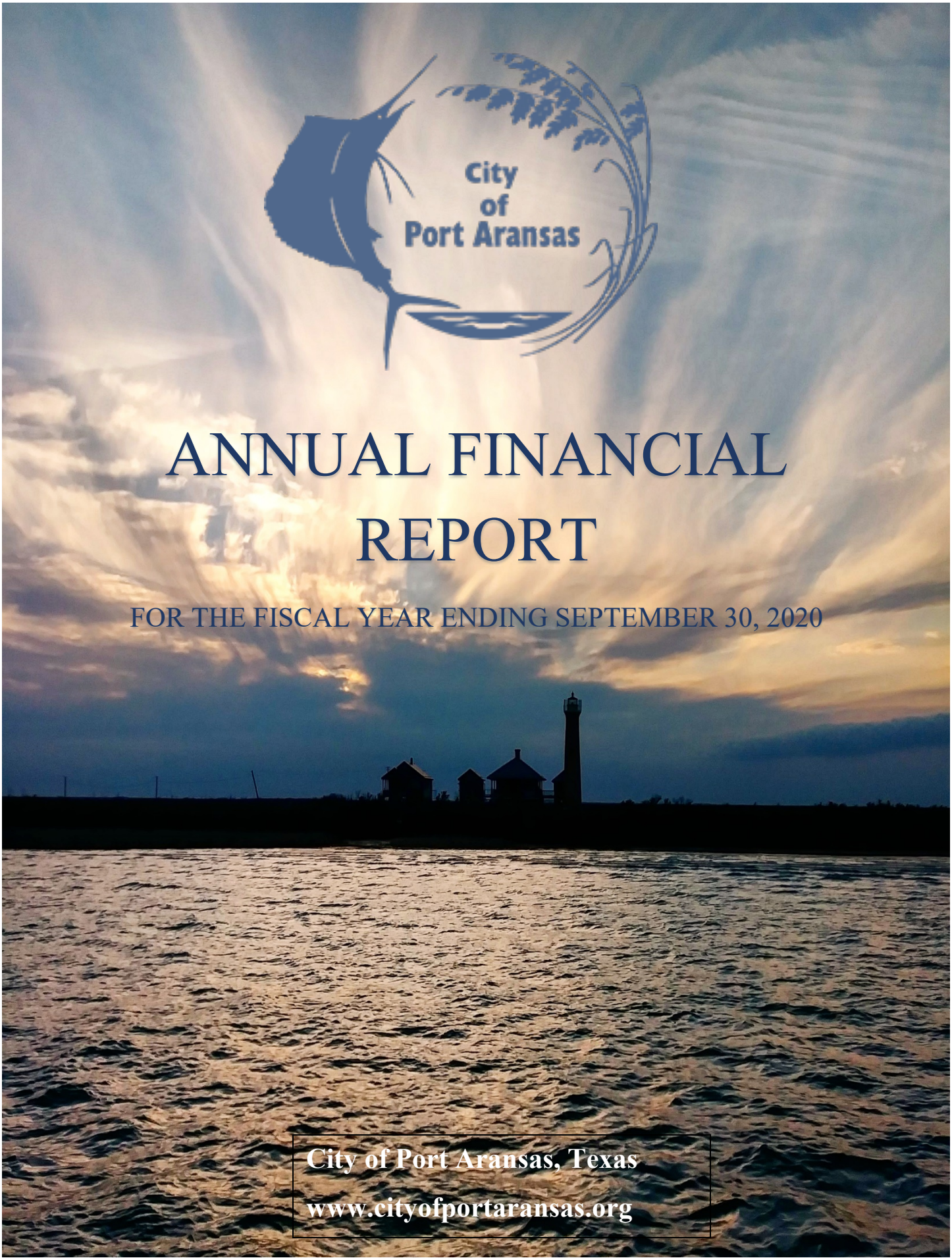

City of Port Aransas

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2020

City of Port Aransas, Texas

www.cityofportaransas.org

CITY OF PORT ARANSAS, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2020

CITY OF PORT ARANSAS, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General fund, Beach 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, employee retirement system information, and the OPEB system information on 3–12, 94-95, and 96 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 combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the 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 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 State of Texas Standards*, we have also issued our report dated July 30, 2021, 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 and State of Texas Standards* in considering the City of Port Aransas, Texas' internal control over financial reporting and compliance.

Beyer & Co.

BEYER & COMPANY
Certified Public Accountants
July 30, 2021

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, 2020. 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 $44,457,544 (net position). Of this amount, $7,615,175 (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 $5,610,037 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 $19,496,140. Approximately 45% of this amount, $8,763,196 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 6,249,369 or 62% of General Fund expenditures.

- The City of Port Aransas' total bonded debt had a decrease of $1,375,000 during the current fiscal year due to principal payments made.

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	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	$23,734,952	$23,900,196	$1,807,411	$1,637,985	$25,542,363	$25,538,181
Restricted Assets:	58,440	65,799	0	0	58,440	65,799
Capital Assets:	40,197,798	34,184,178	12,494,230	11,283,929	52,692,028	45,468,107
Total Deferred Outflows of Resources	985,301	1,654,485	95,546	153,555		
Total Assets	64,976,491	59,804,658	14,397,187	13,075,469	78,292,831	71,072,087
Long-Term Liabilities	28,774,742	26,966,691	718,560	387,942	29,493,302	27,354,633
Other Liabilities (Payable from Restricted Assets)	0	0	200,184	170,731	200,184	170,731
Other Liabilities	3,932,362	2,082,787	169,248	162,916	4,101,610	2,245,703
Total Liabilities	32,707,104	29,049,478	1,087,992	721,589	33,795,096	29,771,067
Total Deferred Inflows of Resources	1,019,688	37,787	101,350	3,593		
Invested in Capital Assets, Net of Related Debt	19,531,443	16,352,097	12,494,230	11,283,929	32,025,673	27,636,026
Restricted	4,816,696	4,928,955	0	0	4,816,696	4,928,955
Unrestricted	6,901,560	9,436,341	713,615	1,066,358	7,615,175	10,502,699
Total Net Assets	$31,249,699	$30,717,393	$13,207,845	$12,350,287	$44,457,544	$43,067,680

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 $31,249,699 at the close of the most recent fiscal year for governmental activities and $13,207,845 for business-type activities.

A large portion of the City's net assets (62.5 percent in governmental activities and 94.6 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.

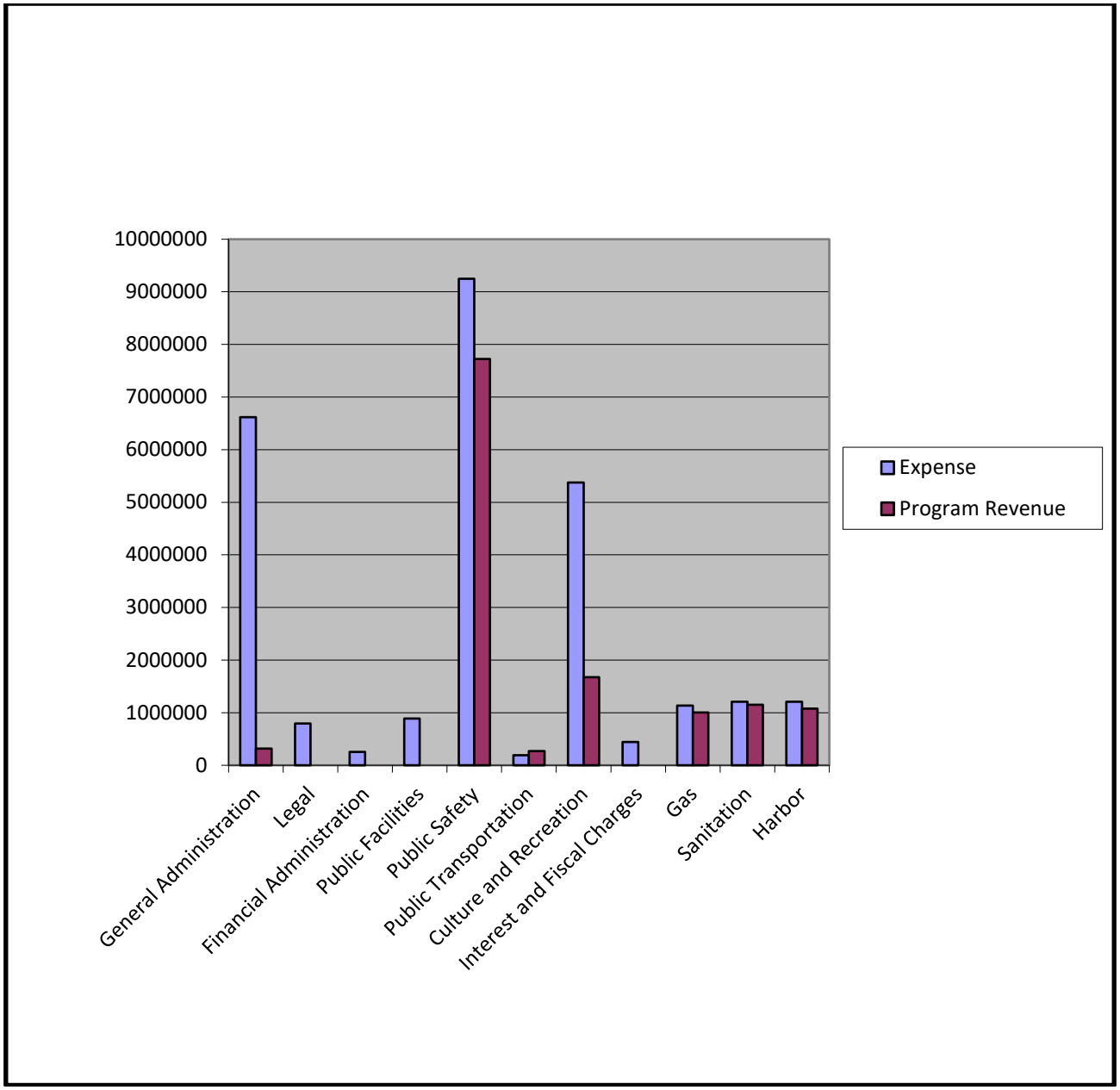
At the end of the current fiscal year, the City of Port Aransas is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Changes in Net Position. Governmental activities increased the City's net assets by $4,358,786 and Business-type activities increased the City's net assets by $1,251,251 for an increase of $5,610,037.

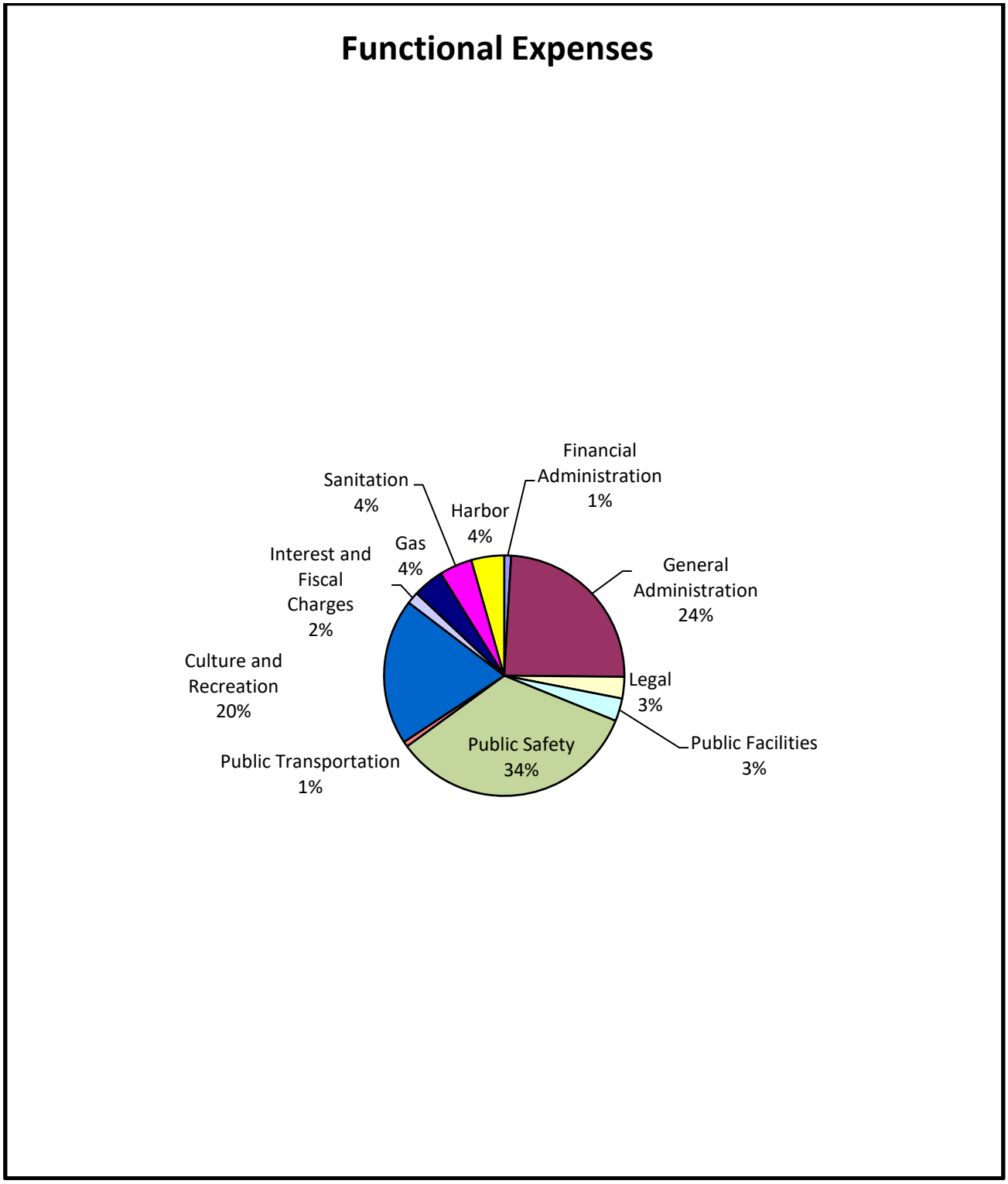
TABLE A-2
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	$2,153,352	$2,248,188	$3,070,151	$2,770,781	$5,223,503	$5,018,969
Operating Grants and Contributions	648,553	654,106	159,700	81	808,253	654,187
Capital Grants and Contributions	7,175,959	12,312,289	0	0	7,175,959	12,312,289
General Revenues:						
Property Taxes, Levies for General Purposes	6,273,700	6,085,486			6,273,700	6,085,486
Sales Taxes	2,598,923	2,888,696			2,598,923	2,888,696
Franchise Taxes	533,670	483,197			533,670	483,197
Hotel/Motel Taxes	7,632,949	6,130,983			7,632,949	6,130,983
Licenses and Permits	2,139,936	2,618,423			2,139,936	2,618,423
Unrestricted Investment Earnings	222,702	443,036	19,908	35,788	242,610	478,824
Insurance Recover - Hurricane Harvey	56,500	2,757,682			56,500	
Grants and Contributions not Restricted to Specific Programs	188,876	165,169	0	0	188,876	165,169
Miscellaneous	42,680	69,717	0	0	42,680	69,717
Total Revenue	29,667,800	36,856,972	3,249,759	2,806,650	32,917,559	36,905,940
Expenses:						
General Administration	6,615,661	6,400,740			6,615,661	6,400,740
Legal	794,125	145,356			794,125	145,356
Financial Administration	253,581	197,746			253,581	197,746
Public Facilities	837,009	884,596			837,009	884,596
Public Safety	9,247,952	12,382,506			9,247,952	12,382,506
Public Transportation	192,331	149,166			192,331	149,166
Culture and Recreation	5,376,874	5,348,467			5,376,874	5,348,467
Interest and Fiscal Charges	442,187	501,642			442,187	501,642
Gas			1,132,345	1,013,800	1,132,345	1,013,800
Sanitation			1,208,421	1,055,414	1,208,421	1,055,414
Harbor			1,207,035	919,578	1,207,035	919,578
Total Expenses	23,759,720	26,010,219	3,547,801	2,988,792	27,307,521	28,999,011
Increase in Net Assets Before Transfers and Special Items	5,908,080	10,846,753	(298,042)	(182,142)	5,610,038	7,906,929
Transfers	(1,549,294)	(5,182,248)	1,549,293	5,182,248	(1)	0
Increase in Net Assets	4,358,786	5,664,505	1,251,251	5,000,106	5,610,037	10,664,611
Net Assets at 09/30/2019 (restated)	26,890,913	25,052,888	11,956,594	7,350,181	38,847,507	32,403,069
Net Assets at 09/30/2020	$31,249,699	$30,717,393	$13,207,845	$12,350,287	$44,457,544	$43,067,680

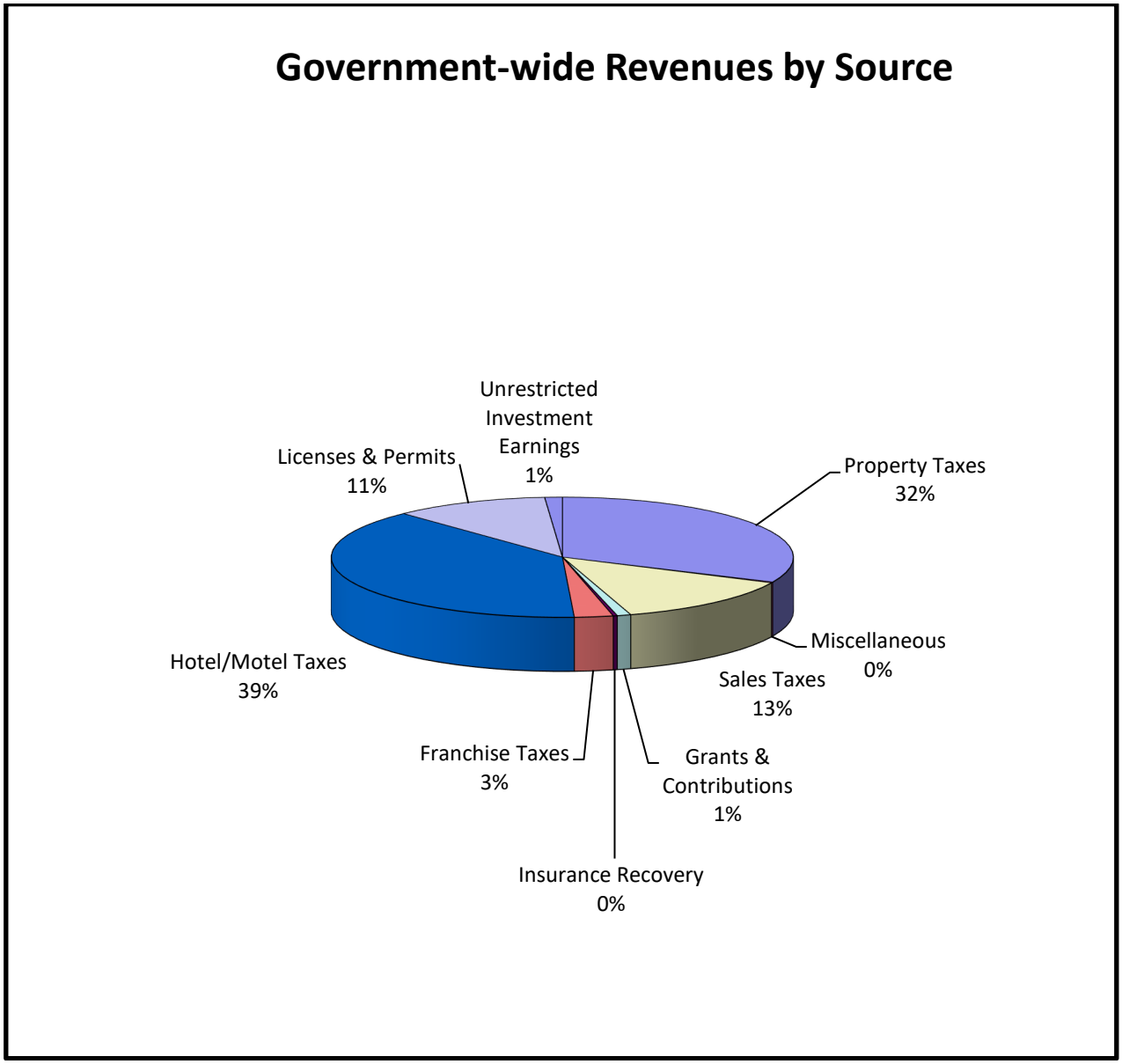
The chart below illustrates the City's expense and revenues by function: general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, interest and fiscal charges, gas, and harbor.



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



General revenues such as property taxes, sales taxes and franchise fees are not shown by program, but are used to support all governmental activities. 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 $19,496,140, a decrease of $2,119,041 in comparison with the prior year. Approximately 44.9%, or $8,763,196, 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 ($731,793), debt service ($27,684), reserved for culture & recreation ($1,516,305), inventories ($8,155), community disaster loan proceeds ($4,347,745), public safety ($73,919), Economic Development ($3,439,239), and public transportation ($495,850) and prepaid items ($92,164).

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 $6,249,369, while total fund balance reached $10,747,718. 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 62.4% of total general fund expenditures, while total fund balance represents 100.7% of that same amount.

The fund balance of the City General Fund increased by $100,775 during the current fiscal year. The key factor for this increase is the increase in property, sales, and franchise taxes.

Budgetary Highlights

The City's budget was amended one time. The Hotel Motel 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 ($181,000). This change was due to several revenue categories performing better than anticipated for a total of $103,000. The revenue increase was offset by an increase to expenditures totaling $284,000. The legal fees were increased by $625,000 but other expense categories were decreased to make up for this large increase. 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 in expenditures for the parking lot that was not finished in the prior budget year. The Harbor Fund had a net change of ($325,000) due to an increase in revenues of $150,000 with offsetting expenditures for the EDA Grant that has begun. Expenses have been made for the grant but not yet reimbursed by the EDA.

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, 2020 amount to $52,692,028 (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 2020	Total Activities 2019
Governmental Activities:		
Land	$6,779,238	$6,779,238
Construction in Progress	13,313,809	6,585,427
Infrastructure	13,700,610	14,364,194
Buildings	1,288,044	1,620,040
Machinery & Equipment	2,241,110	2,799,353
Vehicles	2,874,987	2,035,926
Total Governmental Activities	40,197,798	34,184,178
Business-type Activities:		
Construction in Progress	2,434,361	784,886
Infrastructure	8,889,276	9,547,435
Buildings	207,768	221,101
Machinery & Equipment	831,440	705,033
Vehicles	131,385	25,474
Total Business-type Activities	12,494,230	11,283,929
Total net assets	$52,692,028	$45,468,107

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and capital leases outstanding of $17,102,731. 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 2020	Total Governmental Activities 2019
General Obligation Bonds	$16,585,000	$17,960,000
Bond Premium - Series 2009 &2012	439,866	485,160
Capital Leases	77,865	115,407
Total Bonds Payable	$17,102,731	$18,560,567

The City's total bonded debt and capital leases decreased by $1,457,836 during the current fiscal year. The key factor in this decrease was the pay-off of principal for bonds.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2020-2021 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 decreased to 27.7346 cents per hundred. The tax rate has been split with .221915 for maintenance and operations and .0553431 for interest and sinking for the retirement of the bonds. Even though this a decrease to the tax rate, it was actually an increase as this rate is equal to the voter approval rate (the tax rate that will raise3.5% more than the no new revenue rate which is the amount of tax revenue as the prior year plus new construction demands).

Overall, the General Fund is budgeted to end the fiscal year 2020-2021 with an estimated fund balance of $5,658,555. This is approximately 51% 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 web-site at www.cityofportaransas.org.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	21,804,808	1,541,187	23,345,995
Receivables (Net of Allowance for Uncollectibles)	1,829,825	266,224	2,096,049
Inventories	8,155		8,155
Prepaid Items	92,164	0	92,164
Restricted Assets:			
Cash and Cash Equivalents	58,440		58,440
Capital Assets Not Being Depreciated:			
Land	6,779,238		6,779,238
Construction in Progress	13,313,809	2,434,361	15,748,170
Total Capital Assets Being Depreciated, Net			
Infrastructure	13,700,610	8,889,276	22,589,886
Buildings	1,288,044	207,768	1,495,812
Machinery and Equipment	2,241,110	831,440	3,072,550
Vehicles	2,874,987	131,385	3,006,372
Total Assets	63,991,190	14,301,641	78,292,831
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Deferred Outflow of Resources-Contributions (after 12/31/19)	820,594	81,563	902,157
Difference in assumption changes	84,067	8,355	92,422
GASB 75			
Difference in assumption changes	39,646	3,939	43,585
Difference in expected and actual experience	16,994	1,689	18,683
Loss on Bond Refunding	24,000		24,000
Total Deferred Outflows of Resources	985,301	95,546	1,080,847
LIABILITIES:			
Accounts Payable	3,493,604	156,921	3,650,525
Accrued Wages Payable	120,290	12,232	132,522
Accrued Interest Payable	69,017		69,017
Unearned Revenues	249,451	95	249,546
Consumer Meter Deposits		200,184	200,184
Noncurrent Liabilities:			
Due Within One Year	2,198,949	16,360	2,215,309
Due in More Than One Year	26,575,793	702,200	27,277,993
Total Liabilities	32,707,104	1,087,992	33,795,096
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in expected and actual experience	143,004	14,214	157,218
Difference in projected and actual earnings	803,925	79,906	883,831
GASB 75			
Difference in assumption changes	60,986	6,060	67,046
Difference in expected and actual experience	11,773	1,170	12,943
Total Deferred Inflows of Resources	1,019,688	101,350	1,121,038
LIABILITIES:			
Net Position			
Invested in Capital Assets, Net of Related Debt	19,531,443	12,494,230	32,025,673
Restricted for:			
Construction - Gas System	0		0
Culture and Recreation	1,334,204		1,334,204
Debt Service	27,684		27,684
Economic Development	3,439,329		3,439,329
Public Safety	15,479		15,479
Unrestricted	6,901,560	713,615	7,615,175
Total Net Position	31,249,699	13,207,845	44,457,544

The accompanying notes are an integral part of this statement.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in: Governmental Activities	Net (Expense) Revenue and Changes in: Business-Type Activities	Net (Expense) Revenue and Changes in: Total
Primary Government							
Government Activities:							
General Administration	6,615,661	287,697	26,650	0	(6,301,314)		(6,301,314)
Legal	794,125				(794,125)		(794,125)
Financial Administration	253,581				(253,581)		(253,581)
Public Facilities	837,009				(837,009)		(837,009)
Public Safety	9,247,952	580,663	234,414	6,906,792	(1,526,083)		(1,526,083)
Public Transportation	192,331		0	269,167	76,836		76,836
Culture and Recreation	5,376,874	1,284,992	387,489		(3,704,393)		(3,704,393)
Interest and Fiscal Charges	442,187				(442,187)		(442,187)
Total Government Activities	23,759,720	2,153,352	648,553	7,175,959	(13,781,856)	0	(13,781,856)
Business-Type Activities:							
Gas	1,132,345	1,001,837	148			(130,360)	(130,360)
Sanitation	1,208,421	1,150,629				(57,792)	(57,792)
Harbor	1,207,035	917,685	159,552			(129,798)	(129,798)
Total Business-Type Activities	3,547,801	3,070,151	159,700	0		(317,950)	(317,950)
Total Primary Government	27,307,521	5,223,503	808,253	7,175,959	(13,781,856)	(317,950)	(14,099,806)
General Revenues							
Property Taxes, Levies for General Purposes					6,273,700		6,273,700
Sales Taxes					2,598,923		2,598,923
Franchise Taxes					533,670		533,670
Hotel/Motel Taxes					7,632,949		7,632,949
Licenses and Permits					2,139,936		2,139,936
Unrestricted Investment Earnings					222,702	19,908	242,610
Insurance Recovery - Hurricane Harvey					56,500		56,500
Grants and Contributions Not Restricted to Specific Programs					188,876		188,876
Miscellaneous					42,680	0	42,680
Transfers					(1,549,294)	1,549,293	(1)
Total General Revenues and Transfers					18,140,642	1,569,201	19,709,843
Change in Net Position					4,358,786	1,251,251	5,610,037
Net Position - Beginning - Restated					26,890,913	11,956,594	38,847,507
Net Position - Ending					31,249,699	13,207,845	44,457,544

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Beach Fund	Hotel-Motel Special Revenue/ Facility Fund	Hurricane Recovery Fund	Construc- tion Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	10,902,109	3,696,303	8,999,514		271,934	2,717,859	26,587,719
Receivables (Net of Allowance for Uncollectibles)	620,087	467,271			74,203	367,417	1,528,978
Restricted Assets:							
Cash and Cash Equivalents	58,440						58,440
Inventories						8,155	8,155
Prepaid Expenses	92,164						92,164
Total Assets	11,672,800	4,163,574	8,999,514	0	346,137	3,093,431	28,275,456
LIABILITIES AND FUND BALANCES:							
Accounts Payable	476,707	789,726	6,713	1,762,236	1,882	456,340	3,493,604
Bank Overdraft				4,614,915		167,996	4,782,911
Accrued Wages Payable	91,660	16,443	1,823			10,364	120,290
Deferred Revenue	249,451						249,451
Total Liabilities	817,818	806,169	8,536	6,377,151	1,882	634,700	8,646,256
DEFERRED INFLOWS OF RESOURCES							
Deferred Property Taxes	107,264					25,796	133,060
Fund Balances:							
Non-Spendable							
Prepaid Items	92,164						92,164
Inventories						8,155	8,155
Restricted							
Community Disaster Loan Proceeds	4,347,745						4,347,745
Construction					344,255		344,255
Culture and Recreation			100,000			1,234,204	1,334,204
Debt Service						27,684	27,684
Economic Development		3,357,405				81,924	3,439,329
Public Safety						15,479	15,479
Committed							
Construction						387,538	387,538
Culture and Recreation						182,101	182,101
Public Safety	58,440						58,440
Public Transportation						495,850	495,850
Unassigned	6,249,369		8,890,978	(6,377,151)			8,763,196
Total Fund Balance	10,747,718	3,357,405	8,990,978	(6,377,151)	344,255	2,432,935	19,496,140
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	11,672,800	4,163,574	8,999,514	0	346,137	3,093,431	28,275,456

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, 2020

Total Fund Balances - Governmental Funds Balance Sheet	19,496,140
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.	40,197,798
Some expenses are not expensed in the current period but rather are deferred in the funds (Loss on Bond Refinancing).	24,000
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	133,060
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	242,460
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(28,843,759)
Net Position of Governmental Activities - Statement of Net Position	31,249,699
	0

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, 2020

	General Fund	Beach Fund	Hotel-Motel Special Revenue/ Facility Fund	Hurricane Recovery Fund	Construc- tion Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes							
Property	4,971,909					1,292,076	6,263,985
Sales	1,732,616					866,307	2,598,923
Franchise	533,670						533,670
Hotel/Motel		2,241,140	2,491,337			2,900,472	7,632,949
Intergovernmental	482,095	297,483		6,906,792		327,018	8,013,388
Licenses and Permits	1,317,897	822,039					2,139,936
Charges for Services	1,301,709					493,422	1,795,131
Fines and Forfeitures	289,553					10,932	300,485
Interest	126,161	20,562	17,744		23,080	35,155	222,702
Insurance Recovery - Hurricane Harvey				56,500			56,500
Miscellaneous	7,604					35,076	42,680
Total Revenues	10,763,214	3,381,224	2,509,081	6,963,292	23,080	5,960,458	29,600,349
EXPENDITURES							
Current:							
General Administration	2,059,734					2,491,337	4,551,071
Legal	794,125						794,125
Financial Administration	220,509						220,509
Public Facilities	859,372						859,372
Public Safety	5,176,316			10,748,395		233,656	16,158,367
Public Transportation	170,240					2,271	172,511
Culture and Recreation	691,774	2,541,336	426,497			1,854,342	5,513,949
Capital Projects -							
Capital Outlay and Other					525		525
Debt Service							
Principal Retirement	37,542					1,375,000	1,412,542
Interest and Fiscal Charges	2,827					484,298	487,125
Total Expenditures	10,012,439	2,541,336	426,497	10,748,395	525	6,440,904	30,170,096
Excess (Deficiency) of Revenues Over (Under) Expenditures	750,775	839,888	2,082,584	(3,785,103)	22,555	(480,446)	(569,747)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	0		383,282	500,000		1,012,617	1,895,899
Operating Transfers Out	(650,000)		(226,467)	(1,731,986)	(3,458)	(833,282)	(3,445,193)
Total Other Financing Sources (Uses)	(650,000)	0	156,815	(1,231,986)	(3,458)	179,335	(1,549,294)
Net Changes in Fund Balances	100,775	839,888	2,239,399	(5,017,089)	19,097	(301,111)	(2,119,041)
Fund Balances - Beginning - Restated	10,646,943	2,517,517	6,751,579	(1,360,062)	325,158	2,734,046	21,615,181
Fund Balances - Ending	10,747,718	3,357,405	8,990,978	(6,377,151)	344,255	2,432,935	19,496,140

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, 2020

Net Changes in Fund Balances - Total Governmental Funds	(2,119,041)
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.	6,013,620
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.	57,736
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	9,715
GASB 68	
Deferred Inflow of Resources-Contribution. This is the change in these amounts this year.	100,986
Difference in projected and actual earnings. This is the change in these amounts this year.	(1,708,802)
Difference in expected and actual experience. This is the change in these amounts this year.	(128,809)
Difference in assumption changes. This is the change in these amounts this year.	84,067
GASB 75	
Difference in assumption changes. This is the change in these amounts this year.	(7,490)
Difference in expected and actual experience. This is the change in these amounts this year.	14,963
Amortization of Bond Refunding Loss	(6,000)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	1,412,542
(Decrease) increase in accrued interest payable from beginning of period to end of period.	5,644
(Decrease) increase in compensated absences payable from beginning of period to end of period.	(79,745)
(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.	1,009,062
(Decrease) increase in OPEB Liability.	(344,956)
Change in Net Position of Governmental Activities - Statement of Activities	4,358,786

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 - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Property	$4,980,500	$4,980,500	$4,971,909	($8,591)
Sales	1,836,000	1,836,000	1,732,616	(103,384)
Franchise	435,000	493,000	533,670	40,670
Intergovernmental	532,525	532,525	482,095	(50,430)
Licenses and Permits	1,245,250	1,290,250	1,317,897	27,647
Charges for Services	1,321,000	1,321,000	1,301,709	(19,291)
Fines and Forfeitures	298,000	298,000	289,553	(8,447)
Interest	150,000	150,000	126,161	(23,839)
Miscellaneous	58,000	58,000	7,604	(50,396)
Total Revenues	10,856,275	10,959,275	10,763,214	(196,061)
EXPENDITURES				
Current:				
General Administration				
Administration	365,325	359,325	345,081	14,244
Central Operating	1,206,575	1,186,575	967,096	219,479
City Secretary	175,050	159,050	157,912	1,138
Information Technology	254,350	260,350	178,591	81,759
Mayor and Council	156,600	156,600	147,343	9,257
Planning	271,775	271,775	263,711	8,064
Legal				
City Attorney	150,500	775,500	794,125	(18,625)
Financial Administration				
Finance Department	219,150	219,150	220,509	(1,359)
Public Facilities				
Public Buildings	258,350	271,350	269,443	1,907
Public Works	806,500	651,500	589,929	61,571
Public Safety				
EMS	1,455,381	1,399,381	1,315,548	83,833
Fire Department	401,575	401,575	281,630	119,945
Inspection	537,150	537,150	617,653	(80,503)
Municipal Court	132,425	128,425	119,200	9,225
Police	3,269,950	3,194,950	2,842,285	352,665
Public Transportation				
Regional Transit	220,025	220,025	170,240	49,785
Culture and Recreation				
Library	262,325	262,325	243,888	18,437
Parks and Recreation	519,950	491,950	447,886	44,064
Debt Service				
Principal Retirement	37,542	37,542	37,542	0
Interest Retirement	2,827	2,827	2,827	0
Total Expenditures	10,703,325	10,987,325	10,012,439	974,886
Excess (Deficiency) of Revenues Over (Under) Expenditures	152,950	(28,050)	750,775	778,825
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out	(650,000)	(650,000)	(650,000)	0
Total Other Financing Sources (Uses)	(650,000)	(650,000)	(650,000)	0
Net Changes in Fund Balances	($497,050)	($678,050)	100,775	$778,825
Fund Balances - Beginning	10,646,943	10,646,943	10,646,943	
Fund Balances - Ending	$10,149,893	$9,968,893	$10,747,718	$778,825

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

CITY OF PORT ARANSAS, TEXAS
BEACH FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Hotel/Motel	1,270,000	1,270,000	2,241,140	971,140
Intergovernmental	309,000	309,000	297,483	(11,517)
Licenses and Permits	902,000	902,000	822,039	(79,961)
Interest	40,000	40,000	20,562	(19,438)
Total Revenues	2,521,000	2,521,000	3,381,224	860,224
EXPENDITURES				
Culture and Recreation				
Beach	3,154,260	3,154,260	2,541,336	612,924
Total Expenditures	3,154,260	3,154,260	2,541,336	612,924
Excess (Deficiency) of Revenues Over (Under) Expenditures	(633,260)	(633,260)	839,888	1,473,148
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(50,000)	(50,000)		50,000
Total Other Financing Sources (Uses)	(50,000)	(50,000)	0	50,000
Net Changes in Fund Balances	(683,260)	(683,260)	839,888	1,523,148
Fund Balances - Beginning	2,517,517	2,517,517	2,517,517	
Fund Balances - Ending	1,834,257	1,834,257	3,357,405	1,523,148

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

CITY OF PORT ARANSAS, TEXAS
HOTEL-MOTEL SPECIAL REVENUE/FACILITY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Hotel/Motel	2,383,925	2,705,275	2,491,337	(213,938)
Interest	22,500	22,500	17,744	(4,756)
Total Revenues	2,406,425	2,727,775	2,509,081	(218,694)
EXPENDITURES				
Culture and Recreation				
Culture and Recreation	624,400	815,400	426,497	388,903
Capital Outlay			0	0
Debt Service				
Principal Retirement				0
Interest Retirement				0
Total Expenditures	624,400	815,400	426,497	388,903
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,782,025	1,912,375	2,082,584	170,209
OTHER FINANCING SOURCES (USES):				
Operating Transfers In			383,282	383,282
Operating Transfers Out	(1,040,800)	(1,040,800)	(226,467)	814,333
Total Other Financing Sources (Uses)	(1,040,800)	(1,040,800)	156,815	1,197,615
Net Changes in Fund Balances	741,225	871,575	2,239,399	1,367,824
Fund Balances - Beginning	6,751,579	6,751,579	6,751,579	
Fund Balances - Ending	7,492,804	7,623,154	8,990,978	1,367,824

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, 2020

	Business-Type Activities Enterprise Funds						
	Gas Current Year	Gas Prior Year	Sanitation Current Year	Sanitation Prior Year	Harbor Current Year	Harbor Prior Year	Totals Current Year
ASSETS							
Current Assets							
Cash and Cash Equivalents	639,609	702,100	(46,462)	(61,767)	948,040	894,876	1,541,187
Accounts Receivables (Net of Allowance for Uncollectibles)	9,927	2,262	96,745	99,156	159,552	353	266,224
Prepaid Items		1,005					0
Total Current Assets	649,536	705,367	50,283	37,389	1,107,592	895,229	1,807,411
Noncurrent Assets							
Capital Assets							
Construction in Progress	2,266,854	784,886			167,507		2,434,361
Infrastructure	1,094,894	1,094,894	22,614	22,614	14,441,198	14,409,672	15,558,706
Buildings	56,777	56,777	35,786	35,786	208,248	208,248	300,811
Machinery and Equipment	388,152	361,327	285,612	285,612	597,704	420,199	1,271,468
Vehicles	254,210	114,908			64,165	64,165	318,375
Total Capital Assets	4,060,887	2,412,792	344,012	344,012	15,478,822	15,102,284	19,883,721
Less Accumulated Depreciation	(1,156,597)	(1,072,435)	(110,996)	(52,893)	(6,121,898)	(5,449,831)	(7,389,491)
Total Capital Assets (Net of Accumulated Depreciation)	2,904,290	1,340,357	233,016	291,119	9,356,924	9,652,453	12,494,230
Total Noncurrent Assets	2,904,290	1,340,357	233,016	291,119	9,356,924	9,652,453	12,494,230
DEFERRED OUTFLOWS OF RESOURCES							
GASB 68							
Deferred Outflow of Resources-Contributions (after 12/31/18)		41,700		5,348		20,973	0
Deferred Outflow of Resources-Contributions (after 12/31/19)	50,458		6,272		24,833		81,563
Difference in projected and actual earnings		52,436		6,725		26,373	0
Difference in assumption changes	5,169		642		2,544		8,355
GASB 75							
Difference in assumption changes	2,437		303		1,199		3,939
Difference in expected and actual experience	1,045		130		514		1,689
Total Deferred Outflow of Resources	59,109	94,136	7,347	12,073	29,090	47,346	95,546
TOTAL ASSETS	3,612,935	2,139,860	290,646	340,581	10,493,606	10,595,028	14,397,187

(continued)

(continued)

	Business-Type Activities Enterprise Funds						
	Gas Current Year	Gas Prior Year	Sanitation Current Year	Sanitation Prior Year	Harbor Current Year	Harbor Prior Year	Totals Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS							
Liabilities							
Current Liabilities (Payable from Current Assets)							
Accounts Payable	46,319	37,938	11,881	8,061	98,721	111,336	156,921
Accrued Wages	7,330	3,906	902	526	4,000	1,054	12,232
Compensated Absences	11,694	10,307	1,826	1,079	2,840	3,203	16,360
Deferred Revenue	95	95					95
Total Current Liabilities (Payable from Current Assets)	65,438	52,246	14,609	9,666	105,561	115,593	185,608
Current Liabilities (Payable from Restricted Assets)							
Consumer Meter Deposits	174,896	149,611			25,288	21,120	200,184
Total Current Liabilities Payable from Restricted Assets	174,896	149,611	0	0	25,288	21,120	200,184
Total Current Liabilities	240,334	201,857	14,609	9,666	130,849	136,713	385,792
Noncurrent Liabilities							
OPEB Payable	279,745	257,685	34,752	32,067	137,675	126,971	452,172
Net Pension Liability	152,472	214,518	16,074	23,786	81,482	112,019	250,028
Total Noncurrent Liabilities	432,217	472,203	50,826	55,853	219,157	238,990	702,200
Total Liabilities	672,551	674,060	65,435	65,519	350,006	375,703	1,087,992
DEFERRED INFLOWS OF RESOURCES							
GASB 68							
Difference in projected and actual earnings	49,433		6,144		24,329		79,906
Difference in expected and actual experience	8,793	835	1,093	107	4,328	420	14,214
GASB 75							
Difference in assumption changes	3,749	803	466	103	1,845	404	6,060
Difference in expected and actual experience	724	565	90	72	356	284	1,170
Total Deferred Inflow of Resources	62,699	2,203	7,793	282	30,858	1,108	101,350
Invested in Capital Assets, Net of Related Debt	2,904,290	1,340,357	233,016	291,119	9,356,924	9,652,453	12,494,230
Unrestricted	(26,605)	123,240	(15,598)	(16,339)	755,818	565,764	713,615
Total Net Position	2,877,685	1,463,597	217,418	274,780	10,112,742	10,218,217	13,207,845

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, 2020

	Business-Type Activities Enterprise Funds						
	Gas Current Year	Gas Prior Year	Sanitation Current Year	Sanitation Prior Year	Harbor Current Year	Harbor Prior Year	Totals Current Year
OPERATING REVENUES:							
Charges for Services	1,001,837	994,379	1,150,629	1,098,992	917,685	677,410	3,070,151
Total Operating Revenues	1,001,837	994,379	1,150,629	1,098,992	917,685	677,410	3,070,151
OPERATING EXPENSES:							
Personal Services	631,419	687,165	75,604	91,012	301,364	348,340	1,008,387
Supplies and Other Services and Charges	416,765	504,833	1,074,712	972,043	233,605	180,754	1,725,082
Depreciation	84,161	65,368	58,105	22,616	672,066	510,354	814,332
Total Operating Expenses	1,132,345	1,257,366	1,208,421	1,085,671	1,207,035	1,039,448	3,547,801
Operating Income (Loss)	(130,508)	(262,987)	(57,792)	13,321	(289,350)	(362,038)	(477,650)
NON-OPERATING REVENUES (EXPENSES):							
Interest Income	8,038	14,271	430	2,210	11,440	19,307	19,908
Donated Assets							0
Federal and State Grants	148	81			159,552		159,700
Total Non-Operating Revenues (Expenses)	8,186	14,352	430	2,210	170,992	19,307	179,608
Income Before Transfers	(122,322)	(248,635)	(57,362)	15,531	(118,358)	(342,731)	(298,042)
Transfers In (Out) - Net	1,536,410	822,790		234,377	12,883	4,125,081	1,549,293
Change in Net Position	1,414,088	574,155	(57,362)	249,908	(105,475)	3,782,350	1,251,251
Total Net Position - Beginning - Restated	1,463,597	889,442	274,780	24,872	10,218,217	6,435,867	11,956,594
Total Net Position - Ending	2,877,685	1,463,597	217,418	274,780	10,112,742	10,218,217	13,207,845

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

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities Enterprise Funds						
	Gas Current Year	Gas Prior Year	Sanitation Current Year	Sanitation Prior Year	Harbor Current Year	Harbor Prior Year	Totals Current Year
Cash Flows from Operating Activities							
Receipts from Customers and Users	$1,019,457	$1,002,727	$1,153,040	$1,099,703	$762,654	$681,986	$2,935,151
Payments to Suppliers	(385,319)	(268,700)	(1,068,209)	(975,490)	(235,516)	(143,781)	(1,689,044)
Payments to Employees	(593,131)	(699,008)	(69,956)	(92,127)	(281,312)	(239,065)	(944,399)
Net Cash Provided (Used) by Operating Activities	41,007	35,019	14,875	32,086	245,826	299,140	301,708
Cash Flows from Non-Capital and Related Financing Activities							
Federal Grants and Contributions	148	81	0	234,377	159,552	0	159,700
Sale of Fixed Assets	0	0	0	0	0	0	0
Transfers In/Out	1,536,410	822,790	0	0	12,883	4,125,081	1,549,293
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	1,536,558	822,871	0	234,377	172,435	4,125,081	1,708,993
Cash Flows from Capital and Related Financing Activities							
Purchases of Capital Assets	(1,648,094)	(817,838)		(285,611)	(376,537)	(4,333,757)	(2,024,631)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,648,094)	(817,838)	0	(285,611)	(376,537)	(4,333,757)	(2,024,631)
Cash Flows from Investing Activities							
Interest Received	8,038	14,271	430	2,210	11,440	19,307	19,908
Net Cash Provided (Used) by Investment Activities	8,038	14,271	430	2,210	11,440	19,307	19,908
Net Increase (Decrease) in Cash Equivalents	(62,491)	54,323	15,305	(16,938)	53,164	109,771	5,978
Cash and Cash Equivalents at Beginning of Year	702,100	647,777	(61,767)	(44,829)	894,876	785,105	1,535,209
Cash and Cash Equivalents at End of Year	639,609	702,100	(46,462)	(61,767)	948,040	894,876	1,541,187

(continued)

(continued)

	Business-Type Activities Enterprise Funds						
	Gas Current Year	Gas Prior Year	Sanitation Current Year	Sanitation Prior Year	Harbor Current Year	Harbor Prior Year	Totals Current Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	($130,508)	($262,987)	($57,792)	$13,321	($289,350)	($362,038)	($477,650)
Adjustments to Reconcile to Net Cash Flow							
Non-Cash Items Included in Net Income							
Depreciation	84,161	65,368	58,105	22,616	672,066	510,354	814,332
Changes in Current Items							
Decrease (Increase) in Accounts Receivable	(7,665)	723	2,411	711	(159,199)	1,956	(164,453)
GASB 68							
Decrease (Increase) Deferred Outflow of Resources-Contributions	(8,758)	2,747	(924)	(286)	(3,860)	519	(13,542)
Decrease (Increase) Difference in projected and actual earnings	101,869	(86,046)	12,869	(10,553)	50,702	(42,625)	165,440
Decrease (Increase) Difference in expected and actual experience	7,958	902	986	115	3,908	452	12,852
Decrease (Increase) Difference in assumption changes	(5,169)		(642)		(2,544)		(8,355)
GASB 75							
Decrease (Increase) Difference in assumption changes	509	1,743	60	210	242	859	811
Decrease (Increase) Difference in expected and actual experience	(886)	565	(112)	72	(442)	284	(1,440)
Decrease (Increase) in Prepaid Items	1,005	(54)	0	0	0	0	1,005
Increase (Decrease) in Accounts Payable	8,381	(6,642)	3,818	(33,822)	(12,615)	37,056	(416)
Increase (Decrease) Compensated Absences	1,387	1,545	747	787	(363)	(2,591)	1,771
Increase (Decrease) Accrued Wages Payable	3,424	1,783	376	215	2,946	(144)	6,746
Increase (Decrease) Deferred Revenue	0	0	0	0	0	0	0
Increase (Decrease) in Consumer Meter Deposits	25,285	7,625	0	0	4,168	2,620	29,453
Increase (Decrease) in Net pension Liability	(62,046)	64,918	(7,712)	8,325	(30,537)	152,521	(100,295)
Increase (Decrease) in OPEB Payable	22,060	242,829	2,685	30,375	10,704	(83)	35,449
Net Cash Provided (Used) by Operating Activities	41,007	35,019	14,875	32,086	245,826	299,140	301,708
Noncash Investing, Capital, and Financing Activities:							
Donated Assets	$0	$0	$0	$0	$0	$0	$0
Federal and State Grants	148	81	0	0	159,552	0	159,700
Total Noncash Investing, Capital, and Financing Activities	$148	$81	$0	$0	$159,552	$0	$159,700

Note: The above funds are all Enterprise Funds.

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 those 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 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, 2020, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2020, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2020, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2020. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes on September 30, 2020, and 10 percent of delinquent outstanding property taxes on September 30, 2020. 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 Safety	$58,440
	$58,440

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:

Assets	Years
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, 2020, 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, 2020, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	$92,164
Inventories	8,155
Restricted	
Community Disaster Loan Proceeds	4,347,745
Construction	344,255
Culture and Recreation	1,334,204
Debt Service	27,684
Economic Development	3,439,329
Public Safety	15,479
Committed	
Construction	387,538
Culture and Recreation	182,101
Public Safety	58,440
Public Transportation	495,850
Unassigned	8,763,196
Total Fund Balance	$19,496,140

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. 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 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 $28,843,759 difference are as follows:

Capital Lease	$77,865
Bonds Payable	16,585,000
Bond Premium	439,866
OPEB Liability	4,550,585
Community Disaster Loan Proceeds	4,347,745
Net Pension Liability	2,428,193
Accrued Interest Payable	69,017
Compensated Absences	345,488
	$28,843,759

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 $40,197,798 difference are as follows:

Capital assets not being depreciated	$20,093,047
Capital assets being depreciated	51,486,051
Depreciation expense	(31,381,300)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	$40,197,798

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 $133,060 difference are as follows:

Property Taxes Receivable	$140,063
Allowance for Doubtful Accounts	(7,003)
Net	$133,060

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 $242,460 difference are as follows:

Fines and Fees Receivable	$597,403
Allowance for Doubtful Accounts	(296,556)
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/19)	820,594
Difference in expected and actual experience	(143,004)
Difference in projected and actual earnings	(803,925)
Difference in assumption changes	84,067
GASB 75	
Difference in assumption changes	(21,340)
Difference in expected and actual experience	5,221
Net	$242,460

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 $6,013,620 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	$6,728,382
Capital Outlay - Additions - Being Depreciated	2,337,092
Capital Outlay - Deletions	0
Depreciation Expense	(3,051,854)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	$6,013,620

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, the COVID-19 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, 2020, expenditures did not exceed appropriations in any funds except for the Hotel/Motel fund whereby actual expenditures were more than budgeted by $139,112.

C. Deficit Fund Equity

There were no deficit fund balances for any fund on September 30, 2020, except in the Hurricane Recovery fund which had a negative fund balance of $6,377,151. 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, 2020, the government's bank balance of $365,159 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 $313,632 and the FDIC coverage is $250,000. The City also had a bank balance of $610,692 in American Bank on September 30, 2020 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 $3,294,297 and the FDIC coverage is $250,000. The City also has monies $1,297,638 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, 2020, is $2,130,470.

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, 2020, the City had the following investments:

Investment Type	Fair Value	Maturity (Years)	Weighted Average
TexPool Funds	$15,909,727	Less than 1 year	Less than 1 year
Texas Class Funds	$ 5,364,238	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	Construc-tion	Hotel/ Motel Fund	Airport	COVID 19	Recreational Develop-ment	Debt Service	Gas	Sani-tation	Harbor	Total
Receivables												
Taxes - Ad Valorem	$112,909							$27,154				$140,063
Taxes - Sales	200,576						100,288					300,864
Interovernmental	93,168		74,203			182,996					159,552	509,919
Accounts					8,716				14,115	172,800		195,631
Municipal Court Fines	304,651											304,651
EMS Fees	292,752											292,752
Other	219,079	467,271		49,621								735,971
Gross Receivables	1,223,135	467,271	74,203	49,621	8,716	182,996	100,288	27,154	14,115	172,800	159,552	2,479,851
Less: Allowance for Uncollectibles	302,201							1,358	4,188	76,055		383,802
Net Total Receivables	$920,934	$467,271	$74,203	$49,621	$8,716	$182,996	$100,288	$25,796	$9,927	$96,745	$159,552	$2,096,049

The receivables are expected to be collected within one year.

C. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	$6,779,238			$6,779,238
Construction in Progress	6,585,427	6,728,382		13,313,809
Total Capital Assets Not Being Depreciated	13,364,665	6,728,382	0	20,093,047
Capital assets being depreciated:				
Infrastructure	33,085,773	757,799		33,843,572
Buildings	6,233,049	9,950	24,908	6,218,091
Machinery and Equipment	6,503,917	130,986		6,634,903
Vehicles	3,351,128	1,438,357		4,789,485
Total Capital Assets Being Depreciated	49,173,867	2,337,092	24,908	51,486,051
Less Accumulated Depreciation for:				
Infrastructure	18,721,579	1,421,383		20,142,962
Buildings	4,613,009	341,946	24,908	4,930,047
Machinery and Equipment	3,704,564	689,229		4,393,793
Vehicles	1,315,202	599,296		1,914,498
Total Accumulated Depreciation	28,354,354	3,051,854	24,908	31,381,300
Total Capital Assets Being Depreciated, Net	20,819,513	(714,762)	0	20,104,751
Governmental Activities Capital Assets, Net	$34,184,178	$6,013,620	$0	$40,197,798

Business-Type Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Construction in Progress	$784,886	$1,649,475		$2,434,361
Total Capital Assets Not Being Depreciated	784,886	1,649,475	0	2,434,361
Capital Assets Being Depreciated:				
Infrastructure	15,527,181	31,526		15,558,707
Buildings	324,731			324,731
Machinery and Equipment	1,042,546	204,330		1,246,876
Vehicles	120,611	139,302		259,913
Total Capital Assets Being Depreciated	17,015,069	375,158	0	17,390,227
Less Accumulated Depreciation for:				
Infrastructure	5,979,746	689,685		6,669,431
Buildings	103,630	13,333		116,963
Machinery and Equipment	337,513	77,923		415,436
Vehicles	95,137	33,391		128,528
Total Accumulated Depreciation	6,516,026	814,332	0	7,330,358
Total Capital Assets Being Depreciated, Net	10,499,043	(439,174)	0	10,059,869
Business-Type Activities Capital Assets, Net	$11,283,929	$1,210,301	$0	$12,494,230

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

Governmental Activities	
General Administration	$1,994,298
Public Facilities	76,095
Public Safety	588,349
Public Transportation	459
Culture and Recreation	392,653
Total Depreciation Expense - Governmental Activities	$3,051,854
Business-Type Activities	
Gas	$84,161
Sanitation	58,105
Harbor	672,066
Total Depreciation Expense - Business-Type Activities	$814,332

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, 2020.

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, 2020, the government made the following one-time transfers:

INTER-GOVERNMENTAL

FUNDS	DEBT SERVICE FUND	HOTEL/ MOTEL FACILITY FUND	HURRI- CANE RECOVERY FUND	NATURE PRESERVE FUND	RECREA- TIONAL DEVELOP- MENT FUND	STREET MAINTEN- ANCE FUND	HARBOR FUND	GAS FUND	TOTAL
TRANSFER FROM									
GENERAL FUND			$500,000			$150,000			$650,000
CONSTRUCTION FUND							3,457		3,457
HOTEL/MOTEL FACILITY FUND		383,282							383,282
HOTEL/MOTEL SPECIAL				226,467					226,467
HURRICANE RECOVERY FUND							195,576	1,536,410	1,731,986
IMPACT FEE ZONE 1	250,000								250,000
PARK DEDICATION					200,000				200,000
TOTALS	$250,000	$383,282	$500,000	$226,467	$200,000	$150,000	$199,033	$1,536,410	$3,445,193

The transfers from the Hotel/Motel Facility Fund and the Impact Fees Fund are recurring transfers. The remaining transfers are non-recurring.

E. Leases

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for these leases were $79,908 for the year ended September 30, 2020. The future minimum lease payments for these leases are as follows:

Year Ending Sept. 30	Amount
2021	$ 12,960
2022	12,395
2023	12,395
2024	12,395
Total	$50,145

Rent expenditures were $289,624 for the year ended September 30, 2020. Rental income was $58,681 for the year ended September 30, 2020. Sublease rental income was $0 for the year ended September 30, 2020.

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:

Purpose	Rates	Amount
Governmental activities – Series 2018	2.70-4.00	$6,205,000
Governmental activities – Series 2017	2.70-4.00	$3,725,000
Governmental activities – Series 2014	2.49	$1,090,000
Governmental activities – Series 2007	4.00	$ 465,000
Governmental activities – Series 2019	2.56	$1,635,000 Refunding
Governmental activities – Series 2012	1.75-2.125	$3,465,000

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

Year Ending	Governmental Activities	
September 30,	Principal	Interest
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	1,380,000	243,560
2026-2030	5,680,000	702,426
2031-2033	2,370,000	94,725
TOTALS	$16,585,000	$2,479,551

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 a capital lease agreement as lessee for financing the acquisition of machinery and equipment as set forth below. This lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The security pledged for this capital lease is the equipment financed.

	Governmental Activities	Total
ASSET	Ambulance	
COST	$192,919	$192,919
ACCUMULATED DEPRECIATION	(82,680)	(82,680)
NET ASSET	$110,239	$110,239

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, were as follows:

	Governmental Activities	Total
	Ambulance	
YEAR	Amount	Amount
2021	40,369	40,369
2022	40,369	40,369
Total Minimum Lease Payments	80,738	80,738
Less: Amount Representing Interest	2,873	2,873
Present Value of Net Minimum Lease Payments	$77,865	$77,865

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, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
General Obligation Bonds	$17,960,000		$1,375,000	$16,585,000	$1,815,000	$14,770,000
Bond Premiums	485,160		45,294	439,866		439,866
Total Bonds Payable	18,445,160	0	1,420,294	17,024,866	1,815,000	15,209,866
Capital Lease Purchases	115,407		37,542	77,865	38,461	39,404
Community Disaster Loan Proceeds	4,347,745			4,347,745		4,347,745
OPEB Liability	4,205,629	344,956		4,550,585		4,550,585
Net Pension Liability	3,437,255		1,009,062	2,428,193		2,428,193
Compensated Absences	265,743	345,488	265,743	345,488	345,488	0
Total Other	12,371,779	690,444	1,312,347	11,749,876	383,949	11,365,927
Total Governmental Activities	30,816,939	690,444	2,732,641	28,774,742	2,198,949	26,575,793
Business-Type Activities:						
OPEB Liability	416,723	35,449		452,172		452,172
Net Pension Liability	350,323		100,295	250,028		250,028
Compensated Absences	14,589	16,360	14,589	16,360	16,360	0
Total Business-Type Activities	781,635	51,809	114,884	718,560	16,360	702,200
Grand Total	$31,598,574	$742,253	$2,847,525	$29,493,302	$2,215,309	$27,277,993

The government-wide statement of net position includes $2,215,309 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 09/30/20	Year ended 09/30/19
Unpaid claims, beginning of fiscal year	$ -0-	$ -0-
Incurred claims (including IBNRs)		
Claim payments	-0-	-0-
Unpaid claims, end of fiscal year	$ -0-	$ -0-

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

On November 19, 2020, the City approved the following purchases: one (1) 2020 F-450 4x4 Medix Ambulance for the EMS Department from Southwest Ambulance Sales through H-GAC for a total amount of $213,810.00; one (1) 2021 Ford F-550 Metro 5H Supercab Brush Truck for the Volunteer Fire Department from Chastang Ford through H-GAC in the amount of $190,632.00; and two (2) 2020 Ford F150 Crew Cab 4x4 trucks for the Police Department from Silsbee Ford through Goodbuy Cooperative in the total amount of $83,976.00.

On February 25, 2021, the City approved the ten (10) year tax-exempt lease purchase financing proposal from Government Capital Corporation for a 100' RM Platform Tower Ladder truck for the Volunteer Fire Department for a purchase price of $1,252,440.00 at 2.06%, with an annual payment of $137,033.11. The City approved the additional funding proposal from HDR Engineering, Inc. to complete the U.S. Army Corps of Engineers Regulatory Permitting and Environmental Assessment for the Mustang Beach Airport Safety Improvement Project not to exceed $35,288.00. The City also approved the purchase of Radio System Equipment from Daily-Wells Communications for the Police Department Radio System upgrade in the amended amount of $716,056.88.

On May 20, 2021, the City approved a resolution adding additional fees in the total amount of $175,300.32 for the High Pressure Gas Main Replacement awarded to Equix Energy Services, LLC. The City approved an amendment to the agreement with Urban Engineering for the Nature Preserve Boardwalk and Pavilion in the total amount of $773,985.00. The City also approved the agreement with Urban Engineering for the Ancel Brundrett Restroom Drainage in a total amount of $36,520.00.

On June 17, 2021, the City approved to purchase three (3) shade structures from T.F. Harper & Associates LP through BuyBoard in the total amount of $60,000.00. The City approved the request for proposal for EDA enhancements to Municipal Marina and Robert's Point Park parking and mobility improvements to R.S. Parker Construction, LLC in the amount of $663,432.00, The City also approved the request for proposal for the community park concessions building and skate park Hurricane Harvey repairs to Barcom Construction, Inc. in the amount of $293,150.00.

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 was not a defendant in any cases at September 30, 2020.

D. Related Party Transactions

Wendy Moore, Councilmember Place #1, is an officer with American Bank, N.A. which is the depository bank for the city of Port Aransas. Ms. Moore states no direct benefit (financially or otherwise) over the City of Port Aransas accounts.

E. 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 $111,832. The restatement occurred because a capital lease listed as being outstanding on September 30, 2018, was actually paid off in September 2019.

The City had a prior period adjustment whereby the governmental activities' Net Position and fund balance was restated upward by $23,768. The restatement occurred because a receivable was not booked at the end of the prior year.

The City had a prior period adjustment whereby the governmental activities' and Business-Type Activities Net Position was restated downward by $3,962,080 and $393,693, respectively. The restatement occurred because of the inclusion of the CapRisk benefit plan as a GASB 75 item.

The restatements had the corresponding effect on the beginning Net Position as follows:

	Net Position, as Previously Reported	GASB 75 Restatement	Hotel/ Motel Accounts Receivable	Capital Lease Restatement	Net Position As Restated
Governmental Activities:					
Net Position	$30,717,393	($3,962,080)	$23,768	$111,832	$26,890,913
Total Governmental Activities	$30,717,393	($3,962,080)	$23,768	$111,832	$26,890,913

	Net Position, as Previously Reported	GASB 75 Restatement	Net Position As Restated
Business-Type Activities:			
Net Position	$12,350,287	($393,693)	$11,956,594
Total Business-Type Activities	$12,350,287	($393,693)	$11,956,594

	Fund Balance, as Previously Reported	Hotel/ Motel Accounts Receivable	Fund Balance As Restated
Governmental Funds			
Fund Balance	$21,591,413	$23,768	$21,615,181
Total Governmental Funds	$21,591,413	$23,768	$21,615,181

F. Defined Benefit Pension Plans

EXECUTIVE SUMMARY
as of December 31, 2019

Actuarial Valuation and Measurement Date, December 31,	2018	2019
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	53	60
- Inactive employees entitled to but not yet receiving benefits	66	61
- Active employees	109	116
- Total	228	237
Covered Payroll	$5,824,298	$5,824,298
Net Pension Liability		
Total Pension Liability	$16,458,907	$17,595,212
Plan Fiduciary Net Position	12,671,324	14,916,976
Net Pension Liability/(Asset)	$3,787,583	$2,678,236
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.99%	84.78%
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	65.03%	45.67%
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	2.75%	3.71%
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	$842,106
2.	Interest on the Total Pension Liability	1,114,685
3.	Changes in Current Period Benefits Including Substantively Automatic Status	0
4.	Employee Contributions (Reduction of Expense)	(351,855)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(855,314)
6.	Administrative Expense	11,069
7.	Other Changes in Fiduciary Net Position	333
8.	Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(23,477)
9.	Recognition of Current Year Outflow (Inflow) of Resources-Assets	(220,956)
10.	Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	5,541
11.	Amortization of Prior Year Outflows (Inflows) of Resources-Assets	221,088
12.	Total Pension Expense (Income)	$743,220

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization year)	Total (Inflow) or Outflow of Resources	**2019 Recognized in current pension expense**	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	3.76	($214,179)	($56,963)	($157,216)
Change in assumptions [actuarial (gains) or losses]	3.76	125,908	33,486	92,422
			($5,376)	($15,537)
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.00	($1,104,779)	($220,956)	($883,823)
			($220,956)	($883,823)
Total:				($948,617)

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

	Net deferred outflows (inflows) of resources
2020	($154,992)
2021	(154,668)
2022	8,806
2023	(220,955)
2024	0
Thereafter	0
Total	($521,809)

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 10-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%
$5,310,614	$2,678,236	$531,889

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, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

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 — 2.75% 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 2008 to 2018, 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	11.50%
2	7.25%
3	6.75%
4	6.25%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11-12	4.50%
13-15	4.25%
16-20	4.00%
21-24	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.

F. Load for Updated Service Credit – To reflect the asymmetric nature of the credits due to the USC provision, there is a load on the final average earnings used in the calculation of 0.1% per year into the future that the calculation is performed.

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 125.0% 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 — 68%, 2) Police - 86%, or 3) Other - 108%. A sample of the base rates follows:

Males

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.3079	0.2766	0.2305	0.2037	0.1951	0.1764	0.1612	0.1311	0.1078	0.0860
25	0.2798	0.2393	0.1911	0.1638	0.1507	0.1336	0.1210	0.1060	0.0976	0.0798
30	0.2585	0.2163	0.1697	0.1395	0.1138	0.1052	0.0945	0.0817	0.0785	0.0655
35	0.2642	0.2183	0.1663	0.1334	0.1107	0.1048	0.0894	0.0758	0.0655	0.0598
40	0.2602	0.2172	0.1647	0.1279	0.1103	0.0994	0.0849	0.0749	0.0633	0.0608
45	0.2392	0.2040	0.1640	0.1287	0.1110	0.0976	0.0857	0.0750	0.0638	0.0607
50	0.2191	0.1825	0.1489	0.1211	0.1072	0.0935	0.0851	0.0755	0.0636	0.0609
55	0.2112	0.1759	0.1334	0.1132	0.0908	0.0911	0.0813	0.0719	0.0643	0.0591
60	0.2108	0.1626	0.1298	0.1118	0.0833	0.0915	0.0794	0.0721	0.0602	0.0579
65	0.2109	0.1542	0.1305	0.1121	0.0847	0.0914	0.0798	0.0738	0.0577	0.0581
70	0.2109	0.1557	0.1304	0.1121	0.0845	0.0914	0.0797	0.0735	0.0581	0.0581

Females

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.3080	0.2836	0.2258	0.2132	0.2030	0.2054	0.1561	0.1565	0.1590	0.1600
25	0.2828	0.2449	0.2101	0.1995	0.1739	0.1690	0.1392	0.1375	0.1206	0.1144
30	0.2617	0.2224	0.1981	0.1791	0.1369	0.1370	0.1297	0.1145	0.0989	0.0817
35	0.2464	0.2153	0.1834	0.1462	0.1294	0.1258	0.1130	0.1103	0.1016	0.0782
40	0.2281	0.2026	0.1641	0.1365	0.1316	0.1115	0.1040	0.0940	0.0847	0.0745
45	0.2227	0.1884	0.1450	0.1359	0.1072	0.1034	0.0909	0.0797	0.0717	0.0737
50	0.2238	0.1823	0.1369	0.1249	0.0901	0.0896	0.0837	0.0735	0.0686	0.0628
55	0.2236	0.1766	0.1372	0.1218	0.0848	0.0819	0.0725	0.0717	0.0696	0.0560
60	0.2236	0.1548	0.1372	0.1191	0.0811	0.0856	0.0656	0.0649	0.0436	0.0386
65	0.2236	0.1454	0.1372	0.1169	0.0813	0.0871	0.0678	0.0603	0.0281	0.0285
70	0.2236	0.1471	0.1372	0.1173	0.0813	0.0868	0.0675	0.0611	0.0308	0.0303

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 125.0% 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 — 54%, 2) Police — 83%, or 3) Other — 113%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.82%	2.34%
2	2.43%	3.15%
3	2.87%	3.75%
4	3.24%	4.25%
5	3.55%	4.67%
6	3.83%	5.06%
7	4.08%	5.40%
8	4.32%	5.72%
9	4.53%	6.02%
10	4.74%	6.30%
11	4.93%	6.57%
12	5.11%	6.82%
13	5.28%	7.06%
14	5.45%	7.28%
15	5.60%	7.50%

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	40.2%
30	40.2%
35	40.2%
40	37.0%
45	31.6%
50	26.1%
55	20.7%

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 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP 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) until 2027 are based on a mortality study performed in 2013, with the factors phasing into being 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. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. 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.

G. Disability Rates

Age	Males & Females
20	0.000003
25	0.000019
30	0.000074
35	0.000194
40	0.000371
45	0.000603
50	0.000891
55	0.001235
60	0.001635
65	0.002090

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	
<50	0.05
50-51	0.07
52-54	0.08
55-59	0.13
60	0.16
61	0.17
62	0.25
63-64	0.20
65-74	0.30
75 and over	1.00

Note: For cities without a 20-year/any age retirement provision, the rates are loaded by 50% for ages 60 & below with 25 or more years of service.

Plan Design Factors Applied to Base Retirement Rates

	Employee Contribution Rate		
Employer Match	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: 95%

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 12%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 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. For cities with twenty or more employees new experience losses are amortized over individual periods of not more than 25 years. Beginning December 31, 2020, new loss bases for cities with fifteen or more employees will be amortized over individual periods of not more than 20 years. 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 bases are erased and an amount of the surplus is credited against the contribution rate to keep the funded ratio constant year over year.

   Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 12 years or the current life expectancy of the covered group. However, if the non-ad hoc (level percent) amortization factor is smaller due to a shorter amortization period based on the employer's size, as described below, ad hoc enhancements will be amortized the same as any other loss.

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 110% 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 period for amortizing losses is decreased 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 policy. Beginning December 31, 2020, the member threshold will be lowered to 15 to be consistent with the decrease in the standard amortization period to 20.

IV. Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): A weighted average of the actual payroll 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: All healthy and disabled members are assumed to choose a 50% Joint and Survivor option when they retire. For healthy members, this is approximated by reducing the benefit payment by a factor equal to 2.1% at age 60 (with adjustments by age). The

2.1% is effective for the 2019 calendar year and will reduce by 10% each year until the phase into the APR rates is complete, at which time there will be no need for such factor.

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 2019	2020	2021	2022	2023	2024	Thereafter
Due to Liabilities:									
difference in experiences (inflows)/outflows									
2019	3.7600	($214,179)	($56,963)	($56,963)	($56,963)	($43,290)	$0	$0	$0
2018	2.8900	(15,537)	(5,376)	(5,376)	(4,785)	0	0	0	0
2017	1.9400	800	413	387	0	0	0	0	0
2016	1.0000	10,504	10,504	0	0	0	0	0	0
		Total	($51,422)	($61,952)	($61,748)	($43,290)	$0	$0	$0
change in assumptions (inflows)/outflows									
2019	3.7600	$125,908	$33,486	$33,486	$33,486	$25,450	$0	$0	$0
		Total	$33,486	$33,486	$33,486	$25,450	$0	$0	$0
Due to Assets:									
excess investment returns (inflows)/outflows									
2019	5.0000	($1,104,779)	($220,956)	($220,956)	($220,956)	($220,956)	($220,955)	$0	$0
2018	4.0000	990,411	247,603	247,603	247,603	247,602	0	0	0
2017	3.0000	(459,155)	(153,051)	(153,051)	(153,053)	0	0	0	0
2016	2.0000	(243)	(121)	(122)	0	0	0	0	0
2015	1.0000	126,657	126,657	0	0	0	0	0	0
		Total	$132	($126,526)	($126,406)	$26,646	($220,955)	$0	$0

G. GASB 75 Information

Actuarial Valuation and Measurement Date, December 31,	2018	2019
Membership		
Number of		
-Inactive employees currently receiving benefits	36	41
-Inactive employees entitled to but not yet receiving benefits	12	13
-Active employees	109	116
-Total	157	170
Covered Payroll	$5,824,298	$5,864,246
Changes in the Total OPEB Liability		
Total OPEB Liability - beginning of year	$270,600	$266,582
Changes for the year		
Service cost	19,803	17,006
Interest on Total OPEB Liability	9,256	10,173
Changes of benefit term	0	0
Differences between expected and actual experience	(12,937)	(5,568)
Changes in assumptions or other inputs	(18,393)	55,864
Benefit payments	(1,747)	(1,759)
Net changes	(4,018)	75,716
Total OPEB Liability - end of year	$266,582	$342,298
Total OPEB Liability as a Percentage of Covered Payroll	4.58%	5.84%

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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

	1% Decrease 1.75%	**Current Discount Rate 2.75%**	**1% Increase 3.75%**
Total OPEB liability	$411,181	$342,298	$288,051

OPEB Expense:	
Service cost	$17,006
Interest on total OPEB Liability	10,173
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(3,288)
Changes in assumptions or other inputs	10,594
Total OPEB expense	$34,485

1. Generally, this will only be the annual change in the municipal bond index rate. However, for this valuation, the changes in assumption also include the changes in the actuarial assumptions adopted in 2019.

Deferred (Inflows)/Outflows of Resources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	($12,943)	$0
Changes in assumptions and other inputs	0	43,585
Contributions made subsequent to measurement date	N/A	NONE
Total (excluding contributions made subsequent to measurement date)	($12,943)	$43,585

Schedule of Outflows and Inflows - Current and future expense

	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	**2019 Recognized in current OPEB expense**	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	5.4900	($5,568)	($1,014)	($4,554)
Change in assumptions [actuarial (gains) or losses]	5.4900	55,864	10,176	$45,688
Contributions made subsequent to measurement date		NONE	NONE	NONE
Total (excluding city provided contributions made subsequent to measurement date):				**$41,134**

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
2020	$7,306
2021	7,306
2022	6,177
2023	5,367
2024	4,486
Thereafter	0
	$30,642

Amortization Schedule - Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	2019	2020	2021	2022	2023	2024	Thereafter
difference in experience (inflows)/outflows									
2018	5.6900	($5,568)	($1,014)	($1,014)	($1,014)	($1,014)	($1,014)	($498)	$0
		(10,663)	(2,274)	(2,274)	(2,274)	(2,274)	(1,567)	0	0
		Total	($3,288)	($3,288)	($3,288)	($3,288)	($2,581)	($498)	$0
change in assumptions (inflows)/outflows									
2018	5.6900	$55,864	$10,176	$10,176	$10,176	$10,176	$10,176	$4,984	$0
2017	4.6900	(15,160)	(3,233)	(3,233)	(3,233)	(3,233)	(2,228)	0	0
		13,475	3,651	3,651	3,651	2,522	0	0	0
		Total	$10,594	$10,594	$10,594	$49,465	$7,948	$4,984	$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)
2020	*0.24%*	*0.04%*
2019	*0.22%*	*0.03%*
2018	*0.22%*	*0.03%*
2017	*0.23%*	*0.04%*

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 period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

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.

Years of Service	Rate (%)
1	11.50%
2	7.25%
3	6.75%
4	6.25%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11-12	4.50%
13-15	4.25%
16-20	4.00%
21-24	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 – 68%, 2) Police – 86%, or 3) Other – 108%. A sample of the base rates follows:

Males

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.3079	0.2766	0.2305	0.2037	0.1951	0.1764	0.1612	0.1311	0.1078	0.0860
25	0.2798	0.2393	0.1911	0.1638	0.1507	0.1336	0.1210	0.1060	0.0976	0.0798
30	0.2585	0.2163	0.1697	0.1395	0.1138	0.1052	0.0945	0.0817	0.0785	0.0655
35	0.2642	0.2183	0.1663	0.1334	0.1107	0.1048	0.0894	0.0758	0.0655	0.0598
40	0.2602	0.2172	0.1647	0.1279	0.1103	0.0994	0.0849	0.0749	0.0633	0.0608
45	0.2392	0.2040	0.1640	0.1287	0.1110	0.0976	0.0857	0.0750	0.0638	0.0607
50	0.2191	0.1825	0.1489	0.1211	0.1072	0.0935	0.0851	0.0755	0.0636	0.0609
55	0.2112	0.1759	0.1334	0.1132	0.0908	0.0911	0.0813	0.0719	0.0643	0.0591
60	0.2108	0.1626	0.1298	0.1118	0.0833	0.0915	0.0794	0.0721	0.0602	0.0579
65	0.2109	0.1542	0.1305	0.1121	0.0847	0.0914	0.0798	0.0738	0.0577	0.0581
70	0.2109	0.1557	0.1304	0.1121	0.0845	0.0914	0.0797	0.0735	0.0581	0.0581

Females

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.3080	0.2836	0.2258	0.2132	0.2030	0.2054	0.1561	0.1565	0.1590	0.1600
25	0.2828	0.2449	0.2101	0.1995	0.1739	0.1690	0.1392	0.1375	0.1206	0.1144
30	0.2617	0.2224	0.1981	0.1791	0.1369	0.1370	0.1297	0.1145	0.0989	0.0817
35	0.2464	0.2153	0.1834	0.1462	0.1294	0.1258	0.1130	0.1103	0.1016	0.0782
40	0.2281	0.2026	0.1641	0.1365	0.1316	0.1115	0.1040	0.0940	0.0847	0.0745
45	0.2227	0.1884	0.1450	0.1359	0.1072	0.1034	0.0909	0.0797	0.0717	0.0737
50	0.2238	0.1823	0.1369	0.1249	0.0901	0.0896	0.0837	0.0735	0.0686	0.0628
55	0.2236	0.1766	0.1372	0.1218	0.0848	0.0819	0.0725	0.0717	0.0696	0.0560
60	0.2236	0.1548	0.1372	0.1191	0.0811	0.0856	0.0656	0.0649	0.0436	0.0386
65	0.2236	0.1454	0.1372	0.1169	0.0813	0.0871	0.0678	0.0603	0.0281	0.0285
70	0.2236	0.1471	0.1372	0.1173	0.0813	0.0868	0.0675	0.0611	0.0308	0.0303

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 125.0% 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 – 54%, 2) Police – 83%, or 3) Other – 113%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.82%	2.34%
2	2.43%	3.15%
3	2.87%	3.75%
4	3.24%	4.25%
5	3.55%	4.67%
6	3.83%	5.06%
7	4.08%	5.40%
8	4.32%	5.72%
9	4.53%	6.02%
10	4.74%	6.30%
11	4.93%	6.57%
12	5.11%	6.82%
13	5.28%	7.06%
14	5.45%	7.28%
15	5.60%	7.50%

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	40.2%
30	40.2%
35	40.2%
40	37.0%
45	31.6%
50	26.1%
55	20.7%

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 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

D. Disabled Annuitant Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

E. Pre-Retirement Mortality

For calculating the OPEB liability and the contribution rates, the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

F. Disability Rates

Age	Males & Females
20	0.000003
25	0.000019
30	0.000074
35	0.000194
40	0.000371
45	0.000603
50	0.000891
55	0.001235
60	0.001635
65	0.002090

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

The base table rates vary by 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	
<50	0.05
50-51	0.07
52-54	0.08
55-59	0.13
60	0.16
61	0.17
62	0.25
63-64	0.20
65-74	0.30
75 and over	1.00

Note: For cities without a 20-year/any age retirement provision, the rates are loaded by 50% for ages 60 & below with 25 or more years of service.

Plan Design Factors Applied to Base Retirement Rates

	Employee Contribution Rate		
Employer Match	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: 95%

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. Beginning January 2021, the SDB rate for retirees will be based on the full 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.

G. Summary of GASB 75 Group Insurance Policy

EXECUTIVE SUMMARY

The City of Port Aransas ("City) provides medical benefits to eligible retirees. The City pays 100% of the current monthly contribution rate for individual for retirees meeting certain eligibility requirements. A Medicare supplement policy is available for Medicare eligible retirees. No dependent coverage is available to retirees. All active employees who retire directly from the City and meet the eligibility criteria may participate.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted on December 8, 2003. As a result of this legislation, employers providing drug coverage to Medicare eligible retirees, that is, at least actuarially equivalent to the standard benefit provided by Medicare, may be eligible to receive a federal subsidy.

GASB has taken the position that any federal subsidy received should be reported as revenue to the plan sponsor and not used as an offset to the GASB liabilities. This report is prepared on that basis.

This SUMMARY identifies the value of benefits at September 30, 2020 and costs for the 2020 Fiscal Year:

	September 30, 2020		
	Initial Results	Medicare Prescription Savings	Final
Present Value of Future Benefits	8,682,954	N/A	8,682,954
Total OPEB Liability (TOL)	4,660,457	N/A	4,660,457
Fiduciary Net Position (FNP)	0	N/A	0
Net OPEB Liability (NOL)	4,664,457	N/A	4,664,457
FY 2020 Expected OPEB Benefits (includes any implicit subsidy) *	77,103	N/A	77,103
*The FY2020 implicit subsidy is $0.			

This section presents detailed valuation results for the City's Plan.

- The **Present Value of Future Benefits** is the total present value of all expected future benefits, based on certain actuarial assumptions. The Present Value of Future Benefits is a measure of total liability or obligation. Essentially, this present value is the value (on the valuation date) of the benefits promised current and future retirees. The Plan's present value of all projected benefits (at September 30, 2020) is **$8,682,954**. Most of this obligation is for current active employees (future retirees).

- The **Total OPEB Liability (TOL)** is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The Plan's TOL (at September 30, 2020) is **$4,660,457**. Most of this liability is for active employees. The TOL represents **53.67%** of the present value of all projected benefits.

- **Service Cost** is the value of benefits expected to be earned during the year, again based on certain actuarial methods and assumptions. The 2020 Fiscal Year Service Cost (at September 30, 2020) is **$374,016**.

The results were calculated based upon plan provisions, as provided by the City, along with certain demographic and economic assumptions as recommended by our consulting actuary with guidance from the GASB statement.

Demographic Assumptions

Data was provided by the City as of March 2021. Appropriate adjustments in this data were made for the actuarial valuation. There is no assumption for future hires.

Economic Assumptions

The GASB statement requires that the discount rate used to determine the plan liabilities for retiree healthcare benefits is based on the earnings rate of the plan assets if the projected assets are sufficient to cover the projected benefit payments. If the projected assets are not sufficient then a municipal bond index rate must be used for discounting benefits not covered by the projected assets. Since there are no plan assets held in trust the Bond Buyer GO Bond 20 Index is used for determining the discount rate of **2.25%.**

The trend assumption is used to project the growth of the expected claims over the lifetime of the healthcare recipients. The GASB statement does not require a particular source for information to determine healthcare trends, but it does recommend selecting a source that is "publicly available, objective and unbiased".

The balance of this report provides greater detail for the above results.

PRINCIPAL VALUATION RESULTS

The following highlights the City's recognition of the above amounts:

- ► The September 30, 2020 Plan Fiduciary Net Position is $0
- ► The FY 2020 Total OPEB Expense is $535,224.
- ► Expected FY 2020 OPEB contributions are $77,103 (includes $77,103 in subsidy contributions made by the employer.)

The following table shows results by active and retired employee groups as of September 30, 2020:

	Initial Results	Medicare Prescription Savings	Final
Present Va1ue of Future Benefits			
Actives	7,554,131	N/A	7,554,131
Retirees	1,128,823	N/A	1,128,823
Total	**8,682,954**	**N/A**	**8,682,954**
Total OPEB Liability (TOL)			
Actives	3,531,634	N/A	3,531,634
Retirees	1,128,823	N/A	1,128,823
Total	**4,660,457**	**N/A**	**4,660,457**
Plan Fiduciary Net Position			0
Net OPEB Liability (NOL)			4,660,457
Service Cost			374,016

ACCOUNTING INFORMATION

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

Net OPEB Liability (NOL)

The Standard sets the method for determining the County's Total OPEB Liability and Net OPEB Liability. The Net OPEB Liability is the difference between the Total OPEB liability and the Plan Fiduciary Net Position. The Plan Fiduciary Net Position is zero for plans with no dedicated plan assets. To be included as assets of the plan the assets must be held in an irrevocable trust for the exclusive purpose of providing post-retirement benefits. Changes in benefit terms are recognized immediately. Changes in assumptions and experience gains/losses are amortized over the average remaining service of active employees and inactive participants. Investment gains/losses are amortized over five (5) years. Exhibit A shows the development of the gains and losses for FY2020.

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) – (b)**
Total OPEB Liability October 1, 2019	4,355,774	0	4,355,774
Service Cost	307,141	0	307,141
Interest Cost	123,008	0	123,008
Changes of Benefit Terms	0	0	0
Differences between expected and actual experience	18,683	0	18,683
Changes in assumptions	(67,046)	0	(67,046)
Other changes	0	0	0
Contributions-employer	0	0	0
Net investment income	0	0	0
Benefit payments	(77,103)	0	(77,103)
Administrative expense	0	0	0
Net change in total OPEB liability	304,683	0	304,683
Total OPEB Liability September 30, 2020	4,660,457	0	4,660,457

Total OPEB Expense

Part of the disclosure is the Total OPEB Expense included in the financial statements each fiscal year. This expense includes the service cost, interest cost and the amortized amount of each basis required by GASB 75.

Total OPEB Expense	**FY2020**
Service Cost	307,141
Interest Cost (including interest on Service Cost)	123,008
Changes of benefit terms	0
Current Recognized Deferred Outflows/ (Inflows)	
Difference between expected and actual Experience	1,739
Changes in assumptions or other inputs	103,336
(Other changes, if significant)	0
Difference of Projected Investment Earnings	0
Total OPEB Expense as of September 30, 2020	535,224

Schedule of Deferred Inflows/Outflows

GASB75 requires disclosure of the deferred inflows/outflows resulting from the changes in the Total OPEB liability each year. The following shows the annual deferred outflows/(inflows) as of September 30, 2020. Included will be a schedule showing the original amortization amount, the years to be amortized, and the remaining balance. If applicable, Exhibit A-1 to this report, discloses any detailed amortization information.

Schedule of Deferred Inflows/Outflows	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	16,348	(3.649)
Changes of assumptions/inputs	683,710	(58,665)
Net difference between projected and actual investments	0	0
Total	700,058	(62,314)

Projection of Net Inflows (Outflows)

Fiscal Year	Net Outflows (Inflows)
2021	105,075
2022	105,075
2023	105,075
2024	105,075
2025	105,075
2026+	112,369

Sensitivity Analysis of the Trend and Discount Rate

GASB 75 requires that a sensitivity analysis of the trend and discount rates used in the valuation. The sensitivity is plus or minus 1% from the base rates used in the valuation. The values shown are as of September 30, 2020.

Trend	Total OPEB Liability	% Difference
1% Decrease (3.50%)	3,700,558	-20.6%
Current Trend 4.50%	4,660,457	
1% Increase (5.50%)	5,968,064	28.1%

Discount Rate	Total OPEB Liability	% Difference
1% Decrease (3.25%)	3,805,795	-18.3%
Current Discount Rate 2.25%	4,660,457	
1% Decrease (1.25%)	5,782,149	24.1%

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Plan Provisions

Medical Benefits

Eligibility	Retirement at a) age 65 with 15 years of service or b) age 60 with 20 years of service or c) 30 years of service without regard to age.
Postretirement contributions	No retiree contributions for the medical coverage. The City pays the full premium for individual coverage.
Medical Plan Benefit	Medical benefits are provided through a Humana healthcare plan for non-Medicare eligible retirees and through an AARP Medicare supplement plant for retirees who are Medicare eligible.
Other Benefits	No other health or life benefits are provided to retirees. No dependent coverage is provided to retirees.

METHODS AND ASSUMPTIONS

Actuarial Method	Individual Entry Age Normal Cost Method-Level Percentage of Projected Salary.
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date of expected termination.
Total OPEB Liability	The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.
Discount Rate	2.25% (-0.25% real rate of return plus 2.50% inflation)
Average Per Capita Claim Cost	There is a higher contribution rate required for retirees so there is no subsidy by the active employee group. As a result, the contribution rate for retirees of $12,688.08 is used as the annual per capita claim cost for retirees up to age 65. For age 65 and greater the current average Medicare supplement premium of $3,735.64 is used for the annual per capita claim cost.
Health Care Cost Trend	4.50% level.

Mortality	RPH-2014 Total Table with Projection MP-2019
Turnover	Rates varying based on gender, age and select and ultimate at 9 years. Rates based the TMRS actuarial assumptions from the 2017 retirement plan valuation report.
Disability	None assumed
Retirement Rates	
Retiree Contributions	None
Salary Scale	3.50%
Data Assumptions	
Coverage	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 100% of all actives who currently have healthcare coverage will continue with coverage upon retirement.
Valuation Methodology and Terminology	We have used GASB accounting methodology to determine the postretirement medical benefit obligations.
Valuation Date	September 30, 2020
Measurement Date	September 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

A. Total pension liability

	2019	2018	2017
1. Service Cost	$842,106	$848,018	$907,907
2. Interest (on the Total Pension Liability)	1,114,685	1,036,361	957,205
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	(214,179)	(20,913)	1,626
5. Changes of assumptions	125,908	0	0
6. Benefit payments, including refunds of employee contributions	(732,215)	(668,095)	(660,131)
7. Net change in total pension liability	1,136,305	1,195,371	1,206,607
8. Total pension liability -- beginning	16,458,907	15,263,536	14,056,929
9. Total pension liability - ending	17,595,212	16,458,907	15,263,536

B. Plan fiduciary net position

1. Contributions - employer	677,320	676,202	739,519
2. Contributions - employee	351,855	349,458	376,985
3. Net investment income	1,960,094	(380,621)	1,491,703
4. Benefit payments, including refunds of employee contributions	(732,215)	(668,095)	(660,131)
5. Administrative Expense	(11,069)	(7,354)	(7,730)
6. Other	(333)	(384)	(392)
7. Net change in plan fiduciary net position	2,245,652	(30,794)	1,939,955
8. Plan fiduciary net position - beginning	12,671,324	12,702,118	10,762,163
9. Plan fiduciary net position - ending*	14,916,976	12,671,324	12,702,118
C. Net pension liability (A.9 - B.9)	$2,678,236	$3,787,583	$2,561,418
D. Plan fiduciary net position as a percentage of the total pension liability (B.9 / A.9)	84.78%	76.99%	83.22%
E. Covered-employee payroll (B.9 / A.9)	$5,864,246	$5,824,298	$6,283,090
F. Net pension liability as a percentage of covered employee payroll (C/E)	45.67%	65.03%	40.77%

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	2016	2017	2018	2019
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	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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	2019	2018
1. Service Cost	$17,006	$19,803
2. Interest on Total OPEB Liability	10,173	9,256
3. Changes of benefit terms	0	0
4. Difference between expected and actual experience	(5,568)	(12,937)
5. Changes in assumptions or other inputs	55,864	(18,393)
6. Benefit payments	(1,759)	(1,747)
7. Net changes	75,716	(4,018)
Total OPEB Liability - beginning of year	$226,582	$270,600
Total OPEB Liability - end of year	$342,298	$266,582

E. Covered-employee payroll (B.9 / A.9)	$5,864,246	$5,824,298
F. Total OPEB Liability as a Percentage of Covered Payroll	5.84%	4.58%

OPEB Plan - CapRisk

Changes in the Total OPEB Liability

Changes for the year	2019
1. Service Cost	$307,141
2. Interest on Total OPEB Liability	123,008
3. Changes of benefit terms	0
4. Difference between expected and actual experience	18,683
5. Changes in assumptions or other inputs	(67,046)
6. Benefit payments	(77,103)
7. Net changes	304,683
Total OPEB Liability - beginning of year	4,355,774
Total OPEB Liability - end of year	$4,660,457

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Budgetary Basis	
REVENUES				
Interest			$23,080	$23,080
Miscellaneous				0
Total Revenues	0	0	23,080	23,080
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	700,000	700,000	525	699,475
Total Expenditures	700,000	700,000	525	699,475
Excess (Deficiency) of Revenues Over (Under) Expenditures	(700,000)	(700,000)	22,555	722,555
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Bond Proceeds				0
Operating Transfers In				0
Operating Transfers Out			(3,458)	(3,458)
Total Other Financing Sources (Uses)	0	0	(3,458)	(3,458)
Net Changes in Fund Balances	($700,000)	($700,000)	19,097	$719,097
Fund Balances - Beginning	325,158	325,158	325,158	
Fund Balances - Ending	($374,842)	($374,842)	$344,255	$719,097

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF PORT ARANSAS, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	SPECIAL REVENUE					
	Hotel/Motel Fund	Airport Fund	Court Security Fund	Court Tech-nology Fund	COVID-19 Fund	Library Fund
ASSETS						
Cash and Cash Equivalents	431,203	335,129	12,608	2,871		84,921
Receivables (Net of Allowance for Uncollectibles)	49,621	8,716			182,996	
Inventories		8,155				
Total Assets	480,824	352,000	12,608	2,871	182,996	84,921
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	398,900	2,445			15,000	
Bank Overdraft					167,996	
Accrued Wages		190				
Total Liabilities	398,900	2,635	0	0	182,996	0
DEFERRED INFLOWS OF RESOURCES						
Deferred Property Taxes						
Fund Balances						
Non-Spendable						
Inventories	0	8,155				
Restricted						
Culture and Recreation		341,210				84,921
Debt Service						
Economic Development	81,924					
Public Safety			12,608	2,871		
Committed						
Construction						
Culture and Recreation						
Public Transportation						
Total Fund Balances	81,924	349,365	12,608	2,871	0	84,921
TOTAL LIABILITIES AND FUND BALANCES	480,824	352,000	12,608	2,871	182,996	84,921

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
366,450	21,088	33,311	182,101	724,643	495,850	27,684	$2,717,859
				100,288		25,796	367,417
							8,155
366,450	21,088	33,311	182,101	824,931	495,850	53,480	$3,093,431
		10,177		29,818			$456,340
							167,996
		2,932		7,242			10,364
0	0	13,109	0	37,060	0	0	634,700
						25,796	25,796
							8,155
		20,202		787,871			1,234,204
						27,684	27,684
							81,924
							15,479
366,450	21,088						387,538
			182,101				182,101
					495,850		495,850
366,450	21,088	20,202	182,101	787,871	495,850	27,684	2,432,935
366,450	21,088	33,311	182,101	824,931	495,850	53,480	$3,093,431

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, 2020

	SPECIAL REVENUE					
	Hotel/Motel Fund (100)	Airport Fund	Court Security Fund	Court Tech-nology Fund	COVID-19 Fund	Library Fund
REVENUES						
Taxes						
Property						
Sales						
Hotel/Motel	2,900,472					
Intergovernmental		8,267			228,745	600
Charges for Services		142,627				
Fines and Forfeitures			1,651	4,242		
Interest	4,207	3,958	137	26		24
Miscellaneous						7,078
Total Revenues	2,904,679	154,852	1,788	4,268	228,745	7,702
EXPENDITURES						
Current:						
General Administration						
Economic Development	2,491,337					
Public Safety						
Municipal Court				4,911	228,745	
Public Transportation						
Regional Transit						
Culture and Recreation						
Airport		150,543				
Library						6,726
Nature Preserve						
Park						
Debt Service						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	2,491,337	150,543	0	4,911	228,745	6,726
Excess (Deficiency) of Revenues Over (Under) Expenditures	413,342	4,309	1,788	(643)	0	976
OTHER FINANCING SOURCES (USES):						
Operating Transfers In						
Operating Transfers Out	(383,282)					
Total Other Financing Sources (Uses)	(383,282)	0	0	0	0	0
Net Changes in Fund Balances	30,060	4,309	1,788	(643)	0	976
Fund Balances - Beginning	51,864	345,056	10,820	3,514	0	83,945
Fund Balances - Ending	81,924	349,365	12,608	2,871	0	84,921

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
						1,292,076	$1,292,076
				866,307			866,307
							2,900,472
		89,406					327,018
282,658			68,137				493,422
	5,039						10,932
4,615	222	2,614	3,927	10,898	4,148	379	35,155
		18,001		9,997			35,076
287,273	5,261	110,021	72,064	887,202	4,148	1,292,455	5,960,458
							2,491,337
							233,656
					2,271		2,271
							150,543
							6,726
		333,874					333,874
				1,363,199			1,363,199
						1,375,000	1,375,000
						484,298	484,298
0	0	333,874	0	1,363,199	2,271	1,859,298	6,440,904
287,273	5,261	(223,853)	72,064	(475,997)	1,877	(566,843)	(480,446)
		226,467		200,000	150,000	436,150	1,012,617
(250,000)			(200,000)				(833,282)
(250,000)	0	226,467	(200,000)	200,000	150,000	436,150	179,335
37,273	5,261	2,614	(127,936)	(275,997)	151,877	(130,693)	(301,111)
329,177	15,827	17,588	310,037	1,063,868	343,973	158,377	2,734,046
366,450	21,088	20,202	182,101	787,871	495,850	27,684	$2,432,935

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Hotel/Motel	$2,383,925	$2,705,425	2,900,472	$195,047
Interest	7,500	7,500	4,207	(3,293)
Total Revenues	2,391,425	2,712,925	2,904,679	191,754
EXPENDITURES				
General Administration				
Mayor and Council	2,073,575	2,352,225	2,491,337	(139,112)
Total Expenditures	2,073,575	2,352,225	2,491,337	(139,112)
Excess (Deficiency) of Revenues Over (Under) Expenditures	317,850	360,700	413,342	52,642
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(317,850)	(360,700)	(383,282)	(22,582)
Total Other Financing Sources (Uses)	(317,850)	(360,700)	(383,282)	(22,582)
Net Changes in Fund Balances	0	0	30,060	30,060
Fund Balances - Beginning	51,864	51,864	51,864	
Fund Balances - Ending	$51,864	$51,864	$81,924	$30,060

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental	$20,000	$20,000	$8,267	($11,733)
Charges for Services	163,050	163,050	142,627	(20,423)
Interest	2,000	2,000	3,958	1,958
Total Revenues	185,050	185,050	154,852	(30,198)
EXPENDITURES				
Current:				
Culture and Recreation				
Airport	334,260	334,260	150,543	183,717
Total Expenditures	334,260	334,260	150,543	183,717
Excess (Deficiency) of Revenues Over (Under) Expenditures	(149,210)	(149,210)	4,309	153,519
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	(149,210)	(149,210)	4,309	153,519
Fund Balances - Beginning	345,056	345,056	345,056	
Fund Balances - Ending	$195,846	$195,846	$349,365	$153,519

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Fines and Forfeitures	$3,500	$3,500	$1,651	($1,849)
Interest	100	100	137	37
Total Revenues	3,600	3,600	1,788	(1,812)
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	13,325	13,325		13,325
Total Expenditures	13,325	13,325	0	13,325
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,725)	(9,725)	1,788	11,513
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	(9,725)	(9,725)	1,788	11,513
Fund Balances - Beginning	10,820	10,820	10,820	
Fund Balances - Ending	$1,095	$1,095	$12,608	$11,513

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Fines and Forfeitures	$4,500	$4,500	$4,242	($258)
Interest	50	50	26	(24)
Total Revenues	4,550	4,550	4,268	(282)
EXPENDITURES				
Current:				
Public Safety				
Municipal Court	5,725	5,725	4,911	814
Total Expenditures	5,725	5,725	4,911	814
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,175)	(1,175)	(643)	532
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	(1,175)	(1,175)	(643)	532
Fund Balances - Beginning	3,514	3,514	3,514	
Fund Balances - Ending	$2,339	$2,339	$2,871	$532

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for Services	$200,000	$200,000	$282,658	$82,658
Interest	3,500	3,500	4,615	1,115
Total Revenues	203,500	203,500	287,273	83,773
EXPENDITURES				
Current:				
Capital Projects -				
Capital Outlay and Other				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	203,500	203,500	287,273	83,773
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(250,000)	(250,000)	(250,000)	0
Total Other Financing Sources (Uses)	(250,000)	(250,000)	(250,000)	0
Net Changes in Fund Balances	(46,500)	(46,500)	37,273	83,773
Fund Balances - Beginning	329,177	329,177	329,177	
Fund Balances - Ending	$282,677	$282,677	$366,450	$83,773

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for Services	$6,000	$6,000	$5,039	($961)
Interest	100	100	222	122
Total Revenues	6,100	6,100	5,261	(839)
EXPENDITURES				
Current:				
Capital Projects -				
Capital Outlay and Other				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,100	6,100	5,261	(839)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	6,100	6,100	5,261	(839)
Fund Balances - Beginning	15,827	15,827	15,827	
Fund Balances - Ending	$21,927	$21,927	$21,088	($839)

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental			$89,406	$89,406
Interest	3,000	3,000	2,614	(386)
Miscellaneous	500,000	500,000	18,001	(481,999)
Total Revenues	503,000	503,000	110,021	(392,979)
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	821,800	821,800	333,874	487,926
Total Expenditures	821,800	821,800	333,874	487,926
Excess (Deficiency) of Revenues Over (Under) Expenditures	(318,800)	(318,800)	(223,853)	94,947
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	321,800	321,800	226,467	(95,333)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	321,800	321,800	226,467	(95,333)
Net Changes in Fund Balances	3,000	3,000	2,614	(386)
Fund Balances - Beginning	17,588	17,588	17,588	
Fund Balances - Ending	$20,588	$20,588	$20,202	($386)

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for Services	$60,000	$60,000	$68,137	$8,137
Interest	3,500	3,500	3,927	427
Total Revenues	63,500	63,500	72,064	8,564
EXPENDITURES				
Current:				
Culture and Recreation				
Park Dedication				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	63,500	63,500	72,064	8,564
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(200,000)	(200,000)	(200,000)	0
Total Other Financing Sources (Uses)	(200,000)	(200,000)	(200,000)	0
Net Changes in Fund Balances	(136,500)	(136,500)	(127,936)	8,564
Fund Balances - Beginning	310,037	310,037	310,037	
Fund Balances - Ending	$173,537	$173,537	$182,101	$8,564

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Sales	$917,000	$917,000	$866,307	($50,693)
Interest	10,000	10,000	10,898	898
Miscellaneous	24,000	24,000	9,997	(14,003)
Total Revenues	951,000	951,000	887,202	(63,798)
EXPENDITURES				
Current:				
Culture and Recreation				
Parks	1,503,025	1,503,025	1,363,199	139,826
Total Expenditures	1,503,025	1,503,025	1,363,199	139,826
Excess (Deficiency) of Revenues Over (Under) Expenditures	(552,025)	(552,025)	(475,997)	76,028
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	200,000	200,000	200,000	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	200,000	200,000	200,000	0
Net Changes in Fund Balances	(352,025)	(352,025)	(275,997)	76,028
Fund Balances - Beginning	1,063,868	1,063,868	1,063,868	
Fund Balances - Ending	$711,843	$711,843	$787,871	$76,028

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Interest	$1,000	$1,000	$4,148	$3,148
Total Revenues	1,000	1,000	4,148	3,148
EXPENDITURES				
Current:				
Public Transportation				
Regional Transit	30,000	30,000	2,271	27,729
Total Expenditures	30,000	30,000	2,271	27,729
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,000)	(29,000)	1,877	30,877
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	150,000	150,000	150,000	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	150,000	150,000	150,000	0
Net Changes in Fund Balances	121,000	121,000	151,877	30,877
Fund Balances - Beginning	343,973	343,973	343,973	
Fund Balances - Ending	$464,973	$464,973	$495,850	$30,877

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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Property	$1,221,950	$1,221,950	$1,292,076	$70,126
Interest	1,200	1,200	379	(821)
Total Revenues	1,223,150	1,223,150	1,292,455	69,305
EXPENDITURES				
Debt Service				
Principal Retirement	1,375,000	1,375,000	1,375,000	0
Interest Retirement	485,500	485,500	484,298	1,202
Total Expenditures	1,860,500	1,860,500	1,859,298	1,202
Excess (Deficiency) of Revenues Over (Under) Expenditures	(637,350)	(637,350)	(566,843)	70,507
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	436,150	436,150	436,150	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	436,150	436,150	436,150	0
Net Changes in Fund Balances	(201,200)	(201,200)	(130,693)	70,507
Fund Balances - Beginning	158,377	158,377	158,377	
Fund Balances - Ending	($42,823)	($42,823)	$27,684	$70,507

SINGLE AUDIT SECTION

PORT ARANSAS, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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	1,273,220	106,102
Marine Debris		37996	NONE	306,493	25,541
EXP Port Aransas, Expedieted CAT B - Emergency Protective Measures		2355	NONE	(245,260)	(20,438)
Temporary Facilites - Fire Station		17549	NONE	111,679	9,307
Temporary Facility - Jail/Public Safety Building		42615	NONE	(374,540)	(31,212)
Demolition from Private Property Debris Removal		68702	NONE	127,567	10,631
Gas System Emergency Work		71592	NONE	128,953	10,746
Robert's Point Park Bulkhead		3137	NONE	730,540	60,878
Fire Station		6237	NONE	487,247	40,604
Public Works Storage & Maintenance		6262	NONE	1,080	90
Chamber of Commerce Building		6293	NONE	1,071,354	89,279
Airport Office		6298	NONE	2,195	183
Station Street Pier Bathrooms		6352	NONE	423,514	35,293
McDonald Field Concession, Restroom, Press Box		6355	NONE	1,023,757	85,313
Vehicles - Port Aransas		7693	NONE	9,000	750
Public Works Garage (DPW Garage)		16966	NONE	143,966	11,997
Fuel Pump City Hall		26596	NONE	16,357	1,363
Gas Office Contents		36865	NONE	15,904	1,325
Gas System		3141	NONE	1,011,327	84,277
Community Park		3142	NONE	(74,898)	(6,242)
Robert's Point Park Pier		35880	NONE	104,209	8,684
Charlie's Pasture Pier		35881	NONE	51,363	4,280
Station Street Pier		35883	NONE	282,621	23,552
Mustang Beach Airport		36910	NONE	37,140	3,095
Cemetery		38560	NONE	11,439	953
City Beach		38571	NONE	109,687	9,141
Port Aransas DAC		65826	NONE	388,243	32,354
Roads - Two Sinkholes		3130	NONE	(8,951)	(746)
Community Park Storage Sheds (3)		16979	NONE	18,861	1,572
Parks & Recreation Office		6297	NONE	8,578	715
Marina Docks		9483	NONE	3,867,022	322,252
Animal Shelter		6294	NONE	72,259	6,022
				11,131,924	927,660
Direct					
Emergency Management Performance Grants	97.042	NONE	NONE	26,466	
Total U.S. Department of Homeland Security				11,158,390	927,660
U.S. DEPARTMENT OF COMMERCE					
Pass through					
Texas Department of Transportation					
Federal Assistance for Economic Development	11.307	08-79-05258	NONE	212,736	
Pass through					
Texas General Land Office					
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432		NONE	52,857	
Total U.S. Department of Commerce				265,593	
U.S. DEPARTMENT OF THE INTERIOR					
Direct					
Coastal	15.630	NONE	NONE	66,023	
Pass through					
Texas Parks and Wildlife Department					
Outdoor Recreation Acquisition, Development and Planning	15.916		NONE	367,114	
Total U.S. Department of Interior				433,137	
U.S. Department of the Treasury					
Passed Through					
Texas Division of Emergency Management (TDEM)					
Coronavirus Relief Fund	21.019		NONE	232,285	
Total U.S. Department of the Treasury (TREAS)				232,285	
Texas Department of Public Safety					
Ramp Grant					8,267
TOTAL EXPENDITURES				$12,089,405	$935,927

See Accompanying Notes to Schedule of Federal and State Financial Assistance

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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, 2020, 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 July 30, 2021.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 & Co.

BEYER & COMPANY
Certified Public Accountants
July 30, 2021

BEYER & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020. 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, 2020.

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
July 30, 2021

CITY OF PORT ARANSAS, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020. 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, 2020

Section II - Financial Statement Findings

Material Weaknesses:

None

Significant Deficiencies:

2019-1 Marlin Academy: We noted, in our test month of January, 11 out of 26 accounts were billed incorrectly. ***This finding has been corrected.***

Section III - Federal or State Award Findings & Questioned Costs

None

CITY OF PORT ARANSAS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 no 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

None

Section III - Federal or State Award Findings & Questioned Costs

None