



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING ~~SEPTEMBER 30, 2020~~
SEPTEMBER 30, 2021

City of Port Aransas, Texas
www.cityofportaransas.org



CITY OF PORT ARANSAS, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2021

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Annual Financial Report
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FINANCIAL SECTION



PARK FOWLER & CO.

Certified Public Accountants & Management Consultants
A Professional Limited Liability Company

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof 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, budgetary comparison information, 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the 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.

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

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 August 18, 2022, 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.

Park Fowler & CO., PLLC

Park Fowler & Co., PLLC
Corpus Christi, Texas
August 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF PORT ARANSAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

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, 2021. 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 \$70,977,162 (net position). Of this amount, \$22,071,648 (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 \$26,519,618 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 \$40,534,154. Approximately 62% of this amount, \$25,035,154 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 \$8,434,497 or 81% of General Fund expenditures.
- The City of Port Aransas' total bonded debt had an increase of \$2,670,000 during the current fiscal year due to issuance of Certificates of Obligation for \$2,695,000 for park and recreation facilities and issuance of Tax Anticipation notes for \$1,790,000 to purchase fire trucks and ambulances, and bond principal payment of \$1,815,000.

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 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.

CITY OF PORT ARANSAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

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, 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 maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Gas Utility, Harbor and Sanitation.

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.

CITY OF PORT ARANSAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

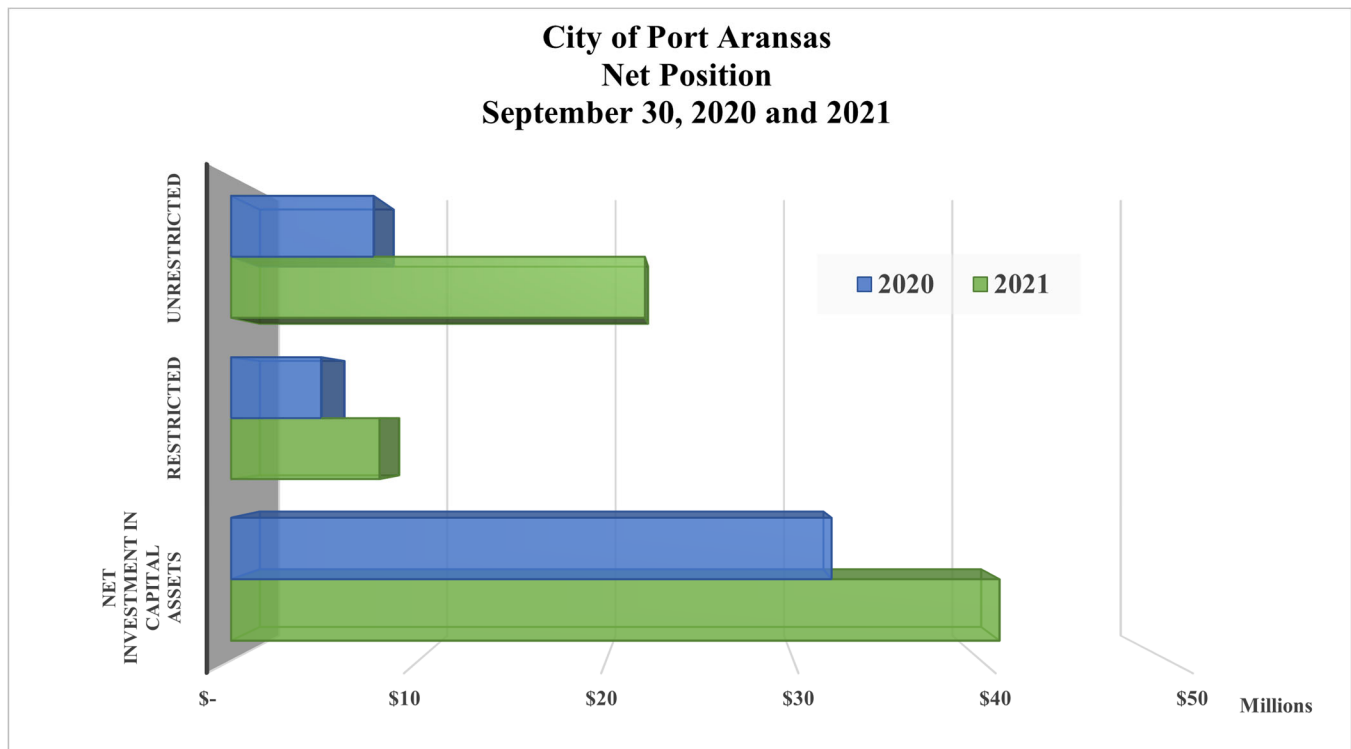
Government-wide Financial Analysis

City's Net Position

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

Table 1 – Summary of Net Positions

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 43,012,833	\$ 23,734,952	\$ 1,764,353	\$ 1,807,411	\$ 44,777,186	\$ 25,542,363
Restricted Assets	58,441	58,440	-	-	58,441	58,440
Capital Assets, Net	45,070,436	40,197,798	15,824,364	12,494,230	60,894,800	52,692,028
Total Assets	88,141,710	63,991,190	17,588,717	14,301,641	105,730,427	78,292,831
Deferred Outflows	1,197,972	985,301	130,984	95,546	1,328,956	1,080,847
Long-Term Liabilities	30,914,429	28,774,742	636,207	718,560	31,550,636	29,493,302
Other Liabilities	2,169,991	3,932,362	344,076	369,432	2,514,067	4,301,794
Total Liabilities	33,084,420	32,707,104	980,283	1,087,992	34,064,703	33,795,096
Deferred Inflows	1,815,801	1,019,688	201,717	101,350	2,017,518	1,121,038
Net Position:						
Net Investment in Capital Assets	25,156,342	19,531,443	15,824,364	12,494,230	40,980,706	32,025,673
Restricted	7,924,808	4,816,696	-	-	7,924,808	4,816,696
Unrestricted	21,358,311	6,901,560	713,337	713,615	22,071,648	7,615,175
Total Net Position	\$ 54,439,461	\$ 31,249,699	\$ 16,537,701	\$ 13,207,845	\$ 70,977,162	\$ 44,457,544



CITY OF PORT ARANSAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

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 \$54,439,461 at the close of the most recent fiscal year for governmental activities and \$16,537,701 for business-type activities.

A large portion of the City's net assets (46 percent in governmental activities and 96 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 \$23,189,762 and Business-type activities increased the City's net assets by \$3,329,856 for an increase of \$26,519,618.

Table 2 – Changes in Net Positions

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Total Revenues	\$50,035,635	\$29,667,800	\$ 7,734,656	\$ 3,249,759	\$57,770,291	\$32,917,559
Total Expenses	(27,421,098)	(23,759,720)	(3,829,575)	(3,547,801)	(31,250,673)	(27,307,521)
Change Before Transfers	22,614,537	5,908,080	3,905,081	(298,042)	26,519,618	5,610,038
Transfers	575,225	(1,549,294)	(575,225)	1,549,293	-	(1)
Change in Net Position	23,189,762	4,358,786	3,329,856	1,251,251	26,519,618	5,610,037
Net Position - Beginning	31,249,699	26,890,913	13,207,845	11,956,594	44,457,544	38,847,507
Net Position - Ending	<u>\$54,439,461</u>	<u>\$31,249,699</u>	<u>\$16,537,701</u>	<u>\$13,207,845</u>	<u>\$70,977,162</u>	<u>\$44,457,544</u>

The specific changes in revenues and expenses are shown in the tables that follow:

CITY OF PORT ARANSAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

Table 3 – Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for Services	\$ 3,776,579	\$ 2,153,352	\$ 3,627,508	\$ 3,070,151	\$ 7,404,087	\$ 5,223,503
Operating Grants and Contributions	603,782	648,553	214,730	159,700	818,512	808,253
Capital Grants and Contributions	15,939,733	7,175,959	-	-	15,939,733	7,175,959
General Revenues:						
Property Taxes	6,671,756	6,273,700	-	-	6,671,756	6,273,700
Sales Tax	3,336,789	2,598,923	-	-	3,336,789	2,598,923
Franchise Taxes	581,932	533,670	-	-	581,932	533,670
Hotel/Motel Taxes	11,871,046	7,632,949	-	-	11,871,046	7,632,949
Licenses and Permits	3,599,382	2,139,936	-	-	3,599,382	2,139,936
Investment Earnings	16,488	222,702	1,361	19,908	17,849	242,610
Insurance Recover - HH	2,250,000	56,500	3,841,090	-	6,091,090	56,500
Grants and Contributions not Restricted	528,527	188,876	-	-	528,527	188,876
Miscellaneous	859,621	42,680	49,967	-	909,588	42,680
Total Revenues	<u>\$ 50,035,635</u>	<u>\$ 29,667,800</u>	<u>\$ 7,734,656</u>	<u>\$ 3,249,759</u>	<u>\$ 57,770,291</u>	<u>\$ 32,917,559</u>
Expenses						
General Administration	\$ 8,690,612	\$ 6,615,661	\$ -	\$ -	\$ 8,690,612	\$ 6,615,661
Legal	144,476	794,125	-	-	144,476	794,125
Financial Administration	315,473	253,581	-	-	315,473	253,581
Public Facilities	1,191,072	837,009	-	-	1,191,072	837,009
Public Safety	10,689,354	9,247,952	-	-	10,689,354	9,247,952
Public Transportation	218,695	192,331	-	-	218,695	192,331
Culture and Recreation	5,707,149	5,376,874	-	-	5,707,149	5,376,874
Interest and Fiscal Charges	464,267	442,187	-	-	464,267	442,187
Gas	-	-	1,282,299	1,132,345	1,282,299	1,132,345
Sanitation	-	-	1,321,029	1,208,421	1,321,029	1,208,421
Harbor	-	-	1,226,247	1,207,035	1,226,247	1,207,035
Total Expenses	<u>\$ 27,421,098</u>	<u>\$ 23,759,720</u>	<u>\$ 3,829,575</u>	<u>\$ 3,547,801</u>	<u>\$ 31,250,673</u>	<u>\$ 27,307,521</u>

Governmental Activities

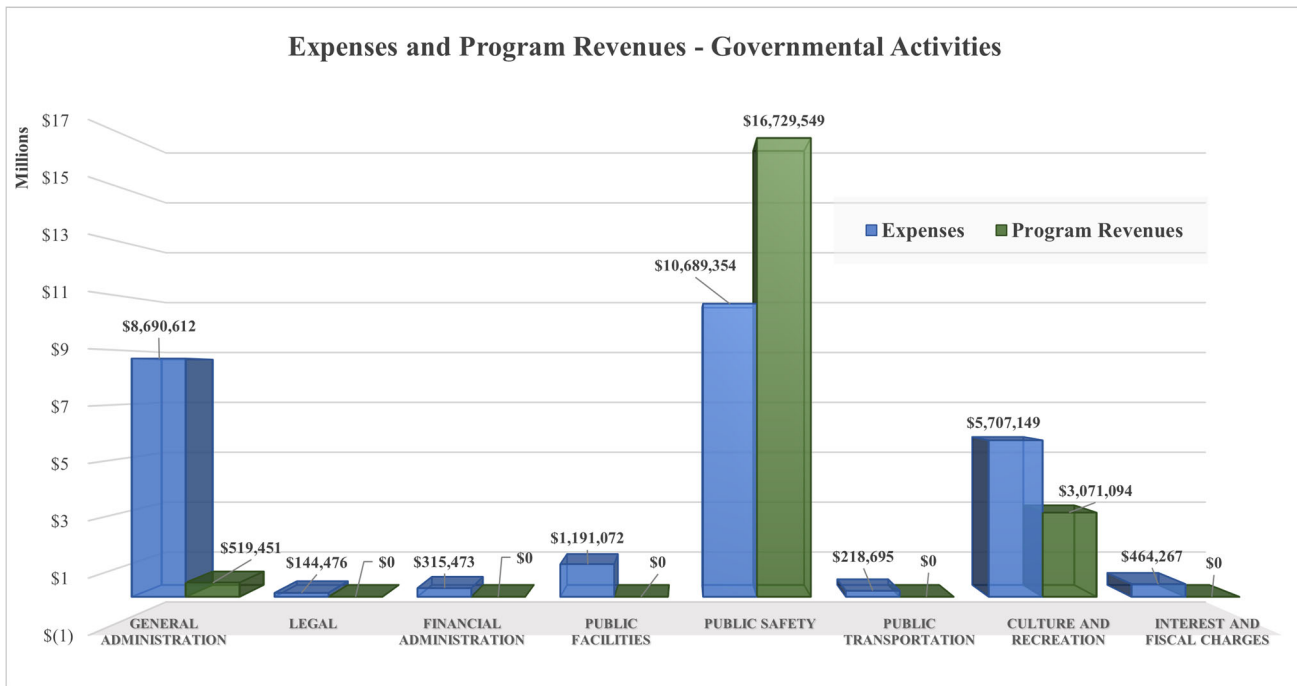
Governmental activities include the functions of general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, interest and fiscal charges, gas, and harbor. Payment of interest on long-term debt is also considered a governmental activity and it is considered a class of activity but not a function of government. These are the basic services and cost centers any city provides to its citizens.

As shown in Table 3, Total Revenue increased by \$20,367,835. This increase is due to increase in hotel motel tax, final insurance settlement from Hurricane Harvey, increase in grant revenues, and increase in building permits.

Total Expenses increased by \$3,661,378. This is due to purchase of replacement equipment for Fire and EMS and a new radio system for Public Safety.

CITY OF PORT ARANSAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

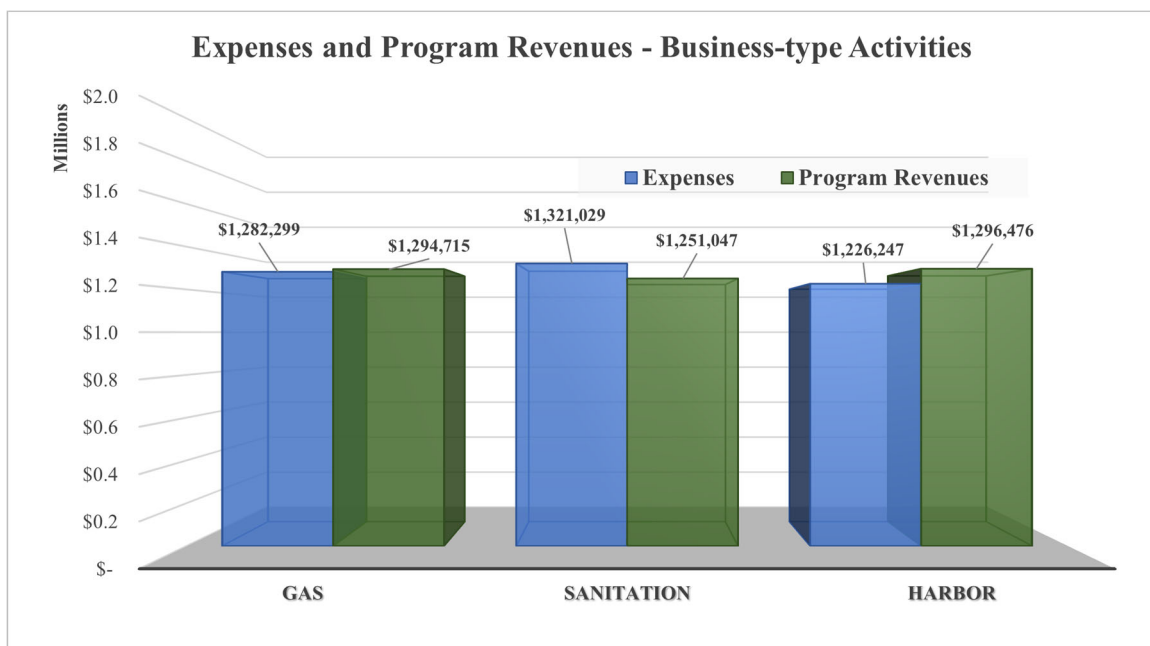
The chart below presents the City's major expenses by function, as well as the associated program revenues for governmental activities.



Business-Type Activities

As shown in Table 3, Total revenues increased by \$4,484,897 due mainly to capital contribution to gas fund and increases in harbor slip fees, gas sales and sanitation charges.

The chart below presents the City's expenses and program revenues for the business-type activities.



CITY OF PORT ARANSAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

Financial Analysis of the Governmental 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 \$40,534,154, an increase of \$21,038,014 in comparison with the prior year. Approximately 62%, or \$25,035,154, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted or committed and is not available for new spending because it has already been committed/restricted to pay for construction (\$1,603,669), reserved for culture & recreation (\$1,663,971), inventories (\$8,155), community disaster loan proceeds (\$4,347,745), public safety (\$503,372), Economic Development (\$5,857,493), and public transportation (\$464,829) and prepaid items (\$500).

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 \$8,434,497, while total fund balance reached \$12,841,183. 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 81.63% of total general fund expenditures.

The fund balance of the City General Fund increased by \$2,093,465 during the current fiscal year. The key factor for this increase is the increase in property, sales, franchise taxes, and building permits.

Budgetary Highlights

The City's budget was amended one time. The Hotel Motel Fund had a net change of \$0.00. There was an increase into the taxes collected and; that increase was then distributed to the Chamber of Commerce and the Hotel Motel/Special Fund and the Facility Fund. The General Fund had a net change of \$0.00. This change was due to several revenue categories performing better than anticipated for a total of \$995,000. The revenue increase was offset by an increase to expenditures totaling \$995,000, with the majority of the expenditures being transfers to Street Maintenance and Hurricane Recovery for matches needed for capital projects. There also was an increase to the Police Department for installation of a new radio system. 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 Airport Fund had increases to fuel sales and fuel purchases, and an increase to the GLO lease payment for a net change of (\$4,500). The Beach Fund had a net change of \$784,500 due to increase in Hotel Tax received from the State. The Harbor Fund had a net change of (\$600,225) due to an increase in EDA grant expenditures which are yet to be reimbursed, and bond payment due. The Construction Fund had a budget amendment due to the issuance of the two debt issues mentioned earlier. The Gas Fund had a net change of \$100,000 due to an increase in gas sales. The Sanitation Fund had a net change of \$0.00 due to increased sales but also an increase in haul off fees.

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 Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$60,894,801 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, infrastructure, fleet, and construction in progress. Governmental activity capital assets increased by \$4,872,638 as a result of \$12,770,987 of additions offset by \$3,482,013 of depreciation and net retirements of \$4,416,336. Business-type activity capital assets increased by \$3,330,134 as a result of \$4,160,213 additions less \$830,078 of depreciation.

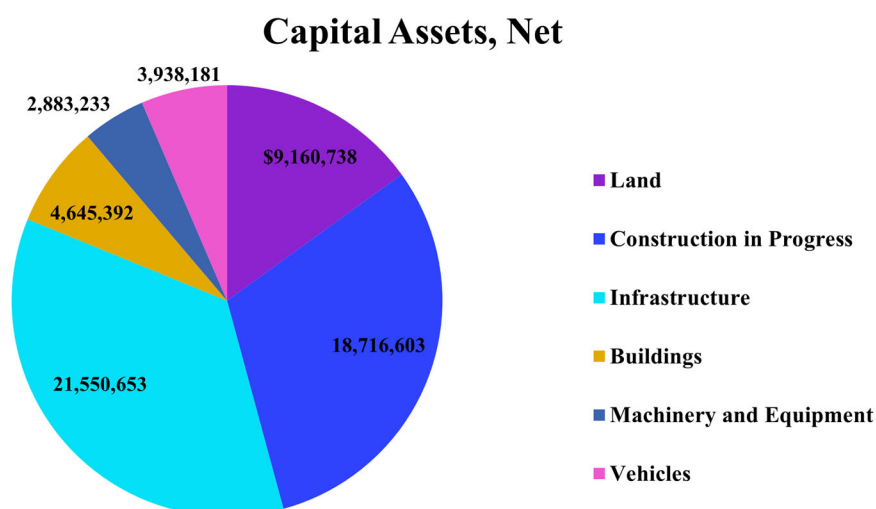
Additional information on the City's capital assets can be found in Note IV C of the financial statements.

CITY OF PORT ARANSAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

The following capital asset information is presented net of depreciation:

Table 4 – Capital Assets at Year-End, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 9,160,738	\$ 6,779,238	\$ -	\$ -	\$ 9,160,738	\$ 6,779,238
Construction in Progress	12,167,469	13,313,809	6,549,134	2,434,361	18,716,603	15,748,170
Infrastructure	13,360,046	13,700,610	8,190,607	8,889,276	21,550,653	22,589,886
Buildings	4,445,638	1,288,044	199,754	207,768	4,645,392	1,495,812
Machinery and Equipment	2,110,543	2,241,110	772,690	831,440	2,883,233	3,072,550
Vehicles	3,826,002	2,874,987	112,179	131,385	3,938,181	3,006,372
Total Capital Assets, Net	<u>\$45,070,436</u>	<u>\$40,197,798</u>	<u>\$15,824,364</u>	<u>\$12,494,230</u>	<u>\$60,894,800</u>	<u>\$52,692,028</u>



See Note IV C – Capital Assets, for more detailed information on capital asset activity.

CITY OF PORT ARANSAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

Debt Administration

At the end of the current fiscal year, the City had total bonded debt and capital leases outstanding of \$30,914,429. The table below reflects the outstanding debt at September 30, 2021. Additional information can be found in Note F.

The following is a summary of outstanding debt:

Table 5 – Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
General Obligations Bonds	\$19,255,000	\$16,585,000	\$ -	\$ -	\$19,255,000	\$16,585,000
Premium on Bonds	619,701	439,866	-	-	619,701	439,866
Capital Leases	39,404	77,865	-	-	39,404	77,865
Community Disaster Loan	4,347,745	4,347,745	-	-	4,347,745	4,347,745
OPEB Liability	3,644,818	4,550,585	351,416	452,172	3,996,234	5,002,757
Pension Liability	2,136,996	2,428,193	236,698	250,028	2,373,694	2,678,221
Compensated Absences	870,765	345,488	48,093	16,360	918,858	361,848
Total Long-Term Liabilities	<u>\$30,914,429</u>	<u>\$28,774,742</u>	<u>\$ 636,207</u>	<u>\$ 718,560</u>	<u>\$31,550,636</u>	<u>\$29,493,302</u>

The City's debt increased by \$2,057,334 or approximately 6.98%. The key factors to the net change are as follows:

- Issuance of a \$2,695,000 Certificate of Obligation for parks and a Tax Anticipation Note for \$1,790,000 for fire equipment and an ambulance.
- Debt payments of \$1,420,000 in governmental activities bonds and \$395,000 in business-type bonds were made.
- Compensated absences increased by \$557,010.
- Net change in Pension obligation of (\$304,527).
- Net change in OPEB obligation of (\$1,006,523).

See Note F – Long-Term Liabilities, for more detailed information on long-term debt activity.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2021-2022 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 24.7009 cents per hundred. The tax rate has been split with .194411 for maintenance and operations and .052598 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 raise 3.5% 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 2021-2022 with an estimated fund balance of \$6,884,725. This is approximately 59% 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



CITY OF PORT ARANSAS, TEXAS
STATEMENT OF NET POSITION
September 30, 2021

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and investments available for operations	\$ 41,974,420	\$ 1,273,560	\$ 43,247,980
Receivables (net, where applicable, of allowances for uncollectibles):	1,029,758	490,793	1,520,551
Inventories	8,155	-	8,155
Prepaid items	500	-	500
Restricted assets:			
Cash and cash equivalents	58,441	-	58,441
Capital assets not being depreciated:			
Land	9,160,738	-	9,160,738
Construction in progress	12,167,469	6,549,134	18,716,603
Total capital assets being depreciated, net:			
Infrastructure	13,360,046	8,190,607	21,550,653
Buildings	4,445,638	199,754	4,645,392
Machinery and equipment	2,110,543	772,690	2,883,233
Vehicles	3,826,002	112,179	3,938,181
TOTAL ASSETS	88,141,710	17,588,717	105,730,427
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	1,197,972	130,984	1,328,956
LIABILITIES			
Accounts payable	1,712,362	111,172	1,823,534
Accrued wages payable	142,503	16,450	158,953
Accrued interest payable	69,413	-	69,413
Unearned revenues	245,713	95	245,808
Customer meter deposits	-	216,359	216,359
Noncurrent liabilities:			
Due within one year	2,790,169	48,093	2,838,262
Due in more than one year	28,124,260	588,114	28,712,374
TOTAL LIABILITIES	33,084,420	980,283	34,064,703
DEFERRED INFLOW OF RESOURCES			
Deferred inflows of resources	1,815,801	201,717	2,017,518
NET POSITION			
Net investment in capital assets	25,156,342	15,824,364	40,980,706
Restricted for:			
Construction - gas system	-	-	-
Culture and recreation	1,663,971	-	1,663,971
Debt service	(100,028)	-	(100,028)
Economic development	5,857,493	-	5,857,493
Public safety	503,372	-	503,372
Unrestricted	21,358,311	713,337	22,071,648
TOTAL NET POSITION	\$ 54,439,461	\$ 16,537,701	\$ 70,977,162

The accompanying notes are an integral part of these financial statements.



CITY OF PORT ARANSAS, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General administration	\$ 8,690,612	\$ 361,276	\$ 158,175	\$ -	\$ (8,171,161)		\$ (8,171,161)
Legal	144,476	-	-	-	(144,476)		(144,476)
Financial administration	315,473	-	-	-	(315,473)		(315,473)
Public facilities	1,191,072	-	-	-	(1,191,072)		(1,191,072)
Public safety	10,689,354	725,425	64,391	\$ 15,939,733	6,040,195		6,040,195
Public transportation	218,695	-	-	-	(218,695)		(218,695)
Culture and recreation	5,707,149	2,689,878	381,216	-	(2,636,055)		(2,636,055)
Interest on long-term debt	464,267	-	-	-	(464,267)		(464,267)
Total governmental activities	27,421,098	3,776,579	603,782	15,939,733	(7,101,004)		(7,101,004)
Business-type activities:							
Gas	1,282,299	1,294,531	184	-	-	12,416	12,416
Sanitation	1,321,029	1,251,047	-	-	-	(69,982)	(69,982)
Harbor	1,226,247	1,081,930	214,546	-	-	70,229	70,229
Total business-type activities	3,829,575	3,627,508	214,730	-	-	12,663	12,663
Total primary government	\$ 31,250,673	\$ 7,404,087	\$ 818,512	\$ 15,939,733	(7,101,004)	12,663	(7,088,341)
General revenues:							
Taxes:							
Property taxes, levies for general purposes					6,671,756	-	6,671,756
Sales taxes					3,336,789	-	3,336,789
Franchise taxes					581,932	-	581,932
Hotel/motel taxes					11,871,046	-	11,871,046
Licenses and permits					3,599,382	-	3,599,382
Unrestricted investment earnings					16,488	1,361	17,849
Insurance recovery - Hurricane Harvey					2,250,000	-	2,250,000
Contributed Capital					-	3,841,090	3,841,090
Grants and contributions not restricted to specific programs					528,527	-	528,527
Miscellaneous					859,621	49,967	909,588
Transfers					575,225	(575,225)	-
Total general revenues and special items					30,290,766	3,317,193	33,607,959
Change in net position					23,189,762	3,329,856	26,519,618
Net position - beginning					31,249,699	13,207,845	44,457,544
Net position - ending					\$ 54,439,461	\$ 16,537,701	\$ 70,977,162

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021

	General	Beach	Hotel Motel	Hotel/Motel Spec. Rev./ Facility
ASSETS				
Cash and cash equivalents and investments	\$ 12,965,910	\$ 5,795,361	\$ 847,213	\$ 13,332,086
Receivables (net):	465,808	13,933	-	-
Restricted cash and cash equivalents	58,441	-	-	-
Inventories	-	-	-	-
Prepaid expenses	500	-	-	-
Total assets	<u>\$ 13,490,659</u>	<u>\$ 5,809,294</u>	<u>\$ 847,213</u>	<u>\$ 13,332,086</u>
LIABILITIES				
Obligations in excess of cash	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	184,700	18,189	765,057	3,313
Accrued wages payable	112,383	15,768	-	2,069
Deferred revenues	245,713	-	-	-
Bond premium	-	-	-	-
Total liabilities	<u>542,796</u>	<u>33,957</u>	<u>765,057</u>	<u>5,382</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	<u>105,303</u>	<u>-</u>	<u>-</u>	<u>-</u>
	105,303			
FUND BALANCES				
Nonspendable				
Prepaid Items	500	-	-	-
Inventories	-	-	-	-
Restricted				
Community disaster loan proceeds	4,347,745	-	-	-
Construction	-	-	-	-
Culture and recreation	-	-	-	100,000
Debt service	-	-	-	-
Economic development	-	5,775,337	82,156	-
Public safety	-	-	-	-
Committed				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	58,441	-	-	-
Public transportation	-	-	-	-
Assigned	-	-	-	-
Unassigned	8,435,874	-	-	13,226,704
Total fund balances	<u>12,842,560</u>	<u>5,775,337</u>	<u>82,156</u>	<u>13,326,704</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 13,490,659</u>	<u>\$ 5,809,294</u>	<u>\$ 847,213</u>	<u>\$ 13,332,086</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021

Hurricane Harvey	Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,887,112	\$ 1,533,966	\$ 3,751,618	\$ 42,113,266
-	74,203	169,286	723,230
-	-	-	58,441
-	-	8,155	8,155
-	-	-	500
<u>\$ 3,887,112</u>	<u>\$ 1,608,169</u>	<u>\$ 3,929,059</u>	<u>\$ 42,903,592</u>
\$ -	\$ -	\$ 138,846	\$ 138,846
512,730	4,500	223,873	1,712,362
-	-	12,283	142,503
-	-	-	245,713
-	-	-	-
<u>512,730</u>	<u>4,500</u>	<u>375,002</u>	<u>2,239,424</u>
-	-	24,711	130,014
		24,711	130,014
-	-	-	500
-	-	8,155	8,155
-	-	-	4,347,745
-	1,603,669	-	1,603,669
-	-	1,563,971	1,663,971
-	-	(100,028)	(100,028)
-	-	-	5,857,493
-	-	501,566	501,566
-	-	775,741	775,741
-	-	315,112	315,112
-	-	-	58,441
-	-	464,829	464,829
-	-	-	-
3,374,382	-	-	25,036,960
<u>3,374,382</u>	<u>1,603,669</u>	<u>3,529,346</u>	<u>40,534,154</u>
<u>\$ 3,887,112</u>	<u>\$ 1,608,169</u>	<u>\$ 3,929,059</u>	<u>\$ 42,903,592</u>

The accompanying notes are an integral part of these financial statements.



CITY OF PORT ARANSAS, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2021

Amounts reported for governmental activities in the statement of net position (page 13)
are different because:

Total fund balances - governmental funds (page 16)	\$ 40,534,154
Add net capital assets which are not treated as financial resources on the modified accrual basis	45,070,436
Add expenses deferred to future periods (Loss on Bond Refinancing)	18,000
Add property taxes receivable unavailable to pay for current period expenditures	130,014
Subtract long term assets unavailable to pay for current period expenditures	(398,714)
Subtract long term liabilities, including bonds payable, which are not due and payable in the current period	<u>(30,914,429)</u>
Net position of governmental activities	<u><u>\$ 54,439,461</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	General	Beach	Hotel Motel	Hotel/Motel Spec. Rev./ Facility
REVENUES				
Taxes				
Property	\$ 5,301,655	\$ -	\$ -	\$ -
Sales	2,224,526	-	-	-
Franchise fees, licenses and permits	581,932	-	-	-
Hotel/Motel	-	2,768,831	4,226,028	4,876,186
Intergovernmental	719,658	390,199	-	-
Licenses and permits	1,760,787	1,838,596	-	-
Charges for services	1,386,501	-	-	-
Fines and forfeitures	344,532	-	-	-
Interest	9,394	1,130	231	1,246
Insurance recovery - Hurricane Harvey	-	-	-	-
Miscellaneous	97,018	1,175	-	2,595
Total Revenues	<u>12,426,003</u>	<u>4,999,931</u>	<u>4,226,259</u>	<u>4,880,027</u>
EXPENDITURES				
Current:				
General administration	2,213,271	-	4,226,027	-
Legal	144,476	-	-	-
Financial administration	270,994	-	-	-
Public facilities	901,637	-	-	-
Public safety	4,796,210	-	-	-
Public transportation	172,750	-	-	-
Culture and recreation	761,372	2,529,796	-	264,781
Capital outlay	1,030,082	52,203	-	-
Debt service:				
Principal	37,542	-	-	-
Interest and other charges	2,827	-	-	-
Total expenditures	<u>10,331,161</u>	<u>2,581,999</u>	<u>4,226,027</u>	<u>264,781</u>
Excess (deficiency) of revenues over expenditures	<u>2,094,842</u>	<u>2,417,932</u>	<u>232</u>	<u>4,615,246</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(279,520)
Bond issue costs	-	-	-	-
Proceeds of bond	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(279,520)</u>
Net change in fund balances	2,094,842	2,417,932	232	4,335,726
Fund balance--beginning	<u>10,747,718</u>	<u>3,357,405</u>	<u>81,924</u>	<u>8,990,978</u>
Fund balances - ending	<u>\$ 12,842,560</u>	<u>\$ 5,775,337</u>	<u>\$ 82,156</u>	<u>\$ 13,326,704</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

Hurricane Harvey	Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,324,794	\$ 6,626,449
-	-	1,112,263	3,336,789
-	-	-	581,932
-	-	-	11,871,045
15,863,833	-	790,728	17,764,418
-	-	-	3,599,383
-	-	926,008	2,312,509
-	-	37,932	382,464
-	1,157	2,630	15,788
2,250,000	-	-	2,250,000
75,901	-	78,184	254,873
18,189,734	1,157	4,272,539	48,995,650
-	-	-	6,439,298
-	-	-	144,476
-	-	-	270,994
-	-	-	901,637
870,057	800	55,077	5,722,144
-	-	31,394	204,144
-	-	1,479,164	5,035,113
7,568,144	3,451,072	130,073	12,231,574
-	-	1,815,000	1,852,542
-	-	438,241	441,068
8,438,201	3,451,872	3,948,949	33,242,990
9,751,533	(3,450,715)	323,590	15,752,660
-	-	1,079,745	1,079,745
-	-	(225,000)	(504,520)
-	225,129	-	225,129
-	4,485,000	-	4,485,000
-	4,710,129	854,745	5,285,354
9,751,533	1,259,414	1,178,335	21,038,014
(6,377,151)	344,255	2,351,011	19,496,140
\$ 3,374,382	\$ 1,603,669	\$ 3,529,346	\$ 40,534,154

The accompanying notes are an integral part of these financial statements.



CITY OF PORT ARANSAS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Net Changes in Fund Balances - Total Governmental Fund:	21,038,014
Amounts reported for governmental activities in the statement of net position 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	9,288,974
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 in the current year	5,681
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This adjustment is to recognize the net change in "unavailable" revenue	(3,046)
Net adjustments to changes in Hurricane Harvey expenditures, including capital outlays related to business-type entities.	(3,394,169)
GASB 68	
Deferred Inflow of Resources-Contribution. This is the change in these amounts this year	(298,514)
Difference in projected and actual earnings. This is the change in these amounts this year	424,521
Difference in expected and actual experience. This is the change in these amounts this year	(34,733)
Difference in assumption changes. This is the change in these amounts this year	(31,008)
GASB 75	
Difference in assumption changes. This is the change in these amounts this year	493,489
Difference in expected and actual experience. This is the change in these amounts this year	(1,131,197)
Amortization of Bond Refunding Loss	(6,000)
Bond issuance proceeds	(4,485,000)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA	1,815,000
(Decrease) increase in accrued interest payable from beginning of period to end of period	(396)
(Decrease) increase in compensated absences payable from beginning of period to end of period	525,277
(Decrease) increase in bond premium payable from beginning of period to end of period	179,835
(Decrease) increase in net pension liability from beginning of period to end of period	(291,197)
(Decrease) increase in OPEB Liability.	(905,769)
Change in net position of governmental activities:	<u>23,189,762</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

	Business-type Activities Enterprise Funds			
	Gas		Harbor	
	Current Year	Prior Year	Current Year	Prior Year
ASSETS				
Current assets:				
Cash and cash equivalents and Investments	\$ 779,359	\$ 639,609	\$ 569,834	\$ 948,040
Receivables (net):	7,059	9,927	385,645	159,552
Total current assets	786,418	649,536	955,479	1,107,592
Noncurrent :				
Capital assets:				
Construction in progress	6,107,944	2,266,854	435,690	167,507
Infrastructure	1,094,894	1,094,894	14,441,198	14,441,198
Buildings	56,777	56,777	232,168	208,248
Machinery and equipment	321,138	388,152	550,812	597,704
Vehicles	240,622	254,210	40,246	64,165
Total capital assets	7,821,375	4,060,887	15,700,114	15,478,822
Less: accumulated depreciation	(1,187,736)	(1,156,597)	(6,719,442)	(6,121,898)
Total capital assets, net of accumulated depreciation	6,633,639	2,904,290	8,980,672	9,356,924
Total noncurrent assets	6,633,639	2,904,290	8,980,672	9,356,924
Total assets	7,420,057	3,553,826	9,936,151	10,464,516
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow of resources	81,987	59,109	39,020	29,090
LIABILITIES				
Current liabilities (payable from current assets):				
Obligations in excess of cash	-	-	-	-
Accounts payable	81,731	46,319	25,704	98,721
Accrued wages	10,567	7,330	4,800	4,000
Compensated absences	27,960	11,694	15,804	2,840
Deferred revenue	95	95	-	-
Total current liabilities (payable from current assets):	120,353	65,438	46,308	105,561
Current liabilities (payable from restricted assets):				
Consumer meter deposits	190,472	174,896	25,887	25,288
Total current liabilities (payable from restricted assets):	190,472	174,896	25,887	25,288
Noncurrent liabilities:				
Other post employment benefits	216,176	279,745	107,920	137,675
Net pension liability	144,326	152,472	77,273	81,482
Total noncurrent liabilities	360,502	432,217	185,193	219,157
Total liabilities	671,327	672,551	257,388	350,006
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	126,665	62,699	59,835	30,858
NET POSITION				
Net investment in capital assets	6,633,639	2,904,290	8,980,672	9,356,924
Unrestricted (deficit)	70,413	(26,605)	677,276	755,818
Total net position	\$ 6,704,052	\$ 2,877,685	\$ 9,657,948	\$ 10,112,742

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

Business-type Activities		
Enterprise Funds		
Sanitation		Total
Current Year	Prior Year	Current Year
\$ -	\$ (46,462)	\$ 1,349,193
98,089	96,745	490,793
98,089	50,283	1,839,986
5,500	-	6,549,134
22,614	22,614	15,558,706
35,787	35,786	324,732
285,612	285,612	1,157,562
-	-	280,868
349,513	344,012	23,871,002
(139,460)	(110,996)	(8,046,638)
210,053	233,016	15,824,364
210,053	233,016	15,824,364
308,142	283,299	17,664,350
9,977	7,347	130,984
75,633	-	75,633
3,737	11,881	111,172
1,083	902	16,450
4,329	1,826	48,093
-	-	95
84,782	14,609	251,443
-	-	216,359
-	-	216,359
27,320	34,752	351,416
15,099	16,074	236,698
42,419	50,826	588,114
127,201	65,435	1,055,916
15,217	7,793	201,717
210,053	233,016	15,824,364
(34,352)	(15,598)	713,337
\$ 175,701	\$ 217,418	\$ 16,537,701

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	Business-type Activities Enterprise Funds			
	Gas		Harbor	
	Current Year	Prior Year	Current Year	Prior Year
OPERATING REVENUES				
Charges for services	\$ 1,294,531	\$ 1,001,837	\$ 1,081,930	\$ 917,685
Total Operating Revenues	1,294,531	1,001,837	1,081,930	917,685
OPERATING EXPENSES				
Personnel services	591,109	631,419	310,145	301,364
Supplies and other services and charges	593,143	416,765	237,123	233,605
Depreciation	98,047	84,161	678,979	672,066
Total Operating Expenses	1,282,299	1,132,345	1,226,247	1,207,035
Operating income (loss)	12,232	(130,508)	(144,317)	(289,350)
NON OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	558	8,038	740	11,440
Sale of assets	811	-	-	-
Other income	30,626	-	14,917	-
Federal and state grants	184	148	214,546	159,552
Total non operating revenues (expenses)	32,179	8,186	230,203	170,992
Net income (loss) before transfers	44,411	(122,322)	85,886	(118,358)
Transfers in	3,841,090	1,536,410	-	12,883
Transfers out	-	-	(575,225)	-
Change in net position	3,885,501	1,414,088	(489,339)	(105,475)
Net position - beginning	2,818,551	1,404,463	10,147,287	10,252,762
Net position - ending	\$ 6,704,052	\$ 2,818,551	\$ 9,657,948	\$ 10,147,287

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

Business-type Activities		
Enterprise Funds		
Sanitation		Total
Current Year	Prior Year	Current Year
\$ 1,251,047	\$ 1,150,629	\$ 3,627,508
1,251,047	1,150,629	3,627,508
70,924	75,604	972,178
1,197,053	1,074,712	2,027,319
53,052	58,105	830,078
1,321,029	1,208,421	3,829,575
(69,982)	(57,792)	(202,067)
63	430	1,361
-	-	811
3,613	-	49,156
-	-	214,730
3,676	430	266,058
(66,306)	(57,362)	63,991
-	-	3,841,090
-	-	(575,225)
(66,306)	(57,362)	3,329,856
242,007	299,369	13,207,845
\$ 175,701	\$ 242,007	\$ 16,537,701

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	Business-type Activities			
	Enterprise Funds			
	Gas			Total
	Utility	Harbor	Sanitation	Enterprise
				Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,297,399	\$ 854,828	\$ 1,249,703	\$ 3,401,930
Payments to suppliers	(542,155)	(297,046)	(1,205,197)	(2,044,398)
Payments to employees	(571,606)	(307,856)	(68,240)	(947,702)
Net cash provided by (used in) operating activities	183,638	249,926	(23,734)	409,830
CASH FLOWS FROM NONCAPITAL FINANCING				
ACTIVITIES				
Federal grants and contributions	184	214,546	-	214,730
Sale of fixed assets	811	-	-	-
Transfers from other funds	3,841,090	-	-	-
Transfers to other funds	-	(575,225)	-	(575,225)
Net cash provided by (used in) noncapital financing activities	3,842,085	(360,679)	-	(360,495)
CASH FLOWS FROM CAPITAL AND RELATED				
FINANCING ACTIVITIES				
Purchases of capital assets and construction in progress	(3,886,531)	(268,183)	(5,500)	(4,160,214)
Net cash provided by (used in) capital and related financing activities	(3,886,531)	(268,183)	(5,500)	(4,160,214)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and investment revenue received	558	730	63	1,351
Net cash provided by (used in) investing activities	558	730	63	1,351
Net increase (decrease) in cash and cash equivalents	139,750	(378,206)	(29,171)	(4,109,528)
Cash and cash equivalents - beginning of the year	639,609	948,040	(46,462)	4,201,957
Cash and cash equivalents - end of the year	\$ 779,359	\$ 569,834	\$ (75,633)	\$ 92,429

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	Business-type Activities Enterprise Funds			
	Gas Utility	Harbor	Sanitation	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 12,232	\$ (144,317)	\$ (69,982)	\$ (202,067)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	98,047	678,979	53,052	830,078
Changes in assets and liabilities:				
Accounts receivable	2,868	(226,093)	(1,344)	(224,569)
Deferred outflow of resources	7,749	(9,930)	(2,630)	(4,811)
Accounts payable	35,412	(58,089)	(4,531)	(27,208)
Accrued liabilities	3,237	800	181	4,218
Customer deposits	15,576	599	-	16,175
Deferred inflow of resources	63,966	28,977	7,424	100,367
Compensated absences	16,266	12,964	2,503	31,733
Pension	(8,146)	(4,209)	(975)	(13,330)
Net OPEB obligation	(63,569)	(29,755)	(7,432)	(100,756)
Net cash provided by (used in) operating activities	<u>\$ 183,638</u>	<u>\$ 249,926</u>	<u>\$ (23,734)</u>	<u>\$ 409,830</u>

The accompanying notes are an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

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, 2021, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2021, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2021, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2021. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes on September 30, 2021, and 10 percent of delinquent outstanding property taxes on September 30, 2021. 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:

<u>Type</u>	<u>Governmental Activities</u>
Public Safety	\$ 58,441
	<u>\$ 58,441</u>

5. Capital Assets

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

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, 2021, fund balances of the governmental funds are classified as follows:

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

- *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, 2021, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	\$ 500
Inventories	8,155
Restricted	
Community Disaster Loan Proceeds	4,347,745
Construction	1,603,669
Culture and Recreation	1,663,971
Debt Service	(100,028)
Economic Development	5,857,493
Public Safety	503,372
Committed	
Construction	775,741
Culture and Recreation	315,112
Public Safety	58,441
Public Transportation	464,829
Unassigned	25,035,154
Total Fund Balance	<u>\$ 40,534,154</u>

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

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

9. Comparative Data/Reclassifications

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

10. Deferred Outflows/Inflows of Resources

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

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 “measurable” 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.

The components of the City’s Government-wide deferred outflows of resources and deferred inflows of resources are as follows:

	Governmental Activities	Gas	Sanitation	Harbor	Total
Deferred Outflows of Resources					
Deferred outflows from pension activities	\$ 575,139	\$ 39,607	\$ 4,997	\$ 19,099	\$ 638,842
Deferred outflows related to OPEB	604,833	42,380	4,980	19,921	672,114
Deferred amount on refunding	18,000	-	-	-	18,000
Total Deferred Outflows of Resources	<u>\$ 1,197,972</u>	<u>\$ 81,987</u>	<u>\$ 9,977</u>	<u>\$ 39,020</u>	<u>\$ 1,328,956</u>
Deferred Inflows of Resources					
Deferred inflows related to pensions	\$ 557,141	\$ 38,420	\$ 4,867	\$ 18,422	\$ 618,850
Deferred inflows related to OPEB	1,258,660	88,245	10,350	41,413	1,398,668
Deferred Inflows of Resources	<u>\$ 1,815,801</u>	<u>\$ 126,665</u>	<u>\$ 15,217</u>	<u>\$ 59,835</u>	<u>\$ 2,017,518</u>

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.

12. New Accounting Pronouncements

The GASB has issued the following statements which will become effective in future years.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and post-employment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for reporting period beginning after June 15, 2021.

In June 2017, the GASB issued Statement No. 87, Leases. This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. The requirements of this statement are effective for reporting period beginning after June 15, 2021.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interest-an amendment of GASB Statements No. 14 and No. 61. This statement will improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting period beginning after December 15, 2020.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. This statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting period beginning after December 15, 2021.

In January 2020, the GASB Issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to Statement 87 and Implementation Guide 2019-3 are effective for statements starting with the fiscal year that ends June 30, 2022.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The statement establishes accounting and financial reporting requirements related to the replacement of LIBORs in hedging derivative instruments and 64 leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this statement are effective for reporting periods ending after December 31, 2021.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This statement establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for reporting periods beginning after June 15, 2021. Some requirements of this statement are effective immediately.

The City will fully analyze the impact of these new Statements prior to the effective dates listed above.

NOTE 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 \$30,020,289 difference are as follows:

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE II—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS—continued

Capital Lease	\$ 39,404
Bonds Payable	19,255,000
Bond Premium	619,701
OPEB Liability	3,644,818
Community Disaster Loan Proceed	4,347,745
Net Pension Liability	2,136,996
Accrued Interest Payable	105,860
Compensated Absences	870,765
	<u>\$ 31,020,289</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$45,070,436 difference are as follows:

Capital assets not being depreciated	\$ 21,328,207
Capital assets being depreciated	58,292,428
Accumulated depreciation	<u>(34,550,199)</u>
Net adjustment to increase net changes in fund balances - total funds to arrive at changes in Net Position of Governmental Activities	<u>\$ 45,070,436</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$93,860 difference are as follows:

Property Taxes Receivable	\$ 136,469
Allowance for Doubtful Account	<u>(42,609)</u>
Net	<u>\$ 93,860</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Other long-term assets are unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this (\$277,156) difference are as follows:

Fines and Fees Receivable	\$ 597,403
Allowance for Doubtful Accounts	(296,556)

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Deferred Outflow of Resources-Contributions (after 12/31/20)	579,906
Difference in expected and actual experience	(177,737)
Difference in projected and actual earnings	(379,404)
Difference in assumption changes	53,059

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Difference in assumption changes	472,149
Difference in expected and actual experience	<u>(1,125,976)</u>
Net	<u>\$ (277,156)</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE II—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS--continued

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 \$9,288,974 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$ 5,615,663
Capital Outlay - Additions - Being Depreciated	7,155,324
Depreciation Expense	(3,482,013)
Net adjustment to Increase Net Changes in Fund Balances - Total	
Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ 9,288,974</u>

NOTE 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, 2021, expenditures did not exceed appropriations in any funds except for the Hotel/Motel fund whereby actual expenditures were more than budgeted by \$1,989,027.

C. DEFICIT FUND EQUITY

On September 30, 2021, two funds had deficit fund balances. The Winter Storm Uri Fund had a deficit of (\$44,378), and the Debt Service Fund had a deficit of (\$100,028). These deficits are expected to be liquidated with future resources of the fund.

NOTE 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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

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 addresses 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, 2021, the City had a bank balance of \$3,264,300 in American Bank 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 \$3,852,225 and the FDIC coverage is \$250,000. The City also has a balance of \$1,298,196 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, 2021, is \$3,440,712.

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, 2021, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$ 33,787,404	Less than 1 year	Less than 1 year
Texas Class Funds	\$ 5,369,563	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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

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	Construction	Nonmajor Funds	Total Governmental Funds
Receivables:					
Taxes - Ad Valorem	\$ 110,845	\$ -	\$ -	\$ 26,011	\$ 136,856
Taxes - Sales	6,930	-	-	107,275	114,205
Intergovernmental	309,437	-	74,203	-	383,640
Accounts	-	-	-	37,301	37,301
Other	66,510	13,933	-	-	80,443
Gross Receivable	493,722	13,933	74,203	170,587	752,445
Less: Allowances of Uncollectibles	(27,914)	-	-	(1,301)	(29,215)
Net Total Receivables	\$ 465,808	\$ 13,933	\$ 74,203	\$ 169,286	\$ 723,230

	Gas	Sanitation	Harbor	Total Enterprise Funds	Grand Total
Receivables:					
Taxes - Ad Valorem	\$ -	\$ -	\$ -	\$ -	\$ 136,856
Taxes - Sales	-	-	-	-	114,205
Intergovernmental	-	-	385,645	385,645	769,285
Accounts	18,332	98,089	-	116,421	153,722
Other	-	-	-	-	80,443
Gross Receivable	18,332	98,089	385,645	502,066	1,254,511
Less: Allowances of Uncollectibles	(11,273)	-	-	(11,273)	(40,488)
Net Total Receivables	\$ 7,059	\$ 98,089	\$ 385,645	\$ 490,793	\$ 1,214,023

The receivables are expected to be collected within one year.

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CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ 6,779,238	\$ 2,381,500	\$ -	\$ 9,160,738
Construction in Progress	13,313,809	3,234,163	(4,380,503)	12,167,469
Total Capital Assets Not Being Depreciated	20,093,047	5,615,663	(4,380,503)	21,328,207
Capital Assets Being Depreciated:				
Infrastructure	33,843,572	1,206,933	-	35,050,505
Buildings	6,218,091	3,763,612	(39,799)	9,941,904
Machinery and Equipment	6,634,903	506,711	(86,498)	7,055,116
Vehicles	4,789,485	1,678,068	(222,650)	6,244,903
Total Capital Assets Being Depreciated	51,486,051	7,155,324	(348,947)	58,292,428
Less Accumulated Depreciation for:				
Infrastructure	20,142,962	1,547,497	-	21,690,459
Buildings	4,930,047	582,582	(16,373)	5,496,256
Machinery and Equipment	4,393,793	637,288	(86,498)	4,944,583
Vehicles	1,914,498	714,646	(210,243)	2,418,901
Total Accumulated Depreciation	31,381,300	3,482,013	(313,114)	34,550,199
Total Capital Assets Being Depreciated, Net	20,104,751	3,673,311	(35,833)	23,742,229
Governmental Activities Capital Assets, Net	\$ 40,197,798	\$ 9,288,974	\$ (4,416,336)	\$ 45,070,436
<u>Business-Type Activities:</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 2,434,361	\$ 4,114,773	\$ -	\$ 6,549,134
Total Capital Assets Not Being Depreciated	2,434,361	4,114,773	-	6,549,134
Capital Assets Being Depreciated:				
Infrastructure	15,558,707	-	-	15,558,707
Buildings	324,731	-	-	324,731
Machinery and Equipment	1,246,876	22,086	\$ (111,400)	1,157,562
Vehicles	259,913	23,354	(2,399)	280,868
Total Capital Assets Being Depreciated	17,390,227	45,440	(113,799)	17,321,868
Less Accumulated Depreciation for:				
Infrastructure	6,669,431	698,668	-	7,368,099
Buildings	116,963	8,014	-	124,977
Machinery and Equipment	415,436	80,836	(111,400)	384,872
Vehicles	128,528	42,560	(2,399)	168,689
Total Accumulated Depreciation	7,330,358	830,078	(113,799)	8,046,637
Total Capital Assets Being Depreciated, Net	10,059,869	(784,638)	-	9,275,231
Business-Type Activities Capital Assets, Net	\$ 12,494,230	\$ 3,330,135	\$ -	\$ 15,824,365

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

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

Governmental Activities	
General Administration	\$ 2,154,624
Public Facilities	118,488
Public Safety	667,104
Culture and Recreation	541,797
Total Depreciation Expense - Governmental Activities	<u>\$ 3,482,013</u>
Business-Type Activities	
Gas	\$ 98,047
Sanitation	53,052
Harbor	678,979
Total Depreciation Expense - Business-Type Activities	<u>\$ 830,078</u>

Construction Commitments

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

D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no interfund balances as of September 30, 2021.

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, 2021, the government made the following one-time transfers:

	Transfers	
	In	Out
Hotel/Motel Fund		
Nature Preserve Fund	\$ -	\$ 650,158
Total Hotel/Motel Special Revenue Fund	<u>-</u>	<u>650,158</u>
Hotel/Motel Special Revenue Fund		
Nature Preserve Fund	-	279,520
Hotel/Motel Fund	650,158	-
Total Hotel/Motel Special Revenue Fund	<u>650,158</u>	<u>279,520</u>
Debt Service Fund		
Harbor Fund	575,225	-
Impact Fees Zone 1	225,000	-
Total Debt Service Fund	<u>800,225</u>	<u>-</u>
Nonmajor Governmental Funds		
Impact Fees Zone 1	-	225,000
Nature Preserve Fund	279,520	-
Total Debt Service Fund	<u>279,520</u>	<u>225,000</u>
Harbor Fund		
Debt Service Fund	-	575,225
Total Harbor Fund	<u>-</u>	<u>575,225</u>
Total Funds	<u>\$ 1,729,903</u>	<u>\$ 1,729,903</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

E. LEASES

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for these leases were \$57,074 for the year ended September 30, 2021. The future minimum lease payments for these leases are as follows:

<u>Year Ending Sept. 30</u>	<u>Amount</u>
2022	\$ 12,395
2023	12,395
2024	12,395
Total	<u>\$ 37,185</u>

Rent expenditures were \$507,217 for the year ended September 30, 2021. Rental income was \$58,681 for the year ended September 30, 2021. Sublease rental income was \$0 for the year ended September 30, 2021.

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.

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

<u>Governmental Activities</u>	<u>Date of Issuance</u>	<u>Amount of Original Issuance</u>	<u>Interest Rates to Maturity</u>	<u>Maturity Date</u>	<u>Amount</u>
General Obligation Bonds, Series 2007	2/1/2007	\$ 2,685,000	4.00	2/1/2022	\$ 235,000
General Obligation Bonds, Series 2012	2/1/2012	6,400,000	1.75 - 2.125	2/1/2027	3,030,000
General Obligation Bonds, Series 2017	2/15/2017	4,380,000	2.70 - 4.00	2/1/2032	3,470,000
General Obligation Refunding Bonds, Series 2019	3/28/2019	2,020,000	2.56	9/30/2024	1,245,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	10/1/2014	1,685,000	2.49	2/1/2029	980,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	11/15/2017	6,300,000	3.00	2/1/2033	5,810,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021	3/17/2021	2,695,000	2.00 - 3.00	9/30/2036	2,695,000
Tax Notes, Series 2021	3/18/2021	1,790,000	2.00 - 3.00	2/1/2028	1,790,000
					<u>\$ 19,255,000</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

Debt service requirements on outstanding bonds and certificates of obligation are as follows:

Year ending September 30,	Governmental Activities	
	Principal	Interest
2022	\$ 1,880,000	\$ 497,053
2023	2,080,000	469,024
2024	2,160,000	394,937
2025	1,795,000	341,659
2026	1,850,000	293,575
2027-2031	6,910,000	778,424
2032-2033	2,580,000	94,603
Totals	<u>\$ 19,255,000</u>	<u>\$ 2,869,275</u>

The pledged security for the above bonds are Ad Valorem Taxes.

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.

Asset	Governmental Activities	
	Ambulance	Total
Cost	\$ 192,919	\$ 192,919
Accumulated Depreciation	<u>(110,240)</u>	<u>(110,240)</u>
Net Asset	<u>\$ 82,679</u>	<u>\$ 82,679</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

Year	Ambulance	Total
2022	\$ 40,369	\$ 40,369
Total Minimum Lease Payments	40,369	40,369
Less: Amount Representing Interest	<u>(965)</u>	<u>(965)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 39,404</u>	<u>\$ 39,404</u>

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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2021:

	Beginning Balance	Additions	Retirements/ Deductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
General obligation bonds	\$ 16,585,000	\$ 4,485,000	\$(1,815,000)	\$ 19,255,000	\$ 1,880,000	\$ 17,375,000
Bond premiums	439,866	367,417	(45,294)	761,989	-	761,989
Total bonds payable	17,024,866	4,852,417	(1,860,294)	20,016,989	1,880,000	18,136,989
Capital lease purchases	77,865	-	(38,461)	39,404	39,404	-
Community disaster loan proceeds	4,347,745	-	-	4,347,745	-	4,347,745
OPEB liability	4,550,585	-	(905,767)	3,644,818	-	3,644,818
Net pension liability	2,428,193	-	(291,197)	2,136,996	-	2,136,996
Compensated absences	345,488	870,765	(345,488)	870,765	870,765	-
Total other	11,749,876	870,765	(1,580,913)	11,039,728	910,169	10,129,559
Total governmental activities	28,774,742	5,723,182	(3,441,207)	31,056,717	2,790,169	28,266,548
<u>Business-Type Activities:</u>						
OPEB liability	452,172	-	(100,756)	351,416	-	351,416
Net pension liability	250,028	-	(13,330)	236,698	-	236,698
Compensated absences	16,360	48,093	(16,360)	48,093	48,093	-
Total business-type activities	718,560	48,093	(130,446)	636,207	48,093	588,114
Total	\$ 29,493,302	\$ 5,771,275	\$(3,571,653)	\$ 31,692,924	\$ 2,838,262	\$ 28,854,662

The government-wide statement of net position includes \$2,790,169 as "noncurrent liabilities, due within one year". There was no interest capitalized in the Capital assets but rather was expended in the financial statements.

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.

NOTE 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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE V—OTHER INFORMATION--continued

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. EVALUATION OF SUBSEQUENT EVENTS

In preparing the financial statements the management of the City of Port Aransas has evaluated events and transactions for potential recognition or disclosure through August 18, 2022, the date the financial statements were available to be issued.

On September 30, 2021, the United States Congress passed The Extending Government Funding and Delivering Emergency Assistance Act (P.L. 117-43), which cancelled repayments of the remaining balances of all Community Disaster Loans (CDLs). On March 11, 2022 the City received notification \$4,688,299 in principal and interest were forgiven.

On October 21, 2021, the City awarded RFP to Russell Marine, LLC for the construction of the Ancel Brundrett Memorial Pier and Restroom Drainage FEMA Project in the amount of \$2,145,887.50. The City awarded the Enhancement to Municipal Marina and Robert's Point Park Improvements to Dock 10 and Dock 3 projects to Barcom Construction, Inc. in the amount of \$1,378,500.00. The City authorized the Police Department to expend budgeted funds for installment payment 3 in the amount of \$89,507.11 due November 15, 2021 and installment payment 4 in the amount of \$89,507.11 due May 15, 2022 for the Public Safety Radio System upgrade. The City also approved a resolution authorizing the purchase of three (3) 2022 Chevrolet Tahoes for a total cost of \$120,680.25 through the Goodbuy Purchasing Cooperative.

On November 18, 2021, the City approved the additional funding resolution proposal from Urban Engineering and Staff for the Charlie's Pasture Pier and Robert's Point Pier Construction projects in the amount of \$125,625.00.

On December 16, 2021, the City approved a resolution approving fee schedule with Halff Associates, Inc. for consulting services for the Parks & Open Space Master Plan; approving proposed scope of services not to exceed \$100,000.

On February 17, 2022, the City awarded the Gas Distribution System FEMA Project to Equix Energy Services, LLC in the amount of \$22,409,916.00. The City awarded the Phase 2 Charlies Pasture Shoreline Bulkhead Repairs, FEMA Project #46842, to Shirley & Sons Construction Co. Inc in the amount of \$6,342,381.00. The City awarded the Phase 1 South Trail, North Loop Trail, and Leonabelle Turnbull Board Walk FEMA Project No. 36926, to SR Trident, Inc in the amount of \$4,994,554.72. The City also authorized expending grant funds upon approval in the amount of \$203,978.85 for the purchase of three (3) defibrillator units and three (3) ventilator units from Zoll Medical Corporation.

On March 17, 2022, the City authorized expending grant funds upon approval in the amount of \$196,478.85 for the purchase of three (3) X Series defibrillator units and three (3) ZVent portable ventilator units from Zoll Medical Corporation thru Savvik Buying Group, declared three (3) LifePak defibrillator units as surplus, and authorized the trade-in of the three units to Zoll Medical Corporation for a discount in the amount of \$18,130.77.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE V—OTHER INFORMATION--continued

On April 21, 2022, the City accepted recommendation from Urban Engineering and Staff for the Charlie's Pasture Pier and Robert's Point Pier reconstruction project for a total Change Order amount of \$57,139.00.

On June 16, 2022, the City accepted recommendation from Staff and Broaddus and Associates to approve Task Order Agreement #1 for the Harbor Master and Alternate Addition Pavilion Addition/ Renovation Design, Procurement of Bids, and Construction Administration in the total amount of \$161,744.68.

On July 21, 2022, the City authorized the Port Aransas Volunteer Fire Department to expend budgeted funds for the purchase of fourteen (14) radios from Dailey-Wells Communications in the amount of \$57,847.37.

On August 8, 2022, the City awarded RFP to Barcom Construction, Inc. in the amount of \$7,211,400 for the Harbor Master's Facility and Municipal Pavilion bid.

On August 18, 2022, the City awarded the Citizen's Collection Station Reconstruction project to Mako Contracting, LLC for an amount not to exceed \$449,396.00. The City awarded the Port Street Parking Lot project to JE Construction Services, LLC for \$804,434. The City also approved a bond election for the 8th day of November, 2022, the issuance of not to exceed \$6,500,000 of City of Port Aransas, Texas general obligation bonds for streets, bridges, and sidewalks, and the levying of a tax in payment thereof.

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, 2021.

D. RELATED PARTY TRANSACTIONS

Wendy Moore, Mayor, 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.

NOTE VI—PENSION PLAN

A. Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE VI—PENSION PLAN--continued

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

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

The City granted monetary credit for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee with interest, prior to establishment of the Plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his or her salary in the last three years that are one year before the effective date. At retirement the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the City Council within the options available in statutes governing TMRS. Plan provisions for the City are as follows:

Employee Deposit Rate	5.00%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	10
Service Retirement Eligibility (Expressed as Age/Years of Service)	20 years at any age, 10 years at age 60 and above

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or Beneficiaries Currently Receiving Benefits	65
Inactive Employees Entitled to but not Receiving Benefits	54
Active employees	<u>122</u>
Total	<u>241</u>

C. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Port Aransas were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2020, the City made contributions of 17.69% which included .024%, for supplemental death benefits for the calendar year 2019 and 18.13% which included .026% for supplemental death benefits for the calendar year 2020.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE VI—PENSION PLAN--continued

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.50% per year

Overall Payroll Growth 3.50-11.50% per year

Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Health Mortality Table with Blue Collar Adjustment are used with male rates by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2020, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2014 through 2018 and dated December 31, 2018. These assumptions were first used in the December 31, 2019 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE VI—PENSION PLAN--continued

Discount Rate

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

Changes in the Net Pension (Asset) Liability

	Increase (Decrease)		
	Total Pension (Asset) Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Balance at 12/31/19	\$ 17,595,212	\$ 14,916,976	\$ 2,678,236
Changes for the Year:			
Service Cost	956,505		956,505
Interest	1,196,253		1,196,253
Difference between Expected and Actual Experience	(126,601)		(126,601)
Contributions - Employer		796,179	(796,179)
Contributions - Employee		409,346	(409,346)
Net Investment Income		1,132,787	(1,132,787)
Benefit Payments, Including Refunds of Employee Contributions	(702,410)	(702,410)	-
Administrative Expenses		(7,327)	7,327
Other Changes		(286)	286
Net Changes	1,323,747	1,628,289	(304,542)
Balance at 12/31/20	\$ 18,918,959	\$ 16,545,265	\$ 2,373,694

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 5,216,268	\$ 2,373,694	\$ 58,091

Pension Plan Fiduciary Net Position

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE VI—PENSION PLAN--continued

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

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions after Measurement Date	\$ 579,906	\$ -
Difference in Projected and Actual Earnings on Pension Assets	-	421,427
Difference in Projected and Actual Pension Experience	-	197,424
Difference in Actuarial Assumptions Used to Determine Pension Liability	58,936	-
Total	<u>\$ 638,842</u>	<u>\$ 618,851</u>

For the year ended September 30, 2021, \$322,391 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31,	Net deferred outflows (inflows) of resources
2021	\$ (214,060)
2022	(50,590)
2023	(270,086)
2024	(25,179)
Total	<u>\$ (559,915)</u>

NOTE VII—POST RETIREMENT BENEFITS OTHER THAN PENSION

The City provides for two post-employment benefit (OPEB) plans; one provides for post-employment medical care through a single-member defined benefit medical plan (Medical OPEB) and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB Plan. Both plans are described in detail below.

Aggregate amounts for the two OPEB Plans are as follows:

	<u>MEDICAL OPEB</u>	<u>TMRS SDBF</u>	<u>TOTAL</u>
OPEB Liability	(3,573,602)	(422,631)	(3,996,233)
Deferred Outflow of Resources	586,006	86,108	672,114
Deferred Inflow of Resources	(1,376,883)	(21,785)	(1,398,668)
OPEB Expense	400,170	49,381	449,551

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE VII—POST RETIREMENT BENEFITS OTHER THAN PENSION--continued

MEDICAL BENEFITS

Plan description

In addition to the pension benefits described in Note 10, as required by state law and defined by City Policy, the City makes available health care benefits to employees who retire from the City as follows:

- Retirement before 4/24/2001 - City pays 100% of premium.
- Retirement after 4/24/2001 with ten years of service - City pays 50% of the premium. The percentage of premium paid increases annually and at twenty years of service the City pays 80% of the premium.

Early retirement, and duty disabled benefits are the same as above but if retiring after 4/24/2001, at age 65, the retiree must apply for Medicare and the City furnishes a Medicare Supplemental Policy.

After 4/24/2001, eligible employees must enroll for this coverage within thirty days of retirement.

The health care benefit provided by the plan is for the retiree only.

The subsidy provided by the City for non-Medicare retirees is capped at an amount determined by the City each fiscal year. The monthly subsidy provided by the City in FYE19 was capped at \$1,093.37, which is roughly 80% of the overall retiree premium. In the December 31, 2019 valuation, the actuary had modeled the City's maximum contribution as the entire retiree premium. This clarification in benefit terms is being treated as a plan change which is fully recognized in the OPEB expense.

At September 30, 2021, the following employees were covered by the benefit terms:

Retirees or Beneficiaries Currently Receiving Benefits	13
Inactive Employees Entitled to but not Receiving Benefits	-
Active employees	71
Total	<u>84</u>

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City has funded all obligations arising under this plan on a pay-as-you-go basis, which is the practice of paying for these benefits as they become due each year. Funds must be used for the exclusive purpose of providing benefits to eligible retirees and their dependents. The City intends to make subsequent annual contributions to the OPEB in accordance with a plan that results in fully funding the actuarially determined annual required contributions for those benefits over a period.

Total OPEB Liability

The City's total OPEB liability of \$3,573,602 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The covered payroll (annual payroll of active employees covered by the plan) for plan year 2021 was \$5,363,108, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 66.63%.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE VII—POST RETIREMENT BENEFITS OTHER THAN PENSION--continued

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the December 31, 2020, actuarial valuation, the individual entry-age cost method was used. The actuarial assumptions use a 3.5% to 10.5% payroll growth rate, including inflation; 2.5% inflation rate; and 7.5% initial rate, declining to an ultimate rate of 5.5% after ten years for medical trends. For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment were used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For employees who retire prior to age 65, the participation rate was assumed to equal the percentage of the premium paid for by the City. 90% of eligible employees who are at least 65 years old at retirement were assumed to participate.

Discount Rate

The plan does not have formal assets and the discount rate is equal to the tax-exempt municipal bond rate on the index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of the valuation, the municipal bond rate is 3.71% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA Index"). The discount rate was 3.31% as of the prior measurement date.

Changes in the Total OPEB Liability

	<u>MEDICAL OPEB</u>
Balance at October 1, 2020	\$ 4,660,457
Changes for the year	
Service Cost	374,016
Interest on Total OPEB Liability	112,619
Changes of Benefit Terms	
Difference between Expected and Actual Experience	(1,429,860)
Changes in Assumptions	(85,226)
Benefit Payments	(58,404)
Net Change in Total OPEB Liability	<u>(1,086,855)</u>
Balance at September 30, 2021	<u>\$ 3,573,602</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.25%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>No Change</u>	<u>1% Increase</u>
Total Medical OPEB Liability	\$ 2,938,444	\$ 3,573,602	\$ 4,398,099

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE VII—POST RETIREMENT BENEFITS OTHER THAN PENSION--continued

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>No Change</u>	<u>1% Increase</u>
Total Medical OPEB Liability	\$ 2,861,734	\$ 3,573,602	\$ 4,530,573

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City reported OPEB expense of \$400,170 and deferred outflows of resources and determined inflows of resources related to OPEB from the following sources:

Deferred Outflows and Inflows

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB Contributions after Measurement Date	\$ -	\$ -
Difference in Projected and Actual Experience	14,013	(1,252,147)
Change in Assumptions	<u>571,993</u>	<u>(124,736)</u>
Total	<u>\$ 586,006</u>	<u>\$ (1,376,883)</u>

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30:</u>	<u>Deferred Inflows of Resources</u>
2022	\$ (86,465)
2023	(86,465)
2024	(86,465)
2025	(86,465)
2025	(86,465)
Thereafter	<u>(358,552)</u>
Total	<u>\$ (790,877)</u>

TMRS SUPPLEMENTAL DEATH BENEFIT FUND

Plan Description

In addition to the pension benefits described in Note 9, as required by state law and defined by City Policy, the City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (SDBF). SDBF provides group-term life insurance to employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE VII—POST RETIREMENT BENEFITS OTHER THAN PENSION--continued

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death).

At September 30, 2021, the following employees were covered by the benefit terms:

Retirees or Beneficiaries Currently Receiving Benefits	46
Inactive Employees Entitled to but not Receiving Benefits	12
Active employees	122
Total	<u>180</u>

Funding Policy

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.24% for 2020 and 0.22% for 2019, of which .04%, represented the retiree-only portion for each year as percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers.

Total OPEB Liability

The City's total OPEB liability of \$422,631 was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The covered payroll (annual payroll of active employees covered by the plan) for plan year 2020 was \$6,822,433, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.19%.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the December 31, 2020, actuarial valuation, the individual entry-age cost method was used. The actuarial assumptions use a 3.5% to 11.50% payroll growth rate, including inflation; 2.5% inflation rate; and 7.5% initial rate, declining to an ultimate rate of 5.5% after ten years for medical trends. For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment were used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE VII—POST RETIREMENT BENEFITS OTHER THAN PENSION--continued

Discount Rate

The plan does not have formal assets and the discount rate is equal to the tax-exempt municipal bond rate on the index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of the valuation, the municipal bond rate is 3.71% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA Index"). The discount rate was 3.31% as of the prior measurement date.

Changes in the Total OPEB Liability

	TMRS SDBF
Balance at January 1, 2020	\$ 342,298
Changes for the year	
Service Cost	22,514
Interest on Total OPEB Liability	9,685
Changes of Benefit Terms	
Difference between Expected and Actual Experience	(4,264)
Changes in Assumptions	55,127
Benefit Payments	(2,729)
Net Change in Total OPEB Liability	80,333
Balance at December 31, 2021	\$ 422,631

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease	No Change	1% Increase
Total SDBF OPEB Liability	\$ 514,723	\$ 422,631	\$ 351,368

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City reported OPEB expense of \$35,666 and deferred outflows of resources and determined inflows of resources related to OPEB from the following sources:

Deferred Outflows and Inflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions after Measurement Date	\$ 12,464	\$ -
Change in Assumptions	64,758	14,087
Difference in Projected and Actual Experience	-	30,787
Total	\$ 77,222	\$ 44,874

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE VII—POST RETIREMENT BENEFITS OTHER THAN PENSION—continued

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$127,660 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2020 (i.e., recognized in the city's financial statements September 30, 2021). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	Deferred Inflows of Resources
2021	\$ 17,182
2022	16,053
2023	15,243
2024	14,362
2025	1,483
Total	<u>\$ 64,323</u>



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PORT ARANSAS TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (WILL ULTIMATELY BE DISPLAYED)

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 956,505	\$ 842,106	\$ 848,018	\$ 907,907	\$ 826,657	\$ 714,598	\$ 571,442
Interest (on Total Pension Liability)	1,196,253	1,114,685	1,036,361	957,205	875,901	865,317	803,551
Changes of Benefit Terms:		-	-	-	-	-	-
Difference Between Expected and Actual Experience:	(126,601)	(214,179)	(20,913)	1,626	45,133	(565,781)	(11,868)
Change of Assumptions:	-	125,908	-	-	-	105,958	-
Benefit Payments, including Refunds of Employee Contributions	(702,410)	(732,215)	(668,095)	(660,131)	(507,493)	(615,455)	(489,225)
Net Change in Total Pension Liability	1,323,747	1,136,305	1,195,371	1,206,607	1,240,198	504,637	873,900
Total Pension Liability - Beginning	17,595,212	16,458,907	15,263,536	14,056,929	12,816,731	12,312,094	11,438,194
Total Pension Liability - Ending (a)	<u>\$ 18,918,959</u>	<u>\$ 17,595,212</u>	<u>\$ 16,458,907</u>	<u>\$ 15,263,536</u>	<u>\$ 14,056,929</u>	<u>\$ 12,816,731</u>	<u>\$ 12,312,094</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 796,179	\$ 677,320	\$ 676,202	\$ 739,519	\$ 702,974	\$ 642,335	\$ 560,988
Contributions - Employee	409,346	351,855	349,458	376,985	345,160	308,238	272,766
Net Investment Income	1,132,787	1,960,094	(380,621)	1,491,703	647,381	13,638	481,740
Benefit Payments, including Refunds of Employee Contributions	(702,410)	(732,215)	(668,095)	(660,131)	(507,493)	(615,455)	(489,225)
Administrative Expenses	(7,327)	(11,069)	(7,354)	(7,730)	(7,313)	(8,306)	(5,029)
Other	(286)	(333)	(384)	(392)	(394)	(410)	(414)
Net Change in Plan Fiduciary Net Position	1,628,289	2,245,652	(30,794)	1,939,955	1,180,315	340,040	820,826
Plan Fiduciary Net Position - Beginning	14,916,976	12,671,324	12,702,118	10,762,163	9,581,848	9,241,809	8,420,983
Plan Fiduciary Net Position - Ending (b)	<u>\$ 16,545,265</u>	<u>\$ 14,916,976</u>	<u>\$ 12,671,324</u>	<u>\$ 12,702,118</u>	<u>\$ 10,762,163</u>	<u>\$ 9,581,849</u>	<u>\$ 9,241,809</u>
Net Pension (Asset) Liability - Ending (a)-(b)	<u>\$ 2,373,694</u>	<u>\$ 2,678,236</u>	<u>\$ 3,787,583</u>	<u>\$ 2,561,418</u>	<u>\$ 3,294,766</u>	<u>\$ 3,234,882</u>	<u>\$ 3,070,285</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.45%	84.78%	76.99%	83.22%	76.56%	74.76%	75.06%
Covered Payroll	\$ 6,822,433	\$ 5,864,246	\$ 5,824,298	\$ 6,283,090	\$ 5,752,659	\$ 5,137,298	\$ 4,546,100
Net Pension Liability as a Percentage of Covered Payroll	34.79%	45.67%	65.03%	40.77%	57.27%	62.97%	67.54%

Until a full 10-year end is complete, we will present information for those years for which information is available.

CITY OF PORT ARANSAS TEXAS
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (WILL ULTIMATELY BE DISPLAYED)

	Fiscal Year Ended September 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 689,194	\$ 687,841	\$ 677,320	\$ 676,202	\$ 739,519	\$ 702,974	\$ 642,335	\$ 560,988
Contributions in relation to actuarially determined contribution	689,194	687,841	677,320	676,202	739,519	702,974	642,335	560,988
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,056,186	\$ 5,894,098	\$ 5,864,246	\$ 5,837,617	\$ 5,824,298	\$ 5,752,659	\$ 5,137,298	\$ 4,546,100
Contributions as a percentage of covered payroll	-11.38%	-11.67%	-11.55%	-11.58%	-12.70%	-12.22%	-12.50%	-12.34%

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	25 Years
Asset Valuation Method	10 Year Smoothed Market, 12% Soft Corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table for rates that are specific to the City's plan of benefits. Last updated for the 2019 valuating 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

CITY OF PORT ARANSAS TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (WILL ULTIMATELY BE DISPLAYED)

	2020	2019	2018
Total Pension Liability			
Service Cost	\$ 22,514	\$ 17,006	\$ 19,803
Interest	9,685	10,173	9,256
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(4,264)	(5,568)	(12,937)
Change in Assumptions or Other Inputs	55,127	55,864	(18,393)
Benefit Payments	(2,729)	(1,759)	(1,747)
Net Change in OPEB Liability	80,333	75,716	(4,018)
Total OPEB Liability - Beginning	342,298	266,582	270,600
Total OPEB Liability - Ending	<u>\$ 422,631</u>	<u>\$ 342,298</u>	<u>\$ 266,582</u>
Covered Payroll	\$ 6,822,433	\$ 6,283,090	\$ 5,824,298
Total OPEB Liability as a Percentage of Covered Payroll	6.19%	5.45%	4.58%

Changes of assumptions reflect a change in the discount rate each period.

The following are the discount used each period

2020	2.00%
2019	2.75%
2018	3.71%
2017	3.31%

Until a full 10-year end is complete, we will present information for those years for which information is available.

CITY OF PORT ARANSAS TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
MEDICAL OPEB
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (WILL ULTIMATELY BE DISPLAYED)

	2020	2019	2018
Total Pension Liability			
Service Cost	\$ 307,141	\$ 191,338	\$ 183,873
Interest	123,008	136,314	126,648
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	18,683	(4,841)	-
Change in Assumptions or Other Inputs	(67,046)	907,144	-
Benefit Payments	(77,103)	(80,640)	(79,211)
Net Change in OPEB Liability	304,683	1,149,315	231,310
Total OPEB Liability - Beginning	4,355,774	3,206,459	2,975,149
Total OPEB Liability - Ending	<u>\$ 4,660,457</u>	<u>\$ 4,355,774</u>	<u>\$ 3,206,459</u>
Covered Payroll	\$ 5,724,183	\$ 4,462,083	\$ 5,151,896
Total OPEB Liability as a Percentage of Covered Payroll	81.42%	97.62%	62.24%

FYE 2019 - A benefit clarification regarding the City's maximum subsidy for non-Medicare retirees was treated as a change in benefit terms.

Changes of assumptions reflect a change in the discount rate each period.
The following are the discount used each period

2020	2.00%
2019	2.75%
2018	3.31%
2017	3.81%

Until a full 10-year end is complete, we will present information for those years for which information is available.



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, 2021

	Budget amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$ 5,305,000	\$ 5,305,000	\$ 5,301,655	\$ (3,345)
Sales	1,600,000	2,100,000	2,224,526	124,526
Franchise	473,000	473,000	581,932	108,932
Intergovernmental	488,150	488,150	719,658	231,508
Licenses and Permits	1,256,750	1,751,750	1,760,787	9,037
Charges for Services	205,000	335,000	1,386,501	1,051,501
Fines and forfeitures	298,000	298,000	344,532	46,532
Interest	125,000	125,000	9,394	(115,606)
Miscellaneous	1,063,000	1,063,000	97,018	(965,982)
Total revenues	<u>10,813,900</u>	<u>11,938,900</u>	<u>12,426,003</u>	<u>487,103</u>
EXPENDITURES				
Current:				
General Administration	3,204,670	2,609,170	2,213,271	395,899
Legal	200,500	200,500	144,476	56,024
Financial Administration	275,350	275,350	270,994	4,356
Public Facilities	1,088,300	1,088,300	901,637	186,663
Public Safety	7,172,775	7,172,775	4,796,210	2,376,565
Public Transportation	219,650	219,650	172,750	46,900
Culture and Recreation	889,100	889,100	761,372	127,728
Capital Outlay	-	-	1,030,082	(1,030,082)
Debt Service				
Principal Retirement	-	-	37,542	(37,542)
Interest Retirement	-	-	2,827	(2,827)
Total expenditures	<u>13,050,345</u>	<u>12,454,845</u>	<u>10,331,161</u>	<u>2,123,684</u>
Excess (deficiency) of Revenues Over (under) expenditures	<u>(2,236,445)</u>	<u>(515,945)</u>	<u>2,094,842</u>	<u>1,636,581</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	(595,500)	-	(595,500)
Total Other Financing Sources (uses)	<u>-</u>	<u>(595,500)</u>	<u>-</u>	<u>(595,500)</u>
Net Changes In Fund Balances	(2,236,445)	(1,111,445)	2,094,842	1,041,081
Fund Balances - Beginning	10,747,718	10,747,718	10,747,718	-
Fund Balances - Ending	<u>\$ 8,511,273</u>	<u>\$ 9,636,273</u>	<u>\$ 12,842,560</u>	<u>\$ 1,041,081</u>

The accompanying notes are an integral part of these financial statements.

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, 2021

	Budget amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Hotel/Motel	\$ 1,375,000	\$ 2,175,000	\$ 2,768,831	\$ 593,831
Beach Parking Permits	985,000	985,000	1,838,596	853,596
Intergovernmental	317,000	317,000	391,374	74,374
Interest	25,000	25,000	1,130	(23,870)
Total revenues	<u>2,702,000</u>	<u>3,502,000</u>	<u>4,999,931</u>	<u>1,497,931</u>
EXPENDITURES				
General administration				
Lifeguards and Permits	648,560	664,060	258,384	405,676
Beach Public Works	1,610,175	1,723,575	2,323,615	(600,040)
Total expenditures	<u>2,258,735</u>	<u>2,387,635</u>	<u>2,581,999</u>	<u>(194,364)</u>
Excess (deficiency) of revenues over (under) expenditures	443,265	1,114,365	2,417,932	1,303,567
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	(1,055,000)	(1,055,000)	-	1,055,000
Total other financing sources (uses)	<u>(1,055,000)</u>	<u>(1,055,000)</u>	<u>-</u>	<u>1,055,000</u>
Net changes in fund balances	(611,735)	59,365	2,417,932	2,358,567
Fund balances - beginning	3,357,405	3,357,405	3,357,405	
Fund balances - ending	<u>\$ 2,745,670</u>	<u>\$ 3,416,770</u>	<u>\$ 5,775,337</u>	<u>\$ 2,358,567</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
HOTEL/MOTEL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2021

	Budget amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Hotel/Motel	\$ 2,237,000	\$ 3,830,500	\$ 4,226,028	\$ 395,528
Interest	4,000	4,000	231	(3,769)
Total revenues	<u>2,241,000</u>	<u>3,834,500</u>	<u>4,226,259</u>	<u>391,759</u>
EXPENDITURES				
General administration				
Mayor and Council	<u>2,237,000</u>	<u>3,830,500</u>	<u>4,226,027</u>	<u>(395,527)</u>
Total expenditures	<u>2,237,000</u>	<u>3,830,500</u>	<u>4,226,027</u>	<u>(395,527)</u>
Excess (deficiency) of revenues over (under) expenditures	4,000	4,000	232	(3,768)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	4,000	4,000	232	(3,768)
Fund balances - beginning	<u>51,864</u>	<u>51,864</u>	<u>81,924</u>	<u>(30,060)</u>
Fund balances - ending	<u>\$ 55,864</u>	<u>\$ 55,864</u>	<u>\$ 82,156</u>	<u>\$ (33,828)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
HOTEL MOTEL SPEC. REV. / FACILITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2021

	Budget amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
REVENUES				
Taxes				
Hotel/Motel	\$ 2,581,000	\$ 4,419,500	\$ 4,876,186	\$ 456,686
Interest	19,000	19,000	1,246	(17,754)
Miscellaneous	-	-	2,595	2,595
Total revenues	<u>2,600,000</u>	<u>4,438,500</u>	<u>4,880,027</u>	<u>441,527</u>
EXPENDITURES				
General administration				
Culture and recreation	756,125	761,125	264,781	496,344
Total expenditures	<u>756,125</u>	<u>761,125</u>	<u>264,781</u>	<u>496,344</u>
Excess (deficiency) of revenues over (under) expenditures	1,843,875	3,677,375	4,615,246	937,871
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(360,700)	(279,520)	81,180
Total other financing sources (uses)	<u>-</u>	<u>(360,700)</u>	<u>(279,520)</u>	<u>81,180</u>
Net changes in fund balances	1,843,875	3,316,675	4,335,726	1,019,051
Fund balances - beginning	51,864	51,864	8,990,978	(8,939,114)
Fund balances - ending	<u>\$ 1,895,739</u>	<u>\$ 3,368,539</u>	<u>\$ 13,326,704</u>	<u>\$ (7,920,063)</u>

The accompanying notes are an integral part of these financial statements.

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, 2021

	Budget amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Grant proceeds	\$ 4,750,000	\$ 4,750,000	\$ -	\$ (4,750,000)
Bond proceeds	-	4,485,000	4,485,000	-
Miscellaneous	-	-	226,286	226,286
Total revenues	<u>4,750,000</u>	<u>9,235,000</u>	<u>4,711,286</u>	<u>(4,523,714)</u>
EXPENDITURES				
Capital projects -				
Capital outlay and other	<u>700,000</u>	<u>9,209,795</u>	<u>3,451,872</u>	<u>5,757,923</u>
Total expenditures	<u>700,000</u>	<u>9,209,795</u>	<u>3,451,872</u>	<u>5,757,923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,050,000</u>	<u>25,205</u>	<u>1,259,414</u>	<u>1,234,209</u>
Net changes in fund balances	4,050,000	25,205	1,259,414	1,234,209
Fund balances - beginning	<u>325,158</u>	<u>325,158</u>	<u>344,255</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,375,158</u>	<u>\$ 350,363</u>	<u>\$ 1,603,669</u>	<u>\$ 1,234,209</u>

The accompanying notes are an integral part of these financial statements.



**COMBINING STATEMENTS AND
SUPPLEMENTARY SCHEDULES SECTION**

CITY OF PORT ARANSAS, TEXAS
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2021

	Special Revenue Funds			
	Airport Fund	Court Security Fund	Court Technology	COVID-19 Fund
ASSETS				
Cash and cash equivalents and investments	\$ 305,408	\$ 18,223	\$ 6,305	\$ 523,222
Receivables (net):	37,301	-	-	-
Inventories	8,155	-	-	-
Prepaid expenses	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
Total assets	<u>350,864</u>	<u>18,223</u>	<u>6,305</u>	<u>523,222</u>
LIABILITIES				
Obligations in excess of cash	-	-	-	-
Accounts payable and accrued liabilities	31,252	-	-	-
Accrued wages payable	585	-	-	-
Deferred revenues	-	-	-	-
Total liabilities	<u>31,837</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	-	-	-	-
FUND BALANCES				
Fund balances				
Nonspendable				
Inventories	8,155	-	-	-
Restricted				
Culture and recreation	310,872	-	-	-
Debt service	-	-	-	-
Economic development	-	-	-	-
Public safety	-	18,223	6,305	523,222
Committed				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Public transportation	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>319,027</u>	<u>18,223</u>	<u>6,305</u>	<u>523,222</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 350,864</u>	<u>\$ 18,223</u>	<u>\$ 6,305</u>	<u>\$ 523,222</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2021

Special Revenue Funds							
Impact Fees Zone 1 Fund	Impact Fees Zone 2 Fund	Library Fund	Nature Preserve Project Fund	Park Dedication Fees Fund	Recreational Development Fund	Street Maintenance Fund	Winter Storm URI Fund
\$ 729,324	\$ 46,417	\$ 16,560	\$ 257,539	\$ 315,112	\$ 1,051,584	\$ 481,924	\$ -
-	-	-	-	-	107,275	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
729,324	46,417	16,560	257,539	315,112	1,158,859	481,924	-
-	-	-	-	-	-	-	38,819
-	-	-	841	-	167,320	17,095	7,365
-	-	-	3,101	-	8,597	-	-
-	-	-	-	-	-	-	-
-	-	-	3,942	-	175,917	17,095	46,184
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	16,560	253,597	-	982,942	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(46,184)
729,324	46,417	-	-	-	-	-	-
-	-	-	-	315,112	-	-	-
-	-	-	-	-	-	464,829	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
729,324	46,417	16,560	253,597	315,112	982,942	464,829	(46,184)
\$ 729,324	\$ 46,417	\$ 16,560	\$ 257,539	\$ 315,112	\$ 1,158,859	\$ 481,924	\$ -

(continued)

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2021

	Debt Service Fund	Total
	Debt Service Fund	Nonmajor Governmental Funds
ASSETS		
Cash and cash equivalents and investments	\$ -	\$ 3,751,618
Receivables (net):	24,710	169,286
Inventories	-	8,155
Prepaid expenses	-	-
Restricted cash and cash equivalents	-	-
Total assets	24,710	3,929,059
LIABILITIES		
Obligations in excess of cash	100,027	138,846
Accounts payable and accrued liabilities		223,873
Accrued wages payable	-	12,283
Deferred revenues	-	-
Total liabilities	100,027	375,002
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	24,711	24,711
FUND BALANCES		
Fund balances		
Nonspendable		
Inventories	-	8,155
Restricted		
Culture and recreation	-	1,563,971
Debt service	(100,028)	(100,028)
Economic development	-	-
Public safety	-	501,566
Committed		
Construction	-	775,741
Culture and recreation	-	315,112
Public transportation	-	464,829
Assigned	-	-
Unassigned	-	-
Total fund balances	(100,028)	3,529,346
Total liabilities, deferred inflows and fund balances	\$ 24,710	\$ 3,929,059

(concluded)

The accompanying notes are an integral part of these financial statements.



CITY OF PORT ARANSAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	Special Revenue Funds			
	Airport Fund	Court Security Fund	Court Technology	COVID-19 Fund
REVENUES				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Franchise fees, licenses and permits	-	-	-	-
Hotel/Motel	-	-	-	-
Intergovernmental	37,301	-	-	528,527
Licenses and permits	-	-	-	-
Charges for services	205,765	-	-	-
Fines and forfeitures	-	5,605	7,019	-
Interest	262	10	3	-
Insurance recovery - Hurricane Harvey	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>243,328</u>	<u>5,615</u>	<u>7,022</u>	<u>528,527</u>
EXPENDITURES				
Current:				
General administration	-	-	-	-
Economic development	-	-	-	-
Public safety				
Storm repairs	-	-	-	-
Municipal court	-	-	3,588	5,305
Public transportation				
Regional transit	-	-	-	-
Culture and recreation				
Airport	268,651	-	-	-
Library	-	-	-	-
Nature preserve	-	-	-	-
Park	-	-	-	-
Capital Outlay	5,015	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>273,666</u>	<u>-</u>	<u>3,588</u>	<u>5,305</u>
Excess (deficiency) of revenues over expenditures	<u>(30,338)</u>	<u>5,615</u>	<u>3,434</u>	<u>523,222</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(30,338)	5,615	3,434	523,222
Fund balances - beginning	<u>349,365</u>	<u>12,608</u>	<u>2,871</u>	<u>-</u>
Fund balances - ending	<u>\$ 319,027</u>	<u>\$ 18,223</u>	<u>\$ 6,305</u>	<u>\$ 523,222</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

Special Revenue Funds							
Impact Fees Zone 1 Fund	Impact Fees Zone 2 Fund	Library Fund	Nature Preserve Project Fund	Park Dedication Fees Fund	Recreational Development Fund	Street Maintenance Fund	Winter Storm URI Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	1,112,263	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	500	224,400	-	-	-	-
-	-	-	-	-	-	-	-
587,459	-	-	-	132,784	-	-	-
-	25,308	-	-	-	-	-	-
415	21	6	144	227	659	373	-
-	-	-	-	-	-	-	-
-	-	4,328	51,760	-	22,096	-	-
587,874	25,329	4,834	276,304	133,011	1,135,018	373	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	46,184
-	-	-	-	-	-	-	-
-	-	-	-	-	-	31,394	-
-	-	-	-	-	-	-	-
-	-	73,195	-	-	-	-	-
-	-	-	301,769	-	-	-	-
-	-	-	-	-	835,549	-	-
-	-	-	20,660	-	104,398	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	73,195	322,429	-	939,947	31,394	46,184
587,874	25,329	(68,361)	(46,125)	133,011	195,071	(31,021)	(46,184)
-	-	-	279,520	-	-	-	-
(225,000)	-	-	-	-	-	-	-
(225,000)	-	-	279,520	-	-	-	-
362,874	25,329	(68,361)	233,395	133,011	195,071	(31,021)	(46,184)
366,450	21,088	84,921	20,202	182,101	787,871	495,850	-
\$ 729,324	\$ 46,417	\$ 16,560	\$ 253,597	\$ 315,112	\$ 982,942	\$ 464,829	\$ (46,184)

(continued)

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	Debt Service Fund	Total
	Debt Service Fund	Nonmajor Governmental Funds
REVENUES		
Taxes		
Property	\$ 1,324,794	\$ 1,324,794
Sales	-	1,112,263
Franchise fees, licenses and permits	-	-
Hotel/Motel	-	-
Intergovernmental	-	790,728
Licenses and permits	-	-
Charges for services	-	926,008
Fines and forfeitures	-	37,932
Interest	510	2,630
Insurance recovery - Hurricane Harvey	-	-
Miscellaneous	-	78,184
Total revenues	<u>1,325,304</u>	<u>4,272,539</u>
EXPENDITURES		
Current:		
General administration	-	-
Economic development	-	-
Public safety		
Storm repairs	-	46,184
Municipal court	-	8,893
Public transportation		
Regional transit	-	31,394
Culture and recreation		
Airport	-	268,651
Library	-	73,195
Nature preserve	-	301,769
Park	-	835,549
Capital Outlay	-	130,073
Debt service		
Principal retirement	1,815,000	1,815,000
Interest and fiscal charges	438,241	438,241
Total expenditures	<u>2,253,241</u>	<u>3,948,949</u>
Excess (deficiency) of revenues over expenditures	<u>(927,937)</u>	<u>323,590</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	800,225	1,079,745
Transfers out	-	(225,000)
Total other financing sources (uses)	<u>800,225</u>	<u>854,745</u>
Net change in fund balance	(127,712)	1,178,335
Fund balances - beginning	<u>27,684</u>	<u>2,351,011</u>
Fund balances - ending	<u>\$ (100,028)</u>	<u>\$ 3,529,346</u>
		(concluded)

The accompanying notes are an integral part of these financial statements.



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, 2021

	Budget amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 37,301	\$ 17,301
Charges for services	163,050	193,050	205,765	12,715
Interest	2,000	2,000	262	(1,738)
Total revenues	<u>185,050</u>	<u>215,050</u>	<u>243,328</u>	<u>28,278</u>
EXPENDITURES				
Current:				
Culture and recreation				
Airport	<u>288,300</u>	<u>322,800</u>	<u>273,666</u>	<u>49,134</u>
Total expenditures	<u>288,300</u>	<u>322,800</u>	<u>273,666</u>	<u>49,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(103,250)</u>	<u>(107,750)</u>	<u>(30,338)</u>	<u>(20,856)</u>
Net changes in fund balances	(103,250)	(107,750)	(30,338)	77,412
Fund balances - beginning	<u>349,365</u>	<u>349,365</u>	<u>349,365</u>	
Fund balances - ending	<u>\$ 246,115</u>	<u>\$ 241,615</u>	<u>\$ 319,027</u>	<u>\$ 77,412</u>

The accompanying notes are an integral part of these financial statements.

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, 2021

	Budget amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Fines and forfeitures	\$ 3,500	\$ 3,500	\$ 5,605	\$ 2,105
Interest	100	100	10	(90)
Total revenues	<u>3,600</u>	<u>3,600</u>	<u>5,615</u>	<u>2,015</u>
EXPENDITURES				
Current:				
Public safety				
Municipal court	13,325	13,325	-	13,325
Total expenditures	<u>13,325</u>	<u>13,325</u>	<u>-</u>	<u>13,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,725)</u>	<u>(9,725)</u>	<u>5,615</u>	<u>(11,310)</u>
Net changes in fund balances	(9,725)	(9,725)	5,615	(11,310)
Fund balances - beginning	12,608	12,608	12,608	-
Fund balances - ending	<u>\$ 2,883</u>	<u>\$ 2,883</u>	<u>\$ 18,223</u>	<u>\$ (11,310)</u>

The accompanying notes are an integral part of these financial statements.

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, 2021

	Budget amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 3,500	\$ 3,500	\$ 7,019	\$ (3,519)
Interest	50	50	3	
Total revenues	<u>3,550</u>	<u>3,550</u>	<u>7,022</u>	<u>(3,519)</u>
EXPENDITURES				
Current:				
Public safety				
Municipal court	5,250	5,250	3,588	1,662
Total expenditures	<u>5,250</u>	<u>5,250</u>	<u>3,588</u>	<u>1,662</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,700)</u>	<u>(1,700)</u>	<u>3,434</u>	<u>(5,181)</u>
Net changes in fund balances	(1,700)	(1,700)	3,434	(5,181)
Fund balances - beginning	3,514	3,514	2,871	-
Fund balances - ending	<u>\$ 1,814</u>	<u>\$ 1,814</u>	<u>\$ 6,305</u>	<u>\$ (5,181)</u>

The accompanying notes are an integral part of these financial statements.

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, 2021

	Budget amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
REVENUES				
Charges for services	\$ 200,000	\$ 200,000	\$ 587,459	\$ 387,459
Interest	4,500	4,500	415	(4,085)
Total revenues	<u>204,500</u>	<u>204,500</u>	<u>587,874</u>	<u>383,374</u>
Excess (deficiency) of revenues over (under) expenditures	204,500	204,500	587,874	383,374
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	(225,000)	(225,000)	(225,000)	-
Total other financing sources (uses)	<u>(225,000)</u>	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>
Net changes in fund balances	(20,500)	(20,500)	362,874	383,374
Fund balances - beginning	329,177	329,177	366,450	37,273
Fund balances - ending	<u>\$ 308,677</u>	<u>\$ 308,677</u>	<u>\$ 729,324</u>	<u>\$ 420,647</u>

The accompanying notes are an integral part of these financial statements.

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, 2021

	Budget amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
REVENUES				
Charges for services	\$ 4,000	\$ 4,000	\$ 25,308	\$ 21,308
Interest	250	250	21	(229)
Total revenues	<u>4,250</u>	<u>4,250</u>	<u>25,329</u>	<u>21,079</u>
Net changes in fund balances	4,250	4,250	25,329	(16,838)
Fund balances - beginning	15,827	15,827	21,088	(5,261)
Fund balances - ending	<u>\$ 20,077</u>	<u>\$ 20,077</u>	<u>\$ 46,417</u>	<u>\$ (22,099)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
NATURE PRESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2021

	Budget amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 556,500	\$ 556,500	\$ 224,400	\$ (332,100)
Interest	3,000	3,000	144	(2,856)
Miscellaneous	364,600	364,600	51,760	(312,840)
Total revenues	924,100	924,100	276,304	(647,796)
EXPENDITURES				
Capital projects -				
Capital outlay and other	921,100	921,100	322,429	598,671
Total expenditures	921,100	921,100	322,429	598,671
Excess (deficiency) of revenues over (under) expenditures	3,000	3,000	(46,125)	(49,125)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	364,600	364,600	279,520	(85,080)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	364,600	364,600	279,520	(85,080)
Net changes in fund balances	367,600	367,600	233,395	(134,205)
Fund balances - beginning	20,202	20,202	20,202	-
Fund balances - ending	\$ 387,802	\$ 387,802	\$ 253,597	\$ (134,205)

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS
PARK DEDICATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2021

	Budget amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 50,000	\$ 50,000	\$ 132,784	\$ 82,784
Interest	3,500	3,500	227	(3,273)
Total revenues	<u>53,500</u>	<u>53,500</u>	<u>133,011</u>	<u>79,511</u>
Net changes in fund balances	53,500	53,500	133,011	(79,511)
Fund balances - beginning	310,037	310,037	182,101	-
Fund balances - ending	<u>\$ 363,537</u>	<u>\$ 363,537</u>	<u>\$ 315,112</u>	<u>\$ (79,511)</u>

The accompanying notes are an integral part of these financial statements.

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, 2021

	Budget amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Sales	\$ 800,000	\$ 900,000	\$ 1,112,263	\$ 212,263
Interest	12,000	12,000	659	(11,341)
Miscellaneous	24,000	24,000	22,096	(1,904)
Total revenues	<u>836,000</u>	<u>936,000</u>	<u>1,135,018</u>	<u>199,018</u>
EXPENDITURES				
Current:				
Culture and recreation				
Parks	1,080,200	1,155,200	939,947	215,253
Total expenditures	<u>1,080,200</u>	<u>1,155,200</u>	<u>939,947</u>	<u>215,253</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(244,200)</u>	<u>(219,200)</u>	<u>195,071</u>	<u>(16,235)</u>
Net changes in fund balances	(244,200)	(219,200)	195,071	(16,235)
Fund balances - beginning	787,871	787,871	787,871	-
Fund balances - ending	<u>\$ 543,671</u>	<u>\$ 568,671</u>	<u>\$ 982,942</u>	<u>\$ (16,235)</u>

The accompanying notes are an integral part of these financial statements.

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, 2021

	Budget amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
REVENUES				
Interest	\$ 4,000	\$ 4,000	\$ 373	\$ (3,627)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>373</u>	<u>(3,627)</u>
EXPENDITURES				
Current:				
Public transportation				
Regional transit	53,000	53,000	31,394	21,606
Total expenditures	<u>53,000</u>	<u>53,000</u>	<u>31,394</u>	<u>21,606</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,000)</u>	<u>(49,000)</u>	<u>(31,021)</u>	<u>17,979</u>
Net changes in fund balances	(49,000)	(49,000)	(31,021)	17,979
Fund balances - beginning	495,850	495,850	495,850	-
Fund balances - ending	<u>\$ 446,850</u>	<u>\$ 446,850</u>	<u>\$ 464,829</u>	<u>\$ 17,979</u>

The accompanying notes are an integral part of these financial statements.

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, 2021

	Budget amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property	\$ 1,301,802	\$ 1,301,802	\$ 1,324,794	\$ 22,992
Interest	1,200	1,200	510	(690)
Total revenues	<u>1,303,002</u>	<u>1,303,002</u>	<u>1,325,304</u>	<u>22,302</u>
EXPENDITURES				
Debt service				
Principal retirement	1,815,000	1,815,000	1,815,000	-
Interest retirement	439,428	439,428	438,241	1,187
Total expenditures	<u>2,254,428</u>	<u>2,254,428</u>	<u>2,253,241</u>	<u>1,187</u>
Excess (deficiency) of revenues over (under) expenditures	(951,426)	(951,426)	(927,937)	23,489
OTHER FINANCING SOURCES (USES):				
Operating transfers in	800,225	800,225	800,225	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>800,225</u>	<u>800,225</u>	<u>800,225</u>	<u>-</u>
Net changes in fund balances	(151,201)	(151,201)	(127,712)	23,489
Fund balances - beginning	27,684	27,684	27,684	-
Fund balances - ending	<u>\$ (123,517)</u>	<u>\$ (123,517)</u>	<u>\$ (100,028)</u>	<u>\$ 23,489</u>

The accompanying notes are an integral part of these financial statements.

SINGLE AUDIT SECTION

CITY OF PORT ARANSAS
SCHEDULE OF FEDERAL EXPENDITURES
SEPTEMBER 30, 2021

	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	TOTAL FEDERAL EXPENDITURES
Federal Grantor/Pass-Through Grantor/Program Title			
<i>Federal Expenditures</i>			
U.S. Department of Homeland Security			
Direct Grants			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		
CAT A City of Port Aransas Debris Removal		2309	\$ 737,320
Bird Sanctuary Wetlands Debris		90196	20,881
EXP Port Aransas, Expedited CAT B - Emergency Protective Measures		2355	35,827
Temporary Facilities - Fire Station		17549	17,073
Temporary Facility - Jail/Public Safety Building		42615	554,493
Robert's Point Park Bulkhead		3137	13,504
Fire Station		6237	36,556
Public Works Storage & Maintenance		6262	2,593
Chamber of Commerce Building		6293	57,935
Station Street Pier Bathrooms		6352	81,827
McDonald Field Concession, Restroom, Press Box		6355	61,857
Public Works Garage (DPW Garage)		16966	26,800
Gas System		3141	3,227,312
Community Park		3142	171,189
Robert's Point Park Pier		35880	100,032
Charlie's Pasture Pier		35881	26,455
Station Street Pier		35883	123,909
City Beach		38571	2,719
Port Aransas DAC		65826	454,610
Marina Docks		9483	5,014
Fire Station Contents		36782	62,925
Public Works Storage & Maintenance Contents		45844	3,025
Library Contents		36768	95,284
Public Works Garage Contents		36842	104,201
Library		6292	661,649
Charlie's Pasture Shoreline Bulkhead		46842	2,200,092
Mobile Equipment		26582	1,540,969
Community Pool Contents		36770	22,815
Parks & Recreation Office Contents		36936	50,083
Winter Storm Uri		NONE	50,173
Direct Grants			
Emergency Management Performance Grants	97.042	NONE	60,196
Total U.S. Department of Homeland Security			10,609,318
U.S. Department of Commerce			
Passed Through the Texas Department of Transportation			
Federal Assistance for Economic Development	11.307	08-79-05258	268,183
Passed Through the Texas General Land Office			
National Oceanic and Atmospheric Administration (NOAA)			
Cooperative Institutes	11.432	NONE	49,527
Total U.S. Department of Commerce			317,710

CITY OF PORT ARANSAS
SCHEDULE OF FEDERAL EXPENDITURES
SEPTEMBER 30, 2021

	FEDERAL CFDA NUMBER	OTHER AWARD NUMBER	TOTAL FUND EXPENDITURES
U.S. Department of the Interior			
Direct Grants			
Coastal Program Grants	15.630		
CBBEP Habitat Living Resources		NONE	3,601
NFWF Gulf Environ Benefit		NONE	38,313
Total U.S. Department of the Interior			41,914
U.S. Department of the Treasury			
Passed Through the Texas Division of Emergency Management (TDEM)			
Coronavirus Relief Fund	21.019	NONE	5,305
Total U.S. Department of the Treasury			5,305
Total Federal Expenditures			10,974,247



PARK FOWLER & CO.

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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, 2021, 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 August 18, 2022.

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.

Park Fowler & Co., PLLC

Park Fowler & Co., PLLC
August 18, 2022



PARK FOWLER & CO.

Certified Public Accountants & Management Consultants
A Professional Limited Liability Company

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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 Program

We have audited the City of Port Aransas, Texas's 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's major federal programs for the year ended September 30, 2021. City of Port Aransas, Texas's major federal 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Port Aransas, Texas's major federal 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). Those standards and the Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about the City of Port Aransas, Texas's 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 program. However, our audit does not provide a legal determination of the City of Port Aransas's compliance.

Opinion on Each Major Federal 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, 2021.

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.

Park Fowler & CO., PLLC

Park Fowler & Co., PLLC
August 18, 2022

CITY OF PORT ARANSAS, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.

CITY OF PORT ARANSAS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Section II - Financial Statement Findings

None

Section III - Federal or State Award Findings & Questioned Costs

None

CITY OF PORT ARANSAS, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Section II - Financial Statement Findings

Material Weaknesses:

None

Significant Deficiencies:

None

Section III - Federal or State Award Findings & Questioned Costs

None