

**ARANSAS COUNTY
NAVIGATION DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2017

ARANSAS COUNTY NAVIGATION DISTRICT

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ARANSAS COUNTY NAVIGATION DISTRICT

DIRECTORY OF OFFICIALS

December 31, 2017

		<u>Precinct</u>	<u>Term Expires</u>
Malcolm Dieckow	Chairman	3	December 31, 2020
Judith H. Vlasek	Vice-Chairman	1-1A	December 31, 2020
Thomas W. Moore, Jr.	Secretary	At Large	December 31, 2018
Michael "Mickey" Casterline	Commissioner	4-4A	December 31, 2018
Tony L. Dominguez	Commissioner	2	December 31, 2018

Gerald L. Benadum, P.C. Attorney

Keith Barrett Harbor Master

FINANCIAL SECTION

**BRENDA P.
McELWEE, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Aransas County Navigation District

Report of the Financial Statements

We have audited the accompanying financial statements of the Aransas County Navigation District, as of and for the year ended December 31, 2017, and the related notes to the financial statement, which collectively comprise the District'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation 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.

ARANSAS COUNTY NAVIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2017

As management of the Aransas County Navigation District. (The District), we offer readers as an introduction to the District's financial statements, this narrative overview and analysis of the District's activities and financial performance for the years ended December 31, 2017 and 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the District's financial statements taken as a whole. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The total net position of the District at December 31, 2017 was \$19,102,592, increasing \$1,203,780 over the prior year.
- The net investment in capital assets (net of accumulated depreciation and related debt) was \$9,945,926.
- Operating revenue decreased from 2016 to 2017 from \$3,718,670 to \$3,427,218, a \$178,434 decrease due to Hurricane Harvey.
- Operating expenses decreased from 2016 to 2017 by \$224,212.

USING THIS ANNUAL REPORT

This District's basic financial statements are comprised of the financial statements and the notes to the financial statements. The basic financial statements can be found on pages 12 through 27 of this report. Since the District is comprised of a single enterprise fund, no fund level financial statements are shown. This report also contains other supplementary information in addition to the basic financial statements themselves.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements offer short and long-term financial information about its activities.

The Statement of Net Position includes all of the District's assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The assets and liabilities are presented in a format, which distinguishes between current and long-term assets and liabilities. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net Position increase when revenues exceed expenses. An increase in assets without a corresponding increase to liabilities, results in increased Net Position, which indicates an improved financial position.

ARANSAS COUNTY NAVIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2017

STATEMENT OF NET POSITION

-continued

TABLE 1

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets	\$ 9,586,259	\$ 9,551,899
Capital assets (net)	13,805,926	12,931,370
	<u>23,392,185</u>	<u>22,483,269</u>
<u>LIABILITIES</u>		
Current Liabilities	469,284	468,741
Long-term liabilities	3,820,309	4,584,457
	<u>4,289,593</u>	<u>5,053,198</u>
<u>NET POSITION</u>		
Invested in capital assets	9,945,926	8,771,370
Unrestricted	9,156,666	9,127,442
	<u>\$ 19,102,592</u>	<u>\$ 17,898,812</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Change in Net Position serves as a measure to determine how successful the District was during the past year in recovering its costs through its user fees and other charges, as well as to its profitability and credit worthiness. The following Condensed Statements of Revenues, Expenses, and Change in Net Position summarize the operations of the District for the years ended December 31, 2017 and 2016:

TABLE 2

	<u>2017</u>	<u>2016</u>
<u>OPERATING REVENUES (EXPENSES)</u>		
Operating revenues	\$ 3,427,218	\$ 3,718,670
Operating expenses	(2,984,916)	(3,209,128)
	<u>442,302</u>	<u>509,542</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	69,780	42,164
Miscellaneous income	14,492	86,461
Insurance proceeds	844,256	-
Interest expense	(188,750)	(204,681)
	<u>739,778</u>	<u>(76,056)</u>
Capital grants and contributions	21,700	412,303
CHANGES IN NET POSITION	1,203,780	845,789
Net position, beginning of year	17,898,812	17,053,023
Net position, end of year	<u>\$ 19,102,592</u>	<u>\$ 17,898,812</u>

BASIC FINANCIAL STATEMENTS

ARANSAS CO. NAVIGATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended December 31, 2017

OPERATING REVENUE:	
Harbor wharfage, dockage and lease revenue	\$ 1,167,709
Beach park admissions	573,413
Ad valorem taxes	1,686,096
Total Operating Revenues	<u>3,427,218</u>
OPERATING EXPENSES:	
Maintenance and operations	1,485,894
General and administrative	949,288
Depreciation	549,734
Total Operating Expenses	<u>2,984,916</u>
Operating Income	<u>442,302</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	69,780
Other income	14,492
Grant revenue	21,700
Insurance proceeds	844,256
Interest expense	(188,750)
Total Non-Operating Revenue (Expenses)	<u>761,478</u>
Change in Net Position	1,203,780
Total Net Position, beginning of year	<u>17,898,812</u>
Total Net Position, end of year	<u>\$ 19,102,592</u>

The notes to the financial statements are an integral part of this statement.

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Aransas County Navigation District (the District) conform to generally accepted accounting principles (GAAP) applicable to governmental enterprise units. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

The financial statements are prepared on the basis of Governmental Accounting Standards Board (GASB), Statement Number 34, Basic Financial Statements, Management Discussion and Analysis for State and Local Governments and related standards. This new statement provides for significant changes in terminology and includes recognition of capital grants in the Statement of Revenues, Expenses and Changes in Net Assets; a presentation of net assets; as well as an inclusion of a management discussion and analysis; supplementary information; and other changes.

General History of the Aransas County Navigation District

Aransas County Navigation District (The District) was created under General Law (Chapter 9, Title 128, R.C.S. 1925) and was converted to a navigation district under provisions of Article XVI, Section 59, of the Constitution of Texas, May 14, 1949.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

In evaluating how to define the entity for financial reporting purposes, management considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based on the application of the criteria, management has determined the District should not be considered a part of any unit of local government for reporting purposes nor are there any entities or funds for which the District has reporting responsibilities.

Basis of Accounting

The District operates a single enterprise proprietary fund and uses the accrual basis of accounting to report on its financial position and the results of its operations. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(-continued-)

Property, Plant and Equipment

Capital assets, which include property, facilities and equipment are capitalized at total acquisition cost, provided such cost exceed \$1,000 and the expected useful life of the asset is more than two years. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following useful lives:

<u>Asset</u>	<u>Years</u>
Equipment	5-20
Buildings	10-40
Land improvements	5-40

Impairment of Long-Lived Assets

The partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than their carrying amounts, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2017.

Deferred Income

Revenue received for fees collected in advance is deferred and is shown as a liability in the accompanying balance sheet.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Revenues

The District's operating revenues are subject to risk, because of their concentration in the tourism industry.

NOTE 2—CASH AND CASH EQUIVALENTS

All investments made and held by the District were in compliance with the District's investment policy.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2017

NOTE 2—CASH AND CASH EQUIVALENTS

(-continued-)

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report non-participating interest-earning investment contracts using a cost-based measure. 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 "non-participating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of non-participating interest-earning investment contracts.

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

NOTE 3—ACCOUNTS RECEIVABLE

Ad valorem taxes receivable at year-end consisted of the following:

	2017	2016
Ad Valorem Taxes Receivable:		
Property taxes receivable	\$ 1,089,093	\$ 966,033
Less: Allowance for uncollectible accounts	(141,019)	(111,871)
Net receivables	\$ 948,074	\$ 854,162

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2017

NOTE 6—LONG-TERM LIABILITIES

The District issued Unlimited Tax Bonds, Series 2007, for the purpose of improving waterways, to construct, repair, enlarge and develop facilities and aids incidental to or useful in the navigation, operation and development of the District's ports and other navigation facilities. Changes in long-term obligations for the year are as follows:

	Beginning Balance 1/1/2017	Additions	Retirements	Ending Balance 12/31/2017
Unlimited Tax Bonds, Series 2007	\$4,160,000	\$ -	\$ 300,000	\$3,860,000
Total Long-Term Liabilities	\$4,160,000	\$ -	\$ 300,000	\$3,860,000

NOTE 7—PENSION PLAN

Plan Description

The District provides pension, disability, and death benefits for all its full-time employees through a nontraditional designed benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 573 nontraditional defined pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal their personal contributions in a lump sum are not entitled to any amounts contributed by the employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2017

NOTE 8—POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (-continued-)

Premium Sharing: The District contributes 100% if the District sponsored health care monthly premium for 5 years after retirement.

Funding Policy and Annual OPEB Cost: The District's annual other post employment benefits (OPEB) cost is calculated using the alternative measurement method based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

The annual OPEB cost for the year ending December 31, 2017, is as follows:

Annual required contribution (ARC)	\$ 62,356
Interest on OPEB obligation	2,187
Adjustment to ARC	-
Annual OPEB cost (expense end of year)	<u>64,543</u>
Net employer contributions	-
Increase in net OPEB	<u>64,543</u>
Net OPEB obligation - as of beginning of the year	<u>28,930</u>
Net OPEB obligation - as of end of the year	<u>\$ 93,473</u>

The funded status of the District's retiree health care plan, under GASB No. 45 as of December 31, 2017 is as follows: The end of year net OPEB obligation is shown as a non-current liability on the Statement of Net Assets.

The funded status of the District's retiree health care plan, under GASB No. 45 as of December 31, 2017 is as follows:

Actuarial accrued liability (AAL)	\$192,520
Actuarial value of assets	--
Unfunded AAL	\$192,520
Funded ratio	--
Covered Payroll	\$524,579
UAAL as % of covered payroll	37%

Under the reporting parameters, the District's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$192,520.

SUPPLEMENTAL INFORMATION

ARANSAS CO. NAVIGATION DISTRICT

SCHEDULES OF MAINTENANCE AND OPERATIONS AND GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended December 31, 2017

MAINTENANCE AND OPERATIONS

Employee services	\$ 528,183
Maintenance and repairs	487,699
Professional fees	177,071
Signage	2,993
Advertising	19,314
Utilities	232,393
Insurance	38,241
Total Maintenance and Operations	<u>\$ 1,485,894</u>

GENERAL AND ADMINISTRATIVE

Commissioner services	\$ 65,927
Employee services	528,183
Maintenance and repairs	86,065
Professional fees	177,071
Signage	528
Advertising	19,314
Office expense	18,443
Utilities	41,010
Insurance	12,747
Total General and Administrative	<u>\$ 949,288</u>

ARANSAS COUNTY NAVIGATION DISTRICT
1040000
ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS
COUNTY OF ARANSAS

I, _____, of the Aransas Co. Navigation District hereby swear or affirm that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the _____ day of _____, 2018 its annual audit report for the fiscal year ended December 31, 2017 and that copies of the annual audit report have been filed in the district office, located at:

911 Navigation Circle
Rockport, Texas 78382

This annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements of the Texas Water Code Section 49.194.

Date: _____, 2018

By:
(Signature of District Official)

Sworn to and subscribed before me this ____ day of _____, 2018.

(Signature of Notary)

My Commission Expires On: _____, _____.
Notary Public in the State of Texas.