

City of Aransas Pass, Texas

Annual Financial Report

For the Fiscal Year Ended September 30, 2018

CITY OF ARANSAS PASS, TEXAS

Table of contents

For Fiscal Year Ended September 30, 2018

	<u>EXHIBIT</u>	PAGE
I. INTRODUCTORY SECTION		1
List of Principal Officials		3
II. FINANCIAL SECTION.....		5
<u>Financial Statements and Supplemental Information of</u>		
<u>Independent Auditor</u>		7
Management’s Discussion and Analysis (Required Supplementary Info).....		9
<u>Basic Financial Statements</u>		21
Government-wide Financial Statements		
Statement of Position	A-1	22
Statement of Activities	A-2	23
Fund Financial Statements:		
Balance Sheet – Governmental Funds.....	A-3	24
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	A-4	25
Statement of Revenues, Expenditures, and Changes in		
Fund Balances – Governmental Funds	A-5	26
Reconciliation of the Statement of Revenues, Expenditures, and		
Changes in Fund Balances of Governmental Funds to the		
Statement of Activities	A-6	27
General Fund – Budgetary Comparison Statement	A-7	28
Statement of Net Position – Enterprise Funds.....	A-8	29
Statement of Revenues, Expenses, and Changes in		
Fund Net Position – Enterprise Fund	A-9	30
Statement of Cash Flows – Proprietary Funds	A-10	31
Notes to the Financial Statements		32
<u>Required Supplementary Information.....</u>		53
Budgetary Comparison Statements:		
Schedule of Changes in Net Pension Liability and related Ratios:		
Texas Municipal retirement System.....	B-1	54
Schedule of Contributions:		
Texas Municipal Retirement System.....	B-2	55
Required Supplementary Information		
Postemployment Healthcare Plan Schedule of		
Funding Progress	B-3	56
<u>Combining Statements and Budgetary Comparison Schedules as</u>		
<u>Supplementary Information</u>		57
Special Revenue Funds:		
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	C-1	58
Combining Statement of Revenues, Expenditures, and Changes		
in Fund Balances – Nonmajor Special Revenue Funds	C-2	59

CITY OF ARANSAS PASS, TEXAS

Table of contents, continued For Fiscal Year Ended September 30, 2018

	<u>EXHIBIT</u>	<u>PAGE</u>
Budgetary Comparison Schedules:		
Aransas Pass Municipal Development District	C-3	60
Aransas Pass Crime control and Prevention District.....	C-4	61
Enterprise Funds:		
Combining Statement of Net Position –Nonmajor Enterprise Funds.....	C-5	62
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds	C-6	63
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	C-7	64
III. STATISTICAL SECTION.....		65
Net Position by Component	Table 1	66
Expenses, Program Revenues, and Net (Expense)/Revenue.....	Table 2	67
General Revenues and Total Change in Net Position	Table 3	68
Fund Balances of Governmental Funds	Table 4	69
Changes in Fund balances of Governmental Funds	Table 5	70
Tax Revenues by Source, Governmental Funds	Table 6	71
Assessed Value and Estimated Actual Value of Taxable Property	Table 7	72
Principal Property Tax Payers.....	Table 8	73
Property Tax Levies and Collections	Table 9	74

Introductory Section

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CITY OF ARANSAS PASS, TEXAS
LIST OF PRINCIPAL OFFICIALS

Elected Officials

Ramiro Gomez..... Mayor
Billy Ellis..... Mayor Pro Tempore
Carrie Scruggs Council Member 1
Jan Moore Council Member 3
Vickie Abrego Council Member 4

Appointed Officials

Gary Edwards City Manager
Mary Juarez City Secretary
Roxann P. Cotroneo..... City Attorney
Henrietta Morales Municipal Court Judge
Sandra Garcia Finance Director
Fernando Quintanilla Director of Public Works
Eric Blanchard Director of Public Safety
Sarah Lee Director of Community Enrichment
Jeffrey Martin Director of IT
Burl Smith..... Building Official
Nathan Kelley Fire Chief
Maxine Bowen..... Civic Center Manager
Lillian Villarreal Librarian
Katherine Comeaux Superintendent of Development Services
Chuck West..... Harbormaster
Cory Elrod Code Enforcement Officer
Ysidro Villarreal Public Works Superintendent
Vacant..... Planning Coordinator

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Financial Section

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Independent Auditor's Report

To the Honorable Mayor, Members of the City Council and
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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9-20 and other required supplemental information on pages 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.



Brenda P. McElwee, P.C.

March 24, 2019

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, 2018. 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 position increased \$725,349 as a result of this year’s operations. Governmental activities increased \$1,368,817 offset with a decrease of \$643,468 from business-type activities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 22 and 23) provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements start on page 24. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the central concerns in assessing any City’s finances is summarized in the question, “Is the City as a whole better off or worse off as a result of the year’s activities?” Our analysis addressing this question begins on page 12. The analysis includes a condensed summary of the government-wide financial statements – The Statement of Net Position and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies – including all assets and liabilities using the accrual basis of accounting. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

These government-wide financial statements report both net assets and changes thereto. Net assets are reported in the Statement of Net Position. The City’s net assets, which is the difference between assets and liabilities, is one indicator of the City’s financial well-being or

financial position at one point in time. Increase or decreases to net assets over a period of time is an indication of whether its financial well-being is improving or deteriorating. Of course, other non-financial considerations enter into the determination of the City's overall health, which would include such things as changes in the City's property tax base and the condition of its streets.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds commences on page 14. The fund financial statements are presented on pages 24 through 31. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons – some are required by state law; others, by bond covenants. Some funds are established by the City Council to assist in managing money that is to be spent for particular purposes. For example, the Aquatic Center Fund was established to demonstrate that money received for the operation of the Pool were used for that purpose. The city has two categories of funds, which can be used for public purpose – governmental and proprietary. Each category uses a different accounting approach.

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

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

THE CITY AS A WHOLE

The City’s Condensed Statement of Net Position is presented in Table 1.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 9,888,464	\$ 9,525,619	\$ 1,254,926	\$ 1,846,282	\$ 11,143,390	\$ 11,370,901
Capital Assets	25,561,630	24,222,402	13,370,403	13,989,555	\$ 38,932,033	38,211,957
Total Assets	35,450,094	33,748,021	14,625,329	15,835,837	50,075,423	49,582,858
Long-Term Liabilities Outstanding	15,993,051	18,708,399	6,962,996	7,217,554	\$ 22,956,047	25,925,953
Other Liabilities	3,279,407	2,149,109	2,489,582	1,492,658	\$ 5,768,989	3,641,767
Total Liabilities	19,272,458	20,857,508	9,452,578	8,710,212	28,725,036	29,567,720
Net Position:						
Net Investment, Capital Assets	-	-	4,028,040	5,416,528	\$ 4,028,040	5,416,528
Restricted	5,435,094	7,884,695	-	-	\$ 5,435,094	7,884,695
Unrestricted (Deficit)	8,823,136	5,004,718	2,454,117	1,709,097	\$ 11,277,253	6,713,815
Total Net Position	\$ 14,258,230	\$ 12,889,413	\$ 6,482,157	\$ 7,125,625	\$ 20,740,387	\$ 20,015,038

Net position of the City’s governmental activities increased \$1,368,817.

The net assets of the City’s business-type activities decreased \$643,468.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	\$ 3,070,530	\$ 2,779,943	\$ 4,681,899	\$ 4,509,787	\$ 7,752,429	\$ 7,289,730
Grants	5,539,966	2,266,439	-	-	5,539,966	2,266,439
General Revenues						
Property Taxes	4,207,632	4,099,033	-	-	4,207,632	4,099,033
Sales Tax	4,671,888	3,743,804	-	-	4,671,888	3,743,804
Other Taxes	690,270	814,241	-	-	690,270	814,241
Other General Revenues	238,596	284,296	8,200	3,289	246,796	287,585
Total Revenues	18,418,882	13,987,756	4,690,099	4,513,076	23,108,981	18,500,832
Program Expenses						
General government	1,715,025	2,333,762		-	1,715,025	2,333,762
Public Safety	4,822,434	5,121,336		-	4,822,434	5,121,336
Public Works	1,525,043	1,727,943		-	1,525,043	1,727,943
Sanitation, Health and Welfare	1,301,266	1,534,883		-	1,301,266	1,534,883
Tourism	248,166	228,654		-	248,166	228,654
Culture and Recreation	522,934	571,840		-	522,934	571,840
Interest on Long Term Debt	554,641	619,001	257,020	218,369	811,661	837,370
Water and Sewer	-	-	4,367,455	4,311,677	4,367,455	4,311,677
Harbor	-	-	324,921	256,955	324,921	256,955
Aquatic Center	-	-	320,559	374,181	320,559	374,181
Civic Center	-	-	621,078	326,824	621,078	326,824
Hurricane Recovery	6,788,766	-	-	-	6,788,766	-
Total Expenses	17,478,275	12,137,419	5,891,033	5,488,006	23,369,308	17,625,425
Excess (Deficiency) Before Special Items and Transfers	940,607	1,850,337	(1,200,934)	(974,930)	(260,327)	875,407
Transfers	(557,466)	(1,549,082)	557,466	1,549,082	-	-
Removal of obsolete capital assets	(1,185,517)	-	-	-	(1,185,517)	-
Insurance proceeds	2,171,193	-	-	-	2,171,193	-
Increase (Decrease) in Net Position	1,368,817	301,255	(643,468)	574,152	725,349	875,407
Net Position - Beginning	\$ 12,889,413	\$ 12,588,158	\$ 7,125,625	\$ 6,551,473	\$ 20,015,038	\$ 19,139,631
Net Position - Ending	\$ 14,258,230	\$ 12,889,413	\$ 6,482,157	\$ 7,125,625	\$ 20,740,387	\$ 20,015,038

Total revenues generated from both governmental and business-type activities this year amounted to \$23,108,981.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$18,418,882. Expenses totaled \$17,478,275.

The cost of all governmental activities this year was \$17,478,275. 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 \$8,867,779. \$3,070,530 was generated from charges for services by those who directly benefited from them while \$5,539,966 was

received in the form of grant proceeds, bond funds, construction funds and by other governments that subsidized certain programs with grants.

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Public Safety	\$ 4,822,434	\$ 5,121,336	\$ (4,414,671)	\$ (2,534,835)
General Government	1,715,025	2,399,559	5,368,184	(2,333,762)
Public Works	1,525,043	1,662,146	(727,165)	(1,196,241)
Sanitation, Health and Welfare	1,301,266	1,534,883	1,763,607	208,203
Culture and Recreation	522,934	800,494	(522,934)	(549,604)
Total	\$ 9,886,702	\$ 11,518,418	\$ 1,467,021	\$ (6,406,239)

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$4,690,099. Expenses totaled \$5,591,033, leaving \$1,200,934 as a decrease to net position before transfers. Transfers received from other funds totaled \$557,466 resulting in a \$643,468 decrease in net assets.

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

THE CITY’S FUNDS

As a result of this year’s operation, governmental funds (as reflected in the balance sheet on page 24) produced a combined fund balance of \$7,012,537, a decrease of \$362,972 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, 2018 and 2017.

Table 4
Revenues and Transfers-In

Revenues and Transfers-In	2018 Amount	% of Total	2017 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Property Taxes	4,207,632	33.29%	4,099,033	108,599	-8.26%
Other Taxes	5,227,181	41.35%	4,670,174	557,007	-42.37%
Licenses and Permits	797,878	6.31%	465,905	331,973	-25.25%
Intergovernmental	134,977	1.07%	138,761	(3,784)	0.29%
Charges for Services	1,763,607	13.95%	1,743,086	20,521	-1.56%
Fines and Forfeitures	235,981	1.87%	2,582,751	(2,346,770)	178.53%
Other	273,064	2.16%	255,095	17,969	-1.37%
Total Net Position	12,640,320	100.00%	13,954,805	(1,314,485)	100.00%

Taxes

Property Taxes

Property Taxes increased from \$4,099,033 to \$4,207,632, an increase of \$108,599.

Sales and Other Taxes

This year's reported sales and other taxes increased from \$4,670,174 to \$5,227,181, an increase of \$557,007.

Miscellaneous

Miscellaneous revenues totaling \$273,064 largely consists of rents and royalties, interest, sale of surplus/obsolete machinery and equipment, and Industrial Development District payments in lieu of property taxes.

**Table 5
Expenditures and Transfers-Out**

Expenditures and Transfers-Out	2018 Amount	% of Total	2017 Amount	% Change
General Government	\$ 1,715,025	11.17%	\$ 2,112,457	13.19%
Public Safety	4,822,434	31.40%	4,678,726	29.22%
Public Works	1,525,043	9.93%	1,352,319	8.45%
Sanitation, Health and Welfare	1,301,266	8.47%	1,424,230	8.90%
Culture and Recreation	522,934	3.41%	571,840	3.57%
Tourism	248,166	1.62%	228,654	1.43%
Capital Outlay	2,705,639	17.62%	2,453,845	15.33%
Debt Service:				
Principal	1,687,313	10.99%	1,945,059	12.15%
Interest and Fiscal Charges	554,641	3.61%	619,001	3.87%
Transfers-Out	274,640	1.79%	624,603	3.90%
Total	\$ 15,357,101	100.00%	\$ 16,010,734	100.00%

Fund Balance

Combined fund balance for all of the governmental fund types decreased from \$7,375,509 in the prior year to \$7,012,537, a decrease of \$362,972.

General Fund

Revenues and transfers-in generated \$8,792,558 and \$736,861 respectively, aggregating in \$9,529,419. Expenditures and transfers-out amounted to \$15,722,721 and \$274,640, respectively, aggregating \$16,459,582. The transfers out were primarily to the Aquatic Center Fund and Civic Center Fund to cover operating costs and Capital Projects Fund to account for bond projects.

Aransas Pass Municipal Development District Fund (APMDD)

The fund balance of the Aransas Pass Municipal Development District Fund increased from \$574,155 in the prior year to \$841,946, an increase of \$267,791. 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 \$924,179 in the prior year to \$1,217,848, an increase of \$293,699. 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

There was no change in the fund balance.

PROPRIETARY FUNDS

Enterprise Funds

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

Consumption

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

**Table 6
Water Consumption**

Fiscal Year	2017-2018	2016-2017	% Increase (Decrease)	2015-2016	% Increase (Decrease)
Total Consumption	616,386,000	532,130,000	36.13%	469,423,000	36.13%

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

Fiscal Year	2017-2018	2016-2017	% Increase (Decrease)	2015-2016	% Increase (Decrease)
Total Meter Connections	4,019	3,496	1.15%	3,925	0.89%

Operating revenues for the Water and Sewer Fund were \$3,903,075 which is \$940,067 less than 2017. Expenses were \$4,311,677, which is \$282,191 more than 2017.

Harbor Fund

The Harbor Fund is funded with rental revenue. Revenues for the Harbor totaled \$356,061 which is \$31,6917 more revenue than 2017. Expenses for the same period were \$324,921, which is \$67,966 more than 2017.

Aquatic Center

The Aquatic Center is funded with revenue from admissions, passes, rentals, instructional classes and concessions. Revenues for the Aquatic Center totaled \$146,925, which is \$41,329 less than revenues for 2017. Expenses for the same period were \$324,921, which is \$49,150 less than was expended in 2017.

Civic Center

The Civic Center is funded with revenue from rentals. Revenues for the Civic Center totaled \$64,434, which is \$29,580 less than revenues for 2017. Expenses for the same period were \$621,078, which is \$294,254 more than was expended in 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$60,605,061 in capital assets.

Table 8

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 7,507,865	\$ 7,507,865	\$ 397,778	\$ 397,778	\$ 7,905,643	\$ 7,905,643
Construction in Progress	3,656,551	1,256,579	1,385,337	1,385,337	5,041,888	2,641,916
Buildings and Improvements	7,220,951	7,593,341	769,871	800,048	7,990,822	8,393,389
Equipment	2,244,015	2,704,699	1,334,878	1,571,444	3,578,893	4,276,143
Infrastructure	4,932,248	5,159,819	9,482,539	9,834,946	14,414,787	14,994,765
Totals	\$ 25,561,630	\$ 24,222,303	\$ 13,370,403	\$ 13,989,553	\$ 38,932,033	\$ 38,211,856

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, 2018, 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 AA-.

Bonds Outstanding

At the end of the fiscal year, the City had \$27,522,365 in bonds outstanding as shown in Table 9.

Table 9

Outstanding Debt at Year-end

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds (backed by the City)	\$ 17,347,365	\$ 15,770,000	\$ 145,000	\$ 290,000	\$ 17,492,365	\$ 16,060,000
Revenue Bonds (Backed by specific tax and fee revenues)	2,635,000	2,740,000	7,395,000	6,870,000	10,030,000	9,610,000
Totals	\$ 19,982,365	\$ 18,510,000	\$ 7,540,000	\$ 7,160,000	\$ 27,522,365	\$ 25,670,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Overall, the long-term economic picture for Aransas Pass is bright. The Fiscal Year 2019 Budget is the first such document completely prepared after Hurricane Harvey. The FY19 Budget is the post-storm budget. It reflects many of the problems caused by Harvey, as well as some the strengths that resulted. A major challenge for this budget was to begin turning around a multi-year tradition of having a General Fund balance below 25% - a figure that is usually considered the minimum amount. We are now beginning to see our General Fund balance improve.

In order to begin turning around a multi-year weak fund balance two things must happen. Expenditures must decrease and revenues must increase. Throughout FY18 department heads have worked hard to hold down expenditures. They did the same thing during the FY19 budget process. But more is needed. Concurrent with that action, we continue to search for additional revenue sources. Elected officials and staff have shown their willingness to accomplish this goal.

Some of the problems from Harvey that impact the FY 2019 budget include a weakened property values caused by damaged or destroyed apartments and homes. The property tax is our major source of revenue. As a result, the Council voted to increase the property tax rate to \$0.7751960 an increase of 12.57% as compared to the previous year. A weakened water/sewer fund caused by fewer occupied residences has resulted in a decrease in revenue for this fund,

Business is still the driving force for the City. A multiplex movie theater and a new bowling alley are set to open by the end of 2019. The Hotel Candle Wood is looking to come online by this time frame in addition to a new Motel 6.

The demand for housing is still high. All apartment complexes that were damaged by the storm should be 100% operational within one year. Hogan Homes is selling single family homes at a fast pace. Smaller apartment and single-family homes are being built. Meanwhile, the City continues to negotiate with apartment and housing complexes.

The City is started to improve the infrastructure of the City and Conn Brown Harbor to correct past problems and to make Aransas pass a "Destination City". The City was awarded \$5 million EDA grant and a \$50,000 Lions Club Grant for Conn Brown Harbor and is working with FEMA, CDBG, Colonias to receive funding from these agencies to improve the City's infrastructure. Economic development and its many options are currently being explored. Frankly, the economic picture for Aransas Pass is bright, so economic development as a major post-Harvey solution is viable.

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

City of Aransas Pass, Texas
Statement of Net Position
September 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,129,217	\$ 379,264	\$ 5,508,481
Receivables, net of allowance for uncollectible amounts			
Property taxes	416,281		416,281
Accounts	149,000	875,662	1,024,662
Occupancy taxes	90,268		90,268
Sales taxes	200,031		200,031
Inventories	100,742		100,742
Prepays	400,990		400,990
Restricted Assets:			
Cash and cash equivalents	2,468,699		2,468,699
Investments	761,257		761,257
Sales tax receivable	171,979		171,979
Capital assets not being depreciated:			
Land	7,507,865	397,778	7,905,643
Construction in progress	3,656,551	1,385,337	5,041,888
Capital assets being depreciated:			
Depreciable buildings, machinery and equipment	24,316,450	23,568,630	47,885,080
Less: Accumulated depreciation	(9,919,236)	(11,981,342)	(21,900,578)
Total assets	<u>35,450,094</u>	<u>14,625,329</u>	<u>50,075,423</u>
LIABILITIES			
Accounts payable and other current liabilities	956,521	243,634	1,200,155
Accrued interest payable	497,792	36,000	533,792
Deferred revenue	-	1,143,574	1,143,574
Customer deposits	-	1,043,587	1,043,587
Noncurrent Liabilities:			
Due within one year	1,825,094	22,787	1,847,881
Due in more than one year	15,993,051	6,962,996	22,956,047
Total liabilities	<u>19,272,458</u>	<u>9,452,578</u>	<u>28,725,036</u>
NET POSITION			
Net Investment In Capital Assets	-	4,028,040	4,028,040
Restricted for:			
Public Library	60,028		60,028
Debt Service	-		-
Municipal Development	841,946		841,946
Law Enforcement	2,366,360		2,366,360
Tourism	171,615		171,615
Emergency Services	348,137		348,137
Building Security	31,963		31,963
Municipal Court Technology	22,065		22,065
Scholarships	3,438		3,438
Special Projects	1,589,542		1,589,542
Unrestricted	8,823,136	2,454,117	11,277,253
Total net position	<u>\$ 14,258,230</u>	<u>\$ 6,482,157</u>	<u>\$ 20,740,387</u>

City of Aransas Pass, Texas

Statement of Activities

For the Year Ended September 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary Government:							
Governmental activities:							
General government	\$ 1,715,025	\$ -	\$ 5,368,184	\$ -	\$ 3,653,159	\$ -	\$ 3,653,159
Public safety	4,822,434	235,981	171,782		(4,414,671)		(4,414,671)
Public works	1,525,043	797,878			(727,165)		(727,165)
Sanitation, health and welfare	1,301,266	1,763,607			462,341		462,341
Culture and recreation	522,934	-			(522,934)		(522,934)
Tourism	248,166	273,064			24,898		24,898
Hurricane recovery	6,788,766	-			(6,788,766)		(6,788,766)
Interest and fiscal charges	554,641	-			(554,641)		(554,641)
Total governmental activities	<u>17,478,275</u>	<u>3,070,530</u>	<u>5,539,966</u>	<u>-</u>	<u>(8,867,779)</u>	<u>-</u>	<u>(8,867,779)</u>
Business-type activities:							
Water & Sewer	4,622,599	4,114,479				(508,120)	(508,120)
Harbor	326,799	356,061				29,262	29,262
Aquatic Center	320,559	146,925				(173,634)	(173,634)
Civic Center	621,078	64,434				(556,644)	(556,644)
Total business-type activities	<u>5,891,035</u>	<u>4,681,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,209,136)</u>	<u>(1,209,136)</u>
Total primary government	<u>\$ 23,369,310</u>	<u>\$ 7,752,429</u>	<u>\$ 5,539,966</u>	<u>\$ -</u>	<u>(8,867,779)</u>	<u>(1,209,136)</u>	<u>(10,076,915)</u>
General revenues:							
Property taxes					4,207,632		4,207,632
Sales taxes					4,671,888		4,671,888
Franchise taxes					339,642		339,642
Mixed beverage taxes					16,883		16,883
Industrial district					198,768		198,768
Intergovernmental					134,977		134,977
Rents and royalties					52,303		52,303
Insurance proceeds					2,171,193		2,171,193
Interest income					145,574	8,202	153,776
Other					40,719		40,719
Removal of obsolete assets from books					(1,185,517)		(1,185,517)
Transfers					(557,466)	557,466	-
Total general revenues and transfers					<u>10,236,596</u>	<u>565,668</u>	<u>10,802,264</u>
Change in net position					1,368,817	(643,468)	725,349
Net position-beginning of year					12,889,413	7,125,625	20,015,038
Net position-end of year					<u>\$ 14,258,230</u>	<u>\$ 6,482,157</u>	<u>\$ 20,740,387</u>

City of Aransas Pass, Texas

Balance Sheet Governmental Funds September 30, 2018

	General Fund	Capital Projects Fund	Debt Service Fund	Aransas Pass Municipal Development District	Aransas Pass Crime Control & Prevention District	Other Governmental Funds	Total
ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES							
Cash and cash equivalents	\$ 1,292,897	\$ 3,831,768	\$ 4,275	\$ 100	\$ 177	\$ -	\$ 5,129,217
Receivables, net of allowances for uncollectible							
Property taxes	104,893	-	311,389	-	-	-	416,282
Accounts	149,000	-	-	-	-	-	149,000
Occupancy taxes	-	-	-	-	-	90,268	90,268
Sales taxes	200,031	-	-	-	-	-	200,031
Prepaid expenses	-	990	-	400,000	-	-	400,990
Due from other funds	2,207,393	-	-	13,838	-	176,828	2,398,059
Inventories	100,742	-	-	-	-	-	100,742
Noncurrent assets:							
Restricted cash and cash equivalents	1,160,908	-	-	283,040	705,688	319,063	2,468,699
Restricted investments	-	-	-	311,628	449,629	-	761,257
Sales tax receivable	-	-	-	84,625	87,354	-	171,979
Total assets	<u>\$ 5,215,864</u>	<u>\$ 3,832,758</u>	<u>\$ 315,664</u>	<u>\$ 1,093,231</u>	<u>\$ 1,242,848</u>	<u>\$ 586,159</u>	<u>\$ 12,286,524</u>
LIABILITIES PLUS DEFERRED INFLOWS OF RESOURCES							
Liabilities:							
Accounts payable	\$ 652,714	\$ 239,994	\$ -	\$ -	\$ -	\$ 63,814	\$ 956,522
Due to other funds	1,702,380	2,003,222	315,664	251,285	25,000	19,914	4,317,465
Total liabilities	<u>2,355,094</u>	<u>2,243,216</u>	<u>315,664</u>	<u>251,285</u>	<u>25,000</u>	<u>83,728</u>	<u>5,273,987</u>
FUND BALANCES							
Restricted	-	-	-	841,946	1,217,848	502,431	2,562,225
Committed	-	1,589,542	-	-	-	-	1,589,542
Unassigned	2,860,770	-	-	-	-	-	2,860,770
Total fund balances	<u>2,860,770</u>	<u>1,589,542</u>	<u>-</u>	<u>841,946</u>	<u>1,217,848</u>	<u>502,431</u>	<u>7,012,537</u>
Total liabilities and fund balances	<u>\$ 5,215,864</u>	<u>\$ 3,832,758</u>	<u>\$ 315,664</u>	<u>\$ 1,093,231</u>	<u>\$ 1,242,848</u>	<u>\$ 586,159</u>	<u>\$ 12,286,524</u>

City of Aransas Pass, Texas
Reconciliation of the Balance Sheet of Government Funds
to the Statement of Net Position
September 30, 2018

Total fund balances - governmental funds balance sheet	\$ 7,012,537
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,480,866
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	(9,919,236)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Notes and bonds payable	(17,818,145)
Accrued interest payable	(497,792)
Net position of governmental activities - Statement of Net Position	14,258,230

City of Aransas Pass, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	General Fund	Capital Projects Fund	Debt Service Fund	Aransas Pass Municipal Development District	Aransas Pass Crime Control & Prevention District	Other Non-Major Governmental Funds	Total
REVENUES							
Taxes							
Property taxes	\$ 2,531,706	\$ -	\$ 1,675,926	\$ -	\$ -	\$ -	\$ 4,207,632
Sales taxes	2,524,318	-	-	1,071,532	1,076,038	-	4,671,888
Franchise taxes	339,642	-	-	-	-	-	339,642
Mixed beverage taxes	16,883	-	-	-	-	-	16,883
Occupancy taxes	-	-	-	-	-	273,064	273,064
Licenses and permits	797,878	-	-	-	-	-	797,878
Intergovernmental	129,034	-	-	-	-	5,943	134,977
Charges for services	1,703,452	-	-	-	-	60,155	1,763,607
Rents and royalties	52,303	-	-	-	-	-	52,303
Industrial development district and PILT	198,768	-	-	-	-	-	198,768
Fines and forfeitures	235,981	-	-	-	-	-	235,981
Interest income	50,092	65,700	5,913	10,959	10,972	1,938	145,574
Drug forfeitures	171,782	-	-	-	-	-	171,782
Donations	29,285	-	-	-	-	-	29,285
Other	11,434	-	-	-	-	-	11,434
Total revenues	<u>8,792,558</u>	<u>65,700</u>	<u>1,681,839</u>	<u>1,082,491</u>	<u>1,087,010</u>	<u>341,100</u>	<u>13,050,698</u>
EXPENDITURES							
Current:							
General government	1,496,293	-	-	3,300	3,303	-	1,502,896
Public safety	4,375,535	-	-	-	-	22,641	4,398,176
Public works	1,228,062	-	-	-	-	-	1,228,062
Sanitation, health and welfare	1,195,201	-	-	-	-	-	1,195,201
Culture and recreation	501,721	-	-	-	-	-	501,721
Tourism	-	-	-	-	-	248,166	248,166
Debt service:							
Principal	-	-	1,307,313	380,000	-	-	1,687,313
Interest and fiscal charges	-	-	374,526	180,115	-	-	554,641
Capital outlay	137,143	2,568,496	-	-	-	-	2,705,639
Hurricane recovery	6,788,766	-	-	-	-	-	6,788,766
Total expenditures	<u>15,722,721</u>	<u>2,568,496</u>	<u>1,681,839</u>	<u>563,415</u>	<u>3,303</u>	<u>270,807</u>	<u>20,810,581</u>
Excess (deficiency) of revenues over under expenditures	<u>(6,930,163)</u>	<u>(2,502,796)</u>	<u>-</u>	<u>519,076</u>	<u>1,083,707</u>	<u>70,293</u>	<u>(7,759,883)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	736,861	-	-	-	-	53,178	790,039
Transfers out	(274,640)	-	-	(251,285)	(790,038)	(31,542)	(1,347,505)
Insurance proceeds	2,171,193	-	-	-	-	-	2,171,193
Grants received	5,283,184	85,000	-	-	-	-	5,368,184
Bond proceeds	415,000	-	-	-	-	-	415,000
Total other financing sources and uses	<u>8,331,598</u>	<u>85,000</u>	<u>-</u>	<u>(251,285)</u>	<u>(790,038)</u>	<u>21,636</u>	<u>7,396,911</u>
Net change in fund balances	1,401,435	(2,417,796)	-	267,791	293,669	91,929	(362,972)
Fund balances-beginning of year	1,459,335	4,007,338	-	574,155	924,179	410,502	7,375,509
Fund balances-end of year	<u>\$ 2,860,770</u>	<u>\$ 1,589,542</u>	<u>\$ -</u>	<u>\$ 841,946</u>	<u>\$ 1,217,848</u>	<u>\$ 502,431</u>	<u>\$ 7,012,537</u>

City of Aransas Pass, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018

Net change in fund balances, total governmental funds		\$ (362,972)
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.		2,705,639
The depreciation of capital assets used in governmental activities is not reported in the funds.		(1,060,646)
The write off of obsolete capital assets is not reported in the funds.		(1,235,096)
The current accrual of OPEB is recorded in the SOA, but not the funds.		49,579
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Issuance of long-term debt	(415,000)	
Principal repayment on long-term debt	1,687,313	
	1,272,313	1,272,313
Change in net position of governmental activities - statement of activities		<u>\$ 1,368,817</u>

City of Aransas Pass, Texas

General Fund

Budgetary Comparison Statement

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Amended Budget		
REVENUES				
Property taxes	\$ 2,281,745	\$ 2,281,745	\$ 2,531,706	\$ 249,961
Sales taxes	2,000,000	2,000,000	2,524,318	524,318
Franchise taxes	416,600	416,600	339,642	(76,958)
Mixed beverage taxes	18,000	18,000	16,883	(1,117)
Licenses and permits	370,750	370,750	797,878	427,128
Intergovernmental	104,000	104,000	129,034	25,034
Special assessments	5,500	5,500	-	(5,500)
Charges for services	1,918,400	1,918,400	1,703,452	(214,948)
Rents and royalties	80,600	80,600	52,303	(28,297)
Industria development district	245,000	245,000	198,768	(46,232)
Fines and fees	327,500	327,500	235,981	(91,519)
Drug forfeitures	-	-	171,782	171,782
Donations	11,100	11,100	29,285	18,185
Interest income	64,000	64,000	50,092	(13,908)
Other	166,000	166,000	11,434	(154,566)
Total revenues	<u>8,009,195</u>	<u>8,009,195</u>	<u>8,792,558</u>	<u>783,363</u>
EXPENDITURES				
Current:				
General government	1,664,697	1,664,697	1,496,293	168,404
Public safety	4,702,490	4,702,490	4,375,535	326,955
Public works	2,087,791	2,087,791	1,228,062	859,729
Sanitation, health and welfare	1,036,527	1,036,527	1,195,201	(158,674)
Culture and recreation	253,343	253,343	501,721	(248,378)
Capital outlay	-	-	137,143	(137,143)
Hurricane recovery	-	-	6,788,766	(6,788,766)
Total expenditures	<u>9,744,848</u>	<u>9,744,848</u>	<u>15,722,721</u>	<u>(5,977,873)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,735,653)</u>	<u>(1,735,653)</u>	<u>(6,930,163)</u>	<u>(5,194,510)</u>
OTHER FINANCING SOURCES (USES)				
Grant proceeds	932,600	932,600	5,283,184	(4,350,584)
Transfers in	634,000	634,000	736,861	(102,861)
Transfers out	-	-	(274,640)	274,640
Bond proceeds	172,000	172,000	415,000	(243,000)
Insurance proceeds	-	-	2,171,193	(2,171,193)
Total other financing sources and uses	<u>1,738,600</u>	<u>1,738,600</u>	<u>8,331,598</u>	<u>6,592,998</u>
Net change in fund balances	<u>\$ 2,947</u>	<u>\$ 2,947</u>	<u>1,401,435</u>	<u>\$ 1,398,488</u>
Fund balances-beginning			<u>1,459,335</u>	
Fund balances-ending			<u>\$ 2,860,770</u>	

City of Aransas Pass, Texas

Exhibit A-8

Statement of Net Position

Enterprise Funds

September 30, 2018

	Enterprise Funds		
	Major Fund Water & Sewer Fund	Non-Major Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 369,293	\$ 9,971	\$ 379,264
Receivables (net)	853,473	22,189	875,662
Due from other funds	1,573,453	345,953	1,919,406
Total current assets	<u>2,796,219</u>	<u>378,113</u>	<u>3,174,332</u>
Noncurrent Assets:			
Capital assets:			
Land	397,778	-	397,778
Buildings, machinery and vehicles	19,995,476	3,573,154	23,568,630
Less accumulated depreciation	(9,212,063)	(2,769,279)	(11,981,342)
Construction in progress	1,385,337	-	1,385,337
Total noncurrent assets	<u>12,566,528</u>	<u>803,875</u>	<u>13,370,403</u>
Total assets	<u>15,362,747</u>	<u>1,181,988</u>	<u>16,544,735</u>
LIABILITIES			
Current liabilities:			
Accounts payable	198,987	44,647	243,634
Accrued interest payable	36,000	-	36,000
Customer deposits	1,043,587	-	1,043,587
Deferred revenue	692,000	451,574	1,143,574
Compensated absences payable	8,765	6,022	14,787
Notes payable-current	-	8,000	8,000
Certificates of obligation payable-current	610,000	-	610,000
Total current liabilities	<u>2,589,339</u>	<u>510,243</u>	<u>3,099,582</u>
Noncurrent liabilities:			
Compensated absences	13,748	-	13,748
Bonds, notes, and loans payable	6,930,000	19,248	6,949,248
Total noncurrent liabilities	<u>6,943,748</u>	<u>19,248</u>	<u>6,962,996</u>
Total liabilities	<u>9,533,087</u>	<u>529,491</u>	<u>10,062,578</u>
NET POSITION			
Net invested in capital assets	3,243,413	784,627	4,028,040
Unrestricted	2,586,247	(132,130)	2,454,117
Total net position	<u>\$ 5,829,660</u>	<u>\$ 652,497</u>	<u>\$ 6,482,157</u>

City of Aransas Pass, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Enterprise Funds
For the Year Ended September 30, 2018

	Enterprise Funds		
	Major Fund Water & Sewer Fund	Non-Major Funds	Total
OPERATING REVENUES			
Charges for services	\$ 4,114,479	\$ 567,420	\$ 4,681,899
Total operating revenue	<u>4,114,479</u>	<u>567,420</u>	<u>4,681,899</u>
OPERATING EXPENSES			
Personal services	898,675	398,979	1,297,654
Contractual services	162,711	22,635	185,346
Supplies	2,093,926	42,333	2,136,259
Maintenance	245,285	618,372	863,657
Administrative	49,814	6,514	56,328
Utilities	157,829	100,947	258,776
Advertising	-	2,466	2,466
Event expenses	-	1,543	1,543
Insurance	40,363	42,592	82,955
Hurricane recovery	129,876	-	129,876
Depreciation and amortization	588,976	30,177	619,153
Total operating expenses	<u>4,367,455</u>	<u>1,266,558</u>	<u>5,634,013</u>
Operating income (loss)	<u>(252,976)</u>	<u>(699,138)</u>	<u>(952,114)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	8,200	-	8,200
Interest expense and agent fees	(255,144)	(1,878)	(257,022)
Total nonoperating revenue (expenses)	<u>(246,944)</u>	<u>(1,878)</u>	<u>(248,822)</u>
Income (loss) before contributions and transfers	(499,920)	(701,016)	(1,200,936)
Transfers in	-	557,466	557,466
Change in net position	(499,920)	(143,550)	(643,470)
Total net position-beginning	<u>6,329,580</u>	<u>796,045</u>	<u>7,125,625</u>
Total net position-ending	<u>\$ 5,829,660</u>	<u>\$ 652,495</u>	<u>\$ 6,482,155</u>

City of Aransas Pass, Texas

Exhibit A-10

Statement of Cash Flows

Enterprise Funds

For the Year Ended September 30, 2018

	Major Fund Water & Sewer Fund	Non-Major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 4,100,690	\$ 609,806	\$ 4,710,496
Cash payments to suppliers for goods and services	(3,014,222)	(832,790)	(3,847,012)
Cash payments to employees for services	(893,695)	(397,289)	(1,290,984)
Net cash provided (used) by operating activities	192,773	(620,273)	(427,500)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers-in from other funds	692,000	557,468	1,249,468
(Increase) decrease in amounts due to other funds	(1,345,177)	(326,474)	(1,671,651)
Advance payment from Municipal Development District	-	400,000	400,000
Net cash provided (used) by non-capital financing activities	(653,177)	630,994	(22,183)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of revenue bonds	980,000	-	980,000
Principal paid on revenue bond maturities and equipment contracts	(600,000)	(8,442)	(608,442)
Interest paid of revenue bonds and equipment contracts	(238,560)	(1,879)	(240,439)
Net cash provided (used) by financing activities	141,440	(10,321)	131,119
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends	8,200	-	8,200
Net cash provided (used) by investing activities	8,200	-	8,200
Net increase (decrease) in cash and cash equivalents	(310,764)	400	(310,364)
Cash and cash equivalents at beginning of year	680,057	9,571	689,628
Cash and cash equivalents at end of year	\$ 369,293	\$ 9,971	\$ 379,264
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (252,976)	\$ (699,138)	\$ (952,114)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	588,976	30,177	619,153
Changes in assets and liabilities:			
Accounts receivable	(17,636)	50,873	33,237
Customer security deposits	3,847	(8,487)	(4,640)
Accounts payable	(134,419)	4,612	(129,807)
Compensated absences	4,981	1,690	6,671
Total Adjustments	445,749	78,865	524,614
Net cash provided (used) by operating activities	\$ 192,773	\$ (620,273)	\$ (427,500)

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018

2. Bases of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major enterprise fund:

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 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 12 months 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, 2018

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 classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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, 2018

- 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. 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 Municipal Development District, and Aransas Pass Crime Control and Prevention District.

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

C. Deposits and Investments

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

Cash Deposits

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At September 30, 2018, bank balance was \$8,729,968. The City's cash deposits at September 30, 2018 and during the year ended September 30, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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	\$ 3,758,223
Texas Class	1 day	\$ 3,845,714
Gulf Coast Credit Union	2 years	\$ 205,342
Navy Army Credit Union	1 year	\$ 207,851
Security Services Credit Union	12 months	\$ 244,584
Total Investment		<u>\$ 7,603,937</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, 2018, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rates as to credit quality as follows:

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, TexasClass and Certificates of Deposits.

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 Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA- 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, 2018

C. Capital Assets

Capital asset activity for governmental type activities for the year ended September 30, 2018:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 7,507,865	\$ -	\$ -	\$ 7,507,865
Construction in progress	1,256,578	3,656,551	1,256,578	3,656,551
Total capital assets not being depreciated	<u>8,764,443</u>	<u>3,656,551</u>	<u>1,256,578</u>	<u>11,164,416</u>
Capital assets being depreciated:				
Buildings	8,651,052	-	-	8,651,052
Improvements other than buildings	6,542,151	-	2,791,145	3,751,006
Machinery and Equipment	4,228,963	-	438,178	3,790,785
Vehicles	1,496,149	-	199,679	1,296,470
Infrastructure	6,827,137	-	-	6,827,137
Total capital assets being depreciated	<u>27,745,452</u>	<u>-</u>	<u>3,429,002</u>	<u>24,316,450</u>
Less accumulated depreciation for:				
Buildings	(2,478,254)	(223,857)	-	(2,702,111)
Improvements other than buildings	(3,865,029)	(148,533)	1,534,566	(2,478,996)
Machinery and Equipment	(2,246,197)	(296,400)	438,178	(2,104,419)
Vehicles	(774,216)	(164,284)	199,679	(738,821)
Infrastructure	(1,667,318)	(227,571)	-	(1,894,889)
Total accumulated depreciation	<u>(11,031,014)</u>	<u>(1,060,645)</u>	<u>2,172,423</u>	<u>(9,919,236)</u>
Total capital assets being depreciated, net	<u>16,714,438</u>	<u>(1,060,645)</u>	<u>5,601,425</u>	<u>14,397,214</u>
Governmental activities capital assets, net	<u>\$ 25,478,881</u>	<u>\$ 2,595,906</u>	<u>\$ 6,858,003</u>	<u>\$ 25,561,630</u>

Capital asset activity for business type activities for the year 9/30/2018

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land, right of way	\$ 397,778	\$ -	\$ -	\$ 397,778
Construction in progress	1,385,337	-	-	1,385,337
Total capital assets not being depreciated	<u>1,783,115</u>	<u>-</u>	<u>-</u>	<u>1,783,115</u>
Capital assets being depreciated:				
Improvements other than buildings	3,515,506	-	-	3,515,506
Water and sewer system	17,620,340	-	-	17,620,340
Vehicles	742,587	-	-	742,587
Machinery and Equipment	1,690,197	-	-	1,690,197
Total capital assets being depreciated	<u>23,568,630</u>	<u>-</u>	<u>-</u>	<u>23,568,630</u>
Less accumulated depreciation for:				
Improvements other than buildings	(2,715,458)	(30,177)	-	(2,745,635)
Water and sewer system	(7,785,394)	(352,407)	-	(8,137,801)
Vehicles	(267,296)	(68,944)	-	(336,240)
Machinery and Equipment	(594,041)	(167,625)	-	(761,666)
Total accumulated depreciation	<u>(11,362,189)</u>	<u>(619,153)</u>	<u>-</u>	<u>(11,981,342)</u>
Total capital assets being depreciated, net	<u>12,206,441</u>	<u>(619,153)</u>	<u>-</u>	<u>11,587,288</u>
Business-type activities capital assets, net	<u>\$ 13,989,556</u>	<u>\$ (619,153)</u>	<u>\$ -</u>	<u>\$ 13,370,403</u>

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Depreciation was charged to functions as follows:

<u>Governmental Activities:</u>		<u>Business Type Activities:</u>	
General Government	\$ 212,129	Water and Sewer	\$ 590,754
Public Safety	\$ 424,258	Harbor	<u>45,994</u>
Public Works	\$ 296,981		<u>\$ 636,748</u>
Public Health and Welfare	\$ 106,065		
Culture and Recreation	<u>\$ 21,213</u>		
	<u>\$ 1,060,646</u>		

E. Interfund Balances and Activity

Balances due to and due from other funds at September 30, 2018, consisted of the following:

	<u>Receivable</u>	<u>Payable</u>	<u>Net</u>
Governmental Fund Types:			
Governmental Funds:			
General Fund	\$ 2,207,393	\$ 1,702,380	505,013
Capital Projects Fund	-	2,003,222	(2,003,222)
Debt Service Fund	-	315,664	(315,664)
Aransas Pass Municipal Development District	13,838	251,285	(237,447)
Aransas Pass Crime Control & Prevention District	-	25,000	(25,000)
E911 Fund	153,183	-	153,183
Hotel Motel Tax Fund	-	8,160	(8,160)
Municipal Court Technology Fund	-	11,754	(11,754)
Municipal Court Building Security Fund	<u>23,645</u>	<u>-</u>	<u>23,645</u>
	<u>\$ 2,398,059</u>	<u>\$ 4,317,465</u>	<u>\$ (1,919,406)</u>
Proprietary Fund Types:			
Enterprise Funds:			
Water and Sewer Fund	\$ 1,573,453	\$ -	1,573,453
Harbor Fund	94,668	-	94,668
Civic Center	<u>251,285</u>	<u>-</u>	<u>251,285</u>
	<u>\$ 1,919,406</u>	<u>\$ -</u>	<u>\$ 1,919,406</u>

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

2. Transfers to and from other funds at September 30, 2018, consisted of the following:

<u>Transfers From:</u>	<u>Transfers To:</u>	<u>Amount</u>	<u>Reason:</u>
General Fund	Aquatic Center Fund	153,503	Supplement other funds sources
General Fund	Civic Center Fund	152,676	Supplement other funds sources
APMDD*	Civic Center Fund	251,289	Reimburse Civic Center losses
APCCPD**	General Fund	790,038	Crime Prevention Grants
APCCPD**	E-911 Fund	<u>53,118</u>	Crime Prevention Grants
	Total	<u>\$ 1,400,624</u>	

* Aransas Pass Municipal Development District

** Aransas Pass Crime Control and Prevention District

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018:

	<u>Interest Rate</u>	<u>General Long- Term Debt</u>	<u>Enterprise Fund Debt</u>	<u>Total</u>
<u>Bonded Debt</u>				
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2005	3.35% - 3.75%	-	475,000	475,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006	4.25%	-	200,000	200,000
General Obligation Refunding Bonds, Series 2007	4.025%	2,080,000	-	2,080,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	1.75 - 3.0%	-	3,210,000	3,210,000
General Obligation Refunding Bonds, Series 2012	1.29%	210,000	-	210,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	2.0 - 3.6%	5,065,000	2,530,000	7,595,000
Certificates of Obligation, Series 2015	1.89%	890,000	145,000	1,035,000
General Obligation Refunding Bonds, Series 2016	1.910% - 3.590%	3,850,000	-	3,850,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	3.00%	2,635,000	-	2,635,000
Tax Notes, Series 2018	2.49%	415,000	980,000	1,395,000
\$2,205,000 General Obligation Refunding Bonds, Series 2018	2.83%	2,205,000	-	2,205,000
		<u>\$ 17,350,000</u>	<u>\$ 7,540,000</u>	<u>\$ 24,890,000</u>

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the ended September 30, 2018, are as follows:

	Beginning			Ending	Amounts
	Balance	Increases	Decreases	Balance	Due Within
					One Year
Governmental activities:					
General bonded debt	\$ 18,510,000	\$ 2,620,000	\$ 3,780,000	\$ 17,350,000	\$ 1,725,000
Note payable-paver	273,959	-	51,603	222,356	51,643
Note payable-asphalt zipper	52,234	-	25,709	26,525	26,525
OPEB obligation	-	-	-	-	-
Compensated absences	248,758	21,951	51,445	219,264	21,926
Total governmental activities	<u>\$ 19,084,951</u>	<u>\$ 2,641,951</u>	<u>\$ 3,908,757</u>	<u>\$ 17,818,145</u>	<u>\$ 1,825,094</u>
Business-type activities:					
General bonded debt	\$ 7,160,000	\$ 980,000	\$ 600,000	\$ 7,540,000	\$ 610,000
Note Payable	35,640	-	8,393	27,247	9,000
Compensated absences	21,863	9,409	9,409	21,863	6,559
Total business-type activities	<u>\$ 7,217,503</u>	<u>\$ 989,409</u>	<u>\$ 617,802</u>	<u>\$ 7,589,110</u>	<u>\$ 625,559</u>

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 on long-term debt at September 30, 2018 are as follows:

Governmental Activities				
Year Ending September 30,	Principal	Interest	Balance	
2019	\$ 1,725,000	\$ 497,792	\$ 2,222,792	
2020	1,765,000	448,853	2,213,853	
2021	1,600,000	407,652	2,007,652	
2022	1,485,000	366,133	1,851,133	
2023	1,525,000	326,276	1,851,276	
2024-2028	6,065,000	989,710	7,054,710	
2029-2033	2,310,000	352,525	2,662,525	
2034-2036	381,500	16,500	398,000	
Total governmental activities	<u>\$ 16,856,500</u>	<u>\$ 3,405,441</u>	<u>\$ 20,261,941</u>	
Business-type Activities				
Year Ending September 30,	Principal	Interest	Balance	
2019	\$ 610,000	\$ 217,695	\$ 827,695	
2020	635,000	192,004	827,004	
2021	655,000	172,004	827,004	
2022	670,000	154,330	824,330	
2023	690,000	136,849	826,849	
2024-2028	1,965,000	508,300	2,473,300	
2029-2033	2,115,000	210,938	2,325,938	
2034-2036	200,000	3,600	203,600	
Total business-type activities	<u>\$ 7,540,000</u>	<u>\$ 1,595,720</u>	<u>\$ 9,135,720</u>	

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

3. 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, 2018.

H. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2018:

	<u>Government</u>	<u>Business</u>
	<u>Type Activities</u>	<u>Type Activities</u>
Crime Control and Prevention	\$ 2,316,225	\$ -
Public Safety	1,150,106	-
Scholarship Fund	3,438	-
Library Overbid	60,028	-
	<u>\$ 3,529,797</u>	<u>\$ -</u>

Sales tax receivable was restricted for the following purposes at September 30, 2018:

	<u>Government</u>	<u>Business</u>
	<u>Type Activities</u>	<u>Type Activities</u>
Crime Control and Prevention	\$ 87,354	\$ -
Municipal Development	84,625	-
	<u>\$ 171,979</u>	<u>\$ -</u>

Investments were restricted for the following purposes at September 30, 2018:

	<u>Government</u>	<u>Business</u>
	<u>Type Activities</u>	<u>Type Activities</u>
Crime Control and Prevention	\$ 345,251	\$ -
Municipal Development	311,628	-
	<u>\$ 656,879</u>	<u>\$ -</u>

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 2018, 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 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. 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.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

J. Pension Plan

1. Plan Description

The City of Aransas Pass participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

Plan Provisions-

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

Plan Year 2017

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Employees covered by benefit terms-

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

<u>Plan Year 2017</u>	
Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	120
Active employees	105
	274

3. Contributions

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

Employees for the City of Aransas Pass were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Aransas Pass were 11.84% and 11.37% in Calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$531,018, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions-

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on TMRS pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	<u>100.0%</u>	

Discount Rate-

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

Changes in Net Pension Liability table follows.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Changes in Net Pension Liability-

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2016	\$ 14,441,902	\$ 11,379,051	\$ 3,062,851
Changes for the year:			
Service Cost	669,128	-	669,128
Interest	972,391	-	972,391
Change of benefit terms	-	-	-
Difference between expected and actual experience	(851,252)	-	(851,252)
Changes of assumptions	-	-	-
Contributions - employer	-	550,037	(550,037)
Contributions - employee	-	294,554	(294,554)
Net investment income	-	1,574,820	(1,574,820)
Benefit payments, including refunds of employee contributions	(741,358)	(741,358)	-
Administrative expense	-	(8,173)	8,173
Other changes	-	(414)	414
Net changes	48,909	1,669,466	(1,620,557)
Balance at 12/31/2017	\$ 14,490,811	\$ 13,048,517	\$ 1,442,294

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

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

	1% Decrease in Discount Rate 5.75%	Current Single Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$3,675,159	\$1,442,295	(\$340,832)

Pension Plan Fiduciary Net Position-

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$297,665.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2017 Recognized in current pension expense	Deferred Inflows of Resources
Due to liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	3.70	\$ (851,252)	\$ (230,068)	\$ (621,184)
Changes in actuarial assumptions [actuarial (gains) or losses]	3.70	\$ -	\$ - <u>\$ (230,068)</u>	\$ - <u>\$ (621,184)</u>
Due to assets:				
Difference in projected and actual earning on pension plan investments [actuarial (gains) or losses]	5.00	\$ (806,734)	\$ (161,347) <u>\$ (161,347)</u>	\$ (645,387) <u>\$ (645,387)</u>
Total:				<u>\$ (1,266,571)</u>

K. Postemployment Benefits Other Than Pensions (OPEB)

The adoption date for the new GASB 75 OPEB Accounting Standard was for the Fiscal Year beginning October 1, 2017. The following shows the development of the Net OPEB Liability (NOL), the Total OPEB Expense, the Schedule of Deferred Inflows/Outflows and the Trends and Discount Rate Sensitivity Analysis.

General Information about the OPEB Plan

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

Total OPEB Liability

The City's total OPEB liability of \$49,579 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applies to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

The latest actuarial valuation for the City was complete as of September 30, 2018. The significant assumptions underlying the actuarial calculations are as follows:

Actuarial Method: Individual Entry Age Normal Cost Method—Level Percentage of Projected Salary.

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Total OPEB Liability: The Actuarial Present Value of Benefits allocated to all periods prior to valuation year.

Discount Rate: 4.06% (1.06% real rate of return plus 3.00% inflation)

Average Per Capita Claim Cost:

Age	Medical
50	7,285
51	7,503
52	7,729
53	7,960
54	8,199
55	8,445
56	8,699
57	8,959
58	9,228
59	9,505
60	9,790
61	10,084
62	10,387
63	10,698
64	11,019

Health Care Cost Trend: Level 5.00%

Effect of ACA: The excess coverage excise tax penalty of the Affordable Care Act has been postponed until the plan year beginning in 2022 and is not included in the projection of benefits in this valuation. This plan has current medical costs well under the limits in current law. Current legislative discussions include both repeal of the excise tax and postponement beyond 2022.

Mortality: RPH-2014 Total Table with Projection MP-2018

Turnover: Rates varying by gender, age and select and ultimate at 9 years. Rates based on the TMRS actuarial assumptions from the 2017 retirement plan valuation report.

Disability: None assumed

Sales Increase Rate: 3.00%

Retirement Rates: Rates vary by age, with an average retirement age of 62.

Retiree Contributions: 50% of the individual medical premium rate.

Salary Scale: 3.5%

Data Assumptions:

Coverage 100% of all retirees who currently have healthcare coverage will continue with the same coverage.

50% of all actives who currently have individual or family healthcare coverage will continue with individual only coverage upon retirement.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Valuation Methodology and Terminology:

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

Valuation Date: September 30, 2018

Measurement Date: September 30, 2018

The following table shows results by active and retired employee groups as of September 30, 2018:

	Initial Results	Medicare Prescription Savings	Final
Present Value of Future Benefits			
Actives	\$124,448	N/A	\$124,448
Retirees	\$0	N/A	
Total	\$124,448	N/A	\$124,448
Total OPEB Liability (TOL)			
Actives	\$49,579	N/A	\$49,579
Retirees	\$0	N/A	\$0
Total	\$49,579	N/A	\$49,579
Plan Fiduciary Net Position (FNP)			\$0
Net OPEB Liability (NOL)			\$49,579
Service Cost			\$7,594

Changes in the Total OPEB liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Total OPEB Liability, October 1, 2017	\$ 40,347	\$ -	\$ 40,347
Service Cost	7,298	-	7,298
Interest	1,934	-	1,934
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	-	-
Other changes	-	-	-
Net change in OPEB liability	9,232	-	9,232
Total OPEB Liability, September 30, 2018	<u>\$ 49,579</u>	<u>\$ -</u>	<u>\$ 49,579</u>

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

GASB 75 requires that a sensitivity analysis of the trend and discount rates used in the valuation. The sensitivity is plus or minus 1% from the base rates used in the valuation. The values shown are as of September 30, 2018.

Trend:	1% Decrease in Discount Rate 4.00%	Current Single Rate Assumption 5.00%	1% Increase in Discount Rate 6.00%
Total OPEB Liability	\$39,928	\$49,579	\$61,826

Discount Rate:	1% Decrease in Discount Rate 5.06%	Current Single Rate Assumption 4.06%	1% Increase in Discount Rate 3.06%
Total OPEB Liability	\$41,802	\$49,579	\$58,797

L. Commitments and Contingencies

Contingencies

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

Required Supplementary Information

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

City of Aransas Pass, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. TOTAL PENSION LIABILITY				
1. Service Cost	\$ 669,128	\$ 605,909	\$ 555,212	\$ 450,354
2. Interest (on the Total Pension Liability)	972,391	915,911	906,889	896,956
3. Changes of benefit terms	-	-	-	-
4. Difference between expected and actual experience	(851,252)	87,607	(81,543)	(548,243)
5. Changes of assumptions	-	-	35,770	-
6. Benefit payments, including refunds of employee contributions	(741,358)	(867,254)	(789,086)	(630,130)
7. Net change in total pension liability	<u>48,909</u>	<u>742,173</u>	<u>627,242</u>	<u>168,937</u>
8. Total pension liability -- beginning	14,441,902	13,699,729	13,072,487	12,903,550
9. Total pension liability -- ending (a)	<u>\$ 14,490,811</u>	<u>\$ 14,441,902</u>	<u>\$ 13,699,729</u>	<u>#####</u>
B. Plan fiduciary net position				
1. Contributions -- employer	\$ 550,037	\$ 485,469	\$ 505,944	\$ 484,605
2. Contributions -- employee	294,554	267,904	256,449	246,394
3. Net investment income	1,574,820	727,141	15,927	579,058
4. Benefit payments, including refunds of employee contributions	(741,358)	(867,254)	(789,086)	(630,130)
5. Administrative Expense	(8,173)	(8,224)	(9,703)	(6,045)
6. Other	(414)	(443)	(479)	(497)
7. Net change in plan fiduciary net position	<u>1,669,466</u>	<u>604,593</u>	<u>(20,948)</u>	<u>673,385</u>
8. Plan fiduciary net position -- beginning	11,379,050	10,774,457	10,795,405	10,122,020
9. Plan fiduciary net position -- ending (b)	<u>\$ 13,048,516</u>	<u>\$ 11,379,050</u>	<u>\$ 10,774,457</u>	<u>#####</u>
C. Net pension liability (a) - (b)	<u>\$ 1,442,295</u>	<u>\$ 3,062,852</u>	<u>\$ 2,925,271</u>	<u>\$ 2,277,082</u>
D. Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	90.05%	78.79%	78.65%	82.58%
E. Covered-employee payroll	\$ 4,909,228	\$ 4,465,060	\$ 4,274,147	\$ 4,106,569
F. Net pension liability as a percentage of covered employee payroll	29.38%	68.60%	68.44%	55.45%

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 447,689	\$ 460,910	\$ 484,605	\$ 475,192	\$ 455,115	\$ 492,245
Contributions in relation to the actuarially determined contribution	\$ 447,689	\$ 460,910	\$ 484,605	\$ 475,192	\$ 455,115	\$ 492,245
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,547,478	\$ 3,652,239	\$ 4,106,569	\$ 4,064,945	\$ 4,186,893	\$ 4,391,121
Contributions as a percentage of covered employee payroll	12.62%	12.62%	11.80%	11.69%	10.87%	11.21%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

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

Fiscal Year	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	Funded Ratio (a) / (b)	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
2017	\$ -	\$ 19,579	0.00%	\$ 49,579	\$ 4,122,784	1.20%
2016	\$ -	\$ 0	0.00%	\$ 88,849	\$ 4,106,569	2.16%
2015	\$ -	\$ 0	0.00%	\$ 102,163	\$ 3,652,239	2.80%
2014	\$ -	\$ 88,849	0.00%	\$ 102,163	\$ 3,547,478	2.88%

Combining Statements and Budget Comparisons as Other 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, 2018

	<u>Emergency E911</u>	<u>Hotel/Motel Occupancy Tax</u>	<u>Municipal Court Technology</u>	<u>Municipal Court Building Security</u>	<u>Total</u>
ASSETS					
Receivable, net of allowance for uncollectible amounts	\$ -	\$ 90,268	\$ -	\$ -	\$ 90,268
Due from other funds	153,183	-	-	23,645	176,828
Restricted assets:					
Cash	194,954	81,347	34,444	8,318	319,063
Total assets	<u>\$ 348,137</u>	<u>\$ 171,615</u>	<u>\$ 34,444</u>	<u>\$ 31,963</u>	<u>\$ 586,159</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 63,189	\$ 625	\$ -	\$ 63,814
Due to other funds	-	8,160	11,754	-	19,914
Deferred revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>71,349</u>	<u>12,379</u>	<u>-</u>	<u>83,728</u>
Fund balances:					
Restricted	348,137	100,266	22,065	31,963	502,431
Total fund balances	<u>348,137</u>	<u>100,266</u>	<u>22,065</u>	<u>31,963</u>	<u>502,431</u>
Total liabilities and fund balances	<u>\$ 348,137</u>	<u>\$ 171,615</u>	<u>\$ 34,444</u>	<u>\$ 31,963</u>	<u>\$ 586,159</u>

City of Aransas Pass, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended September 30, 2018

	Emergency E911	Hotel/Motel Occupancy Tax	Municipal Court Technology	Municipal Court Building Security	Total
REVENUES					
Occupancy taxes	\$ -	\$ 273,064	\$ -	\$ -	\$ 273,064
Fines and forfeitures	-	-	5,943	-	5,943
Fees	55,692	-	-	4,463	60,155
Interest income	612	1,156	43	127	1,938
Total revenues	<u>56,304</u>	<u>274,220</u>	<u>5,986</u>	<u>4,590</u>	<u>341,100</u>
EXPENDITURES					
Current:					
Public safety	516	-	14,786	7,339	22,641
Tourism	-	248,166	-	-	248,166
Total expenditures	<u>516</u>	<u>248,166</u>	<u>14,786</u>	<u>7,339</u>	<u>270,807</u>
Excess (deficiency) of revenues over expenditures	<u>55,788</u>	<u>26,054</u>	<u>(8,800)</u>	<u>(2,749)</u>	<u>70,293</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	53,178	-	-	-	53,178
Transfers out	<u>(31,542)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,542)</u>
Total other financing sources and uses	<u>21,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,636</u>
Net change in fund balances	77,424	26,054	(8,800)	(2,749)	91,929
Fund balances-beginning	270,713	74,212	30,865	34,712	410,502
Fund balances-ending	<u>\$ 348,137</u>	<u>\$ 100,266</u>	<u>\$ 22,065</u>	<u>\$ 31,963</u>	<u>\$ 502,431</u>

City of Aransas Pass, Texas
Aransas Pass Municipal Development District
Budgetary Comparison Statement
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original Budget</u>	<u>Final Amended Budget</u>		
REVENUES				
Sales taxes	\$ 888,000	\$ 888,000	\$ 1,071,532	\$ 183,532
Interest income	5,000	5,000	10,959	5,959
Total revenues	<u>893,000</u>	<u>893,000</u>	<u>1,082,491</u>	<u>189,491</u>
EXPENDITURES				
Current:				
General government	3,000	3,000	3,300	(300)
Principal	280,000	280,000	380,000	(100,000)
Interest and fiscal charges	280,000	280,000	180,115	99,885
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>613,000</u>	<u>613,000</u>	<u>563,415</u>	<u>49,585</u>
Excess (deficiency) of revenues over expenditures	<u>280,000</u>	<u>280,000</u>	<u>519,076</u>	<u>139,906</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(251,285)</u>	<u>(1,285)</u>
Total other financing sources and uses	<u>(250,000)</u>	<u>(250,000)</u>	<u>(251,285)</u>	<u>(1,285)</u>
Net change in fund balances	30,000	30,000	267,791	<u>\$ 138,621</u>
Fund balances-beginning	<u>561,961</u>	<u>561,961</u>	<u>574,155</u>	
Fund balances-ending	<u>\$ 591,961</u>	<u>\$ 591,961</u>	<u>\$ 841,946</u>	

City of Aransas Pass, Texas
Aransas Pass Crime Control and Prevention District
Budgetary Comparison Statement
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original Budget</u>	<u>Final Amended Budget</u>		
REVENUES				
Sales taxes	\$ 804,000	\$ 804,000	\$ 1,076,038	\$ 272,038
Interest income	5,000	5,000	10,972	5,972
Total revenues	<u>809,000</u>	<u>809,000</u>	<u>1,087,010</u>	<u>278,010</u>
EXPENDITURES				
Current:				
General government	4,500	4,500	3,303	1,197
Public safety	<u>797,537</u>	<u>797,537</u>	<u>-</u>	<u>797,537</u>
Total expenditures	<u>802,037</u>	<u>802,037</u>	<u>3,303</u>	<u>798,734</u>
Excess (deficiency) of revenues over expenditures	<u>6,963</u>	<u>6,963</u>	<u>1,083,707</u>	<u>(520,724)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		-	<u>(790,038)</u>	<u>(790,038)</u>
Total other financing sources and uses	-	-	<u>(790,038)</u>	<u>(790,038)</u>
Net change in fund balances	6,963	6,963	293,669	<u>\$ (1,310,762)</u>
Fund balances-beginning	887,998	887,998	924,179	
Fund balances-ending	<u>\$ 894,961</u>	<u>\$ 894,961</u>	<u>\$ 1,217,848</u>	

City of Aransas Pass, Texas
Combining Statement of Net Position
Non-Major Enterprise Funds
September 30, 2018

	Harbor Fund	Aquatic Center Fund	Civic Center Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 600	\$ 9,371	\$ 9,971
Receivables, net of allowance for uncollectible amounts	21,268	921	-	22,189
Due from other funds	94,668	-	251,285	345,953
Total current assets	<u>115,936</u>	<u>1,521</u>	<u>260,656</u>	<u>378,113</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	3,573,154	-	-	3,573,154
Less accumulated depreciation	(2,769,279)	-	-	(2,769,279)
Total noncurrent assets	<u>803,875</u>	<u>-</u>	<u>-</u>	<u>803,875</u>
Total assets	<u>919,811</u>	<u>1,521</u>	<u>260,656</u>	<u>1,181,988</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,272	23,190	20,185	44,647
Compensated absences payable	2,491	1,924	1,607	6,022
Deferred revenue	44,264	-	407,310	451,574
Notes payable -current	8,000	-	-	8,000
Total current liabilities	<u>56,027</u>	<u>25,114</u>	<u>429,102</u>	<u>510,243</u>
Noncurrent liabilities:				
Notes payable	19,248	-	-	19,248
Total noncurrent liabilities	<u>19,248</u>	<u>-</u>	<u>-</u>	<u>19,248</u>
Total liabilities	<u>75,275</u>	<u>25,114</u>	<u>429,102</u>	<u>529,491</u>
NET POSITION				
Net invested in capital assets	-	-	-	784,627
Unrestricted	844,536	(23,593)	(168,446)	(132,130)
Total net position	<u>\$ 844,536</u>	<u>\$ (23,593)</u>	<u>\$ (168,446)</u>	<u>\$ 652,497</u>

City of Aransas Pass, Texas
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Enterprise Funds
For the Year Ended September 30, 2018

	<u>Harbor Fund</u>	<u>Aquatic Center Fund</u>	<u>Civic Center Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 356,061	\$ 146,925	\$ 64,434	\$ 567,420
Total operating revenue	<u>356,061</u>	<u>146,925</u>	<u>64,434</u>	<u>567,420</u>
OPERATING EXPENSES				
Personal services	72,483	172,924	153,572	398,979
Contractual services	18,058	3,830	747	22,635
Supplies	2,058	37,566	2,709	42,333
Maintenance	184,827	60,685	372,860	618,372
Administrative	-	5,811	703	6,514
Utilities	13,923	28,473	58,551	100,947
Advertising	-	2,398	68	2,466
Event expenses	-	-	1,543	1,543
Insurance	3,395	8,872	30,325	42,592
Depreciation and amortization	30,177	-	-	30,177
Total operating expenses	<u>324,921</u>	<u>320,559</u>	<u>621,078</u>	<u>1,266,558</u>
Operating income (loss)	<u>31,140</u>	<u>(173,634)</u>	<u>(556,644)</u>	<u>(699,138)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest expense	(1,878)	-	-	(1,878)
Total nonoperating revenue (expenses)	<u>(1,878)</u>	<u>-</u>	<u>-</u>	<u>(1,878)</u>
Income (loss) before contributions and transfers	29,262	(173,634)	(556,644)	(701,016)
Transfers in	-	153,503	403,965	557,468
Transfers out	-	-	-	-
Change in net position	29,262	(20,131)	(152,679)	(143,548)
Total net position-beginning	<u>815,274</u>	<u>(3,462)</u>	<u>(15,767)</u>	<u>796,045</u>
Total net position-ending	<u>\$ 844,536</u>	<u>\$ (23,593)</u>	<u>\$ (168,446)</u>	<u>\$ 652,497</u>

City of Aransas Pass, Texas
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended September 30, 2018

	Harbor Fund	Aquatic Center Fund	Civic Center Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 399,368	\$ 146,004	\$ 64,434	\$ 609,806
Cash payments to suppliers for goods and services	(224,387)	(145,352)	(463,051)	(832,790)
Cash payments to employees for services	(69,992)	(173,234)	(154,063)	(397,289)
Net cash provided (used) by operating activities	<u>104,989</u>	<u>(172,582)</u>	<u>(552,680)</u>	<u>(620,273)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers-in from other funds	-	153,503	403,965	557,468
(Increase) decrease in amounts due to other funds	(94,668)	19,479	(251,285)	(326,474)
Advance payment from Municipal Development District	-	-	400,000	400,000
Net cash provided (used) by non-capital financing activities	<u>(94,668)</u>	<u>172,982</u>	<u>552,680</u>	<u>630,994</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on revenue bond maturities and equipment contracts	(8,442)	-	-	(8,442)
Interest paid of revenue bonds and equipment contracts	(1,879)	-	-	(1,879)
Net cash provided (used) for capital and related financing activities	<u>(10,321)</u>	<u>-</u>	<u>-</u>	<u>(10,321)</u>
Net increase (decrease) in cash and cash equivalents	-	400	-	400
Cash and cash equivalents at beginning of year	-	200	9,371	9,571
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 9,371</u>	<u>\$ 9,971</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 31,140	\$ (173,634)	\$ (556,644)	\$ (699,138)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	30,177	-	-	30,177
Changes in assets and liabilities:				
Accounts receivable	51,794	(921)	-	50,873
Customer security deposits	(8,487)	-	-	(8,487)
Accounts payable	(2,126)	2,283	4,455	4,612
Compensated absences payable	2,491	(310)	(491)	1,690
Total Adjustments	<u>73,849</u>	<u>1,052</u>	<u>3,964</u>	<u>78,865</u>
Net cash provided (used) by operating activities	<u>\$ 104,989</u>	<u>\$ (172,582)</u>	<u>\$ (552,680)</u>	<u>\$ (620,273)</u>

Statistical Section

CITY OF ARANSAS PASS, TEXAS

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in										
Capital Assets	\$ 3,754,958	\$ 4,655,260	\$ 5,635,357	\$ 6,992,170	\$ 8,085,871	\$ 3,275,228	\$ 4,793,488	\$ 2,102,291	\$ -	\$ -
Restricted	3,204,973	2,616,641	3,437,904	4,914,394	1,046,557	8,088,048	8,341,683	8,195,285	7,884,695	5,435,094
Unrestricted	1,818,939	1,972,523	1,196,816	(646,784)	3,545,092	1,248,611	2,296,104	2,290,582	5,004,718	8,823,136
Total Governmental Activities Net Assets	<u>\$ 8,778,870</u>	<u>\$ 9,244,424</u>	<u>\$ 10,270,077</u>	<u>\$ 11,259,780</u>	<u>\$ 12,677,520</u>	<u>\$ 12,611,887</u>	<u>\$ 15,431,275</u>	<u>\$ 12,588,158</u>	<u>\$ 12,889,413</u>	<u>\$ 14,258,230</u>
Business-type Activities										
Net Investment in										
Capital Assets	\$ 4,892,071	\$ 5,240,781	\$ 5,135,647	\$ 5,557,906	\$ 1,460,508	\$ (791,948)	\$ 2,169,603	\$ 5,465,877	\$ 5,416,528	\$ 4,028,040
Restricted	-	-	-	-	4,124,281	3,405,193	2,837,417	-	-	-
Unrestricted	2,183,082	1,670,227	1,696,347	1,824,015	2,170,403	5,138,827	(90,344)	1,085,596	1,709,097	2,454,117
Total Business-Type Activities Net Assets	<u>\$ 7,075,153</u>	<u>\$ 6,911,008</u>	<u>\$ 6,831,994</u>	<u>\$ 7,381,921</u>	<u>\$ 7,755,192</u>	<u>\$ 7,752,072</u>	<u>\$ 4,916,676</u>	<u>\$ 6,551,473</u>	<u>\$ 7,125,625</u>	<u>\$ 6,482,157</u>
Primary Government										
Net Investment in										
Capital Assets	\$ 8,647,029	\$ 9,896,041	\$ 10,771,004	\$ 12,550,076	\$ 9,546,379	\$ 2,483,280	\$ 6,963,091	\$ 7,568,168	\$ 5,416,528	\$ 4,028,040
Restricted	3,204,973	2,616,641	3,437,904	4,914,394	5,170,838	11,493,241	11,179,100	8,195,285	7,884,695	5,435,094
Unrestricted	4,002,021	3,642,750	2,893,163	1,177,231	5,715,495	6,387,438	2,205,760	3,376,178	6,713,815	11,277,253
Total Primary Government Net Position	<u>\$ 15,854,023</u>	<u>\$ 16,155,432</u>	<u>\$ 17,102,071</u>	<u>\$ 18,641,701</u>	<u>\$ 20,432,712</u>	<u>\$ 20,363,959</u>	<u>\$ 20,347,951</u>	<u>\$ 19,139,631</u>	<u>\$ 20,015,038</u>	<u>\$ 20,740,387</u>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENSES										
GOVERNMENTAL ACTIVITIES										
General Government	\$ 1,213,190	\$ 1,044,585	\$ 1,140,134	\$ 1,523,225	\$ 1,252,536	\$ 1,319,974	\$ 1,837,966	\$ 1,546,092	\$ 2,333,762	\$ 1,715,025
Public Safety	2,791,635	2,931,302	3,022,707	3,347,628	3,625,056	3,547,080	3,800,476	4,152,137	5,121,336	4,822,434
Public Works	975,070	1,005,017	1,061,717	1,165,413	1,022,907	1,198,227	1,700,746	1,802,084	1,727,943	1,525,043
Sanitation, Health & Welfare	1,540,796	1,355,764	1,651,142	2,054,541	1,719,528	1,578,739	1,256,731	1,553,083	1,534,883	1,301,266
Culture and Recreation	1,194,849	1,465,210	1,503,117	912,909	598,281	705,532	802,050	596,445	571,840	522,934
Tourism	174,744	172,048	190,983	222,911	300,618	348,241	172,801	257,650	228,654	248,166
Tax abatement/development fees								197,834	-	6,788,766
Interest and Fiscal Charges	916,780	895,374	877,007	782,457	748,880	653,660	842,848	782,796	619,001	554,641
Total Governmental Activities Expenses	\$ 8,807,064	\$ 8,869,300	\$ 9,446,807	\$ 10,009,084	\$ 9,267,806	\$ 9,351,453	\$ 10,413,618	\$ 10,888,121	\$ 12,137,419	\$ 17,478,275
BUSINESS TYPE ACTIVITIES										
Water and Sewer	\$ 3,125,718	\$ 2,981,021	\$ 3,170,866	\$ 3,586,702	\$ 3,385,543	\$ 3,193,168	\$ 4,133,631	\$ 4,256,823	\$ 4,528,225	\$ 4,622,599
Harbor	389,666	259,459	199,337	210,306	170,958	253,837	1,699,719	281,046	258,776	326,799
Civic Center	-	-	-	434,378	323,071	480,029	354,000	569,617	374,181	320,559
Aquatic Center	476,724	460,462	459,065	510,936	513,001	325,349	650,110	381,502	326,824	621,078
Total Business-type Activities Expenses	3,992,108	3,700,942	3,829,268	4,742,322	4,392,573	4,252,383	6,837,460	5,488,988	5,488,006	5,891,035
Total Primary Government Expenses	\$ 12,799,172	\$ 12,570,242	\$ 13,276,075	\$ 14,751,406	\$ 13,660,379	\$ 13,603,836	\$ 17,251,078	\$ 16,377,109	\$ 17,625,425	\$ 23,369,310
PROGRAM REVENUES										
GOVERNMENTAL ACTIVITIES										
Charges for Services										
General Government	\$ 189,852	\$ 164,812	\$ 243,775	\$ 166,784	\$ 216,570	\$ 116,068	\$ 551,458	\$ 391,446	\$ -	\$ -
Public Safety	479,603	591,902	637,115	550,316	509,454	404,540	566,041	340,522	320,062	235,981
Public Works	23,118	2,643	-	-	-	-	-	-	465,905	797,878
Sanitation, Health & Welfare	1,337,664	1,290,006	1,384,868	1,417,023	1,618,794	1,706,986	1,835,211	1,925,510	1,743,086	1,763,607
Culture and Recreation	148,694	298,417	315,539	-	-	-	-	-	-	-
Tourism	173,469	182,573	205,300	203,766	245,493	202,440	187,221	237,635	250,890	273,064
Operating Grants and Contributions	307,746	297,196	573,554	571,871	-	249,003	19,462	-	-	-
Capital Grants and Contributions	-	-	-	567,700	283,266	-	-	-	-	-
Total Governmental Activities Program Revenues	\$ 2,660,146	\$ 2,827,549	\$ 3,360,151	\$ 3,477,460	\$ 2,873,577	\$ 2,679,037	\$ 3,159,393	\$ 2,895,113	\$ 2,779,943	\$ 3,070,530
BUSINESS-TYPE ACTIVITIES										
Charges for Services										
Water and Sewer	\$ 3,632,810	\$ 3,413,008	\$ 3,729,445	\$ 4,194,777	\$ 4,434,477	\$ 4,045,662	\$ 4,801,929	\$ 4,843,142	\$ 3,903,075	\$ 4,114,479
Harbor	160,237	156,838	137,497	234,372	200,107	211,144	407,401	419,908	324,444	356,061
Aquatic Center	323,373	320,099	299,088	310,332	282,382	121,432	219,477	163,126	188,254	146,925
Civic Center	-	-	-	114,457	128,589	252,062	143,802	122,279	94,014	64,434
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	3,080	-	31,765	505,447	-	42,755	-	-	-	5,539,966
Total Business-type Activities Program Revenues	4,119,500	3,889,945	4,197,795	5,359,385	5,045,555	4,673,055	5,572,609	5,548,455	4,509,787	10,221,865
Total Primary Government Program Revenues	\$ 6,779,646	\$ 6,717,494	\$ 7,557,946	\$ 8,836,845	\$ 7,919,132	\$ 7,352,092	\$ 8,732,002	\$ 8,443,568	\$ 7,289,730	\$ 13,292,395
NET (EXPENSE)/REVENUE										
Governmental Activities	\$ (6,146,918)	\$ (6,041,751)	\$ (6,086,656)	\$ (6,531,624)	\$ (6,394,229)	\$ (6,672,416)	\$ (7,254,225)	\$ (7,993,008)	\$ (9,357,476)	\$ (14,407,745)
Business-type Activities	127,392	189,003	368,527	617,063	652,982	420,672	(1,264,851)	59,467	(978,219)	4,330,830
Total Primary Government Net Expense	\$ (6,019,526)	\$ (5,852,748)	\$ (5,718,129)	\$ (5,914,561)	\$ (5,741,247)	\$ (6,251,744)	\$ (8,519,076)	\$ (7,933,541)	\$ (10,335,695)	\$ (10,076,915)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
GOVERNMENTAL ACTIVITIES										
Taxes										
Property Taxes	\$ 2,891,106	\$ 2,891,935	\$ 3,056,944	\$ 3,229,590	\$ 3,333,281	\$ 3,433,860	\$ 3,645,544	\$ 4,113,408	\$ 4,099,033	\$ 4,207,632
Sales Taxes	2,326,056	2,685,802	3,066,826	3,337,846	3,444,311	3,570,562	3,619,502	3,775,237	3,743,804	4,671,888
Franchise Taxes	393,495	393,601	385,897	386,893	381,816	401,609	343,544	435,990	410,884	339,642
Other Taxes	8,327	11,954	10,517	10,641	10,640	15,430	12,160	15,763	13,979	16,883
Industrial District								209,253	250,617	198,768
Intergovernmental								130,004	138,761	134,977
Investment Earnings	60,477	15,637	12,397	10,680	8,812	5,054	18,480	52,389	78,567	145,574
Royalties	85,867	74,455	72,330	40,478	153,388	132,374	91,775	64,945	73,046	52,303
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	(2,228,010)	-	-
Insurance Proceeds	22,701	39,662	13,265	271,380	10,129	1,519	-	-	-	2,171,193
Miscellaneous	20,196	38,696	45,688	76,735	68,788	71,563	130,088	150,615	132,683	40,719
Transfers	245,737	355,563	448,445	117,847	465,804	425,179	(915,375)	(1,569,703)	(1,549,082)	(557,466)
Removal of obsolete assets	245,737	355,563	448,445	117,847	465,804	425,179	(915,375)	(1,569,703)	(1,549,082)	(1,185,517)
Total Governmental Activities	<u>\$ 6,299,699</u>	<u>\$ 6,862,868</u>	<u>\$ 7,560,754</u>	<u>\$ 7,599,937</u>	<u>\$ 8,342,773</u>	<u>\$ 8,482,329</u>	<u>\$ 6,030,343</u>	<u>\$ 3,580,188</u>	<u>\$ 5,843,210</u>	<u>\$ 10,236,596</u>
BUSINESS-TYPE ACTIVITIES										
Investment Earnings	\$ 15,497	\$ 2,416	\$ 903	\$ 558	\$ 4,097	\$ 1,387	\$ 1,599	\$ 5,627	\$ 8,898	\$ 8,202
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-
Transfers	(245,737)	(355,563)	(448,445)	(117,847)	(222,842)	(425,179)	915,375	1,569,703	1,543,473	557,466
Total Business-type Activities	<u>(230,240)</u>	<u>(353,147)</u>	<u>(447,542)</u>	<u>(117,289)</u>	<u>(218,745)</u>	<u>(423,792)</u>	<u>916,974</u>	<u>1,575,330</u>	<u>1,552,371</u>	<u>565,668</u>
Total Primary Government	<u>\$ 6,069,459</u>	<u>\$ 6,509,721</u>	<u>\$ 7,113,212</u>	<u>\$ 7,482,648</u>	<u>\$ 8,124,028</u>	<u>\$ 8,058,537</u>	<u>\$ 6,947,317</u>	<u>\$ 5,155,518</u>	<u>\$ 7,395,581</u>	<u>\$ 10,802,264</u>
CHANGE IN NET POSITION										
Governmental Activities	\$ (92,956)	\$ 465,554	\$ 1,474,098	\$ 1,068,313	\$ 1,948,544	\$ 1,809,913	\$ (1,223,882)	\$ (4,412,820)	\$ (3,514,266)	\$ (4,171,149)
Business-type Activities	(102,848)	(164,144)	(79,015)	499,774	434,237	(3,120)	(347,877)	1,634,797	574,152	4,896,498
Total Primary Government	<u>\$ (195,804)</u>	<u>\$ 301,410</u>	<u>\$ 1,395,083</u>	<u>\$ 1,568,087</u>	<u>\$ 2,382,781</u>	<u>\$ 1,806,793</u>	<u>\$ (1,571,759)</u>	<u>\$ (2,778,023)</u>	<u>\$ (2,940,114)</u>	<u>\$ 725,349</u>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	45,382	-	14,472	15,741	27,649	-	-	-		
Restricted	-	-	-	-	200,089	-	-	-		
Committed	-	-	-	-	-	-	-	-		
Assigned	-	-	-	-	-	7,216,000	7,216,000	-		
Unassigned	1,544,039	1,671,160	2,086,224	1,820,533	1,123,576	573,416	1,892,238	1,594,970	1,485,299	2,860,770
Total General Fund	<u>1,589,421</u>	<u>1,671,160</u>	<u>2,100,696</u>	<u>1,836,274</u>	<u>1,351,314</u>	<u>7,789,416</u>	<u>9,108,238</u>	<u>1,594,970</u>	<u>1,485,299</u>	<u>2,860,770</u>
All Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	-	-		
Restricted	2,455,653	3,086,301	2,570,126	1,649,267	1,117,178	1,107,016	1,277,678	1,573,894	1,908,836	2,562,225
Committed	124,985	133,111	135,648	140,372	-	-	395,816	7,196,969	3,981,374	1,589,542
Assigned	-	-	-	-	-	-	-	-		
Unassigned	-	-	-	-	-	-	-	-		
Total All Other Governmental Funds	<u>2,580,638</u>	<u>3,219,412</u>	<u>2,705,774</u>	<u>1,789,639</u>	<u>1,117,178</u>	<u>1,107,016</u>	<u>1,673,494</u>	<u>8,770,863</u>	<u>5,890,210</u>	<u>4,151,767</u>

CITY OF ARANSAS PASS, TEXAS

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Taxes	\$ 5,773,894	\$ 6,161,864	\$ 6,649,000	\$ 7,287,928	\$ 7,415,541	\$ 7,623,901	\$ 7,807,971	\$ 8,787,286	\$ 8,769,207	\$ 9,509,109
Licenses, Fees and Permits	63,368	57,185	131,414	55,742	91,921	116,068	551,458	391,446	465,905	797,878
Intergovernmental	290,681	286,783	556,072	1,129,196	509,454	48,852	7,772	130,004	138,761	134,977
Charges for Services	1,557,015	1,692,852	1,798,935	1,514,224	1,618,794	1,706,986	1,835,211	1,925,520	1,743,086	1,763,607
Fines and Penalties	340,054	344,971	424,939	359,420	262,667	404,540	566,041	340,522	320,062	235,981
Special Assessments	12,989	7,325	1,503	2,537	2,332	10,197	2,332	11,185	799	-
Investment Earnings	60,477	12,382	11,107	10,680	8,812	5,054	18,480	52,389	78,567	145,574
Rents and Royalties	185,795	182,082	184,691	151,520	153,388	132,374	91,775	64,945	73,046	52,303
PILOT	136,206	102,050	88,648	93,695	124,649	145,054	11,690	-	-	198,768
Drug forfeitures							-	-	2,262,689	171,782
Other Revenues	52,366	83,358	76,435	87,110	68,788	71,563	130,088	150,615	132,683	40,719
Total Revenues	\$ 8,472,845	\$ 8,930,852	\$ 9,922,744	\$ 10,692,052	\$ 10,256,346	\$ 10,264,589	\$ 11,022,818	\$ 11,853,912	\$ 13,984,805	\$ 13,050,698
EXPENDITURES										
General Government	\$ 1,178,893	\$ 1,009,234	\$ 1,080,464	\$ 1,412,895	\$ 1,044,940	\$ 1,168,753	\$ 1,654,575	\$ 1,349,644	\$ 2,112,457	\$ 1,502,896
Public Safety	2,637,772	2,824,334	2,891,566	3,214,453	3,216,918	3,140,712	3,433,695	3,759,241	4,678,726	4,398,176
Public Works	728,658	754,767	811,744	922,705	940,847	1,060,954	1,443,999	1,527,057	1,352,319	1,228,062
Sanitation, Health & Welfare	1,527,638	1,350,851	1,646,229	2,048,440	1,584,846	1,562,708	1,238,392	1,533,438	1,424,230	1,195,201
Culture and Recreation	931,250	1,129,390	1,167,621	490,797	563,500	624,704	710,355	498,221	549,709	501,721
Tourism	174,744	172,048	190,983	222,911	300,618	348,241	172,801	257,650	228,654	248,166
Capital Outlay	3,463,337	524,878	905,253	1,670,479	1,570,698	598,051	1,943,105	1,958,615	2,453,845	2,705,639
Hurricane Recovery							-	-	65,797	6,788,766
Debt Service										
Principal	983,071	1,361,071	1,416,071	1,536,071	1,645,000	1,690,000	1,675,000	1,813,042	1,945,059	1,687,313
Interest and Fees	890,164	907,584	846,650	782,322	678,584	601,318	842,848	782,796	619,001	554,641
Total Expenditures	\$ 12,515,527	\$ 10,034,157	\$ 10,956,581	\$ 12,301,073	\$ 11,545,951	\$ 10,795,441	\$ 13,114,770	\$ 13,479,704	\$ 15,429,797	\$ 20,810,581
Excess of Revenues Over (Under) Expenditures	\$ (4,042,682)	\$ (1,103,305)	\$ (1,033,837)	\$ (1,609,021)	\$ (1,289,605)	\$ (530,852)	\$ (2,091,952)	\$ (1,625,792)	\$ (1,444,992)	\$ (7,759,883)
OTHER FINANCING SOURCES (USES)										
Bonds Issued	\$ -	\$ 1,468,255	\$ 501,290	\$ -	\$ 1,280,000	\$ 6,500,000	\$ 1,585,000	\$ 2,890,000	\$ -	\$ 415,000
Refunding Bonds Issued	-	-	-	-	(1,225,000)	-	-	4,580,000	-	-
Payments to Escrow Agent	-	-	-	-	(55,000)	-	-	(4,492,560)	-	-
Insurance Proceeds and Other Sources	-	-	-	271,380	30,728	56,616	-	-	-	2,171,193
Grants received	-	-	-	-	-	-	-	-	3,750	5,368,184
Tax abatement development fees paid	-	-	-	-	-	-	-	(197,834)	-	-
Transfers In	1,262,582	1,056,681	1,820,754	1,977,938	1,732,774	1,692,761	1,596,427	9,643,999	2,325,274	790,039
Transfers Out	(1,016,845)	(701,118)	(1,372,309)	(1,860,091)	(1,266,970)	(1,267,582)	(2,511,802)	(11,213,702)	(3,874,356)	(1,347,505)
Total Other Financing Sources (Uses)	\$ 245,737	\$ 1,823,818	\$ 949,735	\$ 389,227	\$ 496,532	\$ 6,981,795	\$ 669,625	\$ 1,209,903	\$ (1,545,332)	\$ 7,396,911
Net Change in Fund Balances	\$ (3,796,945)	\$ 720,513	\$ (84,102)	\$ (1,219,794)	\$ (793,073)	\$ 6,450,943	\$ (1,422,327)	\$ (415,889)	\$ (2,990,324)	\$ (362,972)
Debt Service as a Percentage of Noncapital Expenditures	20.7%	23.9%	22.5%	21.8%	23.3%	22.5%	22.5%	22.5%	19.0%	11.7%

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
2009	2,872,547	2,326,056	393,495	173,469	8,327	5,773,894
2010	2,887,934	2,685,802	393,601	182,573	11,954	6,161,864
2011	2,980,460	3,066,826	385,897	205,300	10,517	6,649,000
2012	3,348,762	3,337,846	386,893	203,766	10,641	7,287,908
2013	3,333,281	3,444,311	381,816	245,493	10,640	7,415,541
2014	3,433,860	3,570,562	401,609	202,440	15,430	7,623,901
2015	3,645,544	3,619,502	343,544	187,221	12,160	7,807,971
2016	4,113,408	3,775,237	451,753	237,635	209,253	8,787,286
2017	4,099,033	3,743,804	424,863	250,890	250,617	8,769,207
2018	4,207,632	4,671,888	339,642	273,064	215,651	9,707,877
Percentage Change 2007-2016	46.48%	100.85%	-13.69%	57.41%	2489.78%	68.13%

Table 7

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

Fiscal Year	Assessed Value	Assessment Ratio	Total Estimated Actual Value	Total Direct Tax Rate	Tax Levy
2008	\$ 490,811,034	100.00%	\$ 490,811,034	0.5800	\$ 2,846,704
2009	\$ 487,538,448	100.00%	\$ 487,538,448	0.5800	\$ 2,827,723
2010	\$ 485,990,497	100.00%	\$ 485,990,497	0.5929	\$ 2,881,287
2011	\$ 478,705,857	100.00%	\$ 478,705,857	0.6075	\$ 2,908,095
2012	\$ 451,195,712	100.00%	\$ 451,195,712	0.7230	\$ 3,262,145
2013	\$ 471,853,705	100.00%	\$ 471,853,705	0.6958	\$ 3,282,960
2014	\$ 531,078,147	100.00%	\$ 531,078,147	0.6804	\$ 3,474,182
2015	\$ 572,724,918	100.00%	\$ 572,724,918	0.6804	\$ 3,474,182
2016	\$ 689,355,884	100.00%	\$ 689,355,884	0.6804	\$ 4,141,329
2017	\$ 708,840,580	100.00%	\$ 708,840,580	0.6804	\$ 4,144,566
2018	\$ 682,697,429	100.00%	\$ 682,697,429	0.7752	\$ 4,459,150

Source: San Patricio County Appraisal District

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

Taxpayer	2018			2009 (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	\$ 8,098,630	1	1.19%			
AEP Texas Central Co	\$ 5,857,690	2	0.86%			
Bob Law LLC	\$ 4,657,638	3	0.68%			
Lowe's Home Centers LLC	\$ 4,609,326	4	0.68%			
Lowe's Home Centers Inc.	\$ 4,182,902	5	0.61%			
Wal-Mart Stores TX LP #0555	\$ 3,991,837	6	0.58%			
Coastal Navy Housing	\$ 3,404,016	7	0.50%			
Commercial Motor Co.	\$ 3,029,419	8	0.44%			
San Patricio Automotive Group	\$ 2,919,176	9	0.43%			
EAN Holding LLC	\$ 2,763,448	10	0.40%			
TOTAL	\$ 43,514,082		6.37%			

Source: San Patricio County Appraisal District

Table 9

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	2,923,711	2,767,047	94.64%	123,199	2,861,814	97.88%
2009	2,770,530	2,604,814	94.02%	126,018	2,693,456	97.22%
2010	2,881,287	2,698,994	93.67%	139,759	2,791,560	96.89%
2011	2,908,095	2,746,758	94.45%	110,267	2,830,241	97.32%
2012	3,242,935	3,104,275	95.72%	88,311	3,104,275	95.72%
2013	3,235,569	3,102,610	95.89%	84,476	3,187,086	98.50%
2014	3,474,182	3,254,708	93.68%	158,431	3,413,139	98.24%
2015	4,141,329	3,889,526	93.92%	146,517	4,036,043	97.46%
2016	4,237,004	3,973,789	93.79%	179,056	4,152,845	98.01%
2017	4,203,942	4,029,327	95.85%	-	4,029,327	95.85%

Source: San Patricio County Appraisal District