

ANNUAL FINANCIAL REPORT



Fiscal Year Ending September 30, 2022



CITY OF PORT ARANSAS, TEXAS

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas (the City) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the net pension liability and other postemployment benefit liabilities required schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund statements and schedules, and schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Single Audit Circular*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 fund statements and schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2023 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
September 21, 2023



CITY OF PORT ARANSAS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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, 2022. Please read it in conjunction with the independent auditor's report and the City's financial statements and disclosures, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$100,147,208 (net position). Of this amount, \$39,174,905 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net position increased by \$29,170,046 during the fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$54,402,690. Approximately 59% of this amount, \$31,987,312 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 \$16,074,255 or 145% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Port Aransas's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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 deferred outflows of resources, liabilities and deferred inflows of resources with the difference between these 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 be 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 result in cash flows in future fiscal periods (e.g., uncollected taxes and compensated absences).

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

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

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

Governmental funds. Except for the operations of the harbor, gas and sanitation funds, the City's services are included in *governmental funds*. These funds focus on how cash and other financial assets can be readily 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 nonmajor 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 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 nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City maintains one type of proprietary fund. *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, 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.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents required supplementary information which includes a budgetary comparison schedule for the general fund to demonstrate compliance with the budget. This report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees and retirees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

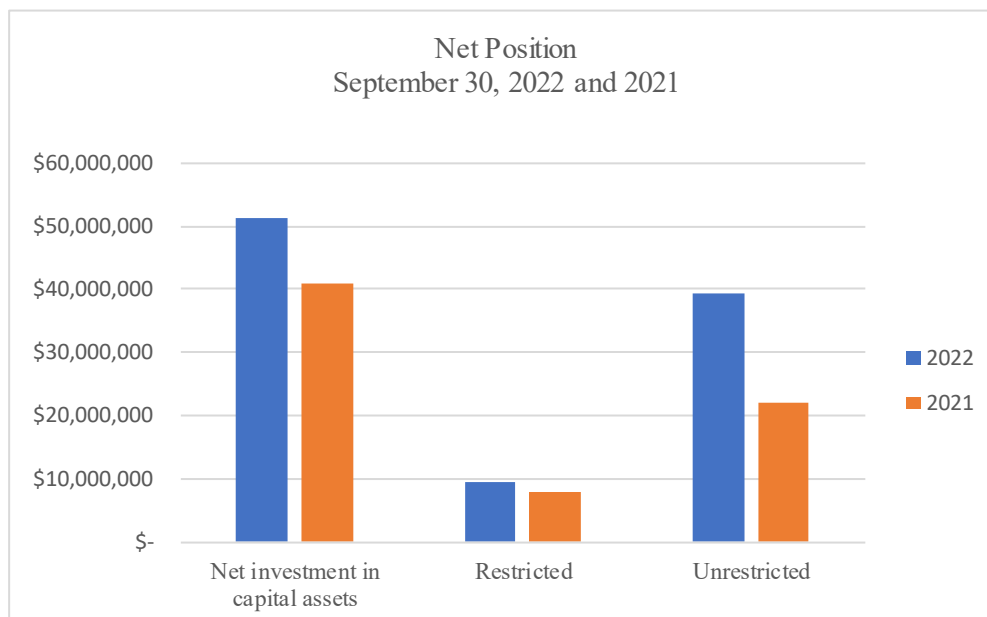
Government-wide Financial Analysis

City of Port Aransas's Net Position Information:

The following table reflects a summary of net position compared to the prior year:

Table 1 – Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 61,384,714	\$ 43,012,833	\$ 1,982,453	\$ 1,764,353	\$ 63,367,167	\$ 44,777,186
Restricted assets	61,857	58,441	-	-	61,857	58,441
Capital assets	<u>56,706,376</u>	<u>45,070,436</u>	<u>22,552,376</u>	<u>15,824,364</u>	<u>79,258,752</u>	<u>60,894,800</u>
Total assets	<u>118,152,947</u>	<u>88,141,710</u>	<u>24,534,829</u>	<u>17,588,717</u>	<u>142,687,776</u>	<u>105,730,427</u>
Deferred outflows of resources	1,740,817	1,197,972	193,426	130,984	1,934,243	1,328,956
Long-term liabilities	28,615,055	30,914,429	710,535	636,207	29,325,590	31,550,636
Other liabilities	<u>10,042,742</u>	<u>2,169,991</u>	<u>392,224</u>	<u>344,076</u>	<u>10,434,966</u>	<u>2,514,067</u>
Total liabilities	38,657,797	33,084,420	1,102,759	980,283	39,760,556	34,064,703
Deferred inflows of resources	4,317,683	1,815,801	396,572	201,717	4,714,255	2,017,518
Net position:						
Net investment in capital assets	28,824,143	25,156,342	22,552,376	15,824,364	51,376,519	40,980,706
Restricted	9,595,784	7,924,808	-	-	9,595,784	7,924,808
Unrestricted	<u>38,498,357</u>	<u>21,358,311</u>	<u>676,548</u>	<u>713,337</u>	<u>39,174,905</u>	<u>22,071,648</u>
Total net position	<u>\$ 76,918,284</u>	<u>\$ 54,439,461</u>	<u>\$ 23,228,924</u>	<u>\$ 16,537,701</u>	<u>\$ 100,147,208</u>	<u>\$ 70,977,162</u>



As noted earlier, net position may serve over time as a useful indicator of a governments financial position. In the case of the City of Port Aransas, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$76,918,284 at the close of the most recent fiscal year for governmental activities and \$23,228,924 for business-type activities.

A large portion of the City's net position (37% in governmental activities and 97% 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 are 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 position by \$22,478,823 and business-type activities increased the City's net position by \$6,691,223 for a total increase of \$29,170,046.

Table 2 – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Total revenues	\$ 54,271,747	\$ 50,035,635	\$ 5,546,708	\$ 7,734,656	\$ 59,818,455	\$ 57,770,291
Total expenses	26,247,338	(27,421,098)	4,401,071	(3,829,575)	30,648,409	(31,250,673)
Increase (decrease) in net position before transfers	28,024,409	22,614,537	1,145,637	3,905,081	90,466,864	26,519,618
Transfers	(5,545,586)	575,225	5,545,586	(575,225)	-	-
Increase (decrease) in net position	22,478,823	23,189,762	6,691,223	3,329,856	29,170,046	26,519,618
Beginning net position	54,439,461	31,249,699	16,537,701	13,207,845	70,977,162	44,457,544
Ending net position	<u>\$ 76,918,284</u>	<u>\$ 54,439,461</u>	<u>\$ 23,228,924</u>	<u>\$ 16,537,701</u>	<u>\$ 100,147,208</u>	<u>\$ 70,977,162</u>

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

Table 3 – Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Charges for services	\$ 7,692,585	\$ 3,776,579	\$ 4,174,277	\$ 3,627,508	\$ 11,866,862	\$ 7,404,087
Operating grants and contributions	1,382,567	603,782	-	214,730	1,382,567	818,512
Capital grants and contributions	20,792,145	15,939,733	-	-	20,792,145	15,939,733
General revenues:						
Property taxes	7,103,457	6,671,756	-	-	7,103,457	6,671,756
Sales taxes	3,808,860	3,336,789	-	-	3,808,860	3,336,789
Franchises fees	621,015	581,932	-	-	621,015	581,932
Hotel/motel taxes	12,448,937	11,871,046	-	-	12,448,937	11,871,046
Licenses and permits	-	3,599,382	-	-	-	3,599,382
Investment earnings	301,748	16,488	11,529	1,361	313,277	17,849
Insurance recovery - HH	-	2,250,000	-	3,841,090	-	6,091,090
Grants and contributions not restricted	-	528,527	1,349,952	-	1,349,952	528,527
Miscellaneous	120,433	859,621	10,950	49,967	131,383	909,588
Total revenues	<u>54,271,747</u>	<u>50,035,635</u>	<u>5,546,708</u>	<u>7,734,656</u>	<u>59,818,455</u>	<u>57,770,291</u>
Expenses:						
General administration	10,248,766	8,690,612	-	-	10,248,766	8,690,612
Legal	89,895	144,476	-	-	89,895	144,476
Financial administration	281,534	315,473	-	-	281,534	315,473
Public facilities	1,134,414	1,191,072	-	-	1,134,414	1,191,072
Public safety	6,805,763	10,689,354	-	-	6,805,763	10,689,354
Public transportation	188,331	218,695	-	-	188,331	218,695
Culture and recreation	6,676,090	5,707,149	-	-	6,676,090	5,707,149
Interest and fiscal charges	822,545	464,267	-	-	822,545	464,267
Gas	-	-	1,669,299	1,282,299	1,669,299	1,282,299
Sanitation	-	-	1,253,650	1,321,029	1,253,650	1,321,029
Harbor	-	-	1,478,122	1,226,247	1,478,122	1,226,247
Total expenses	<u>\$ 26,247,338</u>	<u>\$ 27,421,098</u>	<u>\$ 4,401,071</u>	<u>\$ 3,829,575</u>	<u>\$ 30,648,409</u>	<u>\$ 31,250,673</u>

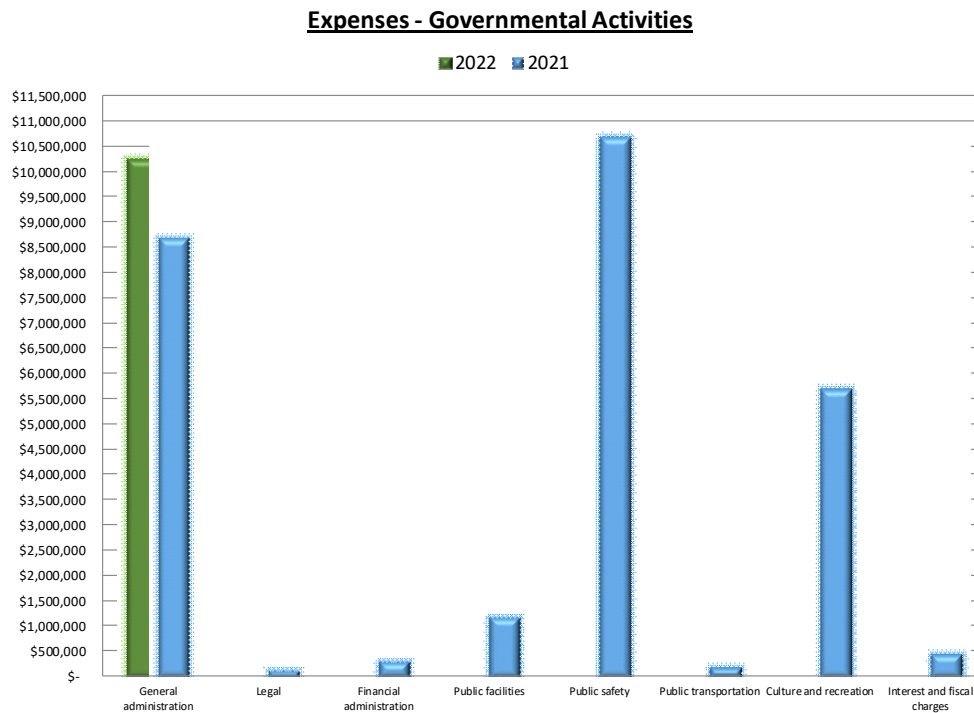
Governmental activities

Governmental activities include the functions of the 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 \$4,236,112. This increase is due to an increase in hotel/motel tax, an increase in grant revenues, and an increase in building permits.

Total expenses decreased by \$1,173,760. This is due to a prior year purchase of replacement equipment for Fire and EMS and a new radio system for Public Safety that didn't occur in the current year.

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 decreased by \$2,187,948 due mainly to an insurance recovery received in the prior year not received in the current year.

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



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's 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, unassigned 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's governmental funds reported combined ending fund balances of \$54,402,690, an increase of \$13,868,536 in comparison with the prior year. Approximately 59% or \$31,987,312, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new spending because it has already been committed/restricted to pay for construction (\$10,749,275), restricted for culture and recreation (\$1,469,339), inventories (\$21,035), public safety (\$885,938), economic development (\$6,640,507), fire (\$600,000), and prepaid items (\$7,897).

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 \$16,674,255, while total fund balance reached \$16,682,074. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 150% of total general fund expenditures.

The fund balance of the City's general fund increased by \$3,839,514 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 two times. The general fund had a net change of \$57,910. This change was due to an increase in expenses for the Planning/Code department for a software program for Short Term Rental registration program. The Facility Fund had a net change of \$265,150. This change was due to an increase in expenditures for the renovation to the Civic Center restrooms and kitchen.

Budget variances are "favorable" if actual revenues exceeded 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, 2022, amounts to \$79,258,752 (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 \$11,635,940 as a result of \$16,319,809 of additions offset by \$4,299,282 of depreciation and net retirements of \$(679,619). Business-type activity capital assets increased by \$6,728,012 as a result of \$7,360,825 additions less \$816,873 of depreciation.

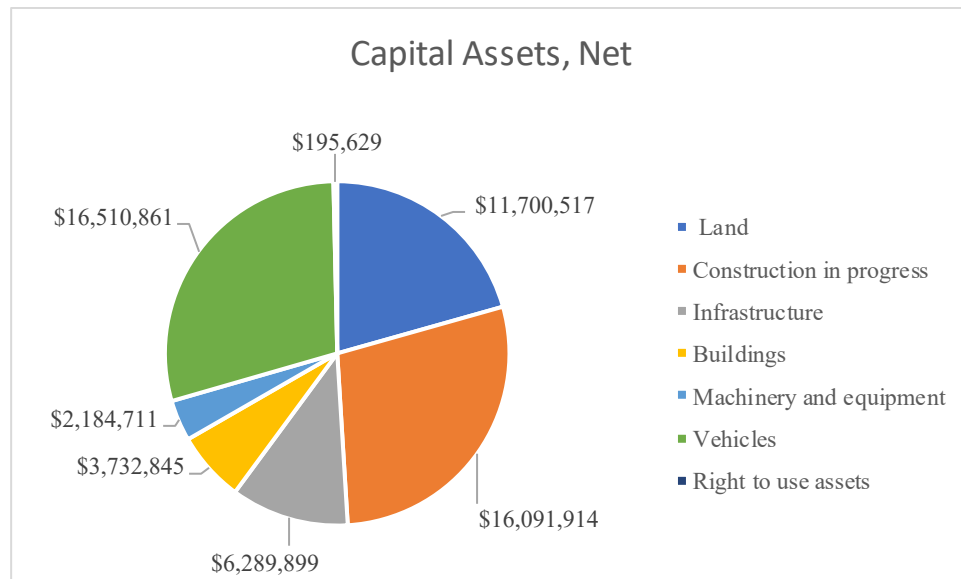
Additional information on the City's capital assets can be found in note 4 of the financial statements.

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	
	2022	2021	2022	2021	2022	2021
Land	\$ 11,700,517	\$ 9,160,738	\$ -	\$ -	\$ 11,700,517	\$ 9,160,738
Construction in progress	16,091,914	12,167,469	10,297,860	6,549,134	26,389,774	18,716,603
Infrastructure	6,289,899	13,360,046	86,320	8,190,607	6,376,219	21,550,653
Buildings	3,732,845	4,445,638	100,646	199,754	3,833,491	4,645,392
Machinery and equipment	2,184,711	2,110,543	193,810	772,690	2,378,521	2,883,233
Vehicles	16,510,861	3,826,002	11,631,774	112,179	28,142,635	3,938,181
Right to use assets	195,629	-	241,966	-	437,595	-
Total capital assets, net	<u>\$ 56,706,376</u>	<u>\$ 45,070,436</u>	<u>\$ 22,552,376</u>	<u>\$ 15,824,364</u>	<u>\$ 79,258,752</u>	<u>\$ 60,894,800</u>

For a more detailed presentation on capital assets, please refer to the notes to financial statements on pages 47-48.



Debt Administration

At the end of the current fiscal year, the City had total bonded debt and capital leases outstanding of \$32,664,654. The table below reflects the outstanding debt at September 30, 2022. Additional information can be found in note 4.

The following is a summary of outstanding debt:

Table 5 – Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 27,145,000	\$ 19,255,000	\$ -	\$ -	\$ 27,145,000	\$ 19,255,000
Premium on bonds	737,233	619,701	-	-	737,233	619,701
Capital leases	-	39,404	-	-	-	39,404
Community disaster loan	-	4,347,745	-	-	-	4,347,745
OPEB liability	3,053,061	3,644,818	339,228	351,416	3,392,289	3,996,234
Pension liability	1,167,312	2,136,996	129,701	236,698	1,297,013	2,373,694
Lease liability on right to use assets	195,302	-	241,606	-	436,908	-
Compensated absences	366,746	870,765	22,659	48,093	389,405	918,858
Total long-term liabilities	<u>\$ 32,664,654</u>	<u>\$ 30,914,429</u>	<u>\$ 733,194</u>	<u>\$ 636,207</u>	<u>\$ 33,397,848</u>	<u>\$ 31,550,636</u>

The City's debt increased by \$1,847,212 or approximately 6%. The key factors to the net change are as follows:

- Issuance of \$9,115,000 Tax Notes
- Issuance of \$885,000 Certificates of Obligation

See note 4 - 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 2022-2023 fiscal year. At the end of the fiscal year, the economic impact of the hurricane is still not completely known for all projects. The City proceeds and grant assistance to assist 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 22.5781 cents per hundred. The tax rate has been split with .15129 for maintenance and operations and .074491 for interest and sinking for the retirement of the bonds. Even though this is 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 2022-2023 with an estimated fund balance of \$9,016,246. This is approximately 68% 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 City of Port Aransas, Office of the Finance Director, 710 W. Avenue A, Port Aransas, Texas 78373 or call (361) 749-4111. Information is also available on the City's website at www.cityofportaransas.org.



BASIC FINANCIAL STATEMENTS



CITY OF PORT ARANSAS, TEXAS

STATEMENT OF NET POSITION

September 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 59,409,104	\$ 160,181	\$ 59,569,285
Receivables (net of allowance)	1,206,777	1,822,272	3,029,049
Inventories	21,035	-	21,035
Prepays	7,897	-	7,897
Lease receivable	739,901	-	739,901
Restricted assets:			
Cash and cash equivalents	61,857	-	61,857
Capital assets not being depreciated:			
Land	11,700,517	-	11,700,517
Construction in progress	16,510,861	11,631,774	28,142,635
Capital assets net of accumulated depreciation:			
Infrastructure	16,091,914	10,297,860	26,389,774
Buildings	6,289,899	86,320	6,376,219
Machinery and equipment	2,184,711	193,810	2,378,521
Vehicles	3,732,845	100,646	3,833,491
Right to use assets	195,629	241,966	437,595
Total capital assets	56,706,376	22,552,376	78,821,157
Total assets	118,152,947	24,534,829	142,687,776
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	1,740,817	193,426	1,934,243
LIABILITIES			
Accounts payable	5,636,909	96,746	5,733,655
Accrued wages payable	198,558	22,537	221,095
Accrued interest payable	111,963	-	111,963
Unearned revenues	45,713	95	45,808
Customer meter deposits	-	250,187	250,187
Noncurrent liabilities:			
Lease liability	195,302	241,606	436,908
Due within one year	4,049,599	22,659	4,072,258
Due in more than one year	28,419,753	468,929	28,888,682
Total liabilities	38,657,797	1,102,759	39,760,556
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	4,317,683	396,572	4,714,255
NET POSITION			
Net investment in capital assets	28,824,143	22,552,376	51,376,519
Restricted for:			
Culture and recreation	1,469,339	-	1,469,339
Economic development	6,640,507	-	6,640,507
Public safety	885,938	-	885,938
Fire	600,000	-	600,000
Unrestricted	38,498,357	676,548	39,174,905
Total net position	\$ 76,918,284	\$ 23,228,924	\$ 100,147,208

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, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General administration	\$ 10,248,766	\$ 2,555,060	\$ -	\$ -
Legal	89,895	-	-	-
Financial administration	281,534	-	-	-
Public facilities	1,134,414	1,624,532	38,095	201,899
Public safety	6,805,763	1,470,468	604,769	20,590,246
Public transportation	188,331	246,930	-	-
Culture and recreation	6,676,090	1,795,595	739,703	-
Interest on long-term debt	822,545	-	-	-
Total governmental activities	26,247,338	7,692,585	1,382,567	20,792,145
Business-type activities:				
Gas	1,669,299	1,662,643	-	-
Sanitation	1,253,650	1,108,283	-	-
Harbor	1,478,122	1,403,351	-	-
Total business-type activities	4,401,071	4,174,277	-	-
Total primary government	\$ 30,648,409	\$ 11,866,862	\$ 1,382,567	\$ 20,792,145

General revenues:

Taxes:

Property taxes, levies for general purposes

Sales taxes

Franchise taxes

Hotel/motel taxes

Unrestricted investment earnings

Grants and contributions not restricted to specific programs

Miscellaneous

Transfers

Total general revenues and special items

Change in net position

Net position - beginning

Net position - ending

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (7,693,706)	\$ -	\$ (7,693,706)
(89,895)	-	(89,895)
(281,534)	-	(281,534)
730,112	-	730,112
15,859,720	-	15,859,720
58,599	-	58,599
(4,140,792)	-	(4,140,792)
(822,545)	-	(822,545)
<u>3,619,959</u>	<u>-</u>	<u>3,619,959</u>
-	(6,656)	3,325,286
-	(145,367)	2,216,566
<u>-</u>	<u>(74,771)</u>	<u>2,806,702</u>
-	(226,794)	8,348,554
<u>3,619,959</u>	<u>(226,794)</u>	<u>11,968,513</u>
7,103,457	-	7,103,457
3,808,860	-	3,808,860
621,015	-	621,015
12,448,937	-	12,448,937
301,748	11,529	313,277
-	1,349,952	1,349,952
120,433	10,950	131,383
(5,545,586)	5,545,586	-
<u>18,858,864</u>	<u>6,918,017</u>	<u>25,776,881</u>
22,478,823	6,691,223	29,170,046
54,439,461	16,537,701	70,977,162
<u>\$ 76,918,284</u>	<u>\$ 23,228,924</u>	<u>\$ 100,147,208</u>

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

CITY OF PORT ARANSAS, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2022

	General Fund	Beach Fund	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund
ASSETS				
Cash and cash equivalents	\$ 17,567,922	\$ 6,543,371	\$ 810,673	\$ 13,674,015
Receivables (net)	374,079	84,133	379	-
Due from other funds	-	-	-	-
Restricted cash and cash equivalents	61,857	-	-	-
Inventories	-	-	-	-
Prepaid expenses	7,819	-	-	-
Lease receivable	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 18,011,677</u>	<u>\$ 6,627,504</u>	<u>\$ 811,052</u>	<u>\$ 13,674,015</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,046,871	\$ 44,222	\$ 725,616	\$ 173,806
Accrued wages payable	151,214	28,211	-	2,980
Due to other funds	-	-	-	-
Deferred revenues	45,713	-	-	-
Total liabilities	<u>1,243,798</u>	<u>72,433</u>	<u>725,616</u>	<u>176,786</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property leases	-	-	-	-
Deferred property taxes	85,805	-	-	-
Total deferred inflows of resources	<u>85,805</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	7,819	-	-	-
Inventories	-	-	-	-
Restricted:				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	6,555,071	85,436	-
Fire	600,000	-	-	-
Public safety	-	-	-	-
Committed:				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Public transportation	-	-	-	-
Unassigned	16,074,255	-	-	13,497,229
Total fund balances	<u>16,682,074</u>	<u>6,555,071</u>	<u>85,436</u>	<u>13,497,229</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,011,677</u>	<u>\$ 6,627,504</u>	<u>\$ 811,052</u>	<u>\$ 13,674,015</u>

Hurricane Harvey Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,033,388	\$ 10,504,878	\$ 4,274,857	\$ 59,409,104
-	276,102	165,557	900,250
-	-	193,173	193,173
-	-	-	61,857
-	-	21,035	21,035
-	-	78	7,897
-	-	739,901	739,901
<u>\$ 6,033,388</u>	<u>\$ 10,780,980</u>	<u>\$ 5,394,601</u>	<u>\$ 61,333,217</u>
\$ 3,397,785	\$ 31,705	\$ 216,904	\$ 5,636,909
-	-	16,153	198,558
-	-	193,173	193,173
-	-	-	45,713
<u>3,397,785</u>	<u>31,705</u>	<u>426,230</u>	<u>6,074,353</u>
-	-	748,551	748,551
-	-	21,818	107,623
-	-	770,369	856,174
-	-	78	7,897
-	-	21,035	21,035
-	10,749,275	-	10,749,275
-	-	1,469,339	1,469,339
-	-	-	6,640,507
-	-	-	600,000
-	-	885,938	885,938
-	-	1,099,940	1,099,940
-	-	535,183	535,183
-	-	406,264	406,264
<u>2,635,603</u>	-	<u>(219,775)</u>	<u>31,987,312</u>
<u>2,635,603</u>	<u>10,749,275</u>	<u>4,198,002</u>	<u>54,402,690</u>
<u>\$ 6,033,388</u>	<u>\$ 10,780,980</u>	<u>\$ 5,372,783</u>	<u>\$ 61,333,217</u>

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

CITY OF PORT ARANSAS, TEXAS

**RECONCILIATION OF BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

September 30, 2022

Total fund balances - governmental funds	\$ 54,402,690
Amounts reported for governmental funds in the statement of net position are different because:	
Add net capital assets which are not treated as financial resources on the modified accrual basis.	56,706,376
Add property taxes receivable unavailable to pay for current period expenditures.	107,623
Subtract long-term assets/liabilities unavailable to pay for current period expenditures.	(1,521,788)
Subtract long-term liabilities, including bonds payable, which are not due and payable in the current period.	<u>(32,776,617)</u>
Net position of governmental activities	<u>\$ 76,918,284</u>

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



CITY OF PORT ARANSAS, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the year ended September 30, 2022

	General Fund	Beach Fund	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund
Revenues:				
Taxes				
Property	\$ 5,609,856	\$ -	\$ -	\$ -
Sales	2,541,298	-	-	-
Franchise fees	621,015	-	-	-
Hotel/motel	-	2,857,011	4,453,394	5,138,532
Licenses and permits	2,659,075	-	-	-
Intergovernmental	1,190,397	407,688	-	-
Licenses and permits	-	725,578	-	-
Charges for services	1,614,752	-	-	-
Fines and forfeitures	487,802	-	-	-
Interest	172,674	16,031	3,280	22,472
Insurance recovery - Hurricane Harvey	-	-	-	-
Miscellaneous	64,509	14,600	-	13,075
Total revenues	<u>14,961,378</u>	<u>4,020,908</u>	<u>4,456,674</u>	<u>5,174,079</u>
Expenditures:				
Current:				
General administration	3,239,956	-	4,453,394	-
Legal	91,732	-	-	-
Financial administration	287,289	-	-	-
Public facilities	973,839	-	-	-
Public safety	4,722,000	-	-	-
Public transportation	181,648	-	-	-
Culture and recreation	852,568	3,066,803	-	547,330
Capital outlay	720,069	111,106	-	2,870,608
Debt service:	-	-	-	-
Principal	51,756	-	-	-
Interest and other charges	1,007	-	-	-
Total expenditures	<u>11,121,864</u>	<u>3,177,909</u>	<u>4,453,394</u>	<u>3,417,938</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>3,839,514</u>	<u>842,999</u>	<u>3,280</u>	<u>1,756,141</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(63,265)	-	(1,585,616)
Premium	-	-	-	-
Proceeds of bond	-	-	-	-
Total other financing sources	-	(63,265)	-	(1,585,616)
Net change in fund balances	3,839,514	779,734	3,280	170,525
Fund balances - beginning	<u>12,842,560</u>	<u>5,775,337</u>	<u>82,156</u>	<u>13,326,704</u>
Fund balances - ending	<u>\$ 16,682,074</u>	<u>\$ 6,555,071</u>	<u>\$ 85,436</u>	<u>\$ 13,497,229</u>

Hurricane Harvey Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,515,992	\$ 7,125,848
-	-	1,267,562	3,808,860
-	-	-	621,015
-	-	-	12,448,937
-	-	-	2,659,075
16,316,653	201,899	862,632	18,979,269
-	-	-	725,578
-	-	202,689	1,817,441
-	-	822,902	1,310,704
-	13,490	73,801	301,748
-	-	-	-
18,974	-	36,760	147,918
<u>16,335,627</u>	<u>215,389</u>	<u>4,782,338</u>	<u>49,946,393</u>
-	-	117,810	7,811,160
-	-	-	91,732
-	-	-	287,289
-	-	-	973,839
1,212,450	3,325	4,675	5,942,450
-	-	9,139	190,787
-	-	1,554,907	6,021,608
10,867,966	993,490	756,570	16,319,809
-	-	-	-
87,378	-	2,110,000	2,249,134
738	129,365	569,750	700,860
<u>12,168,532</u>	<u>1,126,180</u>	<u>5,122,851</u>	<u>40,588,668</u>
<u>4,167,095</u>	<u>(910,791)</u>	<u>(340,513)</u>	<u>9,357,725</u>
-	-	1,459,169	1,459,169
(4,905,874)	-	(450,000)	(7,004,755)
-	56,397	-	56,397
-	10,000,000	-	10,000,000
<u>(4,905,874)</u>	<u>10,056,397</u>	<u>1,009,169</u>	<u>4,510,811</u>
(738,779)	9,145,606	668,656	13,868,536
<u>3,374,382</u>	<u>1,603,669</u>	<u>3,529,346</u>	<u>40,534,154</u>
<u>\$ 2,635,603</u>	<u>\$ 10,749,275</u>	<u>\$ 4,198,002</u>	<u>\$ 54,402,690</u>

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

CITY OF PORT ARANSAS, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

September 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ 13,868,536
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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 depreciable expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	12,020,527
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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 (property taxes).	(22,391)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	2,110,000
Lease liability payments	39,404
Amortization of bond premiums	(135,532)
Issuance of bonds	(10,000,000)
Forgiveness of loan	4,347,745
Lease liability on right to use assets	99,730

Governmental funds report required contributions to employee pension as expenditures. However, in the statement of activities, the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined pension expense.	426,642
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Governmental funds report required contributions to employee OPEB as expenditures. However, in the statement of activities, the cost of the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined OPEB expense.	(57,688)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	504,019
Interest expense	(42,550)
Loss on capital assets	(679,619)

Change in net position of governmental activities	<u>\$ 22,478,823</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

For the year ended September 30, 2022

	Business-Type Activities - Enterprise Funds						
	Gas		Harbor		Sanitation		
	2022	2021	2022	2021	2022	2021	Total Current Year
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 158,800	\$ 779,359	\$ -	\$ 569,834	\$ 1,381	\$ -	\$ 160,181
Receivables (net)	3,272	7,059	1,735,596	385,645	83,404	98,089	1,822,272
Due from other funds	711,337	-	-	-	-	-	711,337
Total current assets	873,409	786,418	1,735,596	955,479	84,785	98,089	2,693,790
Noncurrent assets:							
Capital assets:							
Construction in progress	11,013,818	6,107,944	590,348	435,690	27,608	5,500	11,631,774
Infrastructure	1,216,322	1,094,894	17,139,858	14,441,198	22,614	22,614	18,378,794
Buildings	53,133	56,777	199,498	232,168	35,787	35,787	288,418
Machinery and equipment	206,700	321,138	30,732	550,812	285,612	285,612	523,044
Vehicles	217,309	240,622	43,373	40,246	-	-	260,682
Right to use assets	-	-	248,135	-	4,239	-	252,374
Total capital assets	12,707,282	7,821,375	18,251,944	375,860	349,513	349,513	31,335,086
Less accumulated depreciation	(1,240,198)	(1,187,736)	(7,342,581)	(6,719,442)	(199,931)	(139,460)	(8,782,710)
Total noncurrent assets	11,467,084	6,633,639	10,909,363	(6,719,442)	175,929	210,053	22,552,376
Total assets	12,340,493	7,420,057	12,644,959	(5,763,963)	260,714	308,142	25,246,166
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows of resources	116,055	81,987	58,028	39,020	19,343	9,977	193,426
LIABILITIES							
Current liabilities (payable from current assets):							
Accounts payable	64,859	81,731	11,556	25,704	20,331	3,737	96,746
Accrued wages	14,155	10,567	6,804	4,800	1,578	1,083	22,537
Due to other funds	-	-	711,337	-	-	-	711,337
Compensated absences	17,666	27,960	2,255	15,804	2,738	4,329	22,659
Deferred revenue	95	95	-	-	-	-	95
Total current liabilities							
(payable from current assets)	96,775	120,353	731,952	46,308	24,647	9,149	853,374
Current liabilities (payable from restricted assets):							
Customer meter deposits	216,419	190,472	33,768	25,887	-	-	250,187
Total current liabilities							
(payable from restricted assets)	216,419	190,472	33,768	25,887	-	-	250,187
Total current liabilities	313,194	310,825	765,720	72,195	24,647	9,149	1,103,561
Noncurrent liabilities:							
Lease liability	-	-	238,432	-	3,174	-	241,606
Other postemployment benefits	203,536	216,176	101,769	107,920	33,923	27,320	339,228
Net pension liability	77,821	144,326	38,910	77,273	12,970	15,099	129,701
Total non-current liabilities	281,357	360,502	379,111	185,193	50,067	42,419	710,535
Total liabilities	594,551	671,327	1,144,831	257,388	74,714	51,568	1,814,096
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources	237,943	126,665	118,971	59,835	39,658	15,217	396,572
NET POSITION							
Net investment in capital assets	11,467,084	6,633,639	10,909,363	8,980,672	175,929	210,053	22,552,376
Unrestricted	156,970	70,413	529,822	677,276	(10,244)	(34,352)	676,548
Total net position	\$ 11,624,054	\$ 6,704,052	\$ 11,439,185	\$ 9,657,948	\$ 165,685	\$ 175,701	\$ 23,228,924

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

CITY OF PORT ARANSAS, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS

For the year ended September 30, 2022

	Business-Type Activities - Enterprise Funds						Total Current Year
	Gas		Harbor		Sanitation		
	2022	2021	2022	2021	2022	2021	
Operating revenues:							
Charges for sales and services	\$ 1,662,643	\$ 1,294,531	\$ 1,108,283	\$ 1,081,930	\$ 1,403,351	\$ 1,251,047	\$ 4,174,277
Total operating revenues	<u>1,662,643</u>	<u>1,294,531</u>	<u>1,108,283</u>	<u>1,081,930</u>	<u>1,403,351</u>	<u>1,251,047</u>	<u>4,174,277</u>
Operating expenses:							
Personnel services	646,441	591,109	299,121	310,145	88,597	70,924	1,034,159
Supplies and other services and charges	932,110	593,143	278,466	237,123	1,329,054	1,197,053	2,539,630
Depreciation	<u>90,748</u>	<u>98,047</u>	<u>676,063</u>	<u>678,979</u>	<u>60,471</u>	<u>53,052</u>	<u>827,282</u>
Total operating expenses	<u>1,669,299</u>	<u>1,282,299</u>	<u>1,253,650</u>	<u>1,226,247</u>	<u>1,478,122</u>	<u>1,321,029</u>	<u>4,401,071</u>
 Operating income (loss)	 <u>(6,656)</u>	 <u>12,232</u>	 <u>(145,367)</u>	 <u>(144,317)</u>	 <u>(74,771)</u>	 <u>(69,982)</u>	 <u>(226,794)</u>
Nonoperating revenues (expenses):							
Interest and investment revenue	9,834	558	205	740	1,490	63	11,529
Sale of assets	11,375	811	-	-	-	-	11,375
Other income (expense)	(425)	30,626	-	14,917	-	3,613	(425)
Federal and state grants	<u>-</u>	<u>184</u>	<u>1,349,952</u>	<u>214,546</u>	<u>-</u>	<u>-</u>	<u>1,349,952</u>
Total nonoperating revenues (expenses)	<u>20,784</u>	<u>32,179</u>	<u>1,350,157</u>	<u>230,203</u>	<u>1,490</u>	<u>3,676</u>	<u>1,372,431</u>
 Net income (loss) before transfers	 <u>14,128</u>	 <u>44,411</u>	 <u>1,204,790</u>	 <u>85,886</u>	 <u>(73,281)</u>	 <u>(66,306)</u>	 <u>1,145,637</u>
 Transfers in	 4,905,874	 3,841,090	 1,154,597	 -	 63,265	 -	 6,123,736
Transfers out	<u>-</u>	<u>-</u>	<u>(578,150)</u>	<u>(575,225)</u>	<u>-</u>	<u>-</u>	<u>(578,150)</u>
Change in net position	4,920,002	3,885,501	1,781,237	(489,339)	(10,016)	(66,306)	6,691,223
 Net position - beginning	 <u>6,704,052</u>	 <u>2,818,551</u>	 <u>9,657,948</u>	 <u>10,147,287</u>	 <u>175,701</u>	 <u>242,007</u>	 <u>16,537,701</u>
Net position - ending	\$ 11,624,054	\$ 6,704,052	\$ 11,439,185	\$ 9,657,948	\$ 165,685	\$ 175,701	\$ 23,228,924

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, 2022

	Business-Type Activities Enterprise Funds			Totals Enterprise Funds
	Gas	Harbor	Sanitation	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,692,377	\$ (233,787)	\$ 1,490,413	\$ 2,949,003
Payments to suppliers	(945,394)	(290,610)	(1,311,965)	(2,547,969)
Payments to employees	(658,670)	(317,056)	(79,751)	(1,055,477)
Net cash provided by (used in) operating activities	<u>88,313</u>	<u>(841,453)</u>	<u>98,697</u>	<u>(654,443)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal grants and contributions	-	1,349,952	-	1,349,952
Sale of fixed assets	(26,911)	(52,924)	-	(79,835)
Due to/from other funds	(711,337)	711,337	-	-
Transfers from other funds	4,905,874	1,154,597	-	6,060,471
Transfers to other funds	-	(578,150)	-	(578,150)
Net cash provided by (used in) noncapital financing activities	<u>4,167,626</u>	<u>2,584,812</u>	<u>-</u>	<u>6,752,438</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES				
Purchases of capital assets and construction in progress	(4,885,907)	(2,551,830)	(26,347)	(7,464,084)
Capital leases	-	238,432	3,174	241,606
Net cash provided by (used in) capital and related financing activities	<u>(4,885,907)</u>	<u>(2,313,398)</u>	<u>(23,173)</u>	<u>(7,222,478)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and investment revenue received	<u>9,409</u>	<u>205</u>	<u>1,490</u>	<u>11,104</u>
Net cash provided by (used in) investing activities	<u>9,409</u>	<u>205</u>	<u>1,490</u>	<u>11,104</u>
Net increase (decrease) in cash and cash equivalents	(620,559)	(569,834)	77,014	(1,113,379)
Balances - beginning of year	<u>779,359</u>	<u>569,834</u>	<u>(75,633)</u>	<u>1,273,560</u>
Balances - end of year	<u>\$ 158,800</u>	<u>\$ -</u>	<u>\$ 1,381</u>	<u>\$ 160,181</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (6,656)	\$ (145,367)	\$ (74,771)	\$ (226,794)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	90,748	676,063	60,471	827,282
Changes in assets and liabilities:				
Accounts receivable	3,787	(1,349,951)	87,062	(1,259,102)
Accounts payable	(16,872)	(14,148)	16,594	(14,426)
Accrued liabilities	3,588	2,004	495	6,087
Customer deposits	25,947	7,881	-	33,828
Compensated absences	(10,294)	(13,549)	(1,591)	(25,434)
Pension	(30,314)	(20,186)	(2,129)	(52,629)
Net OPEB obligation	<u>28,379</u>	<u>15,800</u>	<u>12,566</u>	<u>56,745</u>
Net cash provided by (used in) operating activities	<u>\$ 88,313</u>	<u>\$ (841,453)</u>	<u>\$ 98,697</u>	<u>\$ (654,443)</u>

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



NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies

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 States 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, sport 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.

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.

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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)

Government-wide and fund financial statements (continued)

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 both 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 nonmajor 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.

Measurement focus, basis of accounting, and financial statement presentation

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 statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses). 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 governmental 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 hotel/motel taxes that the Council requires to be set aside for recreational development.
- The *Hurricane Harvey 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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)

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 nonmajor 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, 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 funds (gas, sanitation, 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 City 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.

Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance

Deposits and investments

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

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

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

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)

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 noncurrent portion of interfund loans). 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, 2022, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2022, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2022, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2022. The property tax receivable allowance is equal to 5 percent of current outstanding property taxes on September 30, 2022, and 5 percent of delinquent outstanding property taxes on September 30, 2022. 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.

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.

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 follows:

<u>Type</u>	<u>Governmental Activities</u>
Public Safety	<u>\$ 61,857</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)

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 City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City 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 City 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 City values these capital assets at the acquisition value of the item at the date of its donation.

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)

Compensated absences

It is the City'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 City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary funds financial statements.

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 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.

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.

Fund balances – governmental funds

As of September 30, 2022, fund balances of the governmental funds are classified as follows:

- *Nonspendable* – accounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Unassigned* – all other spendable amounts.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)

Fund balances – governmental funds (continued)

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.

Comparative data/reclassifications

Comparative total data for the prior year has 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.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section of 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 (expenses/expenditure) until then. The deferred outflows of resources are reported in the government-wide statement of net position for governmental and business-type activities and the fund level for the proprietary statement of net position. The City has the following that qualifies for reporting in this category: amounts deferred under GASB 68 and GASB 75.

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 City has the following that qualifies for reporting in this category: amounts deferred under GASB 68, GASB 75, and leases.

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. The City reports deferred ad valorem taxes as deferred inflows of resources in the fund financial statements.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)

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	\$ 559,101	\$ 37,273	\$ 6,213	\$ 18,638	\$ 621,225
Deferred outflows related to OPEB	<u>1,181,716</u>	<u>78,782</u>	<u>13,130</u>	<u>39,390</u>	<u>1,313,018</u>
Total deferred outflows of resources	<u>\$ 1,740,817</u>	<u>\$ 116,055</u>	<u>\$ 19,343</u>	<u>\$ 58,028</u>	<u>\$ 1,934,243</u>
Deferred inflows of resources					
Deferred inflows related to pensions	\$ 1,084,144	\$ 72,277	\$ 12,046	\$ 36,138	\$ 1,204,605
Deferred inflows related to OPEB	2,484,988	165,666	27,612	82,833	2,761,099
Deferred inflows related to leases	<u>748,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>748,551</u>
Deferred inflows of resources	<u>\$ 4,317,683</u>	<u>\$ 237,943</u>	<u>\$ 39,658</u>	<u>\$ 118,971</u>	<u>\$ 4,714,255</u>

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other postemployment benefits

The other postemployment benefit liability of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit Plan (SDBF) and retiree healthcare plan have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the other postemployment benefit (OPEB) liability and deferred outflows and inflows of resources related to the other postemployment benefits, (OPEB) expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. Contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Net position flow assumption

Sometimes the City 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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)

New accounting pronouncements

The GASB has issued the following statements:

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 were previously classified as operating leases. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use asset an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

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.

(2) Reconciliation of government-wide and fund financial statements

Below are explanations 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 (\$32,776,617) difference are as follows:

Right to use payable	\$ (195,302)
Bonds payable	(27,145,000)
Bond premium	(737,233)
OPEB liabilities	(3,053,061)
Net pension liability	(1,167,312)
Accrued interest payable	(111,963)
Compensated absences	(366,746)
	<u>\$ (32,776,617)</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(2) Reconciliation of government-wide and fund financial statements (continued)

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 capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The details of this \$56,706,376 difference are as follows:

Capital assets not being depreciated	\$ 28,211,378
Capital assets being depreciated	65,122,300
Accumulated depreciation	<u>(36,627,302)</u>
Net adjustment to increase net changes in fund balances - total	
funds to arrive at changes in net position of governmental activities	<u><u>\$ 56,706,376</u></u>

The governmental fund balance sheet includes reconciliation 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 \$107,623 difference are as follows:

Property taxes receivable	\$ 113,338
Allowance for doubtful accounts	<u>(5,715)</u>
Net	<u><u>\$ 107,623</u></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/liabilities are unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). The details of the (\$1,521,788) difference is as follows:

Fines and fees receivable	\$ 306,527
<u>GASB 68</u>	
Deferred outflows of resources - pensions	559,101
Deferred inflows of resources - pensions	(1,084,145)
<u>GASB 75</u>	
Deferred outflows of resources - TMRS	74,820
Deferred outflows of resources - Retiree health	1,106,896
Deferred inflows of resources - TMRS	(29,467)
Deferred inflows of resources - Retiree health	<u>(2,455,520)</u>
Net	<u><u>\$ (1,521,788)</u></u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(2) Reconciliation of government-wide and fund financial statements (continued)

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 \$12,020,527 difference are as follows:

Capital outlay - additions not being depreciated	\$ 13,478,905
Capital outlay - additions being depreciated	2,840,904
Depreciation expense	<u>(4,299,282)</u>
Net adjustment to increase net changes in fund balances - total	
funds to arrive at changes in net position of governmental activities	<u>\$ 12,020,527</u>

(3) Stewardship, compliance, and accountability

Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the library fund, the COVID-19 fund, drainage impact fees fund, winter storm URI fund, and the Hurricane Harvey fund. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The City'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 appropriation made in the general fund was not material.

Encumbrance accounting is employed in the 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.

Deficit fund equity

On September 30, 2022, three funds had deficit fund balances. The drainage impact fees fund had a deficit of (\$83,666), the winter storm Uri fund had a deficit of (\$47,555), and the debt service fund had a deficit of (\$88,554). These deficits are expected to be liquidated with future resources of the fund.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Detailed notes on all funds

Deposits and investments

Legal and contractual provisions governing deposits and investments: The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investment, (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 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, 2022, the City had a bank balance of \$1,810,432 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 \$5,773,880 and the FDIC coverage is \$250,000. The City also has a balance of \$438,309 with Value Bank of Texas with \$295,000 securities pledged and FDIC coverage of \$250,000. The book balance of the City's bank balances on September 30, 2022, is \$2,985,729.

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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Detailed notes on all funds (continued)

Deposits and investments (continued)

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, 2022 the City had the following investments:

Investment Type	Fair Value	Maturity (Years)	Weighted Average
TexPool	\$ 51,232,034	Less than 1 year	Less than 1 year
Texas Class Funds	5,413,379	Less than 1 year	Less than 1 year

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

Concentration of credit risk. The City places no limit on the amount the City may invest in any one issuer. TexPool (90% of portfolio) and Texas Class (10% of portfolio).

Receivables

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

	General	Beach	Hotel/ Motel Fund	Construction	Nonmajor Funds	Total Governmental Funds
Receivables:						
Taxes - ad valorem	\$ 91,412	\$ -	\$ -	\$ -	\$ 21,926	\$ 113,338
Intergovernmental	267,432	-	-	276,102	125,366	668,900
Accounts	-	-	-	-	16,759	16,759
Lease	739,901	-	-	-	-	739,901
Other	40,571	84,133	379	-	2,603	127,686
Gross receivables	1,139,316	84,133	379	276,102	166,654	1,666,584
Less allowances for uncollectibles	(25,336)	-	-	-	(1,097)	(26,433)
Net total receivables	<u>\$ 1,113,980</u>	<u>\$ 84,133</u>	<u>\$ 379</u>	<u>\$ 276,102</u>	<u>\$ 165,557</u>	<u>\$ 1,640,151</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Detailed notes on all funds (continued)

Receivables (continued)

	Gas	Sanitation	Harbor	Total Enterprise Funds	Grand Total
Receivables:					
Taxes - ad valorem	\$ -	\$ -	\$ -	\$ -	\$ 113,338
Intergovernmental	-	-	1,735,596	1,735,596	2,404,496
Accounts	14,546	83,404	-	97,950	114,709
Other	-	-	-	-	127,686
Gross receivables	14,546	83,404	1,735,596	1,833,546	2,760,229
Less allowances for uncollectibles	(11,274)	-	-	(11,274)	(37,707)
Net total receivables	<u>\$ 3,272</u>	<u>\$ 83,404</u>	<u>\$ 1,735,596</u>	<u>\$ 1,822,272</u>	<u>\$ 2,722,522</u>

The receivables are expected to be collected within one year.

Lease receivable

The City has entered into various (18) lease agreements as the lessor for the use of hangers at the City's airport. The leases have interest rates ranging from 1.608% to 3.434%. The value of the lease receivable on September 30, 2022 is \$739,901 and the City recognized lease revenue of \$31,690 during the fiscal year.

Future minimum lease payments are as follows:

GOVERNMENTAL ACTIVITIES			
Fiscal Year September 30,	Principal	Interest	Total
2023	\$ 29,344	\$ 14,691	\$ 44,035
2024	29,784	14,251	44,035
2025	30,347	13,688	44,035
2026	30,923	13,112	44,035
2027	31,510	12,525	44,035
2028-2032	166,786	53,389	220,175
2033-2037	183,388	36,787	220,175
2038-2042	158,976	18,794	177,770
2043-2047	78,843	5,507	84,350
	<u>\$ 739,901</u>	<u>\$ 182,744</u>	<u>\$ 922,645</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Detailed notes on all funds (continued)

Capital assets

Capital asset activity for governmental activities for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,142,564	\$ 2,557,953	\$ -	\$ -	\$ 11,700,517
Construction in progress	12,091,000	10,920,952	(6,501,091)	-	16,510,861
Total capital assets, not being depreciated	<u>21,233,564</u>	<u>13,478,905</u>	<u>(6,501,091)</u>	<u>-</u>	<u>28,211,378</u>
Capital assets, being depreciated:					
Infrastructure	35,347,981	292,432	5,852,150	(495,895)	40,996,668
Buildings	10,034,626	687,793	648,941	(1,084,814)	10,286,546
Machinery and equipment	6,901,007	652,141	-	(659,768)	6,893,380
Vehicles	6,103,454	1,208,538	-	(661,318)	6,650,674
Right to use assets	295,032	-	-	-	295,032
Total capital assets being depreciated	<u>58,682,100</u>	<u>2,840,904</u>	<u>6,501,091</u>	<u>(2,901,795)</u>	<u>65,122,300</u>
Less accumulated depreciation for:					
Infrastructure	(23,377,072)	(1,949,585)	-	421,903	(24,904,754)
Buildings	(3,765,556)	(710,723)	-	479,632	(3,996,647)
Machinery and equipment	(4,662,527)	(705,465)	-	659,323	(4,708,669)
Vehicles	(2,745,041)	(834,106)	-	661,318	(2,917,829)
Right to use assets	-	(99,403)	-	-	(99,403)
Total accumulated depreciation	<u>(34,550,196)</u>	<u>(4,299,282)</u>	<u>-</u>	<u>2,222,176</u>	<u>(36,627,302)</u>
Total capital assets being depreciated, net	<u>24,131,904</u>	<u>(1,458,378)</u>	<u>6,501,091</u>	<u>(679,619)</u>	<u>28,494,998</u>
Governmental activities capital assets, net	<u>\$ 45,365,468</u>	<u>\$ 12,020,527</u>	<u>\$ -</u>	<u>\$ (679,619)</u>	<u>\$ 56,706,376</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Detailed notes on all funds (continued)

Capital assets (continued)

Capital asset activity for business-type activities for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 6,549,134	\$ 5,350,822	\$ (288,182)	\$ -	\$ 11,611,774
Total capital assets, not being depreciated	<u>6,549,134</u>	<u>5,350,822</u>	<u>(288,182)</u>	<u>-</u>	<u>11,611,774</u>
Capital assets, being depreciated:					
Infrastructure	16,221,089	1,993,389	288,182	(103,866)	18,398,794
Buildings	290,296	-	-	(1,878)	288,418
Machinery and equipment	559,245	5,234	-	(41,435)	523,044
Vehicles	251,238	11,380	-	(1,936)	260,682
Right to use assets	<u>252,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,374</u>
Total capital assets being depreciated	<u>17,574,242</u>	<u>2,010,003</u>	<u>288,182</u>	<u>(149,115)</u>	<u>19,723,312</u>
Less accumulated depreciation for:					
Infrastructure	(7,453,042)	(673,852)	-	45,960	(8,080,934)
Buildings	(190,472)	(13,504)	-	1,878	(202,098)
Machinery and equipment	(283,447)	(87,222)	-	41,435	(329,234)
Vehicles	(119,677)	(42,295)	-	1,936	(160,036)
Right to use assets	<u>-</u>	<u>(10,408)</u>	<u>-</u>	<u>-</u>	<u>(10,408)</u>
Total accumulated depreciation	<u>(8,046,638)</u>	<u>(827,281)</u>	<u>-</u>	<u>91,209</u>	<u>(8,782,710)</u>
Total capital assets being depreciated, net	<u>9,527,604</u>	<u>1,182,722</u>	<u>288,182</u>	<u>(57,906)</u>	<u>10,940,602</u>
Business-type activities capital assets, net	<u>\$ 16,076,738</u>	<u>\$ 6,533,544</u>	<u>\$ -</u>	<u>\$ (57,906)</u>	<u>\$ 22,552,376</u>

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

Governmental Activities	
General administration	\$ 2,405,183
Public facilities	185,190
Public safety	916,723
Culture and recreation	<u>792,186</u>
Total depreciation expense - governmental activities	<u>\$ 4,299,282</u>
Business-Type Activities	
Gas	\$ 90,748
Sanitation	60,471
Harbor	<u>676,063</u>
Total depreciation expense - business-type activities	<u>\$ 827,282</u>

Construction commitments: significant construction activity during the year was for various street, ramp, harbor, and dock construction and paving projects.

CITY OF PORT ARANSAS, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Detailed notes on all funds (continued)

Interfund balances and transfers

Interfund balances represent reimbursements for expenditures paid or cash received on behalf of other funds and are expected to be liquidated in the next fiscal year. In the fund financial statements, the due from other funds in the Gas Fund from the Harbor Fund in the amount of \$711,337 represents costs incurred in the Harbor Fund that will be reimbursed to the Gas Fund.

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, 2022, the government made the following one-time transfers:

	Transfers	
	In	Out
Beach Fund		
Sanitation Fund	\$ -	\$ 63,265
Hurricane Harvey Fund		
Gas Fund	-	4,905,874
Hotel/Motel Special Revenue Fund		
Nature Preserve Fund	-	317,402
Harbor Fund	-	1,154,597
Debt Service Fund	-	113,617
Total Hotel/Motel Special Revenue Fund	-	1,585,616
Nonmajor Governmental Funds		
Impact Fees Zone 1	-	450,000
Debt Service Fund	578,150	-
Debt Service Fund	450,000	-
Debt Service Fund	113,617	-
Nature Preserve Fund	317,402	-
Total Nonmajor Governmental Funds	1,459,169	450,000
Harbor Fund		
Debt Service Fund	-	578,150
Hotel/Motel Special Revenue Fund	1,154,597	-
Total Harbor Fund	1,154,597	578,150
Gas Fund		
Hurricane Harvey Fund	4,905,874	-
Sanitation Fund		
Beach Fund	63,265	-
Total Funds	\$ 7,582,905	\$ 7,582,905

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Detailed notes on all funds (continued)

Right to use lease obligations

At September 30, 2022, the City was obligated under the right to use leases for the Jail (\$270,302) and a copier (\$24,730) in the governmental activities and Robert's Point Park (\$248,135) and a collection station sublease (\$4,239) in the business-type activities. The Jail was leased for a term of 3 years at a fixed interest rate of 3.28% with a monthly payment of \$7,343. The copier was leased for a term of 2 years at a fixed interest rate of 2.48% with a monthly payment of \$1,033. Robert's Point Park was leased for a term of 26.5 years at a fixed interest rate of 1.851% with an annual payment of \$12,000. The collection substation was leased for a term of 4 years at a fixed interest rate of 4.31% with an annual payment of \$1,067.

Future minimum lease payments for these leases are as follows:

<u>Fiscal Year</u> September 30,	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 100,025	\$ 485	\$ 100,510	\$ 8,640	\$ 4,427	\$ 13,067
2024	87,936	180	88,116	8,785	4,282	13,067
2025	7,341	2	7,343	8,933	4,135	13,068
2026	-	-	-	8,016	3,984	12,000
2027	-	-	-	8,164	3,836	12,000
2028-2032	-	-	-	43,144	16,856	60,000
2033-2037	-	-	-	47,288	12,712	60,000
2038-2042	-	-	-	51,829	8,171	60,000
2043-2047	-	-	-	56,807	3,193	60,000
	<u>\$ 195,302</u>	<u>\$ 667</u>	<u>\$ 195,969</u>	<u>\$ 241,606</u>	<u>\$ 61,596</u>	<u>\$ 303,202</u>

Long-term liabilities

General obligation bonds and revenue bonds

The City 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 City.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

Certificates of obligation and general obligation bonds currently outstanding are as follows:

Governmental Activities	Date of Issuance	Amount of Issuance	Rate to Maturity	Maturity Date	Balances Sept. 30, 2022
General Obligation Debt:					
General Obligation Bonds, Series 2012	2/1/2012	\$ 6,400,000	1.75-2.125%	2/1/2027	\$ 2,575,000
General Obligation Bonds, Series 2017	2/15/2017	4,380,000	2.70-4.00	2/1/2032	3,205,000
General Obligation Refunding Bonds, Series 2019	3/28/2019	2,020,000	2.56	9/30/2024	840,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	10/1/2014	1,685,000	2.49	2/1/2029	870,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	11/15/2017	6,300,000	3.00	2/1/2033	5,400,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2021	3/17/2021	2,695,000	2.00-3.00	9/30/2036	2,695,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2022	2/16/2022	885,000	2.00-4.00	2/1/2037	885,000
Tax Notes, Series 2021	3/18/2021	1,790,000	2.00-3.00	2/1/2028	1,560,000
Tax Notes, Series 2022	9/28/2022	9,115,000	2.62-2.85	2/1/2029	9,115,000
Total of bonded debt					<u>\$ 27,145,000</u>

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

General Obligation Bonds			
Year Ending			
September 30,	Principal	Interest	Total
2023	\$ 3,610,000	\$ 662,740	\$ 4,272,740
2024	3,400,000	607,502	4,007,502
2025	3,070,000	520,653	3,590,653
2026	3,160,000	436,245	3,596,245
2027	3,260,000	346,797	3,606,797
2028-2032	8,850,000	709,447	9,559,447
2033-2037	1,795,000	61,875	1,856,875
	<u>\$ 27,145,000</u>	<u>\$ 3,345,259</u>	<u>\$ 30,490,259</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Detailed notes on all funds (continued)

Capital leases

The government has entered into 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.

<u>Asset</u>	<u>Governmental Activities Ambulance</u>
Cost	\$ 192,919
Accumulated depreciation	<u>(183,273)</u>
Net asset	<u>\$ 9,646</u>

The capital lease was paid in full as of September 30, 2022.

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 was canceled during fiscal year 2022 pursuant to Section 417 of the Stafford Disaster Relief and Emergency Assistance Act, Public Law 93-288, as amended. FEMA has, at its discretion, canceled all of the loan.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) 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, 2022:

	Beginning Balance	Additions	Retirements/ Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 19,255,000	\$ 10,000,000	\$ (2,110,000)	\$ 27,145,000	\$ 3,610,000
Bond premiums	761,989	56,397	(81,153)	737,233	72,853
Total long-term debt	<u>20,016,989</u>	<u>10,056,397</u>	<u>(2,191,153)</u>	<u>27,882,233</u>	<u>3,682,853</u>
Other long-term liabilities:					
Capital lease purchases	39,404	-	(39,404)	-	-
Community disaster loan proceeds	4,347,745	-	(4,347,745)	-	-
OPEB liability - TMRS	422,632	-	(27,347)	395,285	-
OPEB liability - Retiree Health	3,222,186	-	(564,410)	2,657,776	-
Net pension liability - TMRS	2,136,996	-	(969,684)	1,167,312	-
Compensated absences	870,765	366,746	(870,765)	366,746	366,746
Total other long-term liabilities	<u>11,039,728</u>	<u>366,746</u>	<u>(6,819,355)</u>	<u>4,587,119</u>	<u>366,746</u>
 Total governmental activities	<u>31,056,717</u>	<u>10,423,143</u>	<u>(9,010,508)</u>	<u>32,469,352</u>	<u>4,049,599</u>
 Business-type activities:					
OPEB liability - TMRS	-	43,920	-	43,920	-
OPEB liability - Retiree Health	351,416	-	(56,108)	295,308	-
Net pension liability	236,698	-	(106,997)	129,701	-
Compensated absences	48,093	22,659	(48,093)	22,659	22,659
Total business-type activities	<u>636,207</u>	<u>66,579</u>	<u>(211,198)</u>	<u>491,588</u>	<u>22,659</u>
 Total long-term liabilities	<u>\$ 31,692,924</u>	<u>\$ 10,489,722</u>	<u>\$ (9,221,706)</u>	<u>\$ 32,960,940</u>	<u>\$ 4,072,258</u>

For a discussion of other postemployment benefits, please see note 7.

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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(5) Other information

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the City 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.

General liability insurance

The City is insured for general, police officers and automobile liability.

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.

Worker's 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 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.

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 September 21, 2023, the date the financial statements were available to be issued. There were no subsequent events for disclosure.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(5) Other information

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.

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.

(6) Defined benefit pension plan

Texas Municipal Retirement System (TMRS)

Plan description – The City participates as one of the 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at TMRS.com.

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

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest and the City-financed monetary credits with interest. The retiring member may select one of seven monthly payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contributions and interest.

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

Employee deposit rate	6.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	20 years at any age, 5 years at 60 and above

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

At December 31, 2021 valuation and measurement date, the following employees were covered by benefit terms:

Active employees	122
Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	<u>64</u>
Total	<u><u>251</u></u>

Contributions – The contribution rates in TMRS are either 5%, 6%, or 7% of the member’s total compensation, and the City matching ratios are either 1:1, 1.5:1, or 2:1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary using the entry age normal (EAN) actuarial cost method. The City’s contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City of Port Aransas were required to contribute 6% of their annual compensation during the fiscal year. The contribution rates for the City were 11.38% and 10.92% in calendar years 2021 and 2022, respectively. The City’s contributions to TMRS for the year ended September 30, 2022 were \$799,303 and were equal to the required contributions.

Net pension liability – The City’s net pension liability (NPL) was measured as of December 31, 2021 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 TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the general employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

Actuarial assumptions (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.00%	7.55%
Core fixed income	6.00%	2.00%
Non-core fixed income	20.00%	5.68%
Other private and public market:	12.00%	7.22%
Real estate	12.00%	6.85%
Hedge funds	5.00%	5.35%
Private equity	10.00%	10.00%
Total	<u>100.00%</u>	

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (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 member 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 members. 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 liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 18,918,959	\$ 16,545,265	\$ 2,373,694
Changes for the year:			
Service cost	969,700	-	969,700
Interest	1,283,703	-	1,283,703
Changes of benefit terms	-	-	-
Difference between expected and actual experience	16,241	-	16,241
Changes of assumptions	-	-	-
Contributions - employer	-	784,283	(784,283)
Contributions - employee	-	413,518	(413,518)
Net investment income	-	2,158,435	(2,158,435)
Benefit payments, including refunds of employee contributions	(771,971)	(771,971)	-
Administrative expenses	-	(9,980)	9,980
Other changes	-	69	(69)
Net changes	1,497,673	2,574,354	(1,076,681)
Balance at 12/31/2021	<u>\$ 20,416,632</u>	<u>\$ 19,119,619</u>	<u>\$ 1,297,013</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0% lower (5.75%) or 1.0% higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability/(asset)	<u>\$ 4,338,609</u>	<u>\$ 1,297,013</u>	<u>\$ (1,181,697)</u>

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the schedule of changes in fiduciary net position by participating city. That report may be obtained at TMRS.com.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2022, the City recognized pension expense of \$314,959.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 11,886	\$ 101,459
Changes in actuarial assumptions	25,450	-
Difference between projected and actual earnings on investment earnings	-	1,103,148
Contributions subsequent to the measurement date	<u>583,889</u>	<u>-</u>
Total	<u>\$ 621,225</u>	<u>\$ 1,204,607</u>

\$583,889 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 for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>December 31,</u>	<u>Amortization Expense</u>
2022	\$ (254,559)
2023	(474,057)
2024	(230,329)
2025	(208,326)
2026	-
Thereafter	<u>-</u>
Total	<u>\$ (1,167,271)</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(7) Post retirement benefits other than pensions

The City provides for two postemployment benefit (OPEB) plans; one provides for postemployment 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:

	Medical OPEB	TMRS SDBF	Total
OPEB liability	\$2,953,084	\$ 439,205	\$ 3,392,289
Deferred outflows of resources	1,229,885	83,133	1,313,018
Deferred inflows of resources	2,728,357	32,742	2,761,099
OPEB expense	144,207	49,315	193,522

Medical benefits

Plan description, benefits provided, and contributions

The City provides medical benefits through a single employer defined benefit OPEB plan. The City maintains fully-insured medical insurance coverage for eligible retirees. The City contributes 100% of the contribution rate for individual retiree coverage for the medical plan before age 65 and for a medical supplement policy for age 65 and older. No dependent coverage or other benefits are available to the retiree. The plan does not issue a publicly available financial report.

The City has elected service retirement with 15 years of service at any age or age 60 with at least 5 years of service.

At September 30, 2022, the following employees were covered by the benefit terms:

Retirees currently receiving benefits	11
Inactive employees entitled to but not receiving benefits	-
Active employees	<u>114</u>
Total	<u><u>125</u></u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(7) Post retirement benefits other than pensions (continued)

OPEB liability

The City's OPEB liability of \$2,953,084 was measured as of September 30, 2022 and was determined by an actuarial valuation as of September 30, 2022.

Changes in the total OPEB liability:

Balance at September 30, 2021	\$ 3,573,602
Changes for the year:	
Service cost	258,315
Interest on total OPEB liability	85,956
Changes of benefit terms	866,362
Difference between expected and actual experience	(1,774,021)
Changes of assumptions	-
Benefit payments	<u>(57,130)</u>
Net changes	<u>(620,518)</u>
Balance at September 30, 2022	<u>\$ 2,953,084</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 4.77%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.77%) or 1-percentage-point higher (5.77%) than the current rate:

	1% Decrease <u>(3.77%)</u>	Current Discount Rate (4.77%)	1% Increase <u>(5.77%)</u>
OPEB liability	<u>\$ 3,537,361</u>	<u>\$ 2,953,084</u>	<u>\$ 2,491,599</u>

Sensitivity of the total OPEB liability to the healthcare cost trend rate assumption:

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 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current healthcare cost trend rates:

	1% Decrease <u>(1.00%)</u>	Current Healthcare Cost Trend Rate Assumption (2.00%)	1% Increase <u>(3.00%)</u>
OPEB liability	<u>\$ 2,437,952</u>	<u>\$ 2,953,084</u>	<u>\$ 3,622,583</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(7) Post retirement benefits other than pension (continued)

OPEB liability (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:

For the year ended September 30, 2022, the City reported OPEB expense of \$144,207 and deferred outflows of resources as determined inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 769,609	\$ 1,070,785
Changes in actuarial assumptions	460,273	1,657,572
Contributions made subsequent to the measurement date	-	-
Total	<u>\$ 1,229,882</u>	<u>\$ 2,728,357</u>

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

Year Ended <u>September 30,</u>	Net Deferred Outflows/(Inflows)
2023	\$ (200,064)
2024	(200,064)
2025	(200,064)
2026	(200,064)
2027	(297,845)
Thereafter	(400,374)
	<u>\$ (1,498,475)</u>

Actuarial valuation information:

Actuarial assumptions and other inputs - the OPEB liability in the September 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50%
Discount rate	4.77%

The discount rate was based on the average of the September 30, 2022 Fidelity General Obligation AA 20-year yield and the S&P Municipal Bond 20 year high grade index.

The mortality assumption for this valuation was based on the RPH-2014 total table with Projection MP-2021.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(7) Post retirement benefits other than pension (continued)

OPEB liability (continued)

The following change was made to assumptions since the prior valuation:

- The discount rate was changed from 2.26% to 4.77% based on updated 20-year municipal bond rates.

Supplemental death benefits fund (SDBF)

Plan description

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. 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.

Benefits provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree members, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

The contribution rate for the City was 0.21% and 0.22% for calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2022 were \$15,393 and were equal to the required contributions.

At December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	122
Inactive employees currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	<u>15</u>
Total	<u><u>182</u></u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(7) Post retirement benefits other than pension (continued)

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of \$439,205 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Funding policy

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.22% for 2021 and 0.21% for 2022. The rate is equal to the cost of providing one-year term life insurance. The funding policy for 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. The City's contribution to the SDBF for the year ended September 30, 2022 was \$15,393 which equaled the required contribution for the year.

Actuarial assumptions:

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Discount rate *	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(7) Post retirement benefits other than pension (continued)

Other postemployment benefits (OPEB) liability (continued)

Changes in the total OPEB liability:

Balance at December 31, 2020	\$ 422,631
Changes for the year:	
Service cost	25,500
Interest on the total OPEB liability	8,632
Changes of benefit terms	-
Differences between expected and actual experience	(22,894)
Changes of assumptions	12,916
Benefit payments*	(7,580)
Net changes	<u>16,574</u>
Balance at December 31, 2021	<u>\$ 439,205</u>

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

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 1.84%, as well as what the City's OPEB would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	1% Decrease (0.84%)	Current Discount Rate (1.84%)	1% Increase (2.84%)
OPEB liability	<u>\$ 532,872</u>	<u>\$ 439,205</u>	<u>\$ 366,512</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:

For the year ended September 30, 2022, the City recognized OPEB expense of \$49,315 related to the SDBF.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 27,281
Changes in actuarial assumptions	71,904	5,461
Contributions made subsequent to the measurement date	11,229	-
Total	<u>\$ 83,133</u>	<u>\$ 32,742</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(7) Post retirement benefits other than pension (continued)

Other postemployment benefits (OPEB) liability (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

The City reported \$11,229 as deferred outflows of resources related to the OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>December 31,</u>	<u>Amortization Expense</u>
2022	\$ 14,054
2023	13,244
2024	12,363
2025	<u>(499)</u>
Total	<u><u>\$ 39,162</u></u>

(8) Subsequent event

On April 12, 2023 the City issued \$6,020,000 General Obligation Bonds, Series 2023, to be used for street and drainage projects.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF PORT ARANSAS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL**

For the year ended September 30, 2022

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Property	\$ 5,672,000	\$ 5,672,000	\$ 5,609,856	\$ (62,144)
Sales	2,023,000	2,023,000	2,541,298	518,298
Franchise	539,000	539,000	621,015	82,015
Intergovernmental	463,250	463,250	1,190,397	727,147
Licenses and permits	1,499,500	1,499,500	2,659,075	1,159,575
Charges for services	210,000	210,000	1,614,752	1,404,752
Fines and forfeitures	317,500	317,500	487,802	170,302
Interest	10,000	10,000	172,674	162,674
Miscellaneous	1,084,300	1,084,300	64,509	(1,019,791)
Total revenues	<u>11,818,550</u>	<u>11,818,550</u>	<u>14,961,378</u>	<u>3,142,828</u>
Expenditures:				
Current:				
General administration	3,285,920	3,343,830	3,239,956	103,874
Legal	200,500	200,500	91,732	108,768
Financial administration	297,250	297,250	287,289	9,961
Public facilities	1,136,650	1,136,650	973,839	162,811
Public safety	5,675,630	5,675,630	4,722,000	953,630
Public transportation	233,550	233,550	181,648	51,902
Culture and recreation	855,875	855,875	852,568	3,307
Capital outlay	748,450	748,450	720,069	28,381
Debt service:				
Principal retirement	-	-	51,756	(51,756)
Interest retirement	-	-	1,007	(1,007)
Total expenditures	<u>12,433,825</u>	<u>12,491,735</u>	<u>11,121,864</u>	<u>1,369,871</u>
Net change in fund balances	(615,275)	(673,185)	3,839,514	4,512,699
Fund balance at October 1, 2021	<u>12,842,560</u>	<u>12,842,560</u>	<u>12,842,560</u>	-
Fund balance at September 30, 2022	<u>\$ 12,227,285</u>	<u>\$ 12,169,375</u>	<u>\$ 16,682,074</u>	<u>\$ 4,512,699</u>

CITY OF PORT ARANSAS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
BEACH FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL**

For the year ended September 30, 2022

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Hotel/Motel	\$ 1,800,000	\$ 1,800,000	\$ 2,857,011	\$ 1,057,011
Beach parking permits	1,150,000	1,150,000	725,578	(424,422)
Intergovernmental	317,000	317,000	407,688	90,688
Interest	1,500	1,500	16,031	14,531
Miscellaneous	-	-	14,600	14,600
Total revenues	<u>3,268,500</u>	<u>3,268,500</u>	<u>4,020,908</u>	<u>752,408</u>
Expenditures:				
Culture and recreation:				
Lifeguards and permits	446,900	446,900	397,269	49,631
Beach public works	1,931,400	1,931,400	2,669,534	(738,134)
Capital outlay	<u>414,900</u>	<u>414,900</u>	<u>111,106</u>	<u>303,794</u>
Total expenditures	<u>2,793,200</u>	<u>2,793,200</u>	<u>3,177,909</u>	<u>(384,709)</u>
Excess (deficiency) of revenues over (under)				
expenditures	475,300	475,300	842,999	367,699
Other financing sources (uses):				
Transfers out	<u>(1,050,000)</u>	<u>(1,050,000)</u>	<u>(63,265)</u>	<u>986,735</u>
Total other financing sources (uses)	<u>(1,050,000)</u>	<u>(1,050,000)</u>	<u>(63,265)</u>	<u>986,735</u>
Net change in fund balances	(574,700)	(574,700)	779,734	1,354,434
Fund balance at October 1, 2021	<u>5,775,337</u>	<u>5,775,337</u>	<u>5,775,337</u>	-
Fund balance at September 30, 2022	<u>\$ 5,200,637</u>	<u>\$ 5,200,637</u>	<u>\$ 6,555,071</u>	<u>\$ 1,354,434</u>

CITY OF PORT ARANSAS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
HOTEL/MOTEL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL**

For the year ended September 30, 2022

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Hotel/Motel	\$ 3,072,175	\$ 3,072,175	\$ 4,453,394	\$ 1,381,219
Interest	<u>250</u>	<u>250</u>	<u>3,280</u>	<u>3,030</u>
Total revenues	<u>3,072,425</u>	<u>3,072,425</u>	<u>4,456,674</u>	<u>1,384,249</u>
Expenditures:				
General administration:				
Mayor and council	<u>1,772,900</u>	<u>1,772,900</u>	<u>4,453,394</u>	<u>(2,680,494)</u>
Total expenditures	<u>1,772,900</u>	<u>1,772,900</u>	<u>4,453,394</u>	<u>(2,680,494)</u>
Net change in fund balances	1,299,525	1,299,525	3,280	(1,296,245)
Fund balance at October 1, 2021	<u>82,156</u>	<u>82,156</u>	<u>82,156</u>	<u>-</u>
Fund balance at September 30, 2022	<u>\$ 1,381,681</u>	<u>\$ 1,381,681</u>	<u>\$ 85,436</u>	<u>\$ (1,296,245)</u>

CITY OF PORT ARANSAS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
HOTEL/MOTEL SPECIAL REVENUE/FACILITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL**

For the year ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Variance</u>
Revenues:				
Taxes:				
Hotel/Motel	\$ 472,650	\$ 472,650	\$ 5,138,532	\$ 4,665,882
Miscellaneous	15,000	15,000	13,075	(1,925)
Interest	<u>1,000</u>	<u>1,000</u>	<u>22,472</u>	<u>21,472</u>
Total revenues	<u>488,650</u>	<u>488,650</u>	<u>5,174,079</u>	<u>4,685,429</u>
Expenditures:				
General administration:				
Culture and recreation	266,300	531,450	547,330	(15,880)
Capital outlay	<u>132,900</u>	<u>132,900</u>	<u>2,870,608</u>	<u>(2,737,708)</u>
Total expenditures	<u>399,200</u>	<u>664,350</u>	<u>3,417,938</u>	<u>(2,753,588)</u>
Excess (deficiency) of revenues over (under)				
expenditures	89,450	(175,700)	1,756,141	1,931,841
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(1,585,616)</u>	<u>(1,585,616)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,585,616)</u>	<u>(1,585,616)</u>
Net change in fund balances	89,450	(175,700)	170,525	346,225
Fund balance at October 1, 2021	<u>13,326,704</u>	<u>13,326,704</u>	<u>13,326,704</u>	<u>-</u>
Fund balance at September 30, 2022	<u><u>\$ 13,416,154</u></u>	<u><u>\$ 13,151,004</u></u>	<u><u>\$ 13,497,229</u></u>	<u><u>\$ 346,225</u></u>

CITY OF PORT ARANSAS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
CONSTRUCTION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL**

For the year ended September 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	
Revenues:				
Grant proceeds	\$ 4,750,000	\$ 4,750,000	\$ 201,899	\$ (4,548,101)
Bond proceeds	-	-	10,056,397	10,056,397
Interest	-	-	13,490	13,490
Total revenues	<u>4,750,000</u>	<u>4,750,000</u>	<u>10,271,786</u>	<u>5,521,786</u>
Expenditures:				
Capital projects:				
Capital outlay and other	<u>5,763,300</u>	<u>5,763,300</u>	<u>1,126,180</u>	<u>4,637,120</u>
Total expenditures	<u>5,763,300</u>	<u>5,763,300</u>	<u>1,126,180</u>	<u>4,637,120</u>
Net change in fund balances	(1,013,300)	(1,013,300)	9,145,606	10,158,906
Fund balance at October 1, 2021	<u>1,603,669</u>	<u>1,603,669</u>	<u>1,603,669</u>	<u>-</u>
Fund balance at September 30, 2022	<u>\$ 590,369</u>	<u>\$ 590,369</u>	<u>\$ 10,749,275</u>	<u>\$ 10,158,906</u>

CITY OF PORT ARANSAS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS) RELATED RATIOS**

For the measurement year ended December 31,

	<u>Plan Year Ended December 31, 2021</u>	<u>Plan Year Ended December 31, 2020</u>
Total pension liability		
Service cost	\$ 969,700	\$ 956,505
Interest	1,283,703	1,196,253
Differences between expected and actual experience	16,241	(126,601)
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(771,971)</u>	<u>(702,410)</u>
Net change in total pension liability	1,497,673	1,323,747
 Total pension liability - beginning	 <u>18,918,959</u>	 <u>17,595,212</u>
Total pension liability - ending (a)	<u>20,416,632</u>	<u>18,918,959</u>
 Plan fiduciary net position		
Contributions - employer	784,283	796,179
Contributions - employee	413,518	409,346
Net investment income	2,158,435	1,132,787
Benefit payments, including refunds of employee contributions	(771,971)	(702,410)
Administrative expense	(9,980)	(7,327)
Other	<u>69</u>	<u>(286)</u>
Net change in plan fiduciary net position	2,574,354	1,628,289
 Plan fiduciary net position - beginning	 <u>16,545,265</u>	 <u>14,916,976</u>
Plan fiduciary net position - ending (b)*	<u>19,119,619</u>	<u>16,545,265</u>
 City's net position liability - ending (a) - (b)	 <u>\$ 1,297,013</u>	 <u>\$ 2,373,694</u>
 Plan fiduciary net position as a percentage of the total pension liability	 93.65%	 87.45%
 Covered payroll	 <u>\$ 6,891,970</u>	 <u>\$ 6,822,433</u>
 City's net pension liability as a percentage of covered payroll	 18.82%	 34.79%

*FNP may be off a dollar due to rounding

Note to schedule: N/A

(continued)

Plan Year Ended December 31, 2019	Plan Year Ended December 31, 2018	Plan Year Ended December 31, 2017	Plan Year Ended December 31, 2016	Plan Year Ended December 31, 2015	Plan Year Ended December 31, 2014
\$ 842,106	\$ 848,018	\$ 907,907	\$ 826,657	\$ 714,598	\$ 571,442
1,114,685	1,036,361	957,205	875,901	865,317	803,551
(214,179)	(20,913)	-	45,133	(565,781)	(11,868)
125,908	-	1,626	-	105,958	-
<u>(732,215)</u>	<u>(668,095)</u>	<u>(660,131)</u>	<u>(507,493)</u>	<u>(615,455)</u>	<u>(489,225)</u>
1,136,305	1,195,371	1,206,607	1,240,198	504,637	873,900
<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>	<u>11,438,194</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>
677,320	676,202	739,519	702,974	642,335	560,988
351,855	349,458	376,985	345,160	308,238	272,766
1,960,094	(380,621)	1,491,703	647,381	13,638	481,740
(732,215)	(668,095)	(660,131)	(507,493)	(615,455)	(489,225)
(11,069)	(7,354)	(7,730)	(7,313)	(8,306)	(5,029)
<u>(333)</u>	<u>(384)</u>	<u>(392)</u>	<u>(394)</u>	<u>(410)</u>	<u>(414)</u>
2,245,652	(30,794)	1,939,954	1,180,315	340,040	820,826
<u>12,671,324</u>	<u>12,702,118</u>	<u>10,762,164</u>	<u>9,581,849</u>	<u>9,241,809</u>	<u>8,420,983</u>
<u>14,916,976</u>	<u>12,671,324</u>	<u>12,702,118</u>	<u>10,762,164</u>	<u>9,581,849</u>	<u>9,241,809</u>
<u>\$ 2,678,236</u>	<u>\$ 3,787,583</u>	<u>\$ 2,561,418</u>	<u>\$ 3,294,765</u>	<u>\$ 3,234,882</u>	<u>\$ 3,070,285</u>
84.78%	76.99%	83.22%	76.56%	74.76%	75.06%
<u>\$ 5,864,246</u>	<u>\$ 5,824,298</u>	<u>\$ 6,283,090</u>	<u>\$ 5,752,659</u>	<u>\$ 5,137,298</u>	<u>\$ 4,546,100</u>
45.67%	65.03%	40.77%	57.27%	62.97%	67.54%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the eighth year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS AND NOTES TO SCHEDULE OF CONTRIBUTIONS – NET PENSION LIABILITY

For the year ended September 30,

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 799,303	\$ 689,194	\$ 687,841	\$ 677,320	\$ 676,202
Contributions in relation to the actuarially determined contribution	<u>799,303</u>	<u>689,194</u>	<u>687,841</u>	<u>677,320</u>	<u>676,202</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 7,239,887</u>	<u>\$ 6,056,186</u>	<u>\$ 5,894,098</u>	<u>\$ 5,864,246</u>	<u>\$ 5,837,617</u>
Contributions as a percentage of covered payroll	11.04%	11.38%	11.67%	11.55%	11.58%

Notes to schedule of contributions

Valuation date

Notes

Actuarially determined contributions are determined as of December 31 and become effective in January 13 months later.

Methods and assumptions used to Determine contribution rates:

Actuarial cost method
Amortization method

Entry age normal
Level percentage of payroll, closed

Remaining amortization period

25 years

Asset valuation method

10 year smoothed market; 12.0% soft corridor

Actuarial assumption:

Inflation
Salary increases
Investment rate of return
Retirement age

2.50%
3.50% to 11.50% including inflation
6.75%
Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to experience study of the period 2014-2018.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the public safety table used for males and the general employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information:

Notes

There were no benefit changes during the year.

(continued)

2017	2016	2015
\$ 739,519	\$ 702,974	\$ 642,335
<u>739,519</u>	<u>702,974</u>	<u>642,335</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,824,298</u>	<u>\$ 5,752,659</u>	<u>\$ 5,137,298</u>
12.70%	12.22%	12.50%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the eighth year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF PORT ARANSAS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS) RELATED RATIOS - SDBF**

For the year ended September 30,

	Plan Year Ended December 31, 2021	Plan Year Ended December 31, 2020	Plan Year Ended December 31, 2019	Plan Year Ended December 31, 2018
Total OPEB liability				
Service cost	\$ 25,500	\$ 22,514	\$ 17,006	\$ 19,803
Interest	8,632	9,685	10,173	9,256
Differences between expected and actual experience	(22,894)	(4,264)	(5,568)	(12,937)
Changes of assumptions	12,916	55,127	55,864	(18,393)
Benefit payments *	<u>(7,580)</u>	<u>(2,729)</u>	<u>(1,759)</u>	<u>(1,747)</u>
Net change in total OPEB liability	16,574	80,333	75,716	(4,018)
Total OPEB liability - beginning	<u>422,631</u>	<u>342,298</u>	<u>266,582</u>	<u>270,600</u>
Total OPEB liability - ending	<u>\$ 439,205</u>	<u>\$ 422,631</u>	<u>\$ 342,298</u>	<u>\$ 266,582</u>
Covered payroll	<u>\$ 6,891,970</u>	<u>\$ 6,822,433</u>	<u>\$ 6,283,090</u>	<u>\$ 5,824,298</u>
City's OPEB liability as a percentage of covered payroll	6.37%	6.19%	5.45%	4.58%

*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's contributions for retirees.

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

2021 - 1.84%
2020 - 2.00%
2019 - 2.75%
2018 - 3.71%
2017 - 3.31%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the fourth year of implementation of GASB 75. The City will develop the schedule prospectively.

CITY OF PORT ARANSAS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE OPEB LIABILITY -
RETIREE HEALTH INSURANCE**

For the year ended September 30,

	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018
Total OPEB liability					
Service cost	\$ 258,315	\$ 374,016	\$ 307,141	\$ 191,338	\$ 183,873
Interest	85,956	112,619	123,008	136,314	126,648
Differences between expected and actual experience	(1,774,021)	(1,429,860)	18,683	(4,841)	-
Changes of assumptions	866,362	(85,226)	(67,046)	907,144	-
Benefit payments	(57,130)	(58,404)	(77,103)	(80,640)	(79,211)
Net change in total OPEB liability	(620,518)	(1,086,855)	304,683	1,149,315	231,310
Total OPEB liability - beginning	3,573,602	4,660,457	4,355,774	3,206,459	2,975,149
Total OPEB liability - ending	<u>\$ 2,953,084</u>	<u>\$ 3,573,602</u>	<u>\$ 4,660,457</u>	<u>\$ 4,355,774</u>	<u>\$ 3,206,459</u>
Covered-employee payroll	<u>\$ 7,239,887</u>	<u>\$ 6,056,186</u>	<u>\$ 5,724,183</u>	<u>\$ 4,462,083</u>	<u>\$ 5,151,896</u>
City's OPEB liability as a percentage of covered-employee payroll	40.79%	59.01%	81.42%	97.62%	62.24%

FYE22 - The demographic assumptions were updated to reflect the 2019 TMRS Experience Study and the health care trend rates were updated to better reflect the plan's anticipated experience and the repeal of the excise tax on high-cost employer health plans.

FYE22 - The health care trend assumption was modified.

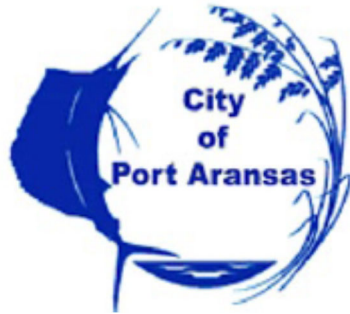
Changes of assumptions reflect the effects of changes in the discount rate of each period.
The following are the discount rates used in each period:

<u>FYE</u>	<u>Discount rate</u>
2022	4.77%
2021	2.00%
2020	2.00%
2019	2.75%
2018	3.31%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the fifth year of implementation of GASB 75. The City will develop the schedule prospectively.



OTHER SUPPLEMENTARY INFORMATION



CITY OF PORT ARANSAS, TEXAS
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.

- Airport Fund
- Court Security Fund
- Court Technology Fund
- COVID-19 Fund
- Impact Fees – Zone 1 Fund
- Impact Fees – Zone 2 Fund
- Drainage Impact Fees
- Library Fund
- Nature Preserve Project Fund
- Park Dedication Fees Fund
- Recreational Development Fund
- Street Maintenance Fund
- Winter Storm URI Fund

CITY OF PORT ARANSAS, TEXAS

COMBINING BALANCE SHEET –

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2022

	SPECIAL REVENUE FUNDS					
	AIRPORT FUND	COURT SECURITY FUND	COURT TECHNOLOGY	COVID-19 FUND	IMPACT FEES ZONE 1 FUND	IMPACT FEES ZONE 2 FUND
ASSETS						
Cash and cash equivalents	\$ 320,083	\$ 32,283	\$ 15,216	\$ 838,439	\$ 780,241	\$ 137,354
Investments	-	-	-	-	-	-
Receivables	19,362	-	-	-	-	-
Due from other funds	-	-	-	-	193,173	-
Inventories	21,035	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Lease receivable	739,901	-	-	-	-	-
Total assets	<u>\$ 1,100,381</u>	<u>\$ 32,283</u>	<u>\$ 15,216</u>	<u>\$ 838,439</u>	<u>\$ 973,414</u>	<u>\$ 137,354</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 6,139	\$ -	\$ -	\$ -	\$ 5,414	\$ 5,414
Accrued wages payable	759	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-
Total liabilities	<u>6,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,414</u>	<u>5,414</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred leases	748,551	-	-	-	-	-
Deferred property taxes	-	-	-	-	-	-
Total deferred inflows of resources	<u>748,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable:						
Inventories	21,035	-	-	-	-	-
Prepays	-	-	-	-	-	-
Restricted:						
Culture and recreation	323,897	-	-	-	-	-
Debt service	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Public safety	-	32,283	15,216	838,439	-	-
Committed						
Construction	-	-	-	-	968,000	131,940
Culture and recreation	-	-	-	-	-	-
Public transportation	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>344,932</u>	<u>32,283</u>	<u>15,216</u>	<u>838,439</u>	<u>968,000</u>	<u>131,940</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,100,381</u>	<u>\$ 32,283</u>	<u>\$ 15,216</u>	<u>\$ 838,439</u>	<u>\$ 973,414</u>	<u>\$ 137,354</u>

SPECIAL REVENUE FUNDS						DEBT SERVICE		TOTAL NONMAJOR GOVERNMENTAL FUNDS
DRAINAGE IMPACT FEES	LIBRARY FUND	NATURE PRESERVE PROJECTS FUND	PARK DEDICATION FEES FUND	RECREATIONAL DEVELOPMENT FUND	STREET MAINTENANCE FUND	WINTER STORM URI FUND	DEBT SERVICE FUND	
\$ -	\$ 20,152	\$ 26,764	\$ 535,183	\$ 1,162,878	\$ 406,264	\$ -	\$ -	\$ 4,274,857
-	-	-	-	-	-	-	-	-
-	-	-	-	125,366	-	-	20,829	165,557
-	-	-	-	-	-	-	-	193,173
-	-	-	-	-	-	-	-	21,035
-	-	78	-	-	-	-	-	78
-	-	-	-	-	-	-	-	739,901
<u>\$ -</u>	<u>\$ 20,152</u>	<u>\$ 26,842</u>	<u>\$ 535,183</u>	<u>\$ 1,288,244</u>	<u>\$ 406,264</u>	<u>\$ -</u>	<u>\$ 20,829</u>	<u>\$ 5,394,601</u>
\$ 25,613	\$ -	\$ 20,514	\$ -	\$ 153,810	\$ -	\$ -	\$ -	\$ 216,904
-	-	4,518	-	10,876	-	-	-	16,153
58,053	-	-	-	-	-	47,555	87,565	193,173
-	-	-	-	-	-	-	-	-
<u>83,666</u>	<u>-</u>	<u>25,032</u>	<u>-</u>	<u>164,686</u>	<u>-</u>	<u>47,555</u>	<u>87,565</u>	<u>426,230</u>
-	-	-	-	-	-	-	-	748,551
-	-	-	-	-	-	-	21,818	21,818
-	-	-	-	-	-	-	21,818	770,369
-	-	-	-	-	-	-	-	21,035
-	-	78	-	-	-	-	-	78
-	20,152	1,732	-	1,123,558	-	-	-	1,469,339
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	885,938
-	-	-	-	-	-	-	-	1,099,940
-	-	-	535,183	-	-	-	-	535,183
-	-	-	-	-	406,264	-	-	406,264
-	-	-	-	-	-	-	-	-
<u>(83,666)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,555)</u>	<u>(88,554)</u>	<u>(219,775)</u>
<u>(83,666)</u>	<u>20,152</u>	<u>1,810</u>	<u>535,183</u>	<u>1,123,558</u>	<u>406,264</u>	<u>(47,555)</u>	<u>(88,554)</u>	<u>4,198,002</u>
<u>\$ -</u>	<u>\$ 20,152</u>	<u>\$ 26,842</u>	<u>\$ 535,183</u>	<u>\$ 1,288,244</u>	<u>\$ 406,264</u>	<u>\$ -</u>	<u>\$ 20,829</u>	<u>\$ 5,394,601</u>

CITY OF PORT ARANSAS, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS

For the year ended September 30, 2022

	SPECIAL REVENUE FUNDS					
	AIRPORT FUND	COURT SECURITY FUND	COURT TECHNOLOGY	COVID-19 FUND	IMPACT FEES ZONE 1 FUND	IMPACT FEES ZONE 2 FUND
REVENUES						
Taxes						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-	-	-
Franchise fees, licenses and permits	-	-	-	-	-	-
Hotel/motel	-	-	-	-	-	-
Intergovernmental	16,759	-	-	530,617	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	202,689	-	-	-	-	-
Fines and forfeitures	-	13,752	12,074	-	695,844	101,232
Interest	3,607	308	141	112	9,904	1,363
Insurance recovery-Hurricane Harvey	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>223,055</u>	<u>14,060</u>	<u>12,215</u>	<u>530,729</u>	<u>705,748</u>	<u>102,595</u>
EXPENDITURES						
Current:						
General administration	-	-	-	-	17,072	17,072
Economic development	-	-	-	-	-	-
Public safety						
Storm repairs	-	-	-	-	-	-
Municipal court	-	-	3,304	-	-	-
Public transportation						
Regional transit	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation						
Airport	197,150	-	-	-	-	-
Library	-	-	-	-	-	-
Nature preserve	-	-	-	-	-	-
Park	-	-	-	-	-	-
Capital outlay	-	-	-	215,512	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>197,150</u>	<u>-</u>	<u>3,304</u>	<u>215,512</u>	<u>17,072</u>	<u>17,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,905</u>	<u>14,060</u>	<u>8,911</u>	<u>315,217</u>	<u>688,676</u>	<u>85,523</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out:	-	-	-	-	(450,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,000)</u>	<u>-</u>
Net change in fund balances	<u>25,905</u>	<u>14,060</u>	<u>8,911</u>	<u>315,217</u>	<u>238,676</u>	<u>85,523</u>
Fund balances - beginning	<u>319,027</u>	<u>18,223</u>	<u>6,305</u>	<u>523,222</u>	<u>729,324</u>	<u>46,417</u>
Fund balances - ending	<u>\$ 344,932</u>	<u>\$ 32,283</u>	<u>\$ 15,216</u>	<u>\$ 838,439</u>	<u>\$ 968,000</u>	<u>\$ 131,940</u>

SPECIAL REVENUE FUNDS							DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
DRAINAGE IMPACT FEES	LIBRARY FUND	NATURE PRESERVE PROJECT FUND	PARK DEDICATION FEES FUND	RECREATIONAL DEVELOPMENT FUND	STREET MAINTENANCE FUND	WINTER STORM URI FUND	DEBT SERVICE FUND	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,515,992	\$ 1,515,992
-	-	-	-	1,267,562	-	-	-	1,267,562
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	100,696	214,560	-	-	-	-	862,632
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	202,689
-	-	-	-	-	-	-	-	822,902
-	143	2,038	5,511	12,658	4,551	-	33,465	73,801
-	-	-	-	-	-	-	-	-
-	6,788	9,290	-	20,682	-	-	-	36,760
-	6,931	112,024	220,071	1,300,902	4,551	-	1,549,457	4,782,338
83,666	-	-	-	-	-	-	-	117,810
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,371	-	1,371
-	-	-	-	-	-	-	-	3,304
-	-	-	-	-	9,139	-	-	9,139
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	197,150
-	3,339	-	-	-	-	-	-	3,339
-	-	372,802	-	-	-	-	-	372,802
-	-	-	-	981,616	-	-	-	981,616
-	-	308,411	-	178,670	53,977	-	-	756,570
-	-	-	-	-	-	-	2,110,000	2,110,000
-	-	-	-	-	-	-	569,750	569,750
83,666	3,339	681,213	-	1,160,286	63,116	1,371	2,679,750	5,122,851
(83,666)	3,592	(569,189)	220,071	140,616	(58,565)	(1,371)	(1,130,293)	(340,513)
-	-	317,402	-	-	-	-	1,141,767	1,459,169
-	-	-	-	-	-	-	-	(450,000)
-	-	317,402	-	-	-	-	1,141,767	1,009,169
(83,666)	3,592	(251,787)	220,071	140,616	(58,565)	(1,371)	11,474	668,656
-	16,560	253,597	315,112	982,942	464,829	(46,184)	(100,028)	3,529,346
\$ (83,666)	\$ 20,152	\$ 1,810	\$ 535,183	\$ 1,123,558	\$ 406,264	\$ (47,555)	\$ (88,554)	\$ 4,198,002

CITY OF PORT ARANSAS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – AIRPORT FUND**

For the year ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 16,759	\$ (3,241)
Charges for services	186,900	186,900	202,689	15,789
Interest	<u>250</u>	<u>250</u>	<u>3,607</u>	<u>3,357</u>
Total revenues	<u>207,150</u>	<u>207,150</u>	<u>223,055</u>	<u>15,905</u>
Expenditures:				
Current:				
Culture and recreation				
Airport	<u>429,390</u>	<u>429,390</u>	<u>197,150</u>	<u>232,240</u>
Total expenditures	<u>429,390</u>	<u>429,390</u>	<u>197,150</u>	<u>232,240</u>
Excess (deficiency) of revenues over (under) expenditures	(222,240)	(222,240)	25,905	248,145
Fund balances - beginning	<u>319,027</u>	<u>319,027</u>	<u>319,027</u>	<u>-</u>
Fund balances - ending	<u>\$ 96,787</u>	<u>\$ 96,787</u>	<u>\$ 344,932</u>	<u>\$ 248,145</u>

CITY OF PORT ARANSAS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – COURT SECURITY FUND**

For the year ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Fines and forfeitures	\$ 6,000	\$ 6,000	\$ 13,752	\$ 7,752
Interest	<u>50</u>	<u>50</u>	<u>308</u>	<u>258</u>
Total revenues	<u>6,050</u>	<u>6,050</u>	<u>14,060</u>	<u>8,010</u>
Expenditures:				
Current:				
Public safety				
Municipal court	<u>13,325</u>	<u>13,325</u>	<u>-</u>	<u>13,325</u>
Total expenditures	<u>13,325</u>	<u>13,325</u>	<u>-</u>	<u>13,325</u>
Excess (deficiency) of revenues over (under) expenditures	(7,275)	(7,275)	14,060	21,335
Fund balances - beginning	<u>18,223</u>	<u>18,223</u>	<u>18,223</u>	<u>-</u>
Fund balances - ending	<u>\$ 10,948</u>	<u>\$ 10,948</u>	<u>\$ 32,283</u>	<u>\$ 21,335</u>

CITY OF PORT ARANSAS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – COURT TECHNOLOGY FUND**

For the year ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 12,074	\$ 7,074
Interest	<u>50</u>	<u>50</u>	<u>141</u>	<u>91</u>
Total revenues	<u>5,050</u>	<u>5,050</u>	<u>12,215</u>	<u>7,165</u>
Expenditures:				
Current:				
Public safety				
Municipal court	<u>4,225</u>	<u>4,225</u>	<u>3,304</u>	<u>921</u>
Total expenditures	<u>4,225</u>	<u>4,225</u>	<u>3,304</u>	<u>921</u>
Excess (deficiency) of revenues over (under) expenditures	825	825	8,911	8,086
Fund balances - beginning	<u>6,305</u>	<u>6,305</u>	<u>6,305</u>	<u>-</u>
Fund balances - ending	<u>\$ 7,130</u>	<u>\$ 7,130</u>	<u>\$ 15,216</u>	<u>\$ 8,086</u>

CITY OF PORT ARANSAS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – IMPACT FEES ZONE 1**

For the year ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	\$ 450,000	\$ 450,000	\$ 695,844	\$ 245,844
Interest	350	350	9,904	9,554
Total revenues	<u>450,350</u>	<u>450,350</u>	<u>705,748</u>	<u>255,398</u>
Expenditures:				
Current:				
General administration	-	-	17,072	(17,072)
Total expenditures	<u>-</u>	<u>-</u>	<u>17,072</u>	<u>(17,072)</u>
Excess (deficiency) of revenues over (under) expenditures	450,350	450,350	688,676	238,326
Other financing sources (uses):				
Transfers out	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>
Net change in fund balances	350	350	238,676	238,326
Fund balances - beginning	<u>729,324</u>	<u>729,324</u>	<u>729,324</u>	<u>-</u>
Fund balances - ending	<u>\$ 729,674</u>	<u>\$ 729,674</u>	<u>\$ 968,000</u>	<u>\$ 238,326</u>

CITY OF PORT ARANSAS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – IMPACT FEES ZONE 2**

For the year ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	\$ 40,000	\$ 40,000	\$ 101,232	\$ 61,232
Interest	<u>250</u>	<u>250</u>	<u>1,363</u>	<u>1,113</u>
Total revenues	<u>40,250</u>	<u>40,250</u>	<u>102,595</u>	<u>62,345</u>
Expenditures:				
Current:				
General administration	<u>-</u>	<u>-</u>	<u>17,072</u>	<u>(17,072)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>17,072</u>	<u>(17,072)</u>
Net change in fund balances	40,250	40,250	85,523	45,273
Fund balances - beginning	<u>46,417</u>	<u>46,417</u>	<u>46,417</u>	<u>-</u>
Fund balances - ending	<u>\$ 86,667</u>	<u>\$ 86,667</u>	<u>\$ 131,940</u>	<u>\$ 45,273</u>

CITY OF PORT ARANSAS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NATURE PRESERVE FUND**

From inception and for the year ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 778,500	\$ 778,500	\$ 100,696	\$ (677,804)
Interest	500	500	2,038	1,538
Miscellaneous	-	-	9,290	9,290
Total revenues	<u>779,000</u>	<u>779,000</u>	<u>112,024</u>	<u>(666,976)</u>
Expenditures:				
Capital projects				
Capital outlay and other	<u>1,175,100</u>	<u>1,175,100</u>	<u>681,213</u>	<u>493,887</u>
Total expenditures	<u>1,175,100</u>	<u>1,175,100</u>	<u>681,213</u>	<u>493,887</u>
Excess (deficiency) of revenues over (under) expenditures	(396,100)	(396,100)	(569,189)	(173,089)
Other financing sources (uses):				
Transfers in	<u>396,100</u>	<u>396,100</u>	<u>317,402</u>	<u>(78,698)</u>
Total other financing sources (uses)	<u>396,100</u>	<u>396,100</u>	<u>317,402</u>	<u>(78,698)</u>
Net change in fund balances	-	-	(251,787)	(251,787)
Fund balances - beginning	<u>253,597</u>	<u>253,597</u>	<u>253,597</u>	<u>-</u>
Fund balances - ending	<u>\$ 253,597</u>	<u>\$ 253,597</u>	<u>\$ 1,810</u>	<u>\$ (251,787)</u>

CITY OF PORT ARANSAS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – PARK DEDICATION FUND**

For the year ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	\$ 110,000	\$ 110,000	\$ 214,560	\$ 104,560
Interest	<u>250</u>	<u>250</u>	<u>5,511</u>	<u>5,261</u>
Total revenues	<u>110,250</u>	<u>110,250</u>	<u>220,071</u>	<u>109,821</u>
Net change in fund balances	110,250	110,250	220,071	109,821
Fund balances - beginning	<u>315,112</u>	<u>315,112</u>	<u>315,112</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 425,362</u></u>	<u><u>\$ 425,362</u></u>	<u><u>\$ 535,183</u></u>	<u><u>\$ 109,821</u></u>

CITY OF PORT ARANSAS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – RECREATIONAL DEVELOPMENT FUND**

For the year ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Taxes				
Sales	\$ 1,011,000	\$ 1,011,000	\$ 1,267,562	\$ 256,562
Interest	1,000	1,000	12,658	11,658
Miscellaneous	<u>24,000</u>	<u>24,000</u>	<u>20,682</u>	<u>(3,318)</u>
Total revenues	<u>1,036,000</u>	<u>1,036,000</u>	<u>1,300,902</u>	<u>264,902</u>
Expenditures:				
Current				
Culture and recreation				
Capital outlay and other	<u>1,419,325</u>	<u>1,419,325</u>	<u>1,160,286</u>	<u>259,039</u>
Total expenditures	<u>1,419,325</u>	<u>1,419,325</u>	<u>1,160,286</u>	<u>259,039</u>
Excess (deficiency) of revenues over (under) expenditures	(383,325)	(383,325)	140,616	523,941
Other financing sources (uses):				
Transfers in	<u>398,325</u>	<u>398,325</u>	<u>-</u>	<u>(398,325)</u>
Total other financing sources (uses)	<u>398,325</u>	<u>398,325</u>	<u>-</u>	<u>(398,325)</u>
Fund balances - beginning	<u>982,942</u>	<u>982,942</u>	<u>982,942</u>	<u>-</u>
Fund balances - ending	<u>\$ 997,942</u>	<u>\$ 997,942</u>	<u>\$ 1,123,558</u>	<u>\$ 125,616</u>

CITY OF PORT ARANSAS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – STREET MAINTENANCE FUND**

For the year ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Interest	\$ 500	\$ 500	\$ 4,551	\$ 4,051
Total revenues	<u>500</u>	<u>500</u>	<u>4,551</u>	<u>4,051</u>
Expenditures:				
Current				
Public transportation				
Capital outlay and other	<u>60,000</u>	<u>60,000</u>	<u>63,116</u>	<u>(3,116)</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>63,116</u>	<u>(3,116)</u>
Excess (deficiency) of revenues over (under) expenditures	(59,500)	(59,500)	(58,565)	935
Fund balances - beginning	<u>464,829</u>	<u>464,829</u>	<u>464,829</u>	<u>-</u>
Fund balances - ending	<u>\$ 405,329</u>	<u>\$ 405,329</u>	<u>\$ 406,264</u>	<u>\$ 935</u>

CITY OF PORT ARANSAS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – DEBT SERVICE FUND**

For the year ended September 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Taxes				
Property	\$ 1,580,290	\$ 1,580,290	\$ 1,515,992	\$ (64,298)
Interest	<u>1,200</u>	<u>1,200</u>	<u>33,465</u>	<u>32,265</u>
Total revenues	<u>1,581,490</u>	<u>1,581,490</u>	<u>1,549,457</u>	<u>(32,033)</u>
Expenditures:				
Debt service				
Principal retirement	2,110,000	2,110,000	2,110,000	-
Interest retirement	<u>557,640</u>	<u>557,640</u>	<u>569,750</u>	<u>(12,110)</u>
Total expenditures	<u>2,667,640</u>	<u>2,667,640</u>	<u>2,679,750</u>	<u>(12,110)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,086,150)	(1,086,150)	(1,130,293)	(44,143)
Other financing sources (uses):				
Transfers in	<u>1,084,950</u>	<u>1,084,950</u>	<u>1,141,767</u>	<u>56,817</u>
Total other financing sources (uses)	<u>1,084,950</u>	<u>1,084,950</u>	<u>1,141,767</u>	<u>56,817</u>
Net change in fund balances	(1,200)	(1,200)	11,474	12,674
Fund balances - beginning	<u>(100,028)</u>	<u>(100,028)</u>	<u>(100,028)</u>	<u>-</u>
Fund balances - ending	<u>\$ (101,228)</u>	<u>\$ (101,228)</u>	<u>\$ (88,554)</u>	<u>\$ 12,674</u>



COMPLIANCE SECTION



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*

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

We have audited, 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, 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 (the City) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 21, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 financial statements. 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*.

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* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

San Antonio, Texas
September 21, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the City of Port Aransas, Texas' (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2022. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City 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, 2022.

Basis for Opinion on Each Major Federal and State Program

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, the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State of Texas Single Audit Circular*. Our responsibilities under those standards, the Uniform Guidance and the *State of Texas Single Audit Circular*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the *State of Texas Single Audit Circular*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the *State of Texas Single Audit Circular*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 or 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 or 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 or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

ABIP, PC

San Antonio, Texas
September 21, 2023

CITY OF PORT ARANSAS, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified not considered to be material weaknesses? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal and State Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) and *State of Texas Audit Circular*? ☐ Yes ☒ No

Identification of Major Programs

**Federal Assistance
Listing Number(s)**

97.036

11.307

Name of Federal/State Program or Cluster

Disaster Grants – Public Assistance

Economic Development Grant

State Assistance

Disaster Grants – Public Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

SECTION III - FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

None

CITY OF PORT ARANSAS, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2022

There were no prior audit findings reported.

CITY OF PORT ARANSAS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2022

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	GRANTOR'S PASS-THROUGH NUMBER	FEDERAL EXPENDITURES	STATE EXPENDITURES
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Direct Grants				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
Temporary Facilities - Fire Station		17549	\$ 306	\$ 25
Temporary Facility - Jail/Public Safety Building		42615	170,269	14,189
Robert's Point Park Bulkhead		3137	4,505	375
Fire Station		6237	10,246	854
Station Street Pier Bathrooms		6352	359,411	29,951
McDonald Field Concession, Restroom, Press Box		6355	1,530	127
Public Works Garage (DPW Garage)		16966	23,560	1,963
Gas System		3141	5,151,139	429,262
Community Park		3142	17,975	1,498
Robert's Point Park Pier		35880	1,013,245	84,437
Charlie's Pasture Pier		35881	1,530,470	127,539
Station Street Pier		35883	1,624,838	135,403
Port Aransas DAC		65826	377,556	31,463
Marina Docks		9483	348	29
Library Contents		36768	21,887	1,824
Public Works Garage Contents		36842	24,443	2,037
Library		6292	5,173	431
Charlie's Pasture Shoreline Bulkhead		46842	1,099,781	91,648
Parks & Recreation Office Contents		36936	1,365	114
Community Park Concession Stand		48641	230,974	19,248
Community Center		6302	400,878	33,407
City Hall/Civic Center		6236	963,414	80,285
Citizens Collection Station Storage Site		16977	24,831	2,069
Temporary Facilities -EMS		42620	414,554	34,546
Robert's Point Park		35875	401,847	33,487
Nature Preserve		36926	4,844,811	403,734
Public Safety Building		3139	861,313	71,776
Winter Storm Uri		NONE	1,372	-
Direct Grants				
Emergency Management Performance Grants	97.042	NONE	19,036	-
Total U.S. Department of Homeland Security			19,601,077	1,631,721
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Passed through the Texas Department of Transportation				
Federal Assistance for Economic Development	11.307	08-79-05258	1,746,083	-
Passed through the Texas General Land Office				
National Oceanic and Atmospheric Administration (NOAA)				
Cooperative Institutes	11.432	NONE	19,059	-
Total U.S. Department of Commerce			1,765,142	-

CITY OF PORT ARANSAS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2022

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	GRANTOR'S PASS-THROUGH NUMBER	FEDERAL EXPENDITURES	STATE EXPENDITURES
<u>U.S. DEPARTMENT OF THE INTERIOR</u>				
Direct Grants		15.916		
Coastal Program Grants	15.630			
CBBEP Habitat Living Resources		NONE	\$ 31,761	\$ -
CBBEP Educational Signage		NONE	5,000	-
NFWF Gulf Environ Benefit		NONE	8,820	-
Outdoor Recreation Acquisition, Development and Planning Grant	15.916			
TPWD Local Parks Grant		NONE	276,307	-
Total U.S. Department of the Interior			321,888	-
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct Grants				
Community Development Block Grant	14.228			
CDBG Disaster Recovery Program Infrastructure Projects				
Harvey Round 1 Funding		NONE	221,604	-
Total U.S. Department of Housing and Urban Development			221,604	-
<u>U.S. DEPARTMENT OF TREASURY</u>				
Direct Grants				
Coronavirus State & Local Fiscal Recovery Fund				
American Rescue Plan	21.027	NONE	215,512	-
Total U.S. Department of Treasury			215,512	-
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 22,125,223	\$ 1,631,721

CITY OF PORT ARANSAS, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2022

(1) Basis of presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Port Aransas under programs of the federal and state government for the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

(2) 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.

(3) The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

(4) The City did not pass through any grants to subrecipients.



