

CITY OF PORT ARANSAS, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2019

CITY OF PORT ARANSAS, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Port Aransas, Texas

Report on the Financial Statements

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 the City of Port Aransas, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Port Aransas, Texas' 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 and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller. 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 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 Port Aransas, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Beach Cleaning Fund, and the Hotel-Motel/Facility Fund for the year then ended in accordance 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, the Employees Retirement System Information, and the OPEB information on pages 3–12, 84-85, and 86 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.

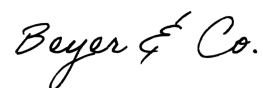
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The City of Port Aransas, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal and State awards and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparison information, and the schedule of expenditures of federal and state awards 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 auditing procedures applied in the audit of the basic 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, the budgetary comparison information, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller, we have also issued our report dated November 18, 2020, on our consideration of the City of Port Aransas, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Port Aransas, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Port Aransas, Texas' internal control over financial reporting and compliance.



BEYER & COMPANY
Certified Public Accountants
November 18, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Port Aransas' (the City) annual financial report presents an overview, through management's discussion and analysis (MD&A), of the City's financial activities and performance during the fiscal year ended September 30, 2019. Please read it in conjunction with the independent auditors' report and the City's financial statements and disclosures, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Port Aransas exceeded its liabilities at the close of the most recent fiscal year by \$43,067,680 (net position). Of this amount, \$10,502,699 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.
- Total net position for the City of Port Aransas increased by \$10,664,611 during the fiscal year.
- As of the close of the current fiscal year, the City of Port Aransas governmental funds reported combined ending fund balances of \$21,591,413. Approximately 51% of this amount, \$10,905,938 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was 6,229,844 or 57% of General Fund expenditures.
- The City of Port Aransas' total bonded debt had a decrease of \$1,510,000 during the current fiscal year due to principal payments made. Debt was increased due to the issuance of a \$4,347,745 for a FEMA Community Disaster Loan.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City of Port Aransas' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements, including information on individual funds.

Government-wide financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City of Port Aransas finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, including capital assets and long-term obligations. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other indicators of the City's financial position should also be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (i.e. roads and drainage systems), in order to more accurately assess the overall financial condition of the City.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this

statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Port Aransas include general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, and interest and fiscal charges. The business-type activities include gas, sanitation, and harbor.

Fund financial statements. The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Port Aransas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance, related legal requirements.

- Some funds are required by State law and by covenants of bonds/certificates of obligation.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes, fees and grants.

Governmental funds – Except for the operations of the Harbor, Gas, and Sanitation funds, the City’s services are included in governmental funds. These funds focus on how cash and other financial assets can readily be converted to available resources and on the available balances left at year-end. This information may be useful in determining what financial resources are available in the near future to finance the City’s programs. Other funds are referred to as non-major funds and are presented as summary data.

Because the focus of governmental fund level statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In addition to the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Beach Cleaning Fund, Hotel Motel/Facility Fund, Hurricane Recovery Fund, and the Construction Fund all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds – The City accounts for the harbor, gas and sanitation operations in the Proprietary Funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The following table reflects a summary of Net Position compared to prior year:

TABLE A-1
SUMMARY STATEMENT OF NET POSITION
SEPTEMBER 30,

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$23,900,196	\$18,623,404	\$1,637,985	\$1,494,165	\$25,538,181	\$20,117,569
Restricted Assets:	65,799	65,756	0	0	65,799	65,756
Capital Assets:	34,454,178	30,553,580	11,283,929	6,445,061	45,738,107	36,998,641
Total Deferred Outflows of Resources	1,654,485	755,322	153,555	72,610		0
Total Assets	60,074,658	49,998,062	13,075,469	8,011,836	71,342,087	57,181,966
Long-Term Liabilities	26,966,691	23,513,931	387,942	283,009	27,354,633	23,796,940
Other Liabilities (Payable from Restricted Assets)	0	0	170,731	160,486	170,731	160,486
Other Liabilities	2,082,787	1,208,998	162,916	164,470	2,245,703	1,373,468
Total Liabilities	29,049,478	24,722,929	721,589	607,965	29,771,067	25,330,894
Total Deferred Inflows of Resources	37,787	558,516	3,593	53,690		
Invested in Capital Assets, Net of Related Debt	16,352,097	16,468,245	11,283,929	6,445,061	27,636,026	22,913,306
Restricted	4,928,955	4,859,003	0	0	4,928,955	4,859,003
Unrestricted	9,436,341	3,389,369	1,066,358	905,120	10,502,699	4,294,489
Total Net Assets	\$30,717,393	\$24,716,617	\$12,350,287	\$7,350,181	\$43,067,680	\$32,066,798

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Port Aransas, assets exceeded liabilities by \$30,717,393 at the close of the most recent fiscal year for governmental activities and \$12,350,287 for business-type activities.

A large portion of the City's net assets (53.2 percent in governmental activities and 91.4 percent in business type activities) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

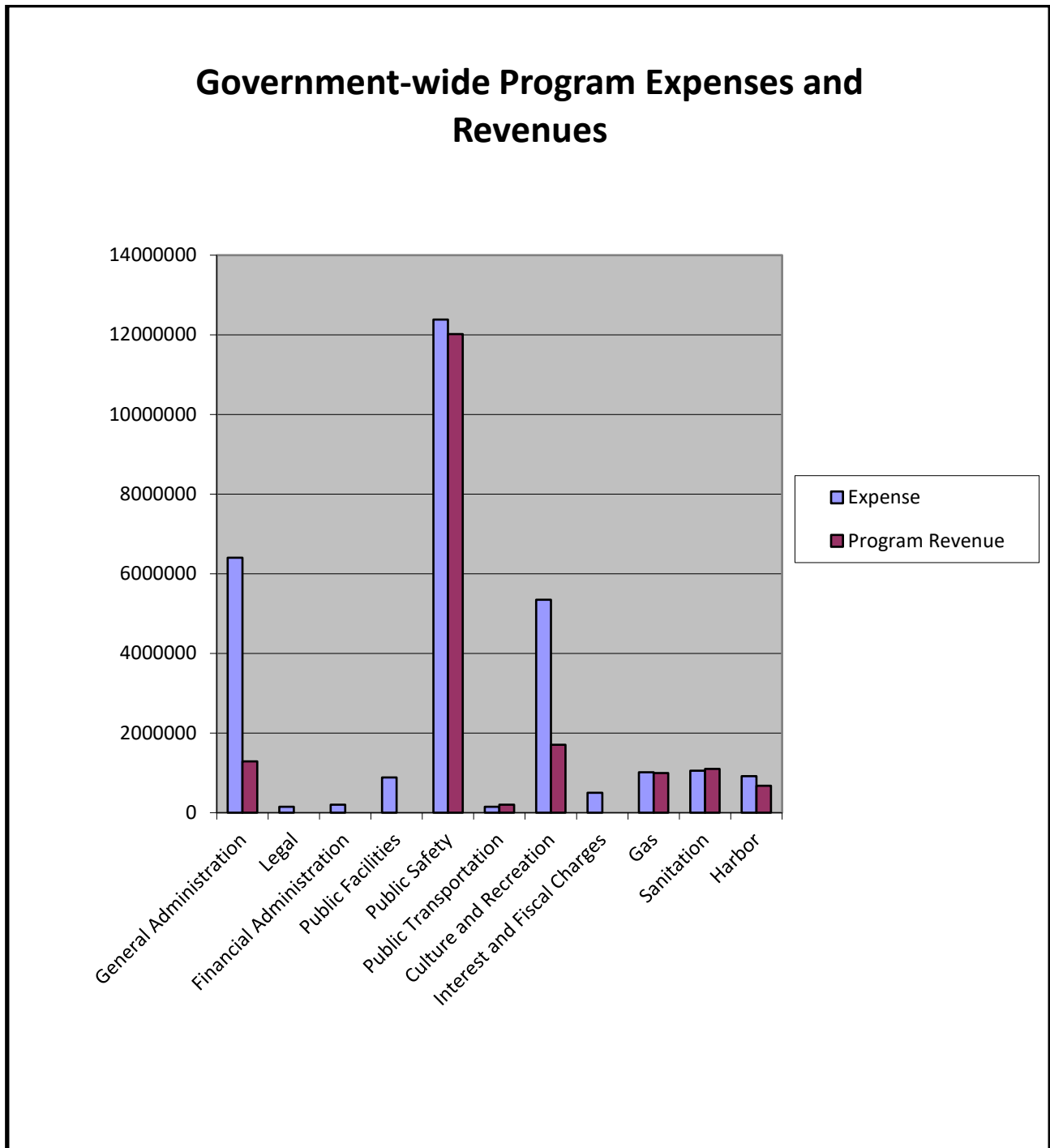
At the end of the current fiscal year, the City of Port Aransas is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Changes in Net Position. Governmental activities increased the City's net assets by \$5,664,505 and Business-type activities increased the City's net assets by \$5,000,106 for an increase of \$10,664,611.

**TABLE A-2
CHANGES IN NET POSITION**

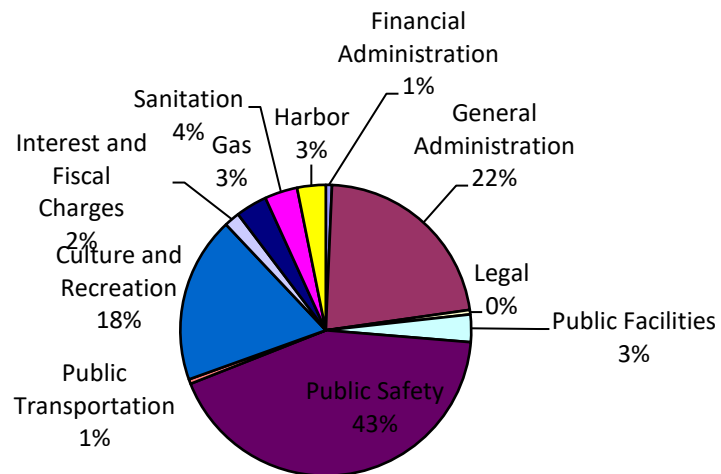
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$2,248,188	\$1,673,777	\$2,770,781	\$2,055,449	\$5,018,969	\$3,729,226
Operating Grants and Contributions	654,106	2,678,221	81	100	654,187	2,678,321
Capital Grants and Contributions	12,312,289	210,288	0	0	12,312,289	210,288
General Revenues:						
Property Taxes, Levies for General Purposes	6,085,486	6,365,345			6,085,486	6,365,345
Sales Taxes	2,888,696	2,049,104			2,888,696	2,049,104
Franchise Taxes	483,197	396,933			483,197	396,933
Hotel/Motel Taxes	6,130,983	4,159,085			6,130,983	4,159,085
Licenses and Permits	2,618,423	2,279,518			2,618,423	2,279,518
Unrestricted Investment Earnings	443,036	349,399	35,788	25,112	478,824	374,511
Insurance Recover - Hurricane Harvey	2,757,682	6,640,551			2,757,682	
Grants and Contributions not Restricted to Specific Programs	165,169	135,554	0	0	165,169	135,554
Miscellaneous	69,717	563,160	0	100,120	69,717	663,280
Total Revenue	36,856,972	27,500,935	2,806,650	2,180,781	39,663,622	23,041,165
Expenses:						
General Administration	6,400,740	5,369,334			6,400,740	5,369,334
Legal	145,356	245,553			145,356	245,553
Financial Administration	197,746	250,735			197,746	250,735
Public Facilities	884,596	3,814,331			884,596	3,814,331
Public Safety	12,382,506	13,493,350			12,382,506	13,493,350
Public Transportation	149,166	170,802			149,166	170,802
Culture and Recreation	5,348,467	4,789,574			5,348,467	4,789,574
Interest and Fiscal Charges	501,642	671,538			501,642	671,538
Gas			1,013,800	858,699	1,013,800	858,699
Sanitation			1,055,414	1,129,387	1,055,414	1,129,387
Harbor			919,578	838,213	919,578	838,213
Total Expenses	26,010,219	28,805,217	2,988,792	2,826,299	28,999,011	31,631,516
Increase in Net Assets Before Transfers and Special Items	10,846,753	(1,304,282)	(182,142)	(645,518)	10,664,611	(8,590,351)
Transfers	(5,182,248)	(2,031,642)	5,182,248	2,031,642	0	0
Increase in Net Assets	5,664,505	(3,335,924)	5,000,106	1,386,124	10,664,611	(1,949,800)
Net Assets at 09/30/2018	25,052,888	28,052,541	7,350,181	5,964,057	32,403,069	34,016,598
Net Assets at 09/30/2019	\$30,717,393	\$24,716,617	\$12,350,287	\$7,350,181	\$43,067,680	\$32,066,798

The chart below illustrates the City's expense and revenues by function: general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, interest and fiscal charges, gas, and harbor.

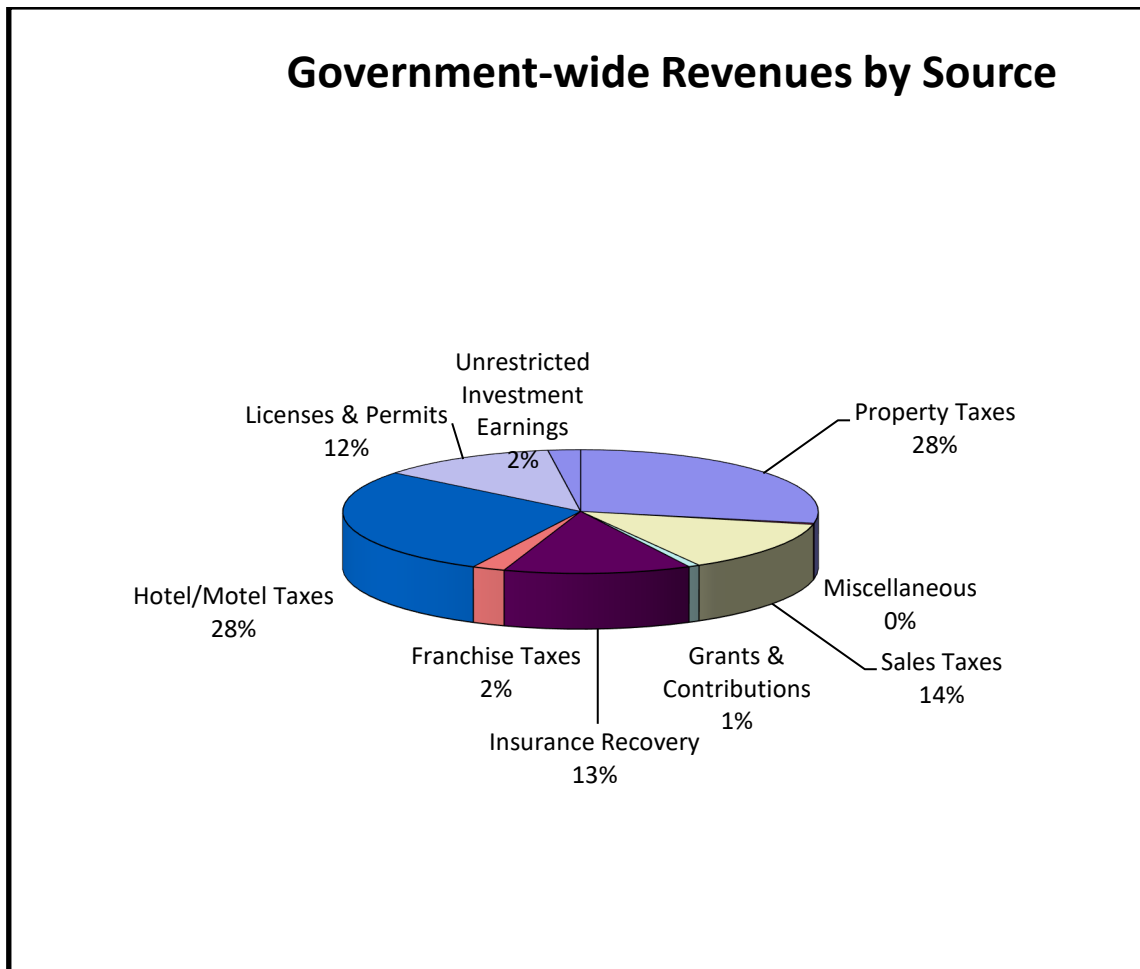


Expenses are broken down by governmental function and are presented below.

Functional Expenses



General revenues such as property taxes, sales taxes and franchise fees are not shown by program, but are used to support all governmental activities. Insurance Recovery funds and Property Taxes are the largest source of general governmental revenues, followed by hotel/motel tax and sales tax.



Financial Analysis of the Government's Funds

In comparison to the government-wide statements, the fund level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Port Aransas' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Port Aransas' governmental funds reported combined ending fund balances of \$21,591,413, an increase of \$4,469,869 in comparison with the prior year. Approximately 50.5%, or \$10,905,938, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted or committed and is not available for new spending because it has already been committed/restricted to pay for construction (\$1,285,585), debt service (\$158,377), reserved for culture & recreation (\$1,905,245), inventories (\$15,249), community disaster

loan proceeds (\$4,347,745), public safety (\$80,133), Economic Development (\$2,545,613), and public transportation (\$343,973) and prepaid items (\$3,555).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,229,844, while total fund balance reached \$10,646,943. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 60% of total general fund expenditures, while total fund balance represents 100.2% of that same amount.

The fund balance of the City General Fund increased by \$5,180,421 during the current fiscal year. The key factor for this increase is the increase on sales tax and the issuance of the Community Disaster Loan.

Budgetary Highlights

The City's budget was amended one time. The Construction Fund and Gas Fund had a net change of \$0 (amounts were either shifted between departments or had excess revenue to cover expenses). The General Fund had a net change of \$316,300. This change was due to several revenue categories performing better than anticipated for a total of \$1,060,900. The revenue increase was offset by an increase to expenditures totaling \$316,300. The two largest increase line items were due to the additional dollars needed for contracted building inspectors of \$535,000 and an increase to the transfer for street maintenance of 300,000. There were also multiple departments that had savings in expenditures mainly due to personal savings. The Court Security Fund had added expenditures of \$2,900 for a security door to be placed in the temporary court clerk office. The Nature Preserve Fund had an increase to Number 6 Trailhead Grant Expenditures for Grant Revenues received in prior year and expended this year. The Hotel Motel Fund had a net change of \$599,600 due to an increase in revenues of \$1,288,000 with added transfers to the Hotel Motel Special Fund, and Facility Fund and additional Chamber of Commerce support of \$599,600. The Hotel Motel Special Fund and Facility Fund both had increases for the same proportionate amount of allocation from the Hotel Motel Fund due to increased tax revenues. The Facility Fund also had an increase to insurance premiums for the year. The Airport Fund had increased expenses due to an increase in insurance premiums. The Harbor Fund had a net change of (\$58,000) due to decrease in revenues of \$150,000 due to a decrease in slip rentals as slips weren't available during construction and a corresponding decrease in expenditures for salaries and capital projects not needed. The Street Maintenance fund had an increase in revenues due to the transfer from the General Fund and a transfer to the Construction Fund was made to complete the 2017 bond project. The Sanitation Fund had an increase in revenues for residential billing and an increase in expenses for residential pickup.

Budget variances are "Favorable" if actual revenues exceed budgeted amounts and if actual expenditures are under budgeted amounts. Variances are "Unfavorable" if actual revenues are under budgeted amounts and if actual expenditures are over budgeted amounts. Favorable variances are indicated by showing amounts without brackets and unfavorable variances are indicated by bracketed amounts.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for all activities as of September 30, 2019 amount to \$45,468,107 (net of accumulated depreciation). This investment in capital assets includes both governmental activities and business type activities such as land, construction in progress, buildings, equipment, fleet, streets, and other infrastructure. Additional information on capital assets can be found in Note IV C. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation
30-Sep

	Total Activities 2019	Total Activities 2018
<i>Governmental Activities:</i>		
Land	\$6,779,238	\$5,669,307
Construction in Progress	6,585,427	2,999,160
Infrastructure	14,364,194	15,695,178
Buildings	1,620,040	1,156,534
Machinery & Equipment	2,799,353	2,096,080
Vehicles	2,035,926	2,937,321
Total Governmental Activities	<u>34,184,178</u>	<u>30,553,580</u>
<i>Business-type Activities:</i>		
Construction in Progress	784,886	2,031,642
Infrastructure	9,547,435	3,731,341
Buildings	221,101	222,590
Machinery & Equipment	705,033	443,608
Vehicles	25,474	15,880
Total Business-type Activities	<u>11,283,929</u>	<u>6,445,061</u>
Total net assets	<u><u>\$45,468,107</u></u>	<u><u>\$36,998,641</u></u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and capital leases outstanding of \$20,677,614. The table below reflects the outstanding debt at September 30. Additional information can be found in Note F.

Outstanding Debt
30-Sep

	Total Governmental Activities 2019	Total Governmental Activities 2018
General Obligation Bonds	\$17,960,000	\$19,440,000
Bond Premium - Series 2009 & 2012	485,160	530,454
Capital Leases	227,239	707,160
Total Bonds Payable	<u><u>\$18,672,399</u></u>	<u><u>\$20,677,614</u></u>

The City's total bonded debt and capital leases decreased by \$2,005,215 during the current fiscal year. The key factor in this decrease was the pay-off of a capital lease for a Fire ladder truck that was damaged during Hurricane Harvey.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2019-2020 fiscal year. At the end of the fiscal year, the economic impact of the Hurricane is still not completely known. The City will rely on insurance proceeds and Grant assistance to assist in the recovery efforts. The State is assisting the City with

the required FEMA 10% match. The State has committed to paying 75% of that 10% match which will greatly assist the City on the road to recovery.

The tax rate for the year has increased to 28.3112 cents per hundred. The tax rate has been split with .224784 for maintenance and operations and .058328 for interest and sinking for the retirement of the bonds. Even though this a decrease to the tax rate, it was actually a flat tax levy as this rate is equal to the effective rate (the tax rate that would produce the same amount of tax revenue as prior year plus new construction demands).

Overall, the General Fund is budgeted to end the fiscal year 2019-2020 with an estimated fund balance of \$6,252,950. This is approximately 61% of General Fund operating expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 710 W. Avenue A., Port Aransas, TX 78373 or call 361-749-4111. Information is also available on the City's website at www.cityofportaransas.org.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	22,251,107	1,535,209	23,786,316
Receivables (Net of Allowance for Uncollectibles)	1,630,285	101,771	1,732,056
Inventories	15,249		15,249
Prepaid Items	3,555	1,005	4,560
Restricted Assets:			
Cash and Cash Equivalents	65,799		65,799
Capital Assets Not Being Depreciated:			
Land	6,779,238		6,779,238
Construction in Progress	6,585,427	784,886	7,370,313
Total Capital Assets Being Depreciated, Net			
Infrastructure	14,364,194	9,547,435	23,911,629
Buildings	1,620,040	221,101	1,841,141
Machinery and Equipment	2,799,353	705,033	3,504,386
Vehicles	2,035,926	25,474	2,061,400
Total Assets	58,150,173	12,921,914	71,072,087
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Deferred Outflow of Resources-Contributions (after 12/31/18)	719,608	68,021	787,629
Difference in projected and actual earnings	904,877	85,534	990,411
Loss on Bond Refunding	30,000	0	30,000
Total Deferred Outflows of Resources	1,654,485	153,555	1,808,040
LIABILITIES:			
Accounts Payable	1,887,474	157,335	2,044,809
Accrued Wages Payable	71,153	5,486	76,639
Accrued Interest Payable	74,661		74,661
Unearned Revenues	49,499	95	49,594
Consumer Meter Deposits		170,731	170,731
Noncurrent Liabilities:			
Due Within One Year	1,790,117	14,589	1,804,706
Due in More Than One Year	25,176,574	373,353	25,549,927
Total Liabilities	29,049,478	721,589	29,771,067
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in expected and actual experience	14,195	1,362	15,557
GASB 75			
Difference in assumption changes	13,850	1,310	15,160
Difference in expected and actual experience	9,742	921	10,663
Total Deferred Inflows of Resources	37,787	3,593	41,380
LIABILITIES:			
Net Position			
Invested in Capital Assets, Net of Related Debt	16,352,097	11,283,929	27,636,026
Restricted for:			
Construction - Gas System	615,423		615,423
Culture and Recreation	1,595,208		1,595,208
Debt Service	158,377		158,377
Economic Development	2,545,613		2,545,613
Public Safety	14,334		14,334
Unrestricted	9,436,341	1,066,358	10,502,699
Total Net Position	30,717,393	12,350,287	43,067,680

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

					Net (Expense)	Net (Expense)
					Revenue and	Revenue and
					Changes in	Changes in
		Program Revenues				
			Operating	Capital		
Functions/Programs	Expenses	Charges for	Grants and	Grants and	Governmental	Business-Type
		Services	Contributions	Contributions	Activities	Activities
						Total
Primary Government						
Government Activities:						
General Administration	6,400,740	359,689	42,200	886,165	(5,112,686)	(5,112,686)
Legal	145,356				(145,356)	(145,356)
Financial Administration	197,746				(197,746)	(197,746)
Public Facilities	884,596				(884,596)	(884,596)
Public Safety	12,382,506	588,739	16,416	11,416,587	(360,764)	(360,764)
Public Transportation	149,166		189,167	9,537	49,538	49,538
Culture and Recreation	5,348,467	1,299,760	406,323		(3,642,384)	(3,642,384)
Interest and Fiscal Charges	501,642				(501,642)	(501,642)
Total Government Activities	26,010,219	2,248,188	654,106	12,312,289	(10,795,636)	0
Business-Type Activities:						
Gas	1,013,800	994,379	81			(19,340)
Sanitation	1,055,414	1,098,992				43,578
Harbor	919,578	677,410				(242,168)
Total Business-Type Activities	2,988,792	2,770,781	81	0		(217,930)
Total Primary Government	28,999,011	5,018,969	654,187	12,312,289	(10,795,636)	(217,930)
General Revenues						
Property Taxes, Levies for General Purposes					6,085,486	6,085,486
Sales Taxes					2,888,696	2,888,696
Franchise Taxes					483,197	483,197
Hotel/Motel Taxes					6,130,983	6,130,983
Licenses and Permits					2,618,423	2,618,423
Unrestricted Investment Earnings					443,036	35,788
Insurance Recovery - Hurricane Harvey					2,757,682	2,757,682
Grants and Contributions Not Restricted to						
Specific Programs					165,169	165,169
Miscellaneous					69,717	0
Transfers					(5,182,248)	0
Total General Revenues and Transfers					16,460,141	5,218,036
Change in Net Position					5,664,505	5,000,106
Net Position - Beginning - Restated					25,052,888	7,350,181
Net Position - Ending					30,717,393	12,350,287

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Beach Cleaning Funds	Hotel-Motel/ Facility Fund	Hurricane Recovery Fund	Construc- tion Fund	Other Governmental Funds	Total Governmental Funds
<i>ASSETS</i>							
Cash and Cash Equivalents	9,921,360	2,541,522	6,770,945		255,050	2,968,915	22,457,792
Receivables (Net of Allowance for Uncollectibles)	1,151,675	28,459			74,203	132,837	1,387,174
Restricted Assets:							
Cash and Cash Equivalents	65,799						65,799
Inventories						15,249	15,249
Prepaid Expenses	3,555						3,555
Total Assets	11,142,389	2,569,981	6,770,945	0	329,253	3,117,001	23,929,569
<i>LIABILITIES AND FUND BALANCES:</i>							
Accounts Payable	291,526	44,079	18,483	1,153,377	4,095	375,914	1,887,474
Bank Overdraft				206,685		5,677	212,362
Accrued Wages Payable	56,256	8,385	835				
Deferred Revenue	49,451		48				49,499
Total Liabilities	397,233	52,464	19,366	1,360,062	4,095	381,591	2,214,811
<i>DEFERRED INFLOWS OF RESOURCES</i>							
Deferred Property Taxes	98,213					25,132	123,345
<i>Fund Balances:</i>							
Non-Spendable							
Prepaid Items	3,555						3,555
Inventories						15,249	15,249
Restricted							
Community Disaster Loan Proceeds	4,347,745						4,347,745
Construction					325,158		325,158
Construction - Gas System				615,423			615,423
Culture and Recreation			100,000			1,495,208	1,595,208
Debt Service						158,377	158,377
Economic Development		2,517,517				28,096	2,545,613
Public Safety						14,334	14,334
Committed							
Construction						345,004	345,004
Culture and Recreation						310,037	310,037
Public Safety	65,799						65,799
Public Transportation						343,973	343,973
Unassigned	6,229,844		6,651,579	(1,975,485)			10,905,938
Total Fund Balance	10,646,943	2,517,517	6,751,579	(1,360,062)	325,158	2,710,278	21,591,413
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	11,142,389	2,569,981	6,770,945	0	329,253	3,117,001	23,929,569

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds Balance Sheet	21,591,413
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Amounts reported for governmental activities in the statement of net position ("SNP") are different because:

Capital assets used in governmental activities are not reported in the funds.	34,184,178
Some expenses are not expensed in the current period but rather are deferred in the funds (Loss on Bond Refinancing).	30,000
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	123,345
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,829,809
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(27,041,352)

Net Position of Governmental Activities - Statement of Net Position	<u>30,717,393</u>
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The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Beach Cleaning Funds	Hotel-Motel/ Facility Fund	Hurricane Recovery Fund	Construc- tion Fund	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>							
Taxes							
Property	4,639,591					1,458,096	6,097,687
Sales	1,925,798					962,898	2,888,696
Franchise	483,197						483,197
Hotel/Motel		1,236,132	2,272,609			2,622,242	6,130,983
Intergovernmental	1,349,086	320,754		11,416,587		45,137	13,131,564
Licenses and Permits	1,625,645	992,778					2,618,423
Charges for Services	1,313,993					583,423	1,897,416
Fines and Forfeitures	339,375					19,025	358,400
Interest	199,491	51,567	34,759		87,627	69,592	443,036
Insurance Recovery - Hurricane Harvey				2,757,682			2,757,682
Miscellaneous	38,096					31,621	69,717
Total Revenues	11,914,272	2,601,231	2,307,368	14,174,269	87,627	5,792,034	36,876,801
<i>EXPENDITURES</i>							
Current:							
General Administration	3,090,881					2,272,610	5,363,491
Legal	145,356						145,356
Financial Administration	201,284						201,284
Public Facilities	854,518						854,518
Public Safety	5,147,017			10,166,064		10,335	15,323,416
Public Transportation	151,628					3,416	155,044
Culture and Recreation	635,891	2,526,609	286,301			1,886,908	5,335,709
Capital Projects -							
Capital Outlay and Other					1,970,660		1,970,660
Debt Service							
Bond Issuance Costs							0
Principal Retirement	143,650		200,000			1,310,000	1,653,650
Interest and Fiscal Charges	13,595		1,490			554,216	569,301
Total Expenditures	10,383,820	2,526,609	487,791	10,166,064	1,970,660	6,037,485	31,572,429
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	1,530,452	74,622	1,819,577	4,008,205	(1,883,033)	(245,451)	5,304,372
<i>OTHER FINANCING SOURCES (USES):</i>							
Community Disaster Loan Proceeds	4,347,745						4,347,745
Operating Transfers In	2,224		349,632	520,000	435,000	864,442	2,171,298
Operating Transfers Out	(700,000)		(203,292)	(1,081,988)	(4,288,634)	(1,079,632)	(7,353,546)
Total Other Financing Sources (Uses)	3,649,969	0	146,340	(561,988)	(3,853,634)	(215,190)	(834,503)
Net Changes in Fund Balances	5,180,421	74,622	1,965,917	3,446,217	(5,736,667)	(460,641)	4,469,869
Fund Balances - Beginning	5,466,522	2,442,895	4,785,662	(4,806,279)	6,061,825	3,170,919	17,121,544
Fund Balances - Ending	10,646,943	2,517,517	6,751,579	(1,360,062)	325,158	2,710,278	21,591,413

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2019

Net Changes in Fund Balances - Total Governmental Funds 4,469,869

Amounts reported for governmental activities in the statement of net position
("SNP") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement
of activities the cost of those assets is allocated over their estimated useful lives
and reported as depreciation expense. This is the amount by which capital outlays
exceeded depreciation in the current period. 3,630,598

Other long-term assets are not available to pay for current period
expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year. (7,628)

Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. (12,201)

Community Disaster Loan Proceeds (4,347,745)

GASB 68

Deferred Inflow of Resources-Contribution. This is the change in these amounts this year. (18,983)

Deferred Outflow-Difference in projected and actual earnings. This is the change in these amounts this year. 1,463,393

Deferred Inflow-Difference in expected and actual experience. This is the change in these amounts this year. (15,302)

GASB 75

Deferred Inflow-Difference in assumption changes. This is the change in these amounts this year. (29,474)

Deferred Inflow-Difference in expected and actual experience. This is the change in these amounts this year. (9,742)

(Increase) Decrease in prepaid insurance from beginning of period to end of period. (69,359)

Repayment of loan principal is an expenditure in the funds but not an expense in the SOA. 1,653,650

(Decrease) increase in accrued interest payable from beginning of period to end of period. 22,365

(Decrease) increase (Decrease) increase in compensated absences payable from beginning of period to end of period. 6,722

(Decrease) increase in bond premium payable from beginning of period to end of period. 45,294

(Decrease) increase in net pension liability from beginning of period to end of period. (1,120,271)

(Decrease) increase in OPEB Liability. 3,319

Change in Net Position of Governmental Activities - Statement of Activities 5,664,505

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (CASH BASIS) - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Budgetary	Variance with Final Budget - Positive (Negative)
	Original	Final	Basis	
REVENUES				
Taxes				
Property	\$4,668,000	\$4,668,000	\$4,639,591	(\$28,409)
Sales	1,333,350	1,899,350	1,925,798	26,448
Franchise	441,000	441,000	483,197	42,197
Intergovernmental	447,125	497,025	1,349,086	852,061
Licenses and Permits	1,078,000	1,463,000	1,625,645	162,645
Charges for Services	1,509,925	1,509,925	1,313,993	(195,932)
Fines and Forfeitures	328,000	328,000	339,375	11,375
Interest	60,000	120,000	199,491	79,491
Miscellaneous	95,500	95,500	38,096	(57,404)
Total Revenues	9,960,900	11,021,800	11,914,272	892,472
EXPENDITURES				
Current:				
General Administration				
Administration	246,775	246,775	228,876	17,899
Central Operating	1,124,575	1,138,975	1,049,225	89,750
City Secretary	180,625	193,625	163,722	29,903
Information Technology	268,950	275,150	224,561	50,589
Mayor and Council	340,100	340,100	290,291	49,809
Planning	237,050	247,050	248,041	(991)
Legal				
City Attorney	150,500	150,500	145,356	5,144
Financial Administration				
Finance Department	232,125	217,125	201,284	15,841
Public Facilities				
Public Buildings	265,400	265,400	244,784	20,616
Public Works	770,350	720,350	609,734	110,616
Public Safety				
EMS	1,368,935	1,383,935	1,294,503	89,432
Fire Department	407,825	407,825	174,154	233,671
Inspection	272,050	829,050	830,062	(1,012)
Municipal Court	134,750	134,750	115,580	19,170
Police	3,277,325	3,277,325	2,732,718	544,607
Public Transportation				
Regional Transit	214,625	214,625	151,628	62,997
Culture and Recreation				
Library	282,400	228,400	161,560	66,840
Parks and Recreation	562,650	510,650	474,331	36,319
Debt Service				
Principal Retirement	60,000	60,000	107,006	(47,006)
Interest Retirement			9,870	(9,870)
Total Expenditures	10,397,010	10,841,610	9,457,286	1,384,324
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(436,110)	180,190	2,456,986	2,276,796
OTHER FINANCING SOURCES (USES):				
Operating Transfers In			2,224	2,224
Operating Transfers Out	0	(300,000)	(700,000)	(400,000)
Total Other Financing Sources (Uses)	0	(300,000)	(697,776)	(397,776)
Net Changes in Fund Balances - Budgetary Basis	(\$436,110)	(\$119,810)	1,759,210	\$1,879,020
Reconciliation from cash basis to modified accrual basis:				
Community Disaster Loan Proceeds			4,347,745	
Land Purchase			(886,165)	
Capital Lease Payment - Ambulance			(40,369)	
Net Changes in Fund Balances - Modified Accrual Basis			5,180,421	
Fund Balances - Beginning			5,466,522	
Fund Balances - Ending			\$10,646,943	

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

CITY OF PORT ARANSAS, TEXAS
 BEACH CLEANING FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	994,300	994,300	1,236,132	241,832
Intergovernmental	309,000	309,000	320,754	11,754
Licenses and Permits	912,000	912,000	992,778	80,778
Interest	25,000	25,000	51,567	26,567
Total Revenues	2,240,300	2,240,300	2,601,231	360,931
EXPENDITURES				
Culture and Recreation				
Beach	3,715,335	3,715,335	2,526,609	1,188,726
Total Expenditures	3,715,335	3,715,335	2,526,609	1,188,726
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,475,035)	(1,475,035)	74,622	1,549,657
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(1,475,035)	(1,475,035)	74,622	1,549,657
Fund Balances - Beginning	2,442,895	2,442,895	2,442,895	
Fund Balances - Ending	967,860	967,860	2,517,517	1,549,657

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

CITY OF PORT ARANSAS, TEXAS
HOTEL-MOTEL/FACILITY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Hotel/Motel	1,864,285	2,552,685	2,622,242	69,557
Interest	14,500	14,500	34,758	20,258
Total Revenues	1,878,785	2,567,185	2,657,000	89,815
EXPENDITURES				
Culture and Recreation				
Culture and Recreation	827,200	855,200	271,881	583,319
Capital Outlay			14,420	(14,420)
Debt Service				
Principal Retirement	200,000	200,000	200,000	0
Interest Retirement	1,500	1,500	1,490	10
Total Expenditures	1,028,700	1,056,700	487,791	568,909
Excess (Deficiency) of Revenues Over (Under) Expenditures	850,085	1,510,485	2,169,209	658,724
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(369,265)	(369,265)	(203,292)	165,973
Total Other Financing Sources (Uses)	(369,265)	(369,265)	(203,292)	165,973
Net Changes in Fund Balances	480,820	1,141,220	1,965,917	824,697
Fund Balances - Beginning	4,785,662	4,785,662	4,785,662	
Fund Balances - Ending	5,266,482	5,926,882	6,751,579	824,697

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

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

SEPTEMBER 30, 2019

	Business-Type Activities						
	Enterprise Funds						
	Gas	Gas	Sanitation	Sanitation	Harbor	Harbor	Totals
	Current	Prior	Current	Prior	Current	Prior	Current
	Year	Year	Year	Year	Year	Year	Year
ASSETS							
Current Assets							
Cash and Cash Equivalents	702,100	647,777	(61,767)	(44,829)	894,876	785,105	1,535,209
Accounts Receivables (Net of Allowance for Uncollectibles)	2,262	2,985	99,156	99,867	353	2,309	101,771
Prepaid Items	1,005	951					1,005
Total Current Assets	705,367	651,713	37,389	55,038	895,229	787,414	1,637,985
Noncurrent Assets							
Capital Assets							
Construction in Progress	784,886					2,031,642	784,886
Infrastructure	1,094,894	1,094,894	22,614	22,614	14,409,672	8,064,575	15,527,180
Buildings	56,777	56,777	35,786	35,788	208,248	196,448	300,811
Machinery and Equipment	361,327	352,450	285,612		420,199	414,414	1,067,138
Vehicles	114,908	202,023			64,165	64,165	179,073
Total Capital Assets	2,412,792	1,706,144	344,012	58,402	15,102,284	10,771,244	17,859,088
Less Accumulated Depreciation	(1,072,435)	(1,118,257)	(52,893)	(30,278)	(5,449,831)	(4,942,194)	(6,575,159)
Total Capital Assets (Net of Accumulated Depreciation)	1,340,357	587,887	291,119	28,124	9,652,453	5,829,050	11,283,929
Total Noncurrent Assets	1,340,357	587,887	291,119	28,124	9,652,453	5,829,050	11,283,929
DEFERRED OUTFLOWS OF RESOURCES							
GASB 68							
Deferred Outflow of Resources-Contributions (after 12/31/17)		44,447		5,062		21,492	0
Deferred Outflow of Resources-Contributions (after 12/31/18)	41,700		5,348		20,973		68,021
Difference in projected and actual earnings	52,436		6,725		26,373		85,534
Difference in expected and actual experience		67		8		32	0
GASB 75							
Difference in assumption changes		940		107		455	0
Total Deferred Outflow of Resources	94,136	45,454	12,073	5,177	47,346	21,979	153,555
TOTAL ASSETS	2,139,860	1,285,054	340,581	88,339	10,595,028	6,638,443	13,075,469
(continued)							

(continued)

	Business-Type Activities Enterprise Funds						
	Gas	Gas	Sanitation	Sanitation	Harbor	Harbor	Totals
	Current	Prior	Current	Prior	Current	Prior	Current
	Year	Year	Year	Year	Year	Year	Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS							
Liabilities							
Current Liabilities (Payable from Current Assets)							
Accounts Payable	37,938	44,580	8,061	41,883	111,336	74,280	157,335
Accrued Wages	3,906	2,123	526	311	1,054	1,198	5,486
Compensated Absences	10,307	8,762	1,079	292	3,203	5,794	14,589
Deferred Revenue	95	95		0			95
Total Current Liabilities (Payable from Current Assets)	52,246	55,560	9,666	42,486	115,593	81,272	177,505
Current Liabilities (Payable from Restricted Assets)							
Consumer Meter Deposits	149,611	141,986			21,120	18,500	170,731
Total Current Liabilities Payable from Restricted Assets	149,611	141,986	0	0	21,120	18,500	170,731
Total Current Liabilities	201,857	197,546	9,666	42,486	136,713	99,772	348,236
Noncurrent Liabilities							
OPEB Payable	14,119	14,856	1,810	1,692	7,101	7,184	23,030
Net Pension Liability	214,518	149,600	23,786	15,461	112,019	79,368	350,323
Total Noncurrent Liabilities	228,637	164,456	25,596	17,153	119,120	86,552	373,353
Total Liabilities	430,494	362,002	35,262	59,639	255,833	186,324	721,589
DEFERRED INFLOWS OF RESOURCES							
GASB 68							
Difference in projected and actual earnings		33,610		3,828		16,252	0
Difference in expected and actual experience	835		107		420		1,362
GASB 75							
Difference in assumption changes	803		103		404		1,310
Difference in expected and actual experience	565		72		284		921
Total Deferred Inflow of Resources	2,203	33,610	282	3,828	1,108	16,252	3,593
Invested in Capital Assets, Net of Related Debt	1,340,357	587,887	291,119	28,124	9,652,453	5,829,050	11,283,929
Unrestricted	366,806	301,555	13,918	(3,252)	685,634	606,817	1,066,358
Total Net Position	1,707,163	889,442	305,037	24,872	10,338,087	6,435,867	12,350,287

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

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2019	Business-Type Activities Enterprise Funds						
	Gas	Gas	Sanitation	Sanitation	Harbor	Harbor	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
OPERATING REVENUES:							
Charges for Services	994,379	603,634	1,098,992	1,047,578	677,410	404,237	2,770,781
Total Operating Revenues	994,379	603,634	1,098,992	1,047,578	677,410	404,237	2,770,781
OPERATING EXPENSES:							
Personal Services	443,599	493,121	60,755	60,366	228,470	246,324	732,824
Supplies and Other Services and Charges	504,833	302,747	972,043	1,060,405	180,754	181,734	1,657,630
Depreciation	65,368	62,831	22,616	8,616	510,354	410,155	598,338
Total Operating Expenses	1,013,800	858,699	1,055,414	1,129,387	919,578	838,213	2,988,792
Operating Income (Loss)	(19,421)	(255,065)	43,578	(81,809)	(242,168)	(433,976)	(218,011)
NON-OPERATING REVENUES (EXPENSES):							
Interest Income	14,271	10,878	2,210	1,434	19,307	12,800	35,788
Donated Assets		100,120					0
Federal and State Grants	81	100					81
Total Non-Operating Revenues (Expenses)	14,352	111,098	2,210	1,434	19,307	12,800	35,869
Income Before Transfers	(5,069)	(143,967)	45,788	(80,375)	(222,861)	(421,176)	(182,142)
Transfers In (Out) - Net	822,790	0	234,377	0	4,125,081	2,031,642	5,182,248
Change in Net Position	817,721	(143,967)	280,165	(80,375)	3,902,220	1,610,466	5,000,106
Total Net Position - Beginning	889,442	1,033,409	24,872	105,247	6,435,867	4,825,401	7,350,181
Total Net Position - Ending	1,707,163	889,442	305,037	24,872	10,338,087	6,435,867	12,350,287

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

(continued)

	Business-Type Activities Enterprise Funds						Totals Current Year
	Gas	Gas	Sanitation	Sanitation	Harbor	Harbor	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	(\$19,421)	(\$255,065)	\$43,578	(\$81,809)	(\$242,168)	(\$433,976)	(\$218,011)
Adjustments to Reconcile to Net Cash Flow							
Non-Cash Items Included in Net Income							
Depreciation	65,368	62,831	22,616	8,616	510,354	410,155	598,338
Changes in Current Items							
Decrease (Increase) in Accounts Receivable	723	15,915	711	7,530	1,956	(1,956)	3,390
GASB 68							
Decrease (Increase) Deferred Outflow of Resources-Contributions	2,747	4,299	(286)	157	519	2,912	2,980
Decrease (Increase) Difference in projected and actual earnings	(86,046)	33,583	(10,553)	3,825	(42,625)	16,239	(139,224)
Decrease (Increase) Difference in expected and actual experience	902	1,788	115	191	452	897	1,469
GASB 75							
Decrease (Increase) Difference in assumption changes	1,743	(940)	210	(107)	859	(455)	2,812
Decrease (Increase) Difference in expected and actual experience	565		72		284		921
Decrease (Increase) in Prepaid Items	(54)	0	0	0	0	0	(54)
Increase (Decrease) in Accounts Payable	(6,642)	399	(33,822)	33,655	37,056	(2,076)	(3,408)
Increase (Decrease) Compensated Absences	1,545	(3,355)	787	(1,018)	(2,591)	(2,067)	(259)
Increase (Decrease) Accrued Wages Payable	1,783	2,123	215	311	(144)	1,198	1,854
Increase (Decrease) Deferred Revenue	0	0	0	0	0	0	0
Increase (Decrease) in Consumer Meter Deposits	7,625	(1,558)	0	0	2,620	4,200	10,245
Increase (Decrease) in Net pension Liability	64,918	(40,261)	8,325	(4,586)	32,651	(19,468)	105,894
Increase (Decrease) in OPEB Payable	(737)	2,521	118	287	(83)	1,219	(702)
Net Cash Provided (Used) by Operating Activities	35,019	(177,720)	32,086	(32,948)	299,140	(23,178)	366,245
Noncash Investing, Capital, and Financing Activities:							
Donated Assets	\$0	\$100,120	\$0	\$0	\$0	\$0	\$0
Federal and State Grants	81	100	0	0	0	0	81
Total Noncash Investing, Capital, and Financing Activities	\$81	\$100,220	\$0	\$0	\$0	\$0	\$81

Note: The above funds are all Enterprise Funds.

City of Port Aransas, Texas
Notes to the Financial Statements
September 30, 2019

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Port Aransas, Texas (the “City”) was incorporated as a general law city in November 1955. In August 1978 the City adopted the Mayor-Council-Manager form of government. The principal services accounted for as general governmental functions include public safety, health, streets, sanitation, park and recreation, planning, zoning, and general administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United State of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting principles and practices are discussed in subsequent sections of these Notes.

Blended Component Unit

The Port Aransas Recreational Development Corporation (PARDC) was chartered on November 27, 1995. The public purposes for which the Corporation is organized and for which it may issue bonds are as follows: construction, development, expansion, maintenance, operation and promotion of recreational and sports fields and stadiums, swimming pool, sports complexes, and related facilities and improvements. The Board of Directors consisting of seven members is appointed by the City Council. PARDC’s main source of revenue is the additional one-half cent sales tax approved by voters.

Although they are legally separate from the City, the Port Aransas Recreational Development Corporation (PARDC) is reported as if they are a part of the primary government because their primary purpose is to provide services to the citizens of the City. The general fund of this entity is reported as a special revenue fund of the City. Separate financial statements are not prepared for the blended component unit.

B. Government-Wide and Fund Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when

received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, hotel/motel taxes, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Beach Cleaning Fund accounts for the portion of sales taxes required to provide beach cleaning and safety.

The Hotel-Motel / Facility Funds account for the portion of sales taxes and hotel/motel taxes that the Council requires to be set aside for recreational development.

The Hurricane Recovery fund is used to administer FEMA monies for reconstruction and cleanup within the City of Port Aransas.

The Construction fund is used to administer bond monies for various construction projects.

C. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Fund (Gas, Sanitations, and Harbor Rental) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major proprietary funds: The Gas Fund accounts for the activities of the gas distribution system. The Sanitation Fund accounts for the garbage collection activities of the City. The Harbor Fund accounts for activities associated with harbor rental and maintenance.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The government's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as fair value of the pool shares.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from” other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2019, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2019, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2019, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2019. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes on September 30, 2019, and 10 percent of delinquent outstanding property taxes on September 30, 2019. Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted Assets*

Certain proceeds are set aside in the general fund for future projects and are maintained in a separate bank account. The restricted assets are as follows:

Type	Governmental Activities
Public Service	\$65,799
	<u>\$65,799</u>

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life more than two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was \$466,171. Of this amount, \$-0- was included as part of the cost of capital assets. Significant construction activity during the year was various street, ramp, and dock construction and paving projects.

Property, plant, and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than Buildings	20
Gas Pipelines	30
Infrastructure	50
Runways and Related Improvements	50
Vehicles	5
Machinery and Equipment	5
Office Furniture	5

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, governmental funds and proprietary financial statements.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balances – Governmental Funds

As of September 30, 2019, fund balances of the governmental funds are classified as follows:

Non-Spendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

As of September 30, 2019, fund balances are composed of the following:

Fund Balances:

Non-Spendable	
Prepaid Items	\$3,555
Inventories	15,249
Restricted	
Community Disaster Loan Proceeds	4,347,745
Construction	325,158
Construction - Gas System	615,423
Culture and Recreation	1,595,208
Debt Service	158,377
Economic Development	2,545,613
Public Safety	14,334
Committed	
Construction	345,004
Culture and Recreation	310,037
Public Safety	65,799
Public Transportation	343,973
Unassigned	10,905,938
Total Fund Balance	<u>\$21,591,413</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year-end to be at least equal to 25 to 50 percent of the subsequent year's budgeted General Fund expenditures.

9. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has the following that qualifies for reporting in this category. Amounts deferred under GASB 68 and GASB 75 and a loss on bond refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has the following that qualifies for reporting in this category. Amounts deferred under GASB 68 and GASB 75.

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the City and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

11. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$27,041,352 difference are as follows:

Capital Lease	\$227,239
Bonds Payable	17,960,000
Bond Premium	485,160
OPEB Liability	243,549
Community Disaster Loan Proceeds	4,347,745
Net Pension Liability	3,437,255
Accrued Interest Payable	74,661
Compensated Absences	265,743
	<u>\$27,041,352</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$34,184,178 difference are as follows:

Capital assets not being depreciated	\$13,364,665
Capital assets being depreciated	49,173,867
Depreciation expense	(28,354,354)

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	<u>\$34,184,178</u>
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The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$123,345 difference are as follows:

Property Taxes Receivable	\$129,837
Allowance for Doubtful Accounts	<u>(6,492)</u>
Net	<u>\$123,345</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Other long-term assets are unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.") The details of this \$1,829,809 difference are as follows:

Fines and Fees Receivable	\$494,199
Allowance for Doubtful Accounts	(251,088)
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/18)	719,608
Deferred Inflow-Difference in expected and actual experience	(14,195)
Deferred Outflow-Difference in projected and actual earnings	904,877
GASB 75	
Difference in assumption changes	(13,850)
Deferred Inflow-Difference in expected and actual experience	(9,742)
Net	<u>\$1,829,809</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$3,630,598 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$4,696,198
Capital Outlay - Additions - Being Depreciated	2,929,842
Capital Outlay - Deletions	(1,415,130)
Depreciation Expense	(2,580,312)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$3,630,598</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for the Library fund and the Hurricane Recovery fund. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the city council. The legal level of budgetary control is the fund; whereby budgeted expenditures may not exceed budgeted revenues plus beginning unrestricted equity. The supplemental budgetary appropriations made in the general fund were not material.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2019, expenditures did not exceed appropriations in any funds except for the Hotel/Motel fund whereby actual expenditures were more than budgeted by \$56,295.

C. Deficit Fund Equity

There were no deficit fund balances for any fund on September 30, 2019 except in the Hurricane Recovery fund which had a negative fund balance of \$1,360,062. This deficit is expected to be liquidated with future resources of the fund.

IV. Detailed Notes on All Funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (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, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

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. The government has a deposit policy for custodial credit risk. As of September 30, 2019, the government's bank balance of \$439,436 in the City depository (Value Bank) was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$255,310 and the FDIC coverage is \$250,000. The City also had a bank balance of \$1,226,241 in American Bank on September 30, 2019 and was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$3,278,451 and the FDIC coverage is \$250,000. The City also has monies \$1,282,241 with Financial Northeastern Securities, Inc. (a Brokerage) which is a third-party holder of secured certificates of deposit. The book balance of the City's bank balances on September 30, 2019 is \$2,448,505.

Investments:

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool and Texas Class, through which political subdivisions and other entities may invest public funds.

TexPool, and Texas Class use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool and Texas Class does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals.

All funds participate in a pooling of cash and investment income to maximize investment opportunities. Each fund may liquidate its equity in the pool on demand.

The City's investments are authorized by City resolutions, bond ordinances, and State statutes. The City is authorized to invest in obligations of the U.S. Government and its agencies or instrumentalities; direct obligations of Texas and its agencies and instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; insured or collateralized certificates of deposit; fully collateralized repurchase agreements; and government pools.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City's investments by fair value level are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level 1 investments (investments valued using prices quoted in active markets for identical securities) or Level 3 investments (investments valued using significant unobservable inputs). As of September 30, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$16,103,724	Less than 1 year	Less than 1 year
Texas Class Funds	\$ 5,299,885	Less than 1 year	Less than 1 year

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Concentration of credit risk: The City places no limit on the amount the City may invest in any one issuer. Texpool (75% of portfolio and Texas Class (25% of portfolio).

B. Receivables

Receivables at year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Beach Cleaning	Construc- tion	Hotel/ Motel Fund	Airport	Recreational Develop- ment	Debt Service	Gas	Sani- tation	Harbor	Total
<u>Receivables</u>											
Taxes - Ad Valorem	\$103,461						\$26,376				\$129,837
Taxes - Sales	154,775					94,139					248,914
Intergovernmental	886,165		74,203								960,368
Accounts					11,066			6,826	179,204		197,096
Municipal Court Fines	312,527										312,527
EMS Fees	181,672										181,672
Other	12,522	28,459		2,500						353	43,834
Gross Receivables	1,651,122	28,459	74,203	2,500	11,066	94,139	26,376	6,826	179,204	353	2,074,248
Less: Allowance for Uncollectibles	256,336						1,244	4,564	80,048		342,192
Net Total Receivables	\$1,394,786	\$28,459	\$74,203	\$2,500	\$11,066	\$94,139	\$25,132	\$2,262	\$99,156	\$353	\$1,732,056

The receivables are expected to be collected within one year.

C. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$5,669,307	\$1,109,931		\$6,779,238
Construction in Progress	2,999,160	3,586,267		6,585,427
Total Capital Assets Not Being Depreciated	8,668,467	4,696,198	0	13,364,665
Capital assets being depreciated:				
Infrastructure	32,999,348	86,425		33,085,773
Buildings	5,723,419	667,907	158,277	6,233,049
Machinery and Equipment	6,675,804	1,670,218	1,842,105	6,503,917
Vehicles	5,583,208	505,292	2,737,372	3,351,128
Total Capital Assets Being Depreciated	50,981,779	2,929,842	4,737,754	49,173,867
Less Accumulated Depreciation for:				
Infrastructure	17,304,170	1,417,409		18,721,579
Buildings	4,566,885	181,442	135,318	4,613,009
Machinery and Equipment	4,579,724	542,738	1,417,898	3,704,564
Vehicles	2,645,887	438,723	1,769,408	1,315,202
Total Accumulated Depreciation	29,096,666	2,580,312	3,322,624	28,354,354
Total Capital Assets Being Depreciated, Net	21,885,113	349,530	1,415,130	20,819,513
Governmental Activities Capital Assets, Net	\$30,553,580	\$5,045,728	\$1,415,130	\$34,184,178

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$2,031,642	\$784,886	\$2,031,642	\$784,886
Total Capital Assets Not Being Depreciated	2,031,642	784,886	2,031,642	784,886
Capital Assets Being Depreciated:				
Infrastructure	9,182,084	6,345,097	0	15,527,181
Buildings	312,931	11,800	0	324,731
Machinery and Equipment	742,272	302,989	2,715	1,042,546
Vehicles	207,726	37,904	125,019	120,611
Total Capital Assets Being Depreciated	10,445,013	6,697,790	127,734	17,015,069
Less Accumulated Depreciation for:				
Infrastructure	5,450,743	529,003	0	5,979,746
Buildings	90,341	13,289	0	103,630
Machinery and Equipment	298,664	41,565	2,716	337,513
Vehicles	191,846	14,481	111,190	95,137
Total Accumulated Depreciation	6,031,594	598,338	113,906	6,516,026
Total Capital Assets Being Depreciated, Net	4,413,419	6,099,452	13,828	10,499,043
Business-Type Activities Capital Assets, Net	\$6,445,061	\$6,884,338	\$2,045,470	\$11,283,929

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Administration	\$1,646,228
Public Facilities	59,832
Public Safety	431,965
Public Transportation	459
Culture and Recreation	441,828
Total Depreciation Expense - Governmental Activities	<u>\$2,580,312</u>
Business-Type Activities	
Gas	\$65,368
Sanitation	22,616
Harbor	510,354
Total Depreciation Expense - Business-Type Activities	<u>\$598,338</u>

Construction Commitments

Significant construction activity during the year was for various street, ramp, harbor, and dock construction and paving projects.

D. Interfund Receivables, Payables, and Transfers

There were no interfund balances as of September 30, 2019.

Inter-fund transfers:

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

In the year ended September 30, 2019, the government made the following one-time transfers:

INTER-GOVERNMENTAL									
<u>FUNDS</u>		HOTEL/ MOTEL FACILITY	HOTEL/ MOTEL FUND	HURRI- CANE RECOVERY FUND	RECREA- TIONAL DEVELOP- MENT FUND	CONST- RUCTION FUND	STREET MAINTEN- ANCE FUND	IMPACT FEE ZONE 1 FUND	TOTAL
TRANSFER FROM	GENERAL FUND								
STREET MAINTENANCE FUND	\$300,000								\$300,000
HURRICANE RECOVERY FUND	400,000				120,000				520,000
NATURE PRESERVE FUND		203,292							203,292
GAS FUND				822,790					822,790
SANITATION FUND				234,377					234,377
HARBOR FUND				24,821		4,288,634			4,313,455
HOTEL/MOTEL FACILITY FUND			349,632						349,632
DEBT SERVICE FUND								175,000	175,000
CONSTRUCTION FUND							435,000		435,000
TOTALS	\$700,000	\$203,292	\$349,632	\$1,081,988	\$120,000	\$4,288,634	\$435,000	\$175,000	\$7,353,546

The above transfers were for operating capital except for the debt service fund which was for debt service.

E. Leases

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for these leases were \$82,690 for the year ended September 30, 2019. The future minimum lease payments for these leases are as follows:

<u>Year Ending Sept. 30</u>	<u>Amount</u>
2020	\$ 14,655
2021	12,968
2022	12,395
2023	<u>2,066</u>
Total	<u>\$42,084</u>

Rent expenditures were \$289,624 for the year ended September 30, 2019. Rental income was \$58,681 for the year ended September 30, 2019. Sublease rental income was \$0 for the year ended September 30, 2019.

F. Long-Term Debt

General Obligation Bonds and Revenue Bonds

The government issues Certificates of Obligation and General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. Certificates of Obligation and General Obligation bonds have been issued for governmental activities. The Certificates of Obligation bonds are direct obligations and pledge the full faith and credit of the government. The original amount of the Certificates of Obligation and General Obligation Bonds issued was \$27,210,000.

Certificates of Obligation and General Obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities – Series 2018	2.70-4.00	\$6,205,000
Governmental activities – Series 2017	2.70-4.00	\$3,970,000
Governmental activities – Series 2014	2.49	\$1,195,000
Governmental activities – Series 2007	4.00	\$ 685,000
Governmental activities – Series 2019	2.56	\$2,020,000 Refunding
Governmental activities – Series 2012	1.75-2.125	\$3,885,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	Governmental Activities	
September 30,	Principal	Interest
2020	\$1,375,000	\$483,098
2021	1,815,000	437,027
2022	1,880,000	383,437
2023	1,700,000	332,889
2024	1,760,000	285,487
2025-2029	6,195,000	864,588
2030-2033	3,235,000	176,123
TOTALS	<u>\$17,960,000</u>	<u>\$2,962,649</u>

The pledged security for the above bonds is as follows:

Governmental activities – Series 2018	Ad Valorem Taxes
Governmental activities – Series 2017	Ad Valorem Taxes
Governmental activities – Series 2014	Ad Valorem Taxes
Governmental activities – Series 2007	Ad Valorem Taxes
Governmental activities – Series 2019	Ad Valorem Taxes
Governmental activities – Series 2012	Ad Valorem Taxes

Capital Leases

Capital Leases: The government has entered several capital lease agreements as lessee for financing the acquisition of machinery and equipment; as set forth below. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The security pledged for the capital leases is the equipment financed.

	Governmental Activities		
	Fire Ladder		
ASSET	Truck	Ambulance	TOTAL
COST	\$924,357	\$192,919	\$1,117,276
ACCUMULATED DEPRECIATION	(924,357)	(55,120)	(979,477)
NET ASSET	\$0	\$137,799	\$137,799

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, were as follows:

	Governmental Activities		Total
	Fire Ladder		
	Truck	Ambulance	
YEAR	Amount	Amount	Amount
2020	\$116,876	\$40,369	\$157,245
2021		40,369	40,369
2022		40,369	40,369
Total Minimum Lease Payments	116,876	121,107	237,983
Less: Amount Representing Interest	5,044	5,700	10,744
Present Value of Net Minimum Lease Payments	\$111,832	\$115,407	\$227,239

FEMA Community Disaster Loan

The City applied for and received a \$4,347,745 FEMA Community Disaster Loan. The Community Disaster Loan (CDL) Program provides operational funding to help local governments that have incurred a significant loss in revenue, due to a major disaster, that has or will adversely affect their ability to provide essential municipal services. The principal and Interest less such as may be canceled pursuant to Section 417 of the Stafford Disaster Relief and Emergency Assistance Act, Public Law 93-288, as amended. The standard loan is for five years. However, it may be extended to 10 years depending on circumstances. FEMA may, at its discretion, cancel all or part of the loan.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	REFUNDING		Ending Balance	Due Within One Year	Due After One Year
				Additions	Reductions			
<u>Governmental Activities:</u>								
General Obligation Bonds	\$19,440,000		\$1,510,000	\$2,020,000	\$1,990,000	\$17,960,000	\$1,375,000	\$16,585,000
Bond Premiums	530,454		45,294			485,160		485,160
Total Bonds Payable	19,970,454	0	1,555,294	2,020,000	1,990,000	18,445,160	1,375,000	17,070,160
Capital Lease Purchases	370,889		143,650			227,239	149,374	77,865
Community Disaster Loan Proceeds		4,347,745				4,347,745		4,347,745
OPEB Liability	246,868	243,549	246,868			243,549		243,549
Net Pension Liability	2,316,984	1,120,271			0	3,437,255		3,437,255
Compensated Absences	272,465	265,743	272,465			265,743	265,743	0
Total Other	3,207,206	5,977,308	662,983	0	0	8,521,531	415,117	8,106,414
Total Governmental Activities	23,177,660	5,977,308	2,218,277	2,020,000	1,990,000	26,966,691	1,790,117	25,176,574
<u>Business-Type Activities:</u>								
OPEB Liability	23,732	23,030	23,732			23,030		23,030
Net Pension Liability	244,429	105,894			0	350,323		350,323
Compensated Absences	14,848	14,589	14,848			14,589	14,589	0
Total Business-Type Activities	283,009	143,513	38,580	0	0	387,942	14,589	373,353
Grand Total	\$23,460,669	\$6,120,821	\$2,256,857	\$2,020,000	\$1,990,000	\$27,354,633	\$1,804,706	\$25,549,927

The government-wide statement of net position includes \$1,804,706 as "noncurrent liabilities, due within one year". There was no interest capitalized in the Capital assets but rather was expended in the financial statements. Note: Compensated absences are short term liabilities. The governmental activities bonds Series 2007, 2019 Refunded, 2012, 2014, 2017, and 2018 are serviced by the Debt Service Fund, the capital leases are serviced by the General Fund and the Beach fund, and the compensated absences are serviced by the General Fund. The Business-type activities compensated absences are serviced by the Gas Fund, the Sanitation Fund, and the Harbor Fund.

For a discussion of other post employee benefits please see part V F in these notes.

G. Segment information

Because the gas fund, the sanitation fund, and the harbor fund are reported as major funds in the fund financial statements, separate segment disclosures for them are not required.

V. Other Information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and number of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claim's liability estimate.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year ended <u>09/30/18</u>	Year ended <u>09/30/19</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

General Liability Insurance

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims more than \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance

Property, casualty, mobile equipment, boiler, and machinery insurance is provided by TML.

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. Subsequent Events

In the October 17, 2019 meeting, Council approved RFP for City Hall/Civic Center repair to Argio Roofing and Construction LLC in the amount of \$871,075.00, and approved Professional Service Task Order Agreement with Urban Engineering Inc Task Order #25 in the amount of \$279,139.00 for the design of the City of Port Aransas Roadway Damages. The Council also authorized the purchase of (3) 2019 Ford F150 Extended Cab 4X4 Trucks for the Police Department from Silsbee Ford thru Goodbuy Cooperative in the amount of \$112,032.75.

In the November 21, 2019 Council Meeting, Council approved RFP for the Community Pool Improvements and Repairs to the lowest responsible bidder, Atlantis Pool Plastering, Inc in the amount of \$101,250.00; authorizing bid alternates in the amount of \$67,957.00 with funds in the total amount of \$169,207.00. Council awarded RFP for the Jerry McDonald Ball Field to Gourley Contracting in the total amount of \$956,400.00.

Council also approved the following Professional Services – Task/Change Order Agreement:

- **Urban Engineering** - approving Task Order #1, in the amount of \$222,705.00, for enhancements to the Municipal Marina and Roberts Point Park – improvements to dock 10.
- **Urban Engineering** - approving Task Order #26, in the amount of \$851,200.00, for the City of Port Aransas Hazard Mitigation Drainage Improvements.

In the January 16, 2020 Council Meeting, Council approved to authorize the purchase of Splashpad Equipment for the Parks and Recreation Department from Kraftsman Commercial Playgrounds & Water Parks through Buy Board in the amount of \$350,903.14.

Council also authorized the purchase of (1) one 2019 F-450 Medix Ambulance for the EMS Department from Southwest Ambulance Sales through HGAC for a total of \$227,022.00. This will be a 5-year tax-exempt lease purchase financing proposal with Government Finance Corporation for a purchase price of \$227,022.00 at 2.45% interest and annual payments of \$47,628.56, for a total cost of \$238,142.80.

Council also approved the following Professional Services – Task/Change Order Agreement:

- **Gignac Architects**-approving Amendment #2 of Task order #4, in the amount of \$238,287.00, for architectural design services for the fire station facility.
- **Urban Engineering**-approving Task Order #2, in the amount of \$120,282.00, for enhancements to Municipal Marina & Roberts Point Park-Enhanced Parking, and Task Order #3, in the amount of \$78,969.00, for enhancements to Municipal Marina & Roberts Point Park-Enhanced Mobility.

In July 2020 meeting, Council approved the Professional Services-Task Order #29 agreement with **Urban Engineering**, in the amount of \$113,584.00, for Charlie's Pasture Temporary Bulkhead.

C. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The City is participating in the following causes of action:

Cause No. 2017CCV-61369-1; *City of Port Aransas, Texas; Charles R. Bujan, Mayor; and David Parsons, City Manager vs. Julie Smith Shodrok*; In the County Court at Law No. 1 of Nueces County, Texas. The trial court entered judgment against the City for \$50,000.00. The case is on appeal. The 13th Court of Appeals recently ruled in favor of the City, the Mayor and City Manager.

Cause No. 2018DCV-2277-A; *Julie Smith Shodrok vs. Charles R. Bujan*; In the 28th Judicial District Court of Nueces County, Texas. Texas Municipal League Intergovernmental Risk Pool is providing a defense under Reservation of Rights for this suit filed against Mayor Bujan, in his individual capacity, for statements he made that Ms. Shodrok violated the law. Statements made by the Mayor were made on social media and commented on in the community. There has not been any attempt to assert liability against the City of Pott Aransas for this case. The case is pending.

Cause No. 2019CCV-61513-3; *Port of Corpus Christi Authority of Nueces County, Texas vs. City of Port Aransas*; In the County Court at Law No. 3 of Nueces County, Texas. The City filed a plea to the jurisdiction. The Court ruled in favor of the City and that ruling is on appeal.

Cause No. 2019DCV-6221-B, *The City of Port Aransas, Texas vs. The Port of Corpus Christi Authority of Nueces County, Texas*; In the 117th Judicial District Court of Nueces County, Texas. The Port filed a plea to the jurisdiction which has not been heard.

Port of Corpus Christi Authority of Nueces County, Texas v. City of Port Aransas, Texas; Cause No. 2019CCV-6113-3; County Court at Law No. 3 of Nueces County, Texas. **Nature of the Litigation**: On September 3, 2019, Plaintiff Port of Corpus Christi Authority of Nueces County, Texas ("Port"), filed suit against the City seeking declaratory judgment, injunctive relief, and attorney's fees based on the City's enactment of a resolution and an ordinance that concerned potential development on and around Harbor Island, which is an island located within the corporate limits of the City. **Progress of the Litigation to Date**: The City filed a plea to the jurisdiction seeking the dismissal of the Port's suit based on the Port's lack of standing and the City's governmental immunity. The trial court granted the plea on certain grounds, but denied it as to others. As a result, the trial court did not dismiss the case. The City filed an interlocutory appeal of the plea order to the 13th Court of Appeals. The City and the Port entered into a settlement agreement in August 2020. The case on appeal has been dismissed and the case in the trial court will be dismissed once the mandate from the court of appeals is issued.

City of Port Aransas, Texas v. The Port of Corpus Christi Authority of Nueces County, et al; Cause No. 2019DCV-6221-B; 117th Judicial District Court of Nueces County, Texas. **Nature of the Litigation:** In January, 2020, the City filed suit against the Port of Corpus Christi Authority of Nueces County, Texas ("Port"), and against Sam Esquivel ("Esquivel") in his official capacity only as Director of Real Estate Services of the Port of Corpus Christi Authority of Nueces County, Texas. The suit sought a declaratory judgment that the City had not breached the City's marina lease with the Port. **Progress of the Litigation to Date:** The Port filed a plea to the jurisdiction seeking the dismissal of the City's suit based on the Port's governmental immunity. The trial court granted the plea and dismissed the case. The City filed an appeal to the 13th Court of Appeals. The City and the Port entered into a settlement agreement in August 2020, which also resolved the City's claims against Esquivel. The case on appeal has been dismissed and the case in the trial court will be dismissed once the mandate from the court of appeals is issued.

D. Prior Period Adjustments

The City has determined that certain transactions were recorded incorrectly in a prior year. The City had a prior period adjustment whereby the governmental activities' Net Position was restated upward by \$336,271. The restatement occurred because a capital lease listed as being outstanding on September 30, 2018 was actually paid off in September 2018. The restatement had the corresponding effect on the beginning Net Position as follows:

	Net Position, as Previously Reported	Capital Lease Restatement	Net Position As Restated
Governmental Activities:			
Net Position	\$24,716,617	\$336,271	\$25,052,888
Total Governmental Activities	\$24,716,617	\$336,271	\$25,052,888

E. Related Party Transactions

Council Member–Place #1 - is an officer of American Bank, which is a depositor for the City.

F. Defined Benefit Pension Plans

EXECUTIVE SUMMARY

as of December 31, 2018

Actuarial Valuation and Measurement Date, December 31,	2018	2017
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	53	50
- Inactive employees entitled to but not yet receiving benefits	66	66
- Active employees	109	118
- Total	228	234
 Covered Payroll	 \$5,824,298	 \$6,283,090
Net Pension Liability		
Total Pension Liability	\$16,458,907	\$15,263,536
Plan Fiduciary Net Position	12,671,324	12,702,118
Net Pension Liability/(Asset)	\$3,787,583	\$2,561,418
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 76.99%	 83.22%
 Net Pension Liability/(Asset) as a Percentage of Covered Payroll	 65.03%	 40.77%
Development of the Single Discount Rate		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate	3.71%	3.31%
 Last year ending December 31 in the 100-year projection period for which projected benefit payments are fully funded	 N/A	 N/A

SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$848,018
2. Interest on the Total Pension Liability	1,036,361
3. Changes in Current Period Benefits Including Substantively Automatic Status	0
4. Employee Contributions (Reduction of Expense)	(349,458)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(857,393)
6. Administrative Expense	7,354
7. Other Changes in Fiduciary Net Position	384
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(5,376)
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets	247,603
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	(77,040)
11. Amortization of Prior Year Outflows (Inflows) of Resources-Assets	(4,969)
12. Total Pension Expense (Income)	<u>\$845,484</u>

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization year)	Total (Inflow) or Outflow of Resources	2018 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	3.8900	(\$20,913)	(\$5,376)	(\$15,537)
Change in assumptions [actuarial (gains) or losses]	3.8900	\$0	\$0	\$0
			<u>(\$5,376)</u>	<u>(\$15,537)</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$1,238,014	\$247,603	\$990,411
			<u>\$247,603</u>	<u>\$990,411</u>
Total:				<u>\$974,874</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2019	\$226,629
2020	89,441
2021	89,765
2022	247,602
2023	0
Thereafter	0
Total	<u>\$653,437</u>

Note to City:

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions; the City will build this report over the next ID-year period. The data in this schedule is based on the City's fiscal year-end, not the valuation/measurement date as provided in other schedules of this report.

The Actuarially Determined Contribution (ADC) dollar amount can be calculated by multiplying the City's Full Retirement Rate (excludes portion of rate for Supplemental Death Benefits Fund) by the applicable payroll amount (for payroll, cities can use "gross earnings" as noted on line 1 of their TMRS-3 "Summary of Monthly Payroll Report"). The applicable months for the City's fiscal year are summed to determine the total ADC. Actual contribution amounts (employer-portion) remitted to TMRS will equal the "contributions in relation to ADC", with the deficiency/(excess) result then calculated. Covered payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

For additional detailed information, please reference the TMRS "GASB 68 Employer Reporting Guide."

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$6,242,163	\$3,787,583	\$1,787,161

SUMMARY OF ACTUARIAL ASSUMPTIONS

These 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 postretirement 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 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization

I. Economic Assumptions

A. General Inflation — General Inflation is assumed to be 2.50% per year.

B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers,
2. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

C. Overall Payroll Growth — 3.00% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2005 to 2014, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

D. Individual Salary Increases —

Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of Service	Rate (%)
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25+	3.50%

- E. Annuity Increase - The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Port Aransas annual annuity increases of 1.86% are assumed when calculating the TPL.

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Port Aransas the base table is then multiplied by a factor of 80.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 63%, 2) Police - 88%, or 3) Other - 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Port Aransas the base table is then multiplied by a factor of 80.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 52%, 2) Police — 79%, or 3) Other — 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1 ½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment 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.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

G. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	Males			Females		
	Entry Age Groups			Entry Age Groups		
	Ages 32 & Under	Ages 33 - 47	Ages 48 & Over	Ages 32 & Under	Ages 33 - 47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1-1	0.75	0.80	0.84
1.5-1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 90%

III. Methods and Assumptions

- A. Valuation of Assets — The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 15% corridor around the market value of assets, if necessary,
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.

- C. Amortization Policy: For "underfunded" cities with twenty or more employees, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of "laddering". Bases that existed prior to this valuation continue to be amortized on their original schedule. Beginning January 1, 2016, all new experience losses are amortized over individual periods of not more than 25 years. Previously, some cities amortized their losses over a 30-year period. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific City which in turn decreases contribution rate volatility.

Once a City reaches an "overfunded" status, all prior non-ad hoc bases are erased and the surplus for overfunded cities is amortized over a 25-year open period.

Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 15 years or the current life expectancy of the covered group.

For the December 31, 2013 actuarial valuation, there was a one-time change in the amortization policy for underfunded cities implemented in conjunction with the changes to the assumptions and cost method to minimize rate volatility associated with these changes. An initial ARC was developed using the methodology described above. For cities with a decrease in the rate compared to the rate calculated prior to changes, the amortization period for all non-ad hoc bases was shortened enough to keep the rates stable (if possible). Cities with an increase of more than 0.50% were allowed to extend the amortization periods for non-ad hoc bases up to 30 years to keep the full contribution rate from increasing. For cities with an increase of 0.50% or less, the amortization periods for all non-ad hoc bases could be extended to 25 years to keep the rate from increasing. The amortization period calculated in the prior steps was then rounded up to the nearest integer to calculate the final full contribution rate.

- D. Small City Methodology For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20-member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use $(25 - (20 - 8)) = 13$ -year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $25 - (20 - 1) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

IV. Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): An exponential average of the actual salaries paid during the prior fiscal years, with 33% weight given to the most recent year and 67% weight given to the expected payroll for the previous fiscal year, moved forward with one year's payroll growth rate and adjusted for changes in population.
2. Individual salaries used to project benefits: For members with more than three years of service, actual salaries from the past three fiscal years are used to determine the USC final average salary as of the valuation date. For future salaries, this three-year average is projected forward with two years of salary scale to create the salary for the year following the valuation. This value is then projected with normal salary scales.
3. Timing of benefit payments: Benefit payments are assumed to be made in the middle of the month. Although TMRS benefits are paid at the end of the month, eligibility for that payment is determined at the beginning of the month. A middle of month payment approximates the impact of the combination of eligibility determination and actual payment timing.
4. Percent married: 100% of the employees are assumed to be married.
5. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
6. Optional Forms: Healthy members are assumed to choose a life only benefit when they retire. Disabled members are assumed to select a 50% Joint and Survivor option when they retire.
7. Percent electing annuity on death (when eligible): For vested members not eligible for retirement, 75% of the spouses of male members and 70% of the spouses of female members are assumed to commence an immediate benefit in lieu of a deferred annuity or a refund. Those not electing an immediate benefit are assumed to take a refund. All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity that commences immediately.
8. Partial Lump Sum Utilization: It is assumed that each member at retirement will withdraw 40% of their eligible account balance.
9. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(H).

10. There will be no recoveries once disabled.
11. No surviving spouse will remarry and there will be no children's benefit.
12. Decrement timing: Decrements of all types are assumed to occur mid-year.
13. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
14. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
15. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
16. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
17. The decrement rates for service-related decrements are based on total TMRS eligibility service.

V. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service, salary, employee contribution account balances, as well as the data used in the next calculation of the Updated Service Credit (USC). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, form of payment code, and aggregate increase in the CPI that will be used in the next calculation of the cost of living adjustment.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Actual CPI is used to model the wear-away effect or "catch-up" when a city changes its COLA provisions. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date,

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

**Amortization Schedule
Deferred (Inflows)/Outflows of
Resources**

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year						
			2018	2019	2020	2021	2022	2023	Thereafter
Due to Liabilities:									
difference in experiences (inflows)/outflows									
2018	3.8900	(\$20,913)	(\$5,376)	(\$5,376)	(\$5,376)	(\$4,785)	\$0	\$0	\$0
2017	2.9400	\$1,213	\$413	\$413	\$387	\$0	\$0	\$0	\$0
2016	1.9100	22,047	11,543	10,504	0	0	0	0	0
2015	1.0000	(109,505)	(109,505)	0	0	0	0	0	0
		Total	(\$102,925)	\$5,541	(\$4,989)	(\$4,785)	\$0	\$0	\$0
change in assumptions (inflows)/outflows									
2015	1.0000	\$20,509	\$20,509	\$0	\$0	\$0	\$0	\$0	\$0
		Total	\$20,509	\$0	\$0	\$0	\$0	\$0	\$0
Due to Assets:									
excess investment returns (inflows)/outflows									
2018	5.0000	\$1,238,014	\$247,603	\$247,603	\$247,603	\$247,603	\$247,602	\$0	\$0
2017	4.0000	(\$612,206)	(\$153,051)	(\$153,051)	(\$153,051)	(\$153,053)	\$0	\$0	\$0
2016	3.0000	(364)	(121)	(121)	(122)	0	0	0	0
2015	2.0000	253,315	126,658	126,657	0	0	0	0	0
2014	1.0000	21,545	21,545	0	0	0	0	0	0
		Total	\$242,634	\$221,088	\$94,430	\$94,550	\$247,602	\$0	\$0

G. GASB 75 Information

Actuarial and Financial Schedules

As of Measurement Date of December 31, 2018

Actuarial Valuation and Measurement Date, December 31,	2018
Membership	
Number of	
-Inactive employees currently receiving benefits	36
-Inactive employees entitled to but not yet receiving benefits	12
-Active employees	109
-Total	157
Covered Payroll	\$5,824,298
Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	\$270,600
Changes for the year	
Service cost	19,803
Interest on Total OPEB Liability	9,256
Changes of benefit term	0
Differences between expected and actual experience	(12,937)
Changes in assumptions or other inputs	(18,393)
Benefit payments	(1,747)
Net changes	(4,018)
Total OPEB Liability - end of year	\$266,582
Total OPEB Liability as a Percentage of Covered Payroll	4.58%

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	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.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Note: The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Total OPEB liability	\$315,821	\$266,582	\$227,611

OPEB Expense:

Service cost	\$19,803
Interest on total OPEB Liability	9,256
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(2,274)
Changes in assumptions or other inputs	418
Total OPEB expense	<u>\$27,203</u>

Deferred (Inflows)/Outflows of Resources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	(\$10,663)	\$0
Changes in assumptions and other inputs	(1,685)	0
Contributions made subsequent to measurement date	N/A	NONE
Total (excluding contributions made subsequent to measurement date)	(\$12,348)	\$0

Schedule of Outflows and Inflows - Current and future expense

	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2018 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	5.6900	(\$12,937)	(\$2,274)	(\$10,663)
Change in assumptions [actuarial (gains) or losses]	5.6900	(18,393)	(3,233)	(\$15,160)
Contributions made subsequent to measurement date		NONE	NONE	NONE
Total (excluding city provided contributions made subsequent to measurement date):				<u>(\$25,823)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

	Net deferred outflows (inflows) of resources
2019	(\$1,856)
2020	(1,856)
2021	(1,856)
2022	(2,985)
2023	(3,795)
Thereafter	0
	<u>(\$12,348)</u>

Amortization Schedule - Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	2018	2019	2020	2021	2022	2023	Thereafter
difference in experience (inflows)/outflows									
2018	5.6900	(\$12,937)	(\$2,274)	(\$2,274)	(\$2,274)	(\$2,274)	(\$2,274)	(\$1,567)	(\$43)
Total			(\$2,274)	(\$2,274)	(\$2,274)	(\$2,274)	(\$2,274)	(\$1,567)	(\$43)
change in assumptions (inflows)/outflows									
2018	5.6900	(\$18,393)	(\$3,233)	(\$3,233)	(\$3,233)	(\$3,233)	(\$3,233)	(\$2,228)	\$0
2017	4.6900	\$17,126	\$3,651	\$3,651	\$3,651	\$3,651	\$2,522	\$0	\$0
Total			\$418	\$418	\$418	\$418	(\$711)	(\$2,228)	\$0

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2019	<i>0.22%</i>	<i>0.03%</i>
2018	<i>0.22%</i>	<i>0.03%</i>
2017	<i>0.23%</i>	<i>0.04%</i>

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

Total covered payroll * Retiree Portion of SDB Contribution (Rate)

Consideration should be given to the time period of contributions incurred (i.e., City's fiscal year vs. calendar year) to ensure the proper contribution rate is utilized in the above calculation.

Actuarial Assumptions

These 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.

I. Economic Assumptions

- A. General Inflation – General Inflation is assumed to be 2.50% per year.
- B. Discount Rates – Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of the measurement date.
- C. Individual Salary Increases – Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

<u>Years of Service</u>	<u>Rate (%)</u>
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25+	3.50%

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Port Aransas the base table is then multiplied by a factor of 80.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 63%, 2) Police – 88%, or 3) Other – 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Port Aransas the base table is then multiplied by a factor of 80.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 52%, 2) Police – 79%, or 3) Other – 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

- C. Service Retirees and Beneficiary Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 97.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment 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.

E. Pre-Retirement Mortality

For calculating the OPEB liability and the contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

G. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	Males			Females		
	Entry Age Groups			Entry Age Groups		
	Ages 32 & Under	Ages 33 – 47	Ages 48 & Over	Ages 32 & Under	Ages 33 – 47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1 – 1	0.75	0.80	0.84
1.5 – 1	0.81	0.86	0.92
2 – 1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 90%

III. Methods and Assumptions

- A. Valuation of Assets – For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.
- C. Supplemental Death Benefit – The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost.

IV. Other Assumptions

- 1. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(G).
- 2. There will be no recoveries once disabled.
- 3. Decrement timing: Decrements of all types are assumed to occur mid-year.
- 4. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
- 5. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
- 6. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

7. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
8. The decrement rates for service-related decrements are based on total TMRS eligibility service.

V. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service and salary. For retired members, the data included date of birth, gender and date of retirement.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Adjustments are made for members who have service both in a city with “20 and out” retirement eligibility and one that hasn’t adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

REQUIRED SUPPLEMENTARY INFORMATION

A. Total pension liability

	2018	2017	2016
1. Service Cost	\$848,018	\$907,907	\$826,657
2. Interest (on the Total Pension Liability)	1,036,361	957,205	875,901
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	(20,913)	1,626	45,133
5. Changes of assumptions	0	0	0
6. Benefit payments, including refunds of employee contributions	(668,095)	(660,131)	(507,493)
7. Net change in total pension liability	1,195,371	1,206,607	1,240,198
8. Total pension liability -- beginning	15,263,536	14,056,929	12,816,731
9. Total pension liability - ending	16,458,907	15,263,536	14,056,929

B. Plan fiduciary net position

1. Contributions - employer	676,202	739,519	702,974
2. Contributions - employee	349,458	376,985	345,160
3. Net investment income	(380,621)	1,491,703	647,381
4. Benefit payments, including refunds of employee contributions	(668,095)	(660,131)	(507,493)
5. Administrative Expense	(7,354)	(7,730)	(7,313)
6. Other	(384)	(392)	(394)
7. Net change in plan fiduciary net position	(30,794)	1,939,955	1,180,315
8. Plan fiduciary net position - beginning	12,702,118	10,762,163	9,581,848
9. Plan fiduciary net position - ending*	12,671,324	12,702,118	10,762,163

C. Net pension liability (A.9 - B.9)

\$3,787,583	\$2,561,418	\$3,294,766
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D. Plan fiduciary net position as a percentage
of the total pension liability (B.9 / A.9)

76.99%	83.22%	76.56%
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E. Covered-employee payroll (B.9 / A.9)

\$5,824,298	\$6,283,090	\$5,752,659
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F. Net pension liability as a percentage
of covered employee payroll (C/E)

65.03%	40.77%	57.27%
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SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018
Actuarially Determined Contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

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	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
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 generated basis with scale BB

Other Information:

Notes

There were no benefit changes during the year.

OPEB Retirement System Information:

OPEB Plan - GRS

Changes in the Total OPEB Liability

Changes for the year

	2017	2018
1. Service Cost	\$18,849	\$19,803
2. Interest on Total OPEB Liability	8,802	9,256
3. Changes of benefit terms	0	0
4. Difference between expected and actual experience	0	(12,937)
5. Changes in assumptions or other inputs	20,777	(18,393)
6. Benefit payments	(2,513)	(1,747)
7. Net changes	45,915	(4,018)
Total OPEB Liability - beginning of year	\$224,685	\$270,600
Total OPEB Liability - end of year	\$270,600	\$266,582

E. Covered-employee payroll (B.9 / A.9) \$6,283,090 \$5,824,298

F. Total OPEB Liability as a Percentage of Covered Payroll 4.31% 4.58%

CITY OF PORT ARANSAS, TEXAS

CONSTRUCTION FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$10,000	\$10,000	\$87,627	\$77,627
Miscellaneous				0
Total Revenues	10,000	10,000	87,627	77,627
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	2,400,000	2,835,000	1,970,660	864,340
Total Expenditures	2,400,000	2,835,000	1,970,660	864,340
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,390,000)	(2,825,000)	(1,883,033)	941,967
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Bond Proceeds				0
Operating Transfers In	0	435,000	435,000	0
Operating Transfers Out	(4,000,000)	(4,000,000)	(4,288,634)	(288,634)
Total Other Financing Sources (Uses)	(4,000,000)	(3,565,000)	(3,853,634)	(288,634)
Net Changes in Fund Balances	(\$6,390,000)	(\$6,390,000)	(5,736,667)	\$653,333
Fund Balances - Beginning	6,061,825	6,061,825	6,061,825	
Fund Balances - Ending	(\$328,175)	(\$328,175)	\$325,158	\$653,333

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF PORT ARANSAS, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

	SPECIAL REVENUE				
	Hotel/Motel Fund	Airport Fund	Court Security Fund	Court Tech- nology Fund	Library Fund
ASSETS					
Cash and Cash Equivalents	362,879	324,696	10,820	3,514	83,945
Receivables (Net of Allowance for Uncollectibles)	2,500	11,066			
Inventories		15,249			
Total Assets	365,379	351,011	10,820	3,514	83,945
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	337,283	5,678			
Accrued Wages		277			
Total Liabilities	337,283	5,955	0	0	0
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Taxes					
Fund Balances					
Non-Spendable					
Inventories	0	15,249			
Restricted					
Culture and Recreation		329,807			83,945
Debt Service					
Economic Development	28,096				
Public Safety			10,820	3,514	
Committed					
Construction					
Culture and Recreation					
Public Transportation					
Total Fund Balances	28,096	345,056	10,820	3,514	83,945
TOTAL LIABILITIES AND FUND BALANCES	365,379	351,011	10,820	3,514	83,945

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

SPECIAL REVENUE						DEBT SERVICE	
Impact Fees Zone 1 Fund	Impact Fees Zone 2 Fund	Nature Preserve Funds	Park Dedica- tion Fees	Recreational Develop- ment Fund	Street Main- tenance Fund	Debt Service Fund	Total
329,177	15,827	44,029	310,037	981,641	343,973	158,377	\$2,968,915
				94,139		25,132	132,837
							15,249
329,177	15,827	44,029	310,037	1,075,780	343,973	183,509	\$3,117,001
		25,387		7,566			\$375,914
		1,054		4,346			5,677
0	0	26,441	0	11,912	0	0	381,591
						25,132	25,132
							15,249
		17,588		1,063,868			1,495,208
						158,377	158,377
							28,096
							14,334
329,177	15,827		310,037				345,004
					343,973		310,037
							343,973
329,177	15,827	17,588	310,037	1,063,868	343,973	158,377	2,710,278
329,177	15,827	44,029	310,037	1,075,780	343,973	183,509	\$3,117,001

CITY OF PORT ARANSAS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	SPECIAL REVENUE				
	Hotel/Motel	Airport	Court	Court	
	Fund (100)	Fund	Security	Technology	Library
	Fund	Fund	Fund	Fund	Fund
<i>REVENUES</i>					
Taxes					
Property					
Sales					
Hotel/Motel	2,622,242				
Intergovernmental		9,537			600
Charges for Services		143,246			
Fines and Forfeitures			3,717	4,956	
Interest	10,403	7,306	218	40	52
Miscellaneous					8,122
Total Revenues	2,632,645	160,089	3,935	4,996	8,774
<i>EXPENDITURES</i>					
Current:					
General Administration					
Economic Development	2,272,610				
Public Safety					
Municipal Court			4,830	5,505	
Public Transportation					
Regional Transit					
Culture and Recreation					
Airport		163,051			
Library					2,769
Nature Preserve					
Park					
Debt Service					
Principal Retirement					
Interest and Fiscal Charges					
Total Expenditures	2,272,610	163,051	4,830	5,505	2,769
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	360,035	(2,962)	(895)	(509)	6,005
<i>OTHER FINANCING SOURCES (USES):</i>					
Operating Transfers In					
Operating Transfers Out	(349,632)				
Total Other Financing Sources (Uses)	(349,632)	0	0	0	0
Net Changes in Fund Balances	10,403	(2,962)	(895)	(509)	6,005
Fund Balances - Beginning	17,693	348,018	11,715	4,023	77,940
Fund Balances - Ending	28,096	345,056	10,820	3,514	83,945

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

SPECIAL REVENUE						DEBT SERVICE	
Impact Fees Zone 1 Fund	Impact Fees Zone 2 Fund	Nature Preserve Funds	Park Dedication Fees	Recreational Development Fund	Street Maintenance Fund	Debt Service Fund	Total
				962,898		1,458,096	\$1,458,096
							962,898
							2,622,242
		35,000					45,137
349,337			90,840				583,423
	10,352						19,025
6,001	210	6,555	5,738	21,077	10,390	1,602	69,592
		500		22,999			31,621
355,338	10,562	42,055	96,578	1,006,974	10,390	1,459,698	5,792,034
							2,272,610
							10,335
					3,416		3,416
							163,051
							2,769
		966,601					966,601
				754,487			754,487
						1,310,000	1,310,000
						554,216	554,216
0	0	966,601	0	754,487	3,416	1,864,216	6,037,485
355,338	10,562	(924,546)	96,578	252,487	6,974	(404,518)	(245,451)
		203,292			300,000	361,150	864,442
(175,000)				(120,000)	(435,000)		(1,079,632)
(175,000)	0	203,292	0	(120,000)	(135,000)	361,150	(215,190)
180,338	10,562	(721,254)	96,578	132,487	(128,026)	(43,368)	(460,641)
148,839	5,265	738,842	213,459	931,381	471,999	201,745	3,170,919
329,177	15,827	17,588	310,037	1,063,868	343,973	158,377	\$2,710,278

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL

CITY OF PORT ARANSAS, TEXAS

HOTEL/MOTEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	\$1,864,285	\$2,463,885	\$2,622,242	\$158,357
Interest	1,000	1,000	10,403	9,403
Total Revenues	1,865,285	2,464,885	2,632,645	167,760
EXPENDITURES				
General Administration				
Mayor and Council	1,616,715	2,216,315	2,272,610	(56,295)
Total Expenditures	1,616,715	2,216,315	2,272,610	(56,295)
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	248,570	248,570	360,035	111,465
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(248,570)	(248,570)	(349,632)	(101,062)
Total Other Financing Sources (Uses)	(248,570)	(248,570)	(349,632)	(101,062)
Net Changes in Fund Balances	0	0	10,403	10,403
Fund Balances - Beginning	17,693	17,693	17,693	
Fund Balances - Ending	\$17,693	\$17,693	\$28,096	\$10,403

CITY OF PORT ARANSAS, TEXAS

AIRPORT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$20,000	\$20,000	\$9,537	(\$10,463)
Charges for Services	163,050	163,050	143,246	(19,804)
Interest	2,000	2,000	7,306	5,306
Total Revenues	185,050	185,050	160,089	(24,961)
EXPENDITURES				
Current:				
Culture and Recreation				
Airport	435,150	441,950	163,051	278,899
Total Expenditures	435,150	441,950	163,051	278,899
Excess (Deficiency) of Revenues Over (Under) Expenditures	(250,100)	(256,900)	(2,962)	253,938
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(250,100)	(256,900)	(2,962)	253,938
Fund Balances - Beginning	348,018	348,018	348,018	
Fund Balances - Ending	\$97,918	\$91,118	\$345,056	\$253,938

CITY OF PORT ARANSAS, TEXAS

COURT SECURITY FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$3,500	\$3,500	\$3,717	\$217
Interest	100	100	218	118
Total Revenues	3,600	3,600	3,935	335
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	3,825	6,725	4,830	1,895
Total Expenditures	3,825	6,725	4,830	1,895
Excess (Deficiency) of Revenues Over (Under) Expenditures	(225)	(3,125)	(895)	2,230
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(225)	(3,125)	(895)	2,230
Fund Balances - Beginning	11,715	11,715	11,715	
Fund Balances - Ending	\$11,490	\$8,590	\$10,820	\$2,230

CITY OF PORT ARANSAS, TEXAS
COURT TECHNOLOGY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$5,000	\$5,000	\$4,956	(\$44)
Interest	50	50	40	(10)
Total Revenues	5,050	5,050	4,996	(54)
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	10,000	10,000	5,505	4,495
Total Expenditures	10,000	10,000	5,505	4,495
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,950)	(4,950)	(509)	4,441
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(4,950)	(4,950)	(509)	4,441
Fund Balances - Beginning	4,023	4,023	4,023	
Fund Balances - Ending	(\$927)	(\$927)	\$3,514	\$4,441

CITY OF PORT ARANSAS, TEXAS

IMPACT FEES ZONE 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$130,000	\$130,000	\$349,337	\$219,337
Interest	1,000	1,000	6,001	5,001
Total Revenues	131,000	131,000	355,338	224,338
EXPENDITURES				
Current:				
Capital Projects -				
Capital Outlay and Other				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	131,000	131,000	355,338	224,338
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(175,000)	(175,000)	(175,000)	0
Total Other Financing Sources (Uses)	(175,000)	(175,000)	(175,000)	0
Net Changes in Fund Balances	(44,000)	(44,000)	180,338	224,338
Fund Balances - Beginning	148,839	148,839	148,839	
Fund Balances - Ending	\$104,839	\$104,839	\$329,177	\$224,338

CITY OF PORT ARANSAS, TEXAS

IMPACT FEES ZONE 2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services			\$10,352	\$10,352
Interest	50	50	210	160
Total Revenues	50	50	10,562	10,512
EXPENDITURES				
Current:				
Capital Projects -				
Capital Outlay and Other				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	50	50	10,562	10,512
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	50	50	10,562	10,512
Fund Balances - Beginning	5,265	5,265	5,265	
Fund Balances - Ending	\$5,315	\$5,315	\$15,827	\$10,512

CITY OF PORT ARANSAS, TEXAS

NATURE PRESERVE PROJECT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$320,000	\$320,000	\$35,000	(\$285,000)
Interest	3,000	3,000	6,556	3,556
Miscellaneous			499	499
Total Revenues	323,000	323,000	42,055	(280,945)
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	968,265	1,008,265	966,601	41,664
Total Expenditures	968,265	1,008,265	966,601	41,664
Excess (Deficiency) of Revenues Over (Under) Expenditures	(645,265)	(685,265)	(924,546)	(239,281)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	369,265	369,265	203,292	(165,973)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	369,265	369,265	203,292	(165,973)
Net Changes in Fund Balances	(276,000)	(316,000)	(721,254)	(405,254)
Fund Balances - Beginning	738,842	738,842	738,842	
Fund Balances - Ending	\$462,842	\$422,842	\$17,588	(\$405,254)

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

CITY OF PORT ARANSAS, TEXAS

PARK DEDICATION FEES

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$45,000	\$45,000	\$90,840	\$45,840
Interest	2,500	2,500	5,738	3,238
Total Revenues	47,500	47,500	96,578	49,078
EXPENDITURES				
Current:				
Culture and Recreation				
Park Dedication				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	47,500	47,500	96,578	49,078
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	47,500	47,500	96,578	49,078
Fund Balances - Beginning	213,459	213,459	213,459	
Fund Balances - Ending	\$260,959	\$260,959	\$310,037	\$49,078

CITY OF PORT ARANSAS, TEXAS
RECREATIONAL DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Sales	\$666,700	\$666,700	\$962,899	\$296,199
Interest	7,500	7,500	21,077	13,577
Miscellaneous	30,000	30,000	22,998	(7,002)
Total Revenues	704,200	704,200	1,006,974	302,774
EXPENDITURES				
Current:				
Culture and Recreation				
Parks	896,400	896,400	754,487	141,913
Total Expenditures	896,400	896,400	754,487	141,913
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(192,200)	(192,200)	252,487	444,687
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out			(120,000)	(120,000)
Total Other Financing Sources (Uses)	0	0	(120,000)	(120,000)
Net Changes in Fund Balances	(192,200)	(192,200)	132,487	324,687
Fund Balances - Beginning	931,381	931,381	931,381	
Fund Balances - Ending	\$739,181	\$739,181	\$1,063,868	\$324,687

CITY OF PORT ARANSAS, TEXAS

STREET MAINTENANCE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$5,000	\$5,000	\$10,391	\$5,391
Total Revenues	5,000	5,000	10,391	5,391
EXPENDITURES				
Current:				
Public Transportation				
Regional Transit	40,000	40,000	3,417	36,583
Total Expenditures	40,000	40,000	3,417	36,583
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,000)	(35,000)	6,974	41,974
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	300,000	300,000	0
Operating Transfers Out	0	(435,000)	(435,000)	0
Total Other Financing Sources (Uses)	0	(135,000)	(135,000)	0
Net Changes in Fund Balances	(35,000)	(170,000)	(128,026)	41,974
Fund Balances - Beginning	471,999	471,999	471,999	
Fund Balances - Ending	\$436,999	\$301,999	\$343,973	\$41,974

CITY OF PORT ARANSAS, TEXAS

DEBT SERVICE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>REVENUES</i>				
Taxes				
Property	\$1,376,525	\$1,376,525	\$1,458,096	\$81,571
Interest	1,200	1,200	1,602	402
Total Revenues	<u>1,377,725</u>	<u>1,377,725</u>	<u>1,459,698</u>	<u>81,973</u>
<i>EXPENDITURES</i>				
Debt Service				
Principal Retirement	1,310,000	1,310,000	1,310,000	0
Interest Retirement	555,075	555,075	554,216	859
Total Expenditures	<u>1,865,075</u>	<u>1,865,075</u>	<u>1,864,216</u>	<u>859</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(487,350)	(487,350)	(404,518)	82,832
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	361,150	361,150	361,150	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>361,150</u>	<u>361,150</u>	<u>361,150</u>	<u>0</u>
Net Changes in Fund Balances	(126,200)	(126,200)	(43,368)	82,832
Fund Balances - Beginning	201,745	201,745	201,745	
Fund Balances - Ending	<u>\$75,545</u>	<u>\$75,545</u>	<u>\$158,377</u>	<u>\$82,832</u>

SINGLE AUDIT SECTION

PORT ARANSAS, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASS-THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDI- TURES	TOTAL STATE EXPENDI- TURES
U.S. DEPARTMENT OF HOMELAND SECURITY					
Direct Programs					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036				
CAT A City of Port Aransas Debris Removal		2309	NONE	5,159,078	573,231
Derelict vessels		37995	NONE	34,499	3,833
Marine Debris		37996	NONE	15,831	1,759
Bird Sanctuary Wetlands Debris		90196	NONE	973,334	108,148
EXP Port Aransas, Expedited CAT B - Emergency Protective Measures		2355	NONE	872,024	0
Temporary Facilities - EMS		42620	NONE	38,436	4,271
Temporary Facilities - Fire Station		17549	NONE	590,043	65,560
Temporary Facility - Jail/Public Safety Building		42615	NONE	702,447	78,050
Robert's Point Park Bulkhead		3137	NONE	93,346	10,372
Fire Station		6237	NONE	73,958	8,218
Chamber of Commerce Building		6293	NONE	193,899	21,544
Airport Office		6298	NONE	28,190	3,132
Marine Docks		9483	NONE	1,866,650	207,406
McDonald Field Concession, Restroom, Press Box		6355	NONE	11,545	1,283
Public Works Garage (DPW Garage)		16966	NONE	164,591	18,288
Gas System		3141	NONE	579,198	64,355
Community Park		3142	NONE	638,884	70,987
Roads & Bridges		3130	NONE	8,951	995
Robert's Point Park Pier		35880	NONE	157,591	17,510
Charlie's Pasture Pier		35881	NONE	100,598	11,178
Station Street Pier		35883	NONE	65,723	7,303
Mustang Beach Airport		36910	NONE	221,256	24,584
Cemetery		38560	NONE	(17,445)	(1,938)
Port Aransas DAC		65826	NONE	1,496,717	166,302
				<u>14,069,344</u>	<u>1,466,371</u>
Total U.S. Department of Homeland Security				<u>14,069,344</u>	<u>1,466,371</u>
U.S. DEPARTMENT OF COMMERCE					
Pass through					
Texas Department of Transportation					
Federal Assistance for Economic Development	11.307	08-79-05258	NONE	<u>886,165</u>	
Total U.S. Department of Commerce				<u>886,165</u>	
U.S. DEPARTMENT OF THE INTERIOR					
Direct					
Coastal	15.630	NONE	NONE	<u>15,259</u>	
Total U.S. Department of Interior				<u>15,259</u>	
Texas Parks and Wildlife					
CLP Paradise Pond					<u>29,999</u>
Texas Department of Public Safety					
Ramp Grant					<u>9,537</u>
Texas Forestry Service					
Fire Gear					<u>15,000</u>
TOTAL EXPENDITURES				<u>\$14,970,768</u>	<u>\$1,520,907</u>

See Accompanying Notes to Schedule of Federal Financial Assistance

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND STATE OF
TEXAS *AUDITING STANDARDS*

To the Mayor and City Council
City of Port Aransas, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Port Aransas, Texas' basic financial statements and have issued our report thereon dated November 18, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as finding 2019-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Port Aransas, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BEYER & COMPANY
Certified Public Accountants
November 18, 2020

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
REQUIRED BY UNIFORM GRANT STANDARDS PROMULGATED BY THE OFFICE OF THE
GOVERNOR UNDER 34 TAC PART 1, CHAPTER 20, SUBCHAPTER I- COMPTROLLER

To the Mayor and City Council
City of Port Aransas, Texas

Report on Compliance for Each Major Federal and State Program

We have audited the City of Port Aransas, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Port Aransas, Texas' major Federal and State programs for the year ended September 30, 2019. The City of Port Aransas, Texas' major Federal and State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its Federal and State awards applicable to its Federal and State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Port Aransas, Texas' major Federal and State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I-Comptroller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal and State program occurred. An audit includes examining, on a test basis, evidence about the City of Port Aransas, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal and State program. However, our audit does not provide a legal determination of the City of Port Aransas, Texas' compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City of Port Aransas, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal and State programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the City of Port Aransas, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Port Aransas, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal and State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal and State program and to test and report on internal control over compliance in accordance with the Uniform Guidance and with Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Port Aransas, Texas' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller. Accordingly, this report is not suitable for any other purpose.

Beyer & Co.

BEYER & COMPANY
Certified Public Accountants
November 18, 2020

CITY OF PORT ARANSAS, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal and State Awards (the Schedule) includes the federal and state award activity of the City of Port Aransas, Texas under programs of the federal and state government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards* (Uniform Guidance) and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller. Because the Schedule presents only a selected portion of the operations of the City of Port Aransas, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Port Aransas, Texas.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller.

NOTE C-INDIRECT COST RATE

The City of Port Aransas, Texas has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF PORT ARANSAS, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal and state

There were no prior significant deficiencies over major Federal and State award programs disclosed during the audit. There were no prior material weaknesses over major Federal and State award programs disclosed during the audit.

There was a prior year financial statement significant deficiency finding regarding "Segregation of Duties". This finding has been corrected.

CITY OF PORT ARANSAS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Section I - Summary of Auditors Results

Financial Statements Section

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Port Aransas, Texas.
2. There was one significant deficiency disclosed during the audit. There was no material weakness disclosed during the audit.

Federal Awards Section

3. There were no instances of noncompliance material to the financial statements of the City of Port Aransas, Texas, which would be required to be reported in accordance with Government Auditing Standards.
4. There was no significant deficiency over major Federal and State award programs disclosed during the audit. There was no material weakness over major Federal and State award programs disclosed during the audit.
5. The auditor's report on compliance for the major Federal and State award programs for the City of Port Aransas, Texas expresses an unmodified opinion on all major Federal and State programs.
6. There were no audit findings that were required to be reported in accordance with the Uniform Guidance and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller.
7. Federal:

The programs tested as major programs: Disaster Grants - Public Assistance - CFDA 97.036.

State:

The programs tested as major programs: Disaster Grants - Public Assistance.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The City of Port Aransas, Texas qualified as a low-risk auditee.

Section II - Financial Statement Findings

Material Weaknesses:

None

Significant Deficiencies:

2019-1 Marlin Academy

Condition: Marlin Academy – We noted, in our test month of January, 11 out of 26 accounts were billed incorrectly.

Criteria: Internal controls should be in place that provides reasonable assurance that accounts were billed correctly.

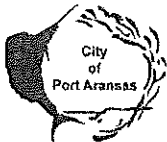
Effect: Because the City does not have proper internal controls in place to provide reasonable assurance that accounts are billed correctly the financial statements can be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because of possible oversight by the City.

Recommendation: We recommend that the City implement an internal control system whereby all accounts will be billed correctly so as to avoid the possibility of financial statements being materially misstated either through mistake, error, or fraud.

Section III - Federal or State Award Findings & Questioned Costs

None



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December 17, 2020

Beyer & Co.
P O Box 366
Pleasanton, TX 78064

This will address internal control for Marlin Academy observed in the City of Port Aransas, Texas audit for the year end September 30, 2019. The City has implemented a system of controls to ensure that accounts be billed correctly for the Marlin Academy. The fee schedule has been revised by City Council and the discounts that can be applied to the accounts are stipulated clearly and it is not left up to the discretion of the Parks & Recreation Director.

If you need any further information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Darla F. Honea", followed by a horizontal line.

Darla F. Honea
Finance Director