	-	200,089	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	7,216,000
Unassigned	647,336	811,743	1,499,300	1,635,631	1,544,039	1,671,160	2,086,224	1,820,533	1,123,576	573,416
Total General Fund	<u>772,352</u>	<u>911,070</u>	<u>1,513,987</u>	<u>1,635,631</u>	<u>1,589,421</u>	<u>1,671,160</u>	<u>2,100,696</u>	<u>1,836,274</u>	<u>1,351,314</u>	<u>7,789,416</u>
All Other Governmental Funds										
Restricted	4,667,190	4,971,104	11,902,567	6,221,493	2,455,653	3,086,301	2,570,126	1,649,267	1,117,178	1,107,016
Committed	(1,800)	14,555	24,207	109,880	124,985	133,111	135,648	140,372	-	-
Total All Other Governmental Funds	<u>4,665,390</u>	<u>4,985,659</u>	<u>11,926,774</u>	<u>6,331,373</u>	<u>2,580,638</u>	<u>3,219,412</u>	<u>2,705,774</u>	<u>1,789,639</u>	<u>1,117,178</u>	<u>1,107,016</u>

\* 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>REVENUES</b>										
Taxes	\$ 4,850,148	\$ 5,116,051	\$ 5,344,170	\$ 5,763,768	\$ 5,773,894	\$ 6,161,864	\$ 6,649,000	\$ 7,287,928	\$ 7,415,541	\$ 7,623,901
Licenses, Fees and Permits	92,749	112,074	94,808	65,787	63,368	57,185	131,414	55,742	91,921	116,068
Intergovernmental	207,633	41,474	238,213	93,322	290,681	286,783	556,072	1,129,196	509,454	48,852
Charges for Services	1,013,140	1,075,096	1,138,679	1,319,462	1,557,015	1,692,852	1,798,935	1,514,224	1,618,794	1,706,986
Fines and Penalties	477,729	539,801	375,440	373,455	340,054	344,971	424,939	359,420	262,667	404,540
Special Assessments	281,816	41,714	25,247	15,911	12,989	7,325	1,503	2,537	2,332	10,197
Investment Earnings	139,736	266,845	435,539	420,386	60,477	12,382	11,107	10,680	8,812	5,054
Rents and Royalties	226,512	231,018	239,511	241,253	185,795	182,082	184,691	151,520	153,388	132,374
PILOT	64,225	57,796	52,276	59,590	136,206	102,050	88,648	93,695	124,649	145,054
Other Revenues	220,432	96,926	87,738	64,787	52,366	83,358	76,435	87,110	68,788	71,563
Total Revenues	\$ 7,574,120	\$ 7,578,795	\$ 8,031,621	\$ 8,417,721	\$ 8,472,845	\$ 8,930,852	\$ 9,922,744	\$ 10,692,052	\$ 10,256,346	\$ 10,264,589
<b>EXPENDITURES</b>										
General Government	\$ 1,086,690	\$ 1,129,835	\$ 1,153,454	\$ 1,022,225	\$ 1,178,893	\$ 1,009,234	\$ 1,080,464	\$ 1,412,895	\$ 1,044,940	\$ 1,168,753
Public Safety	2,284,425	2,318,351	2,463,214	2,542,801	2,637,772	2,824,334	2,891,566	3,214,453	3,216,918	3,140,712
Public Works	655,087	651,434	685,593	747,534	728,658	754,767	811,744	922,705	940,847	1,060,954
Sanitation	804,729	844,745	906,684	1,055,961	1,162,022	1,169,879	1,487,975	1,467,011	1,471,414	1,438,808
Health and Welfare	123,863	144,671	165,370	188,505	365,616	180,972	158,254	581,429	113,432	123,900
Culture and Recreation	307,323	345,138	388,021	473,688	931,250	1,129,390	1,167,621	490,797	563,500	624,704
Tourism	156,660	249,402	175,604	131,576	174,744	172,048	190,983	222,911	300,618	348,241
Capital Outlay	1,258,646	399,654	356,396	9,926,524	3,463,337	524,878	905,253	1,670,479	1,570,698	598,051
Debt Service	726,140	756,704	697,289	1,038,071	983,071	1,361,071	1,416,071	1,536,071	1,645,000	1,690,000
Principal	559,739	520,406	540,835	1,015,154	890,164	907,584	846,650	782,322	678,584	601,318
Interest and Fees	7,963,302	7,360,340	7,532,460	18,142,239	12,515,527	10,034,157	10,956,581	12,301,073	11,545,951	10,795,441
Total Expenditures	\$ (389,182)	\$ 218,455	\$ 499,161	\$ (9,724,518)	\$ (4,042,682)	\$ (1,103,305)	\$ (1,033,837)	\$ (1,609,021)	\$ (1,289,605)	\$ (530,852)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ 4,000,000	\$ -	\$ 1,468,255	\$ 501,290	\$ -	\$ 1,280,000	\$ 6,500,000
<b>OTHER FINANCING SOURCES (USES)</b>										
Bonds Issued	-	-	6,708,562	4,000,000	-	-	-	-	-	-
Refunding Bonds Issued	-	-	4,435,000	2,105,000	-	-	-	-	(1,225,000)	-
Payments to Escrow Agent	-	-	(4,495,049)	(2,090,551)	-	-	-	-	(55,000)	-
Insurance Proceeds and Other Sources	-	-	-	-	-	-	-	271,380	30,728	56,616
Capital Leases	-	-	-	-	-	-	-	-	-	-
Transfers In	673,358	410,000	867,272	582,402	1,262,582	1,056,681	1,820,754	1,977,938	1,732,774	1,692,761
Transfers Out	(392,084)	(169,468)	(450,914)	(323,369)	(1,016,845)	(701,118)	(1,372,309)	(1,860,091)	(1,266,970)	(1,267,582)
Total Other Financing Sources (Uses)	\$ 281,274	\$ 240,532	\$ 7,064,871	\$ 4,273,482	\$ 245,737	\$ 1,823,818	\$ 949,735	\$ 389,227	\$ 496,532	\$ 6,981,795
Prior Period Adjustments	-	-	-	(42,721)	-	-	-	-	-	-
Net Change in Fund Balances	\$ (107,908)	\$ 458,987	\$ 7,564,032	\$ (5,493,757)	\$ (3,796,945)	\$ 720,513	\$ (84,102)	\$ (1,219,794)	\$ (793,073)	\$ 6,450,943
Debt Service as a Percentage of Noncapital Expenditures	19.2%	18.3%	17.3%	25.0%	20.7%	23.9%	22.5%	21.8%	23.3%	22.5%

Table 6

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Occupancy Tax	Other	Total
2005	\$ 2,508,774	\$ 1,751,103	\$ 387,932	\$ 195,847	\$ 6,522	\$ 4,850,178
2006	2,521,114	1,971,266	377,821	238,706	7,144	5,116,051
2007	2,613,744	2,090,487	398,789	234,691	6,459	5,344,170
2008	2,954,388	2,213,912	385,256	201,845	8,367	5,763,768
2009	2,872,547	2,326,056	393,495	173,469	8,327	5,773,894
2010	2,887,934	2,685,802	393,601	182,573	11,954	6,161,864
2011	2,980,460	3,066,826	385,897	205,300	10,517	6,649,000
2012	3,348,762	3,337,846	386,893	203,766	10,641	7,287,908
2013	3,333,281	3,444,311	381,816	245,493	10,640	7,415,541
2014	3,433,860	3,570,562	401,609	202,440	15,430	7,623,901
Percentage Change 2005-2014	36.87%	103.90%	3.53%	3.37%	136.58%	57.19%

Table 7

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

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Assessment Ratio</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Tax Levy</u>
2005	\$ 352,638,418	100.00%	\$ 352,638,418	0.6700	\$ 2,362,664
2006	\$ 380,362,543	100.00%	\$ 380,362,543	0.6340	\$ 2,409,978
2007	\$ 421,491,850	100.00%	\$ 421,491,850	0.6012	\$ 2,534,009
2008	\$ 490,811,034	100.00%	\$ 490,811,034	0.5800	\$ 2,846,704
2009	\$ 487,538,448	100.00%	\$ 487,538,448	0.5800	\$ 2,827,723
2010	\$ 485,990,497	100.00%	\$ 485,990,497	0.5929	\$ 2,881,287
2011	\$ 478,705,857	100.00%	\$ 478,705,857	0.6075	\$ 2,908,095
2012	\$ 451,195,712	100.00%	\$ 451,195,712	0.7230	\$ 3,262,145
2013	\$ 471,853,705	100.00%	\$ 471,853,705	0.6958	\$ 3,282,960
2014	\$ 531,078,147	100.00%	\$ 531,078,147	0.6804	\$ 3,474,182

Source: San Patricio County Appraisal District

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

Taxpayer	2013			2005 (Data Not Available)		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Real Estate Business	\$ 10,863,722	1	2.16%			
Lowes Home Centers Inc.	7,200,000	2	1.43%			
Coastal Navy Housing	6,556,920	3	1.30%			
Wal-Mart Stores TX LP #0555	6,278,559	4	1.25%			
Lowes Companies Inc. #2506	4,441,829	5	0.88%			
Firethorne Group LP	4,290,998	6	0.85%			
Coastal Bend Apartments LLC	4,274,348	7	0.85%			
AEP Texas Central Co	4,176,670	8	0.83%			
Care Holdings LLC	4,053,292	9	0.81%			
Commercial Motor Co.	3,924,334	10	0.78%			
<b>TOTAL</b>	<b>\$ <u>56,060,672</u></b>		<b><u>11.13%</u></b>			

Source: San Patricio County Appraisal District

Care Holdings LLC

Table 9

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

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

Source: San Patricio County Appraisal District

