ANNUAL Financial Report

SEPTEMBER 30, 2024

THE CITY OF PORT ARANSAS

THE CITY OF PORT ARANSAS

CITY OF PORT ARANSAS, TEXAS

TABLE OF CONTENTS

September 30, 2024

CITY OF PORT ARANSAS, TEXAS

TABLE OF CONTENTS

September 30, 2024

CITY OF PORT ARANSAS, TEXAS

TABLE OF CONTENTS

September 30, 2024

THE CITY OF PORT ARANSAS

FINANCIAL SECTION

THE CITY OF PORT ARANSAS

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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, 2024, 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, 2024, 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.

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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 and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2025 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
June 19, 2025

THE CITY OF PORT ARANSAS

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, 2024. 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 $148,132,886 (net position). Of this amount, $16,952,108 (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 $25,012,675 during 2024.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $67,831,194. Approximately 37% of this amount, $25,008,823 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 $14,615,495 or 94% 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 also be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (e.g., 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 g*overnmental 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, airport fund, debt service 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.

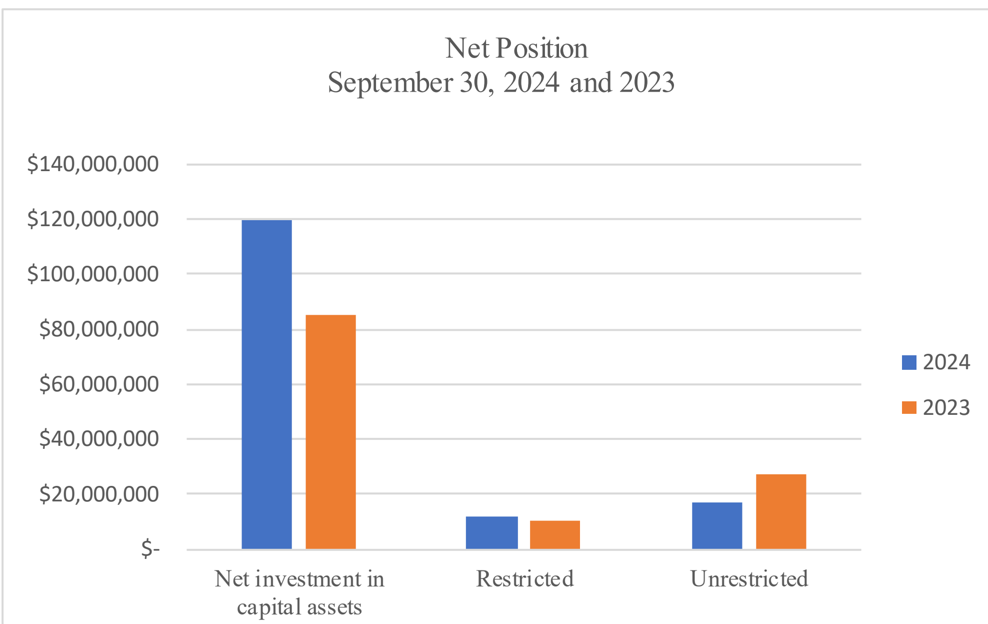
Government-wide Financial Analysis

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	
	2024	2023	2024	2023	2024	2023
Current and other assets	$ 74,684,271	$ 70,803,263	$ (147,793)	$ 1,916,026	$ 74,536,478	$ 72,719,289
Restricted assets	75,350	75,311	-	-	75,350	75,311
Capital assets	86,678,481	63,796,397	45,747,281	35,427,224	132,425,762	99,223,621
Total assets	161,438,102	134,674,971	45,599,488	37,343,250	207,037,590	172,018,221
Deferred outflows of resources	2,718,135	3,368,923	311,667	388,686	3,029,802	3,757,609
Long-term liabilities	44,422,410	36,802,385	1,260,461	1,281,311	45,682,871	38,083,696
Other liabilities	11,972,676	9,374,960	948,040	1,834,948	12,920,716	11,209,908
Total liabilities	56,395,086	46,177,345	2,208,501	3,116,259	58,603,587	49,293,604
Deferred inflows of resources	3,064,024	3,096,847	266,895	265,168	3,330,919	3,362,015
Net position:						
Net investment in capital assets	74,076,811	49,765,144	45,443,898	35,194,258	119,520,709	84,959,402
Restricted	11,660,069	10,607,754	-	-	11,660,069	10,607,754
Unrestricted	18,960,247	28,396,804	(2,008,139)	(843,749)	16,952,108	27,553,055
Total net position	$ 104,697,127	$ 88,769,702	$ 43,435,759	$ 34,350,509	$ 148,132,886	$ 123,120,211



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 $104,697,127 at the close of the most recent fiscal year for governmental activities and $43,435,759 for business-type activities.

A large portion of the City's net position (approximately 81%) reflects its investment in capital assets (e.g., land, construction in progress, infrastructure, buildings, machinery, vehicles, and right to use assets), 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 for the government as a whole. The same situation held true for the prior fiscal year. The business type activities reported a deficit unrestricted net position at the end of the current fiscal year, primarily due to the balances of the net pension and other postemployment benefit liabilities.

Changes in Net Position:

Governmental activities increased the City's net position by $15,927,425, and business-type activities increased the City's net position by $9,085,250 for a total increase of $25,012,675.

Table 2 – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Total revenues	$ 57,980,001	$ 53,516,975	$ 4,592,066	$ 6,804,204	$ 62,572,067	$ 60,321,179
Total expenses	32,212,276	32,218,470	5,347,116	5,261,306	37,559,392	37,479,776
Increase (decrease) in net position before transfers	25,767,725	21,298,505	(755,050)	1,542,898	25,012,675	22,841,403
Transfers	(9,840,300)	(9,578,687)	9,840,300	9,578,687	-	-
Increase (decrease) in net position	15,927,425	11,719,818	9,085,250	11,121,585	25,012,675	22,841,403
Beginning net position	88,769,702	76,918,284	34,350,509	23,228,924	123,120,211	100,147,208
Restatement of net position	-	131,600	-	-	-	131,600
Ending net position	$ 104,697,127	$ 88,769,702	$ 43,435,759	$ 34,350,509	$ 148,132,886	$ 123,120,211

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	
	2024	2023	2024	2023	2024	2023
Program revenues:						
Charges for services	$ 7,351,955	$ 6,972,709	$ 4,535,251	$ 4,271,737	$ 11,887,206	$ 11,244,446
Operating grants and contributions	3,157,374	3,909,384	-	-	3,157,374	3,909,384
Capital grants and contributions	15,526,764	12,787,459	-	-	15,526,764	12,787,459
General revenues:						
Property taxes	10,522,910	8,833,884	-	-	10,522,910	8,833,884
Sales taxes	3,885,154	3,900,270	-	-	3,885,154	3,900,270
Franchies fees	633,509	648,585	-	-	633,509	648,585
Hotel/motel taxes	12,901,234	13,524,952	-	-	12,901,234	13,524,952
Investment earnings	3,762,764	2,817,541	55,373	70,486	3,818,137	2,888,027
Grants and contributions not restricted	-	-	-	2,465,517	-	2,465,517
Miscellaneous	238,337	122,191	1,442	(3,536)	239,779	118,655
Total revenues	57,980,001	53,516,975	4,592,066	6,804,204	62,572,067	60,321,179
Expenses:						
General administration	10,455,475	10,995,779	-	-	10,455,475	10,995,779
Legal	148,273	146,542	-	-	148,273	146,542
Financial administration	415,319	357,042	-	-	415,319	357,042
Public facilities	1,426,906	1,571,686	-	-	1,426,906	1,571,686
Public safety	8,512,511	8,500,476	-	-	8,512,511	8,500,476
Public transportation	233,375	264,353	-	-	233,375	264,353
Culture and recreation	9,767,576	9,556,074	-	-	9,767,576	9,556,074
Interest and fiscal charges	1,252,841	826,518	-	-	1,252,841	826,518
Gas	-	-	1,609,054	1,952,337	1,609,054	1,952,337
Sanitation	-	-	2,066,013	1,650,815	2,066,013	1,650,815
Harbor	-	-	1,672,049	1,658,154	1,672,049	1,658,154
Total expenses	$ 32,212,276	$ 32,218,470	$ 5,347,116	$ 5,261,306	$ 37,559,392	$ 37,479,776

Governmental activities

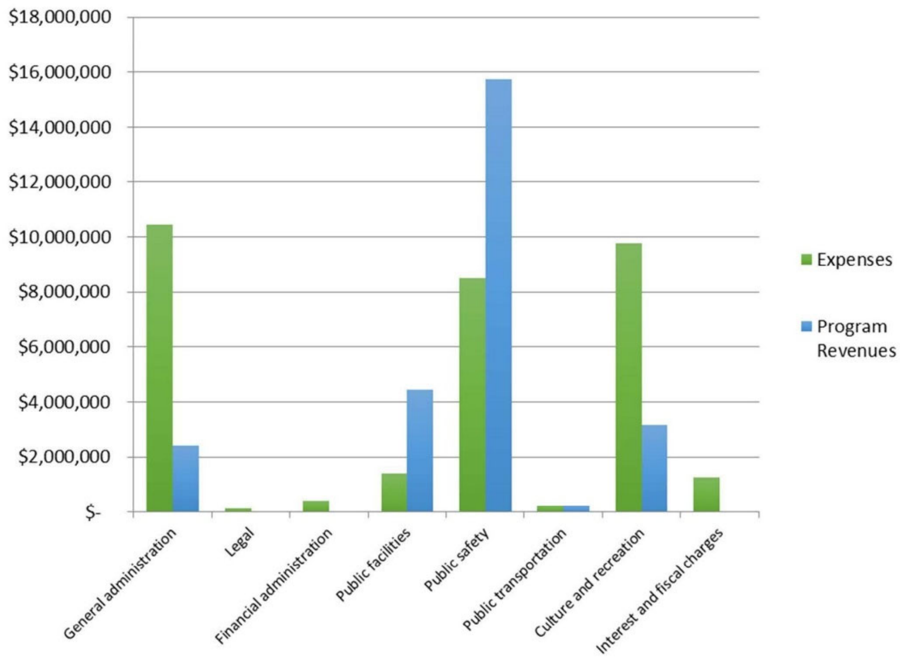
Governmental activities include the functions of the general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, interest and fiscal charges. Payment of interest on long-term debt is also considered a governmental activity 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 $4,463,026. This increase is due to an increase in grant reimbursements, property taxes, and investment earnings.

Total expenses decreased by $6,194.

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

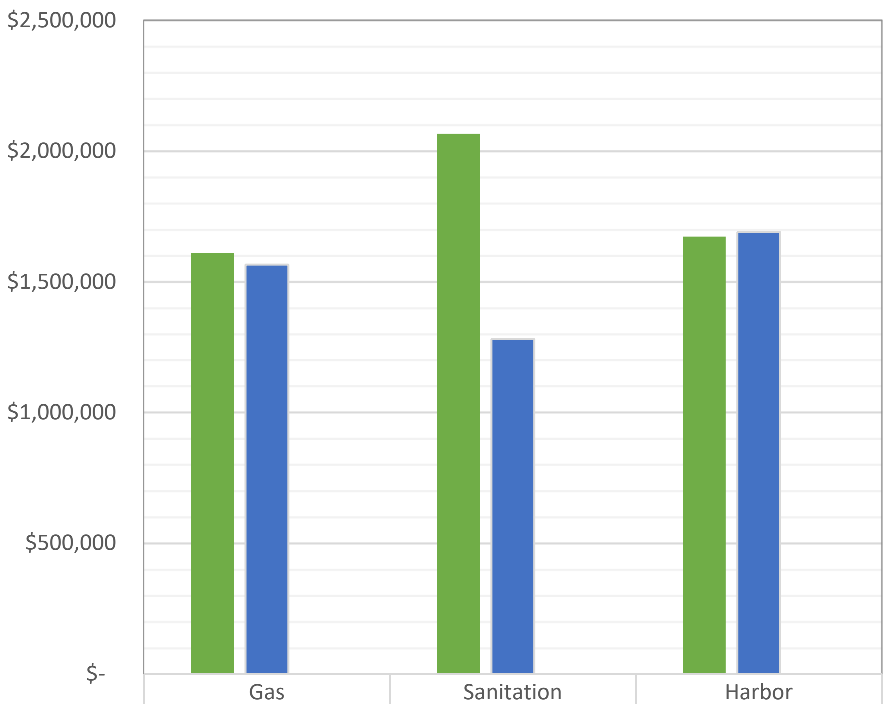
Expenses and Program Revenues - Governmental Activities



Business-type activities

As shown in Table 3, total revenues decreased by $2,212,138 due mainly to decreased grant reimbursements.

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



	Gas	Sanitation	Harbor
Expenses	$1,609,054	$2,066,013	$1,672,049
Charges for Services	$1,564,921	$1,280,236	$1,690,094
Capital Grants/ Contributions	$-	$-	$-

Financial Analysis of the Governmental Funds

In comparison to the government-wide statements, the fund level statements focus on the major 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 $67,831,194, an increase of $3,313,976. Approximately 37% or $25,008,823, 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 ($29,473,282), debt service ($283,226), culture and recreation ($2,493,703), public safety ($399,228), public transportation ($834,238), economic development ($8,286,881), fire ($1,000,000), opioid abatement ($11,633), inventories ($16,161), and prepaid items ($24,019).

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 $14,615,495, while total fund balance reached $15,651,069. 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 94% of total general fund expenditures.

The fund balance of the City's general fund decreased by $3,395,001 during the current fiscal year. The key factor for this decrease is the $4,347,745 transfer to the Hurricane Harvey Fund.

Budgetary Highlights

The City's budget was amended during the year. The general fund budgeted expenditures decreased by $3.7 million due to mainly a decrease in capital outlay by $3.5 million. There was also an increase in a transfer that was made to the Hurricane Harvey during the year.

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, 2024, amounts to $132,425,762 (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 $22,882,084 as a result of $28,191,799 of additions offset by $6,409,072 of depreciation and net retirements of $113,235. Business-type activity capital assets increased by $10,320,057 as a result of $11,568,156 of additions less $1,232,371 of depreciation and net retirements of ($15,728).

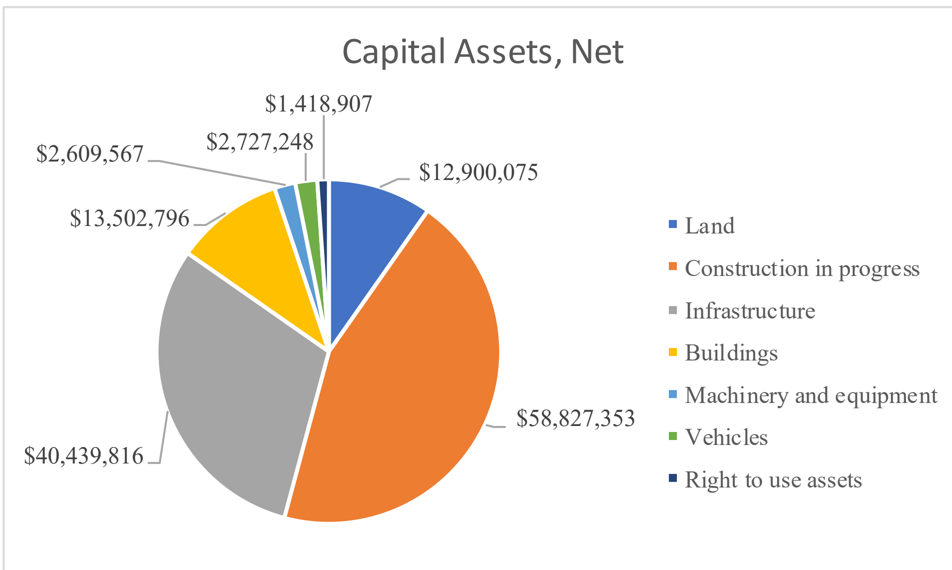
Additional information on the City's capital assets can be found in note 4 of the financial statements.

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	
	2024	2023	2024	2023	2024	2023
Land	$ 12,900,075	$ 11,700,517	$ -	$ -	$ 12,900,075	$ 11,700,517
Construction in progress	33,373,965	12,843,621	25,453,388	24,465,847	58,827,353	37,309,468
Infrastructure	29,052,779	13,517,743	11,387,037	10,478,490	40,439,816	23,996,233
Buildings	5,077,458	19,601,972	8,425,338	72,816	13,502,796	19,674,788
Machinery and equipment	2,460,231	2,277,039	149,336	120,256	2,609,567	2,397,295
Vehicles	2,706,306	3,505,315	20,942	58,257	2,727,248	3,563,572
Right to use assets	1,107,667	350,190	311,240	231,558	1,418,907	581,748
Total capital assets, net	$ 86,678,481	$ 63,796,397	$ 45,747,281	$ 35,427,224	$ 132,425,762	$ 99,223,621

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 $51,423,375. The table below reflects the outstanding debt at September 30, 2024. 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	
	2024	2023	2024	2023	2024	2023
General obligation bonds	$ 18,185,000	$ 20,595,000	$ -	$ -	$ 18,185,000	$ 20,595,000
Tax notes	20,040,000	8,960,000	-	-	20,040,000	8,960,000
Premium on bonds	2,119,519	1,271,002	-	-	2,119,519	1,271,002
OPEB liabilities	3,269,295	3,000,616	363,254	333,400	3,632,549	3,334,016
Net pension liability	5,080,066	5,943,182	594,693	695,733	5,674,759	6,638,915
Lease liability on right to use assets	882,721	95,277	303,383	232,966	1,186,104	328,243
Subscription liability on right to use assets	99,527	126,290	-	-	99,527	126,290
Compensated absences	442,784	465,869	43,133	37,330	485,917	503,199
Total long-term liabilities	$ 50,118,912	$ 40,457,236	$ 1,304,463	$ 1,299,429	$ 51,423,375	$ 41,756,665

Overall, the City's debt increased by $9,666,710 or approximately 23%. The key factors to the net change are as follows:

- Issuance of $13,140,000 Tax Notes
- Proceeds from right to use lease and subscription assets of $1,194,364

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 2024-2025 fiscal year. The City os finishing up recovery efforts from Hurricane Harvey. All final projects needed to complete recovery will be underway in fiscal year 2024-2025.

The tax rate for the 2025 year has decreased to 0.191962 cents per hundred. The tax rate has been split with 0.097227 for maintenance and operations and 0.094735 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 2024-2025 with an estimated fund balance of $8,587,965. This is approximately 36% 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.

THE CITY OF PORT ARANSAS

BASIC FINANCIAL STATEMENTS

THE CITY OF PORT ARANSAS

CITY OF PORT ARANSAS, TEXAS

STATEMENT OF NET POSITION

September 30, 2024

	Primary Government		
ASSETS	Governmental Activities	Business-Type Activities	Total
Pooled cash and investments	$ 70,945,377	$ 844,648	$ 71,790,025
Receivables (net of allowance)	1,931,728	98,636	2,030,364
Internal balances	1,091,077	(1,091,077)	-
Inventories	16,161	-	16,161
Prepaids	24,019	-	24,019
Lease receivable	675,909	-	675,909
Restricted assets:			
Cash and cash equivalents	75,350	-	75,350
Capital assets not being depreciated:			
Land	12,900,075	-	12,900,075
Construction in progress	33,373,965	25,453,388	58,827,353
Capital assets net of accumulated depreciation:			
Infrastructure	29,052,779	11,387,037	40,439,816
Buildings	5,077,458	8,425,338	13,502,796
Machinery and equipment	2,460,231	149,336	2,609,567
Vehicles	2,706,306	20,942	2,727,248
Right to use assets	1,107,667	311,240	1,418,907
Total capital assets	86,678,481	45,747,281	132,425,762
Total assets	161,438,102	45,599,488	207,037,590
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	2,718,135	311,667	3,029,802
LIABILITIES			
Accounts payable	5,770,932	601,158	6,372,090
Accrued wages payable	274,689	32,726	307,415
Accrued interest payable	191,151	-	191,151
Unearned revenues	39,402	95	39,497
Customer meter deposits	-	270,059	270,059
Noncurrent liabilities:			
Due within one year	5,696,502	44,002	5,740,504
Due in more than one year	44,422,410	1,260,461	45,682,871
Total liabilities	56,395,086	2,208,501	58,603,587
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	3,064,024	266,895	3,330,919
NET POSITION			
Net investment in capital assets	74,076,811	45,443,898	119,520,709
Restricted for:			
Culture and recreation	1,679,101	-	1,679,101
Debt service	283,226	-	283,226
Economic development	8,286,881	-	8,286,881
Public safety	399,228	-	399,228
Fire	1,000,000	-	1,000,000
Opioid abatement	11,633	-	11,633
Unrestricted	18,960,247	(2,008,139)	16,952,108
Total net position	$ 104,697,127	$ 43,435,759	$ 148,132,886

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, 2024

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General administration	$ 10,455,475	$ 2,424,898	$ 11,633	$ -
Legal	148,273	-	-	-
Financial administration	415,319	-	-	-
Public facilities	1,426,906	913,152	-	3,524,000
Public safety	8,512,511	1,342,919	2,397,257	12,002,764
Public transporation	233,375	245,333	-	-
Culture and recreation	9,767,576	2,425,653	748,484	-
Interest on long-term debt	1,252,841	-	-	-
Total governmental activities	32,212,276	7,351,955	3,157,374	15,526,764
Business-type activities:				
Gas	1,609,054	1,564,921	-	-
Sanitation	2,066,013	1,280,236	-	-
Harbor	1,672,049	1,690,094	-	-
Total business-type activities	5,347,116	4,535,251	-	-
Total primary government	$ 37,559,392	$ 11,887,206	$ 3,157,374	$ 15,526,764

General revenues:

Taxes:

Property taxes, levies for general purposes

Sales taxes

Franchise taxes

Hotel/motel taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (8,018,944)	$ -	$ (8,018,944)
(148,273)	-	(148,273)
(415,319)	-	(415,319)
3,010,246	-	3,010,246
7,230,429	-	7,230,429
11,958	-	11,958
(6,593,439)	-	(6,593,439)
(1,252,841)	-	(1,252,841)
(6,176,183)	-	(6,176,183)
-	(44,133)	3,129,842
-	(785,777)	2,560,472
-	18,045	3,380,188
-	(811,865)	9,070,502
(6,176,183)	(811,865)	2,894,319
10,522,910	-	10,522,910
3,885,154	-	3,885,154
633,509	-	633,509
12,901,234	-	12,901,234
3,762,764	55,373	3,818,137
238,337	1,442	239,779
(9,840,300)	9,840,300	-
22,103,608	9,897,115	32,000,723
15,927,425	9,085,250	25,012,675
88,769,702	34,350,509	123,120,211
$ 104,697,127	$ 43,435,759	$ 148,132,886

CITY OF PORT ARANSAS, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2024

	General Fund	Beach Fund	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund
ASSETS				
Cash and investments	$ 14,832,684	$ 8,067,641	$ 566,895	$ 12,133,713
Receivables (net)	640,385	300,361	379	-
Due from other funds	1,091,077	-	-	-
Restricted cash and cash equivalents	75,350	-	-	-
Inventories	-	-	-	-
Prepaid expenses	23,941	-	-	-
Lease receivable	-	-	-	-
Total assets	$ 16,663,437	$ 8,368,002	$ 567,274	$ 12,133,713
LIABILITIES				
Accounts payable and accrued liabilities	$ 648,326	$ 46,853	$ 567,214	$ 238,138
Accrued wages payable	205,764	34,328	-	9,274
Due to other funds	-	-	-	-
Deferred revenues	39,402	-	-	-
Total liabilities	893,492	81,181	567,214	247,412
DEFERRED INFLOWS OF RESOURCES				
Deferred property leases	-	-	-	-
Deferred property taxes	118,876	-	-	-
Total deferred inflows of resources	118,876	-	-	-
FUND BALANCES				
Nonspendable:				
Prepaid items	23,941	-	-	-
Inventories	-	-	-	-
Restricted:				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Economic development	-	8,286,821	60	-
Fire	1,000,000	-	-	-
Public safety	-	-	-	-
Opioid abatement	11,633	-	-	-
Committed:				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Public transporation	-	-	-	-
Unassigned	14,615,495	-	-	11,886,301
Total fund balances	15,651,069	8,286,821	60	11,886,301
Total liabilities, deferred inflows of resources and fund balances	$ 16,663,437	$ 8,368,002	$ 567,274	$ 12,133,713

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

Airport Fund	Debt Service Fund	Hurricane Harvey Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ (223,592)	$ 283,226	$ 1,191,578	$ 29,124,902	$ 4,968,330	$ 70,945,377
39,387	57,488	-	743,964	149,764	1,931,728
-	-	-	-	62,647	1,153,724
-	-	-	-	-	75,350
16,161	-	-	-	-	16,161
-	-	-	-	78	24,019
675,909	-	-	-	-	675,909
$ 507,865	$ 340,714	$ 1,191,578	$ 29,868,866	$ 5,180,819	$ 74,822,268
$ 26,876	$ -	$ 2,607,824	$ 1,143,769	$ 491,932	$ 5,770,932
812	-	-	-	24,511	274,689
-	-	-	-	62,647	62,647
-	-	-	-	-	39,402
27,688	-	2,607,824	1,143,769	579,090	6,147,670
667,040	-	-	-	-	667,040
-	57,488	-	-	-	176,364
667,040	57,488	-	-	-	843,404
-	-	-	-	78	24,019
16,161	-	-	-	-	16,161
-	-	-	28,725,097	-	28,725,097
-	-	-	-	1,679,101	1,679,101
-	283,226	-	-	-	283,226
-	-	-	-	-	8,286,881
-	-	-	-	-	1,000,000
-	-	-	-	399,228	399,228
-	-	-	-	-	11,633
-	-	-	-	748,185	748,185
-	-	-	-	814,602	814,602
-	-	-	-	834,238	834,238
(203,024)	-	(1,416,246)	-	126,297	25,008,823
(186,863)	283,226	(1,416,246)	28,725,097	4,601,729	67,831,194
$ 507,865	$ 340,714	$ 1,191,578	$ 29,868,866	$ 5,180,819	$ 74,822,268

CITY OF PORT ARANSAS, TEXAS

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

September 30, 2024

Total fund balances - governmental funds	$ 67,831,194
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.	86,678,481
Add property taxes deferred inflows unavailable to pay for current period expenditures.	176,364
Subtract long-term assets/liabilities unavailable to pay for current period expenditures.	321,151
Subtract long-term liabilities, including bonds payable, which are not due and payable in the current period.	(50,310,063)
Net position of governmental activities	$ 104,697,127

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

THE CITY OF PORT ARANSAS

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2024

	General Fund	Beach Fund	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund
Revenues:				
Taxes				
Property	$ 6,193,831	$ -	$ -	$ -
Sales	2,590,102	-	-	-
Franchise fees	633,509	-	-	-
Hotel/motel	-	2,743,736	4,584,202	5,573,296
Intergovernmental	1,511,392	459,585	-	-
Licenses and permits	1,491,823	1,266,636	-	-
Charges for services	1,983,254	-	-	25,765
Fines and forfeitures	437,012	-	-	-
Interest	1,029,440	415,167	-	772,285
Opioid abatement	11,633	-	-	-
Miscellaneous	122,981	1,847	-	-
Total revenues	16,004,977	4,886,971	4,584,202	6,371,346
Expenditures:				
Current:				
General administration	3,763,612	-	4,715,954	-
Legal	148,407	-	-	-
Financial administration	415,695	-	-	-
Public facilities	1,207,643	-	-	-
Public safety	6,515,706	-	-	-
Public transportation	202,944	-	-	-
Culture and recreation	1,151,055	3,779,705	-	1,118,058
Capital outlay	2,025,691	379,801	-	2,599,225
Debt service:				
Principal	166,079	45,037	-	6,443
Interest and other charges	9,583	3,466	-	435
Total expenditures	15,606,415	4,208,009	4,715,954	3,724,161
Excess/(deficiency) of revenues over (under) expenditures	398,562	678,962	(131,752)	2,647,185
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(4,347,745)	(120,000)	-	(5,122,755)
Proceeds from right to use leases/subscriptions	554,182	287,379	-	47,038
Proceeds of bond	-	-	-	-
Premium	-	-	-	-
Total other financing sources	(3,793,563)	167,379	-	(5,075,717)
Net change in fund balances	(3,395,001)	846,341	(131,752)	(2,428,532)
Fund balances - beginning	19,046,070	7,440,480	131,812	14,314,833
Fund balances - ending	$ 15,651,069	$ 8,286,821	$ 60	$ 11,886,301

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

	Airport Fund	Debt Service Fund	Hurricane Harvey Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
	$ -	$ 4,302,108	$ -	$ -	$ -	$ 10,495,939
	-	-	-	-	1,295,052	3,885,154
	-	-	-	-	-	633,509
	-	-	-	-	-	12,901,234
	36,787	-	14,397,234	3,524,000	244,049	20,173,047
	-	-	-	-	-	2,758,459
	241,627	-	-	-	18,252	2,268,898
	-	-	-	-	339,238	776,250
	20	32,602	-	1,296,188	217,062	3,762,764
	-	-	-	-	-	11,633
	9,809	-	-	-	38,271	172,908
	288,243	4,334,710	14,397,234	4,820,188	2,151,924	57,839,795
	-	-	-	-	17,683	8,497,249
	-	-	-	-	-	148,407
	-	-	-	-	-	415,695
	-	-	-	-	-	1,207,643
	-	-	572,495	-	78,184	7,166,385
	-	-	-	-	29,220	232,164
	256,461	-	-	-	1,580,022	7,885,301
	327,087	-	14,361,249	7,211,407	1,287,339	28,191,799
	2,009	4,470,000	87,936	-	11,313	4,788,817
	2,991	1,375,315	180	165,358	846	1,558,174
	588,548	5,845,315	15,021,860	7,376,765	3,004,607	60,091,634
	(300,305)	(1,510,605)	(624,626)	(2,556,577)	(852,683)	(2,251,839)
	-	1,408,087	4,347,745	-	1,348,817	7,104,649
	-	-	(6,751,837)	-	(602,612)	(16,944,949)
	165,453	-	-	-	86,705	1,140,757
	-	-	-	13,140,000	-	13,140,000
	-	-	-	1,125,358	-	1,125,358
	165,453	1,408,087	(2,404,092)	14,265,358	832,910	5,565,815
	(134,852)	(102,518)	(3,028,718)	11,708,781	(19,773)	3,313,976
	(52,011)	385,744	1,612,472	17,016,316	4,621,502	64,517,218
	$ (186,863)	$ 283,226	$ (1,416,246)	$ 28,725,097	$ 4,601,729	$ 67,831,194

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, 2024

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances-total governmental funds	$ 3,313,976
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.	22,882,084
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).	26,971
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	4,470,000
Lease liability on right to use assets	318,817
Subscription liability on right to use assets	61,259
Amortization of bond premiums	276,841
Issuance of bonds	(13,140,000)
Issuance of premium	(1,125,358)
Proceeds from lease and subscription right to use assets	(1,140,757)
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 were less the actuarially determined pension expense.	(799)
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 were less the actuarially determined OPEB expense.	(67,186)
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	23,085
Interest expense	28,492
Change in net position of governmental activities	$ 15,927,425

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, 2024

	Business-Type Activities - Enterprise Funds			
	Gas	Harbor	Sanitation	Total
ASSETS				
Current assets:				
Cash and investments	$ 769,927	$ -	$ 74,721	$ 844,648
Receivables (net)	3,946	59,399	35,291	98,636
Total current assets	773,873	59,399	110,012	943,284
Noncurrent assets:				
Capital assets:				
Construction in progress	25,453,388	-	-	25,453,388
Infrastructure	1,216,322	19,701,320	507,618	21,425,260
Buildings	53,133	8,529,643	35,787	8,618,563
Machinery and equipment	248,257	56,822	299,462	604,541
Vehicles	215,027	36,698	-	251,725
Right to use assets	63,161	285,174	4,239	352,574
Total capital assets	27,249,288	28,609,657	847,106	56,706,051
Less accumulated depreciation	(1,397,384)	(9,160,340)	(401,046)	(10,958,770)
Total noncurrent assets	25,851,904	19,449,317	446,060	45,747,281
Total assets	26,625,777	19,508,716	556,072	46,690,565
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources	190,093	97,325	24,249	311,667
LIABILITIES				
Current liabilities				
Accounts payable	100,629	448,722	51,807	601,158
Accrued wages	20,372	10,717	1,637	32,726
Due to other funds	-	1,091,077	-	1,091,077
Compensated absences	7,589	2,512	682	10,783
Deferred revenue	95	-	-	95
Customer meter deposits	258,659	11,400	-	270,059
Total current liabilities	387,344	1,564,428	54,126	2,005,898
Noncurrent liabilities:				
Compensated absences	22,767	7,537	2,046	32,350
Lease liabilities	44,556	257,764	1,063	303,383
Other postemployment benefits	217,953	108,976	36,325	363,254
Net pension liability	366,500	190,394	37,799	594,693
Total noncurrent liabilities	651,776	564,671	77,233	1,293,680
Total liabilities	1,039,120	2,129,099	131,359	3,299,578
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	160,316	80,291	26,288	266,895
NET POSITION				
Net investment in capital assets	25,807,348	19,191,553	444,997	45,443,898
Unrestricted	(190,914)	(1,794,902)	(22,323)	(2,008,139)
Total net position	$ 25,616,434	$ 17,396,651	$ 422,674	$ 43,435,759

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, 2024

	Business-Type Activities - Enterprise Funds			
	Gas	Harbor	Sanitation	Total
Operating revenues:				
Charges for sales and services	$ 1,564,921	$ 1,280,236	$ 1,690,094	$ 4,535,251
Total operating revenues	1,564,921	1,280,236	1,690,094	4,535,251
Operating expenses:				
Personnel services	814,248	477,252	66,679	1,358,179
Supplies and other services and charges	711,684	553,117	1,491,765	2,756,566
Depreciation	83,122	1,035,644	113,605	1,232,371
Total operating expenses	1,609,054	2,066,013	1,672,049	5,347,116
Operating income (loss)	(44,133)	(785,777)	18,045	(811,865)
Nonoperating revenues (expenses):				
Investment revenue	44,800	-	10,573	55,373
Sale of assets	6,928	-	-	6,928
Interest expense	-	(4,273)	(2,106)	(6,379)
Other income (expense)	208	685	-	893
Total nonoperating revenues (expenses)	51,936	(3,588)	8,467	56,815
Net income (loss) before transfers	7,803	(789,365)	26,512	(755,050)
Transfers in	6,751,837	3,546,338	120,000	10,418,175
Transfers out	-	(577,875)	-	(577,875)
Change in net position	6,759,640	2,179,098	146,512	9,085,250
Net position - beginning	18,856,794	15,217,553	276,162	34,350,509
Net position - ending	$ 25,616,434	$ 17,396,651	$ 422,674	$ 43,435,759

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, 2024

	Business-Type Activities Enterprise Funds			
	Gas	Harbor	Sanitation	Totals Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 1,580,613	$ 1,393,862	$ 1,694,538	$ 4,669,013
Payments to suppliers	(801,390)	(1,832,925)	(1,666,475)	(4,300,790)
Payments to employees	(800,866)	(469,829)	(66,901)	(1,337,596)
Net cash provided by (used in) operating activities	(21,643)	(908,892)	(38,838)	(969,373)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal grants and contributions	-	2,465,517	-	2,465,517
Sale of fixed assets	6,928	-	-	6,928
Transfers from other funds	6,751,837	3,546,338	120,000	10,418,175
Transfers to other funds	-	(577,875)	-	(577,875)
Net cash provided by (used in) noncapital financing activities	6,758,765	5,433,980	120,000	12,312,745
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES				
Purchases of capital assets and construction in progress	(6,989,951)	(4,547,734)	(13,850)	(11,551,535)
Interest paid	-	(4,273)	(2,106)	(6,379)
IssuancePayment on right to use leases, net	44,556	26,919	(1,058)	70,417
Net cash provided by (used in) capital and related financing activities	(6,945,395)	(4,525,088)	(17,014)	(11,487,497)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and investment revenue received	44,800	-	10,573	55,373
Net cash provided by (used in) investing activities	44,800	-	10,573	55,373
Net increase (decrease) in cash and cash equivalents	(163,473)	-	74,721	(88,752)
Balances - beginning of year	933,400	-	-	933,400
Balances - end of year	$ 769,927	$ -	$ 74,721	$ 844,648
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (44,133)	$ (785,777)	$ 18,045	$ (811,865)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	83,122	1,035,644	113,605	1,232,371
Changes in assets and liabilities:				
Accounts receivable	1,735	113,106	4,444	119,285
Due to/from other funds	-	(414,761)	(194,974)	(609,735)
Accounts payable	(89,182)	(865,047)	20,205	(934,024)
Accrued wages	3,581	3,115	59	6,755
Customer deposits	13,957	520	-	14,477
Compensated absences	4,741	2,036	(974)	5,803
Pension and OPEB liabilities	4,536	2,272	752	7,560
Net cash provided by (used in) operating activities	$ (21,643)	$ (908,892)	$ (38,838)	$ (969,373)

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

THE CITY OF PORT ARANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

THE CITY OF PORT ARANSAS

(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.

(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 sheet. 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 *Airport Fund* is used to account for the fees and costs needed to operate the municipal airport.
- The *Debt Service Fund* is used to account for the resources needed to fund the City's debt service obligation on its outstanding bonds and tax notes.
- 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.

(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.

(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 (e.g., the current portion of interfund loans) or advances to/from other funds (e.g., 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, 2024, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2024, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2024, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2024. The property tax receivable allowance is equal to 5 percent of current outstanding property taxes on September 30, 2024, and 5 percent of delinquent outstanding property taxes on September 30, 2024. 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:

Type	Governmental Activities
Public Safety	$ 75,350

(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 (e.g., 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 (e.g., 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

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.

(1) Summary of significant accounting policies (continued)

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

The City implemented GASB Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the City's fund balance more transparent. The following classification descript the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *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.

- *Committed* – amounts that can be used only for specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

- *Assigned* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

- *Unassigned* – all other spendable amounts.

(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.

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.

(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	Business-Type Activities Gas	Harbor	Sanitation	Total
Deferred outflows of resources					
Deferred outflows from pension activities	$ 1,621,651	$ 116,993	$ 60,777	$ 12,066	$ 1,811,487
Deferred outflows related to OPEB	1,096,484	73,100	36,548	12,183	1,218,315
Total deferred outflows of resources	$ 2,718,135	$ 190,093	$ 97,325	$ 24,249	$ 3,029,802
Deferred inflows of resources					
Deferred inflows related to pensions	$ 94,412	$ 6,811	$ 3,538	$ 703	$ 105,464
Deferred inflows related to OPEB	2,302,572	153,505	76,753	25,585	2,558,415
Deferred inflows related to leases	667,040	-	-	-	667,040
Deferred inflows of resources	$ 3,064,024	$ 160,316	$ 80,291	$ 26,288	$ 3,330,919

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.

(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 ($50,310,063) difference are as follows:

Right to use payables	$ (982,248)
Bonds payable	(18,185,000)
Tax notes payable	(20,040,000)
Bond premium	(2,119,519)
OPEB liabilities	(3,269,295)
Net pension liability	(5,080,066)
Accrued interest payable	(191,151)
Compensated absences	(442,784)
	$ (50,310,063)

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 $86,678,481 difference are as follows:

Capital assets not being depreciated	$ 46,274,040
Capital assets being depreciated	86,374,536
Accumulated depreciation	(45,970,095)
Net adjustment to increase net changes in fund balances - total funds to arrive at changes in net position of governmental activities	$ 86,678,481

The governmental fund balance sheet incudes 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 $176,364 difference are as follows:

Property taxes receivable	$ 185,646
Allowance for doubtful accounts	(9,282)
Net	$ 176,364

(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 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 $321,151 difference is as follows:

GASB 68	
Deferred outflows of resources - pensions	$ 1,621,651
Deferred inflows of resources - pensions	(94,412)
GASB 75	
Deferred outflows of resources - TMRS	39,924
Deferred outflows of resources - Retiree health	1,056,560
Deferred inflows of resources - TMRS	(99,688)
Deferred inflows of resources - Retiree health	(2,202,884)
Net	$ 321,151

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 $22,882,084 difference are as follows:

Capital outlay - additions not being depreciated	$ 21,782,727
Capital outlay - additions being depreciated	6,409,072
Depreciation expense	(5,422,950)
Gain on disposals of assets	113,235
Net adjustment to increase net changes in fund balances - total funds to arrive at changes in net position of governmental activities	$ 22,882,084

(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.

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, 2024, the Airport Fund had a deficit of ($186,863) and the Hurricane Harvey Fund had a deficit of ($1,416,246). These deficits are expected to be liquidated with future resources of funds from federal and state assistance and reimbursement from other funds .

On September 30, 2024, the City has a deficit unrestricted net position in the gas, harbor, and sanitation enterprise funds of ($172,311), ($1,649,821), and ($22,323), respectively. This deficit is due to the District's implementation of accounting standards Statement No. 68 related to the net pension liability and Statement No. 75 related to other postemployment benefits liabilities.

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 compliance with the requirements of the Act and with local policies.

(4) Detailed notes on all funds

Deposits and investments (continued)

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, 2024, the City had a bank balance of $1,232,821 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 $9,943,429 and the FDIC coverage is $250,000. The City also has a balance of $160,138 with Value Bank of Texas and FDIC coverage of $250,000. The overall book balance of the City's bank balances on September 30, 2024, is $871,854.

Investments

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

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

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

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

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

(4) Detailed notes on all funds (continued)

Deposits and investments (continued)

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 (68% of portfolio), Texas Class (8% of portfolio), LOGIC (20% of portfolio), and certificates of deposits (2%).

As of September 30, 2024 the City had the following pooled and cash investments:

	Carrying Amount	Maturity (WAM) days	Rating
Cash on hand	$ 1,271	1	N/A
Cash in bank	871,854	1	N/A
Money market	15,033	1	N/A
TexPool	49,099,261	24	AAAm
Texas Class	5,998,161	49	AAAm
LOGIC	14,404,795	57	AAAm
Certificates of deposit	1,475,000	34	N/A
Total pooled cash and investments	$ 71,865,375		

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:

Receivables:	General	Beach	Hotel/ Motel Fund	Airport	Debt Service	Construction	Nonmajor Funds	Total Governmental Funds
Taxes - ad valorem	$ 125,133	$ -	$ -	$ -	$ 60,513	$ -	$ 119,514	$ 305,160
Taxes - sales	239,029	-	-	-	-	-	-	239,029
Intergovernmental	272,299	236,548	-	39,387	-	743,964	-	1,292,198
Accounts	-	-	-	-	-	-	-	-
Other	14,965	63,813	379	-	-	-	30,250	109,407
Gross receivables	651,426	300,361	379	39,387	60,513	743,964	149,764	1,945,794
Less allowances for uncollectibles	(11,041)	-	-	-	(3,025)	-	-	(14,066)
Net total receivables	$ 640,385	$ 300,361	$ 379	$ 39,387	$ 57,488	$ 743,964	$ 149,764	$ 1,931,728

(4) Detailed notes on all funds (continued)

Receivables:	Gas	Sanitation	Harbor	Total Enterprise Funds	Grand Total
Taxes - ad valorem	$ -	$ -	$ -	$ -	$ 305,160
Taxes - sales	-	-	-	-	239,029
Intergovernmental	-	-	-	-	1,292,198
Accounts	4,197	35,393	205,080	244,670	244,670
Other	-	-	-	-	109,407
Gross receivables	4,197	35,393	205,080	244,670	2,190,464
Less allowances for uncollectibles	(251)	(102)	(145,681)	(146,034)	(160,100)
Net total receivables	$ 3,946	$ 35,291	$ 59,399	$ 98,636	$ 2,030,364

The receivables are expected to be collected within one year.

Lease receivable

The City has entered into various (19) 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 3.935%. The leases have receipts that range from $2,100 to $4,620. The value of the lease receivable on September 30, 2024 is $675,909 and the City recognized lease revenue of $29,341 during the fiscal year.

Future minimum lease payments are as follows:

GOVERNMENTAL ACTIVITIES

Fiscal Year September 30,	Principal	Interest	Total
2025	$ 29,729	$ 14,306	$ 44,035
2026	30,314	13,721	44,035
2027	30,911	13,124	44,035
2028	31,522	12,513	44,035
2029	32,147	11,888	44,035
2030 - 2034	170,590	49,585	220,175
2035 - 2039	188,410	31,765	220,175
2040 - 2044	121,200	14,000	135,200
2045 - 2047	41,086	2,269	43,355
	$ 675,909	$ 163,171	$ 839,080

(4) Detailed notes on all funds (continued)

Capital assets

Capital asset activity for governmental activities for the year ended September 30, 2024, was as follows:

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 11,700,517	$ 1,199,558	$ -	$ 12,900,075
Construction in progress	12,790,796	20,583,169	-	33,373,965
Total capital assets, not being depreciated	24,491,313	21,782,727	-	46,274,040
Capital assets, being depreciated:				
Infrastructure	55,095,305	4,250,920	-	59,346,225
Buildings	10,373,763	24,524	-	10,398,287
Machinery and equipment	7,126,579	909,876	(6,095)	8,030,360
Vehicles	7,220,379	82,996	(400,569)	6,902,806
Right to use lease assets	270,302	1,106,071	-	1,376,373
Right to use subscription assets	376,688	34,685	(90,888)	320,485
Total capital assets being depreciated	80,463,016	6,409,072	(497,552)	86,374,536
Less accumulated depreciation for:				
Infrastructure	(27,637,009)	(2,656,437)	-	(30,293,446)
Buildings	(4,659,517)	(661,312)	-	(5,320,829)
Machinery and equipment	(4,833,597)	(742,627)	6,095	(5,570,129)
Vehicles	(3,731,009)	(979,295)	513,804	(4,196,500)
Right to use lease assets	(174,076)	(265,667)	-	(439,743)
Right to use subscription assets	(122,724)	(117,612)	90,888	(149,448)
Total accumulated depreciation	(41,157,932)	(5,422,950)	610,787	(45,970,095)
Total capital assets being depreciated, net	39,305,084	986,122	113,235	40,404,441
Governmental activities capital assets, net	$ 63,796,397	$ 22,768,849	$ 113,235	$ 86,678,481

(4) Detailed notes on all funds (continued)

Capital assets (continued)

Capital asset activity for business-type activities for the year ended September 30, 2024, was as follows:

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 24,465,847	$ 6,890,603	$ (5,903,062)	$ 25,453,388
Total capital assets, not being depreciated	24,465,847	6,890,603	(5,903,062)	25,453,388
Capital assets, being depreciated:				
Infrastructure	19,465,822	1,966,177	(6,739)	21,425,260
Buildings	288,418	8,414,100	(83,955)	8,618,563
Machinery and equipment	535,135	100,138	(30,732)	604,541
Vehicles	258,400	-	(6,675)	251,725
Right to use lease assets	252,374	100,200	-	352,574
Total capital assets being depreciated	20,800,149	10,580,615	(128,101)	31,252,663
Less accumulated depreciation for:				
Infrastructure	(8,987,332)	(1,057,632)	6,741	(10,038,223)
Buildings	(215,602)	(36,083)	58,460	(193,225)
Machinery and equipment	(414,879)	(69,641)	29,315	(455,205)
Vehicles	(200,143)	(48,497)	17,857	(230,783)
Right to use lease assets	(20,816)	(20,518)	-	(41,334)
Total accumulated depreciation	(9,838,772)	(1,232,371)	112,373	(10,958,770)
Total capital assets being depreciated, net	10,961,377	9,348,244	(15,728)	20,293,893
Business-type activities capital assets, net	$ 35,427,224	$ 16,238,847	$ (5,918,790)	$ 45,747,281

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

Governmental Activities	
General administration	$ 1,959,177
Public facilities	220,354
Public safety	1,354,020
Culture and recreation	1,889,399
Total depreciation expense - governmental activities	$ 5,422,950
Business-Type Activities	
Gas	$ 83,122
Harbor	1,035,644
Sanitation	113,605
Total depreciation expense - business-type activities	$ 1,232,371

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

(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 City had the below interfund balances as September 30, 2024:

	Due To	Due From
General Fund	$ -	$ 1,091,077
Winter Storm Uri Fund	62,647	-
Harbor Fund	1,091,077	-
Street Maintenance Fund	-	62,647
Total	$ 1,153,724	$ 1,153,724

Interfund 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.

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(4) Detailed notes on all funds (continued)

Interfund balances and transfers (continued)

In the year ended September 30, 2024, the government made the following one-time transfers:

	Transfers In	Transfers Out
General Fund		
Hurricane Harvey	$ -	$ 4,347,745
Total General Fund	-	4,347,745
Beach Fund		
Sanitation Fund	-	120,000
Total Beach Fund	-	120,000
Hurricane Harvey Fund		
General Fund	4,347,745	-
Gas Fund	-	6,751,837
Total Hurricane Harvey Fund	4,347,745	6,751,837
Debt Service Fund		
Impact Fees Zone 1	533,012	-
Impact Fees Zone 2	69,600	-
Hotel/Motel Special Revenue Fund	227,600	-
Harbor Fund	577,875	-
Total Debt Service Fund	1,408,087	-
Hotel/Motel Special Revenue Fund		
Nature Preserve Fund	-	403,746
Harbor Fund	-	3,546,338
Debt Service Fund	-	227,600
Recreational Development Fund	-	945,071
Total Hotel/Motel Special Revenue Fund	-	5,122,755
Nonmajor Governmental Funds		
Impact Fees Zone 1	-	533,012
Impact Fees Zone 2	-	69,600
Drainage Impact Fees	-	-
Recreational Development Fund	945,071	-
Nature Preserve Fund	403,746	-
Total Nonmajor Governmental Funds	1,348,817	602,612
Harbor Fund		
Debt Service Fund	-	577,875
Construction Fund	-	-
Hotel/Motel Special Revenue Fund	3,546,338	-
Total Harbor Fund	3,546,338	577,875
Gas Fund		
Hurricane Harvey Fund	6,751,837	-
Total Gas Fund	6,751,837	-
Sanitation Fund		
Beach Fund	120,000	-
Total Sanitation Fund	120,000	-
Total Funds	$ 17,522,824	$ 17,522,824

(4) Detailed notes on all funds (continued)

Long-term liabilities

Right to use lease obligations

On September 30, 2024, the City had 31 active leases. The leases have payments that range from $257 to $88,116 and interest rates that range from 0.3280% to 3.1440%. As of September 30, 2024, the total combined value of the lease liability is $1,186,104, the total combined value of the short-term lease liability is $298,624. The combined value of the right to use asset, as of September 30, 2024, of $1,1728,947 with accumulated amortization of $481,077. The leases had $-0- of variable payments and $-0- of other payments within the fiscal year.

Future minimum lease payments for these leases are as follows:

Fiscal Year September 30,	GOVERNMENTAL ACTIVITIES Principal	Interest	Total	BUSINESS-TYPE ACTIVITIES Principal	Interest	Total
2025	$ 265,405	$ 18,445	$ 283,850	$ 33,219	$ 6,027	$ 39,246
2026	259,913	11,779	271,692	32,988	5,190	38,178
2027	178,608	5,518	184,126	30,555	4,344	34,899
2028	32,381	2,981	35,362	15,866	3,753	19,619
2029	2,744	2,756	5,500	8,469	3,531	12,000
2030 - 2034	17,372	12,878	30,250	44,756	15,244	60,000
2035 - 2039	22,211	11,064	33,275	49,055	10,945	60,000
2040 - 2044	27,836	8,766	36,602	53,766	6,234	60,000
2045 - 2049	34,357	5,906	40,263	34,709	1,293	36,002
2050 - 2054	41,894	2,395	44,289	-	-	-
	$ 882,721	$ 82,488	$ 965,209	$ 303,383	$ 56,561	$ 359,944

Right to use subscriptions obligations

On September 30, 2024, the City had 4 active subscriptions. The subscriptions have payments that range from $11,000 to $39,450 and interest rates that range from 2.68% - 3.63%. The total combined value of the subscription liability is $99,527 and the total value of the short-term subscription liability is $48,560 at 09/30/2024. The combined value of the right to use asset, as of September 30, 2024, is $320,485 with accumulated amortization of $149,448. The subscriptions had $-0- of variable payments and $-0- of other payments within the fiscal year.

Future minimum lease payments for these leases are as follows:

Fiscal Year September 30,	Governmental Activities Principal	Interest	Total
2026	$ 48,560	$ 29,890	$ 78,450
2027	50,967	1,484	52,451
	$ 99,527	$ 31,374	$ 130,901

(4) Detailed notes on all funds (continued)

Long-term liabilities

Certificates of obligation, general obligation bonds, and tax notes

The City issues certificates of obligation, general obligation bonds, and tax notes to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation, general obligation bonds, and tax notes have been issued for governmental activities. The certificates of obligation bonds are direct obligations and pledge the full faith and credit of the City.

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

Governmental Activities	Date of Issuance	Original Amount of Issuance	Interest Rate to Maturity	Maturity Date	Balances Sept. 30, 2024
General Obligation Debt:					
General Obligation Bonds, Series 2012	2/1/2012	$ 6,400,000	1.75-2.125%	2/1/2027	$ 1,605,000
General Obligation Bonds, Series 2017	2/15/2017	4,380,000	2.70-4.00	2/1/2032	2,645,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	10/1/2014	1,685,000	2.49	2/1/2029	185,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	11/15/2017	6,300,000	3.00	2/1/2033	4,545,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2021	3/17/2021	2,695,000	2.00-3.00	9/30/2036	2,390,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2022	2/16/2022	885,000	2.00-4.00	2/1/2037	795,000
General Obligation Bonds, Series 2023	4/19/2023	6,020,000	4.00-5.00	2/1/1938	6,020,000
Total bonded debt					18,185,000
Tax Notes, Series 2021	3/18/2021	1,790,000	2.00-3.00	2/1/2028	1,065,000
Tax Notes, Series 2022	9/28/2022	9,115,000	2.62-2.85	2/1/2029	6,455,000
Tax Notes, Series 2024	1/10/2024	13,140,000	5.00	3/1/2030	12,520,000
Total tax notes					20,040,000
Total long-term debt					$ 38,225,000

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

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

General Obligation Bonds

Year Ending September 30,	Governmental Activities Principal	Interest	Total
2025	$ 1,905,000	$ 593,954	$ 2,498,954
2026	1,910,000	536,967	2,446,967
2027	1,915,000	477,452	2,392,452
2028	1,410,000	420,705	1,830,705
2029	1,465,000	367,830	1,832,830
2030-2034	6,770,000	1,062,398	7,832,398
2035-2038	2,810,000	202,125	3,012,125
	$ 18,185,000	$ 3,661,431	$ 21,846,431
Average annual requirements			$ 1,560,459

Certificates of obligation, general obligation bonds, and tax notes (continued)

Debt service requirements on tax notes are as follows:

Tax Notes

Year Ending September 30,	Governmental Activities Principal	Interest	Total
2025	$ 3,090,000	$ 773,820	$ 3,863,820
2026	3,485,000	644,820	4,129,820
2027	3,630,000	501,190	4,131,190
2028	3,780,000	350,528	4,130,528
2029	3,650,000	196,826	3,846,826
2030-2034	2,405,000	60,125	2,465,125
	$ 20,040,000	$ 2,527,309	$ 22,567,309
Average annual requirements			$ 2,256,731

(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, 2024:

	Beginning Balance	Additions	Retirements/ Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
General obligation bonds	$ 20,595,000	$ -	$ (2,410,000)	$ 18,185,000	$ 1,905,000	$ 16,280,000
Tax notes	8,960,000	13,140,000	(2,060,000)	20,040,000	3,090,000	16,950,000
Bond premiums	1,271,002	1,125,358	(276,841)	2,119,519	276,841	1,842,678
Total long-term debt	30,826,002	14,265,358	(4,746,841)	40,344,519	5,271,841	35,072,678
Other long-term liabilities:						
OPEB liability - TMRS	288,555	20,276	-	308,831	-	308,831
OPEB liability - Retiree Health	2,712,061	248,403	-	2,960,464	-	2,960,464
Net pension liabilty - TMRS	5,943,182	-	(863,116)	5,080,066	-	5,080,066
Right to use lease liability	95,277	1,059,479	(272,035)	882,721	265,405	617,316
Right to use subscription liability	126,290	34,685	(61,448)	99,527	48,560	50,967
Compensated absences	465,869	118,163	(141,248)	442,784	110,696	332,088
Total other long-term liabilities	9,631,234	1,481,006	(1,337,847)	9,774,393	424,661	9,349,732
Total governmental activities	40,457,236	15,746,364	(6,084,688)	50,118,912	5,696,502	44,422,410
Business-type activities:						
OPEB liability - TMRS	32,061	2,253	-	34,314	-	34,314
OPEB liability - Retiree Health	301,339	27,601	-	328,940	-	328,940
Net pension liability	695,733	-	(101,040)	594,693	-	594,693
Right to use lease liability	232,966	100,200	(29,783)	303,383	33,219	270,164
Compensated absences	37,330	15,136	(9,333)	43,133	10,783	32,350
Total business-type activities	1,299,429	145,190	(140,156)	1,304,463	44,002	1,260,461
Total long-term liabilities	$ 41,756,665	$ 15,891,554	$ (6,224,844)	$ 51,423,375	$ 5,740,504	$ 45,682,871

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.

(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.

(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.

Contingent liabilities

On September 30, 2024, the City had contracts for construction in progress projects not completed in the amount of $26,262,739. These projects are for the Public Safety building, the Fire/EMS station, the Gas office and system, the Nature Preserve Phase II trails, Roberts Point playground, the Community Park Alister, and the 2023 Street Bonds for various City streets.

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 934 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, Governor-appointed, 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.

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

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	7.00%
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

At December 31, 2023 valuation and measurement date, the following employees were covered by benefit terms:

Active employees	138
Inactive employees or beneficiaries currently receiving benefits	70
Inactive employees entitled to but not yet receiving benefits	81
Total	289

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 7% of their annual compensation during the fiscal year. The contribution rates for the City were 14.40% and 15.29% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were $1,408,790 and were equal to the required contributions.

Net pension liability – The City's net pension liability (NPL) was measured as of December 31, 2023 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, 2023 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

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

Actuarial assumptions (continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the 110% of Public Safety table used for males and the 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are 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 the most recent scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 through December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.00%	6.70%
Core fixed income	6.00%	4.70%
Non-core fixed income	20.00%	8.00%
Other private and public markets	12.00%	8.00%
Real estate	12.00%	7.60%
Hedge funds	5.00%	6.40%
Private equity	10.00%	11.60%
Total	100.00%	

(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 lability.

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2022	$ 25,025,248	$ 18,386,333	$ 6,638,915
Changes for the year:			
Service cost	1,528,718	-	1,528,718
Interest	1,705,553	-	1,705,553
Changes of benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	(24,907)	-	(24,907)
Changes of assumptions	(123,605)	-	(123,605)
Contributions - employer	-	1,300,267	(1,300,267)
Contributions - employee	-	632,075	(632,075)
Net investment income	-	2,131,206	(2,131,206)
Benefit payments, including refunds of employee contributions	(1,044,296)	(1,044,296)	-
Administrative expenses	-	(13,538)	13,538
Other changes	-	(95)	95
Net changes	2,041,463	3,005,619	(964,156)
Balance at 12/31/2023	$ 27,066,711	$ 21,391,952	$ 5,674,759

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	$ 9,696,966	$ 5,674,759	$ 2,389,250

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.

(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, 2024, the City recognized pension expense of $1,409,680.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 293,976	$ 17,687
Changes in actuarial assumptions	-	87,777
Difference between projected and actual earnings on investment earnings	458,488	-
Contributions subsequent to the measurement date	1,059,023	-
Total	$ 1,811,487	$ 105,464

$1,059,023 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

September 30,	Net Deferred Outflows/(Inflows)
2025	$ 278,656
2026	206,289
2027	340,080
2028	(178,025)
2029	-
Thereafter	-
Total	$ 647,000

(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 unfunded 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	$3,289,404	$ 343,145	$ 3,632,549
Deferred outflows of resources	1,173,956	44,359	1,218,315
Deferred inflows of resources	2,447,649	110,765	2,558,414
OPEB expense	121,079	14,697	135,776

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, 2024, the following employees were covered by the benefit terms:

Retirees currently receiving benefits	10
Inactive employees entitled to but not receiving benefits	-
Active employees	136
Total	146

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

OPEB liability

The City's OPEB liability of $3,289,404 was measured as of September 30, 2024, and was determined by an actuarial valuation as of September 30, 2024.

Changes in the total OPEB liability:

Balance at September 30, 2023	$ 3,013,400
Changes for the year:	
Service cost	195,004
Interest on total OPEB liability	155,040
Changes of benefit terms	-
Difference between expected and actual experience	(468,450)
Changes of assumptions	444,064
Benefit payments	(49,654)
Net changes	276,004
Balance at September 30, 2024	$ 3,289,404

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 4.06%, 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 (3.06%) or 1-percentage-point higher (5.06%) than the current rate:

	1% Decrease (3.06%)	Current Discount Rate (4.06%)	1% Increase (5.06%)
OPEB liability	$ 2,752,972	$ 3,289,404	$ 3,974,071

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 (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rates:

	1% Decrease (3.50%)	Current Healthcare Cost Trend Rate Assumption (4.50%)	1% Increase (5.50%)
OPEB liability	$ 2,684,592	$ 3,289,404	$ 4,085,759

(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, 2024, the City reported OPEB expense of $121,079 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	$ 548,077	$ 1,232,956
Changes in actuarial assumptions	625,879	1,214,693
Contributions made subsequent to the measurement date	-	-
Total	$ 1,173,956	$ 2,447,649

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 September 30,	Net Deferred Outflows/(Inflows)
2025	$ (228,965)
2026	(228,965)
2027	(326,746)
2028	(316,806)
2029	(141,367)
Thereafter	(30,844)
	$ (1,273,693)

Actuarial valuation information:

Actuarial assumptions and other inputs - the OPEB liability in the September 30, 2024, 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 scale	3.50%
Discount rate	4.06%

The discount rate was based on the average of the September 30, 2024, 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.

(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 4.87% to 4.06% 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 (e.g., 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 0.36% and 0.36% for calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2024 were $22,210 and were equal to the required contributions.

At December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	138
Inactive employees currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	18
Total	206

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

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of $343,145 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 2023 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	3.60% to 11.85% including inflation
Discount rate *	3.77%
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 Retires of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent scale MP-2021.
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 MP-2021 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, 2023.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 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, 2022	$	320,616
Changes for the year:		
Service cost		18,962
Interest on the total OPEB liability		13,131
Changes of benefit terms		-
Differences between expected and actual experience		(14,356)
Changes of assumptions		16,532
Benefit payments*		(11,740)
Net changes		22,529
Balance at December 31, 2023	$	343,145

* 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 3.77%, as well as what the City's OPEB would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease (2.77%)	Current Discount Rate (3.77%)	1% Increase (4.77%)
OPEB liability	$ 291,841	$ 343,145	$ 408,619

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

For the year ended September 30, 2024, the City recognized OPEB expense of $14,697 related to the SDBF.

At September 30, 2024, 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	$ 510	$ 21,951
Changes in actuarial assumptions	35,538	88,814
Contributions made subsequent to the measurement date	8,311	-
Total	$ 44,359	$ 110,765

(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 $8,511 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

September 30,	Net Deferred Outflows/(Inflows)
2025	$ (18,277)
2026	(31,139)
2027	(25,665)
2028	364
Total	$ (74,717)

(8) Subsequent event

In preparing the financial statements, the management of the City of Port Aransas has evaluated events and transactions for potential recognition or disclosure through June 19, 2025, the date the financial statements were available to be issued.

Subsequent to September 30, 2024, the City issued $7,705,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 for a Parks and Recreation project.

THE CITY OF PORT ARANSAS

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF PORT ARANSAS

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, 2024

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Property	$ 6,520,025	$ 6,520,025	$ 6,193,831	$ (326,194)
Sales	2,540,000	2,540,000	2,590,102	50,102
Franchise	656,200	656,200	633,509	(22,691)
Intergovernmental	1,049,450	1,119,450	1,511,392	391,942
Licenses and permits	1,684,500	1,434,500	1,491,823	57,323
Charges for services	1,618,000	1,698,000	1,983,254	285,254
Fines and forfeitures	489,500	489,500	437,012	(52,488)
Interest	1,000,000	1,000,000	1,029,440	29,440
Opioid abatement	-	-	11,633	11,633
Miscellaneous	62,300	62,300	122,981	60,681
Total revenues	15,619,975	15,519,975	16,004,977	485,002
Expenditures:				
Current:				
General administration	4,562,895	4,895,895	3,763,612	1,132,283
Legal	125,500	157,500	148,407	9,093
Financial administration	445,500	445,500	415,695	29,805
Public facilities	1,976,250	1,413,750	1,207,643	206,107
Public safety	6,946,925	6,894,925	6,515,706	379,219
Public transportation	270,250	264,250	202,944	61,306
Culture and recreation	1,163,845	1,197,845	1,151,055	46,790
Capital outlay	6,652,395	3,176,395	2,025,691	1,150,704
Debt service:				
Principal retirement	-	-	166,079	(166,079)
Interest retirement	-	-	9,583	(9,583)
Total expenditures	22,143,560	18,446,060	15,606,415	2,839,645
Excess (deficiency) of revenues over (under) expenditures	(6,523,585)	(2,926,085)	398,562	3,324,647
Other financing sources (uses):				
Transfers out	-	(4,347,745)	(4,347,745)	-
Proceeds from right to use subscriptions	-	-	554,182	554,182
Total other financing sources (uses)	-	(4,347,745)	(3,793,563)	554,182
Net change in fund balances	(6,523,585)	(7,273,830)	(3,395,001)	3,878,829
Fund balance at October 1, 2023	19,046,070	19,046,070	19,046,070	-
Fund balance at September 30, 2024	$ 12,522,485	$ 11,772,240	$ 15,651,069	$ 3,878,829

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, 2024

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Hotel/motel	$ 2,800,000	$ 2,800,000	$ 2,743,736	$ (56,264)
Beach parking permits	317,000	317,000	1,266,636	949,636
Intergovernmental	1,425,000	1,425,000	459,585	(965,415)
Interest	75,000	75,000	415,167	340,167
Miscellaneous	-	-	1,847	1,847
Total revenues	4,617,000	4,617,000	4,886,971	269,971
Expenditures:				
Culture and recreation:				
Lifeguards and permits	868,125	868,125	675,023	193,102
Beach public works	3,331,725	3,331,725	3,104,682	227,043
Capital outlay	1,291,000	1,291,000	379,801	911,199
Debt service:				
Principal retirement	-	-	45,037	(45,037)
Interest retirement	-	-	3,466	(3,466)
Total expenditures	5,490,850	5,490,850	4,208,009	1,282,841
Excess (deficiency) of revenues over (under) expenditures	(873,850)	(873,850)	678,962	1,552,812
Other financing sources (uses):				
Transfers out	(60,000)	(60,000)	(120,000)	(60,000)
Proceeds from right to use leases	-	-	287,379	287,379
Total other financing sources (uses)	(60,000)	(60,000)	167,379	227,379
Net change in fund balances	(933,850)	(933,850)	846,341	1,780,191
Fund balance at October 1, 2023	7,440,480	7,440,480	7,440,480	-
Fund balance at September 30, 2024	$ 6,506,630	$ 6,506,630	$ 8,286,821	$ 1,780,191

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, 2024

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Hotel/motel	$ 5,107,150	$ 4,606,150	$ 4,584,202	$ (21,948)
Interest	-	10,000	-	(10,000)
Total revenues	5,107,150	4,616,150	4,584,202	(31,948)
Expenditures:				
General administration:				
Mayor and council	5,107,150	4,674,150	4,715,954	(41,804)
Total expenditures	5,107,150	4,674,150	4,715,954	(41,804)
Net change in fund balances	-	(58,000)	(131,752)	(73,752)
Fund balance at October 1, 2023	131,812	131,812	131,812	-
Fund balance at September 30, 2024	$ 131,812	$ 73,812	$ 60	$ (73,752)

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, 2024

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Hotel/motel	$ 5,892,850	$ 5,393,850	$ 5,573,296	$ 179,446
Charges for services	15,000	15,000	25,765	10,765
Miscellaneous	375,000	701,000	-	(701,000)
Interest	-	-	772,285	772,285
Total revenues	6,282,850	6,109,850	6,371,346	261,496
Expenditures:				
Current:				
Culture and recreation	2,663,885	2,663,885	1,118,058	1,545,827
Capital outlay	4,364,825	2,260,825	2,599,225	(338,400)
Debt service:				
Principal	-	-	6,443	(6,443)
Interest	-	-	435	(435)
Total expenditures	7,028,710	4,924,710	3,724,161	1,200,549
Excess (deficiency) of revenues over (under) expenditures	(745,860)	1,185,140	2,647,185	1,462,045
Other financing sources (uses):				
Transfers in	1,300,000	1,300,000	-	(1,300,000)
Transfers out	(11,860,035)	(11,860,035)	(5,122,755)	6,737,280
Proceeds from right to use leases/subscriptions	-	-	47,038	47,038
Total other financing sources (uses)	(10,560,035)	(10,560,035)	(5,075,717)	5,484,318
Net change in fund balances	(11,305,895)	(9,374,895)	(2,428,532)	6,946,363
Fund balance at October 1, 2023	14,314,833	14,314,833	14,314,833	-
Fund balance at September 30, 2024	$ 3,008,938	$ 4,939,938	$ 11,886,301	$ 6,946,363

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the year ended September 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Intergovernmental	$ 20,000	$ 20,000	$ 36,787	$ 16,787
Charges for services	252,150	252,150	241,627	(10,523)
Interest	17,500	17,500	20	(17,480)
Miscellaneous	-	-	9,809	9,809
Total revenues	289,650	289,650	288,243	(1,407)
Expenditures:				
Culture and recreation				
Airport	272,375	272,375	256,461	15,914
Capital outlay	466,780	466,780	327,087	139,693
Debt service:				
Principal	-	-	2,009	(2,009)
Interest	-	-	2,991	(2,991)
Total expenditures	739,155	739,155	588,548	150,607
Excess (deficiency) of revenues over (under) expenditures	(449,505)	(449,505)	(300,305)	149,200
Other financing sources (uses):				
Proceeds from right to use leases/subscrip	-	-	165,453	165,453
Total other financing sources (uses)	-	-	165,453	165,453
Net change in fund balances	(449,505)	(449,505)	(134,852)	314,653
Fund balance at October 1, 2023	(52,011)	(52,011)	(52,011)	-
Fund balance at September 30, 2024	$ (501,516)	$ (501,516)	$ (186,863)	$ 314,653

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, 2024

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Grant proceeds	$ 4,670,975	$ 4,670,975	$ 3,524,000	$ (1,146,975)
Interest	50,000	50,000	1,296,188	1,246,188
Total revenues	4,720,975	4,720,975	4,820,188	99,213
Expenditures:				
Capital outlay:				
Capital projects	29,928,337	29,928,337	7,211,407	22,716,930
Debt service:				
Issuance costs	-	-	165,358	(165,358)
Total expenditures	29,928,337	29,928,337	7,376,765	22,551,572
Excess (deficiency) of revenues over (under) expenditures	(25,207,362)	(25,207,362)	(2,556,577)	22,650,785
Other financing sources (uses):				
Premium	-	-	13,140,000	13,140,000
Proceeds of bond	-	-	1,125,358	1,125,358
Total other financing sources (uses)	-	-	14,265,358	14,265,358
Net change in fund balances	(25,207,362)	(25,207,362)	11,708,781	36,916,143
Fund balance at October 1, 2023	17,016,316	17,016,316	17,016,316	-
Fund balance at September 30, 2024	$ (8,191,046)	$ (8,191,046)	$ 28,725,097	$ 36,916,143

THE CITY OF
PORT ARANSAS

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 year ended September 30, 2024

	Plan Year Ended December 31, 2023	Plan Year Ended December 31, 2022	Plan Year Ended December 31, 2021	Plan Year Ended December 31, 2020
Total pension liability				
Service cost	$ 1,528,718	$ 1,279,125	$ 969,700	$ 956,505
Interest	1,705,553	1,522,139	1,283,703	1,196,253
Difference in benefit terms including substantively automatic status	-	1,856,638	-	-
Differences between expected and actual experience	(24,907)	675,970	16,241	(126,601)
Changes of assumptions	(123,605)	-	-	-
Benefit payments, including refunds of employee contributions	(1,044,296)	(725,256)	(771,971)	(702,410)
Net change in total pension liability	2,041,463	4,608,616	1,497,673	1,323,747
Total pension liability - beginning	25,025,248	20,416,632	18,918,959	17,595,212
Total pension liability - ending (a)	27,066,711	25,025,248	20,416,632	18,918,959
Plan fiduciary net position				
Contributions - employer	1,300,267	906,929	784,283	796,179
Contributions - employee	632,075	479,503	413,518	409,346
Net investment income	2,131,206	(1,396,795)	2,158,435	1,132,787
Benefit payments, including refunds of employee contributions	(1,044,296)	(725,256)	(771,971)	(702,410)
Administrative expense	(13,538)	(12,077)	(9,980)	(7,327)
Other	(95)	14,410	69	(286)
Net change in plan fiduciary net position	3,005,619	(733,286)	2,574,354	1,628,289
Plan fiduciary net position - beginning	18,386,333	19,119,619	16,545,265	14,916,976
Plan fiduciary net position - ending (b)*	21,391,952	18,386,333	19,119,619	16,545,265
City's net position liability - ending (a) - (b)	$ 5,674,759	$ 6,638,915	$ 1,297,013	$ 2,373,694
Plan fiduciary net position as a percentage of the total pension liability	79.03%	73.47%	93.65%	87.45%
Covered payroll	$ 9,029,638	$ 7,613,836	$ 6,891,970	$ 6,822,433
City's net pension liability as a percentage of covered payroll	62.85%	87.20%	18.82%	34.79%

*FNP may be off a dollar due to rounding

Note to schedule: N/A

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	-
(732,215)	(668,095)	(660,131)	(507,493)	(615,455)	(489,225)
1,136,305	1,195,371	1,206,607	1,240,198	504,637	873,900
16,458,907	15,263,536	14,056,929	12,816,731	12,312,094	11,438,194
17,595,212	16,458,907	15,263,536	14,056,929	12,816,731	12,312,094
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)
(333)	(384)	(392)	(394)	(410)	(414)
2,245,652	(30,794)	1,939,954	1,180,315	340,040	820,826
12,671,324	12,702,118	10,762,164	9,581,849	9,241,809	8,420,983
14,916,976	12,671,324	12,702,118	10,762,164	9,581,849	9,241,809
$ 2,678,236	$ 3,787,583	$ 2,561,418	$ 3,294,765	$ 3,234,882	$ 3,070,285
84.78%	76.99%	83.22%	76.56%	74.76%	75.06%
$ 5,864,246	$ 5,824,298	$ 6,283,090	$ 5,752,659	$ 5,137,298	$ 4,546,100
45.67%	65.03%	40.77%	57.27%	62.97%	67.54%

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,

	2024	2023	2022	2021	2020
Actuarially determined contribution	$ 1,408,790	$ 1,306,855	$ 799,303	$ 689,194	$ 687,841
Contributions in relation to the actuarially determined contribution	1,408,790	1,306,855	799,303	689,194	687,841
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 9,355,180	$ 8,867,945	$ 7,239,887	$ 6,056,186	$ 5,894,098
Contributions as a percentage of covered payroll	15.06%	14.74%	11.04%	11.38%	11.67%

Notes to schedule of contributions	
Valuation date	
Notes	Actuarially determined contributions are calculated as of December 31 and become effective in January 13 months later.
Methods and assumptions used to Determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years
Asset valuation method	10 year smoothed market; 12.0% soft corridor
Actuarial assumption:	
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent scale MP-2021. Pre-retirement: PUB(10) mortality tables, with the 110% public safety table used for males and the 100% of the general employee table used for females. The rates are projected on a fully generational basis by the recent scale MP-2021.
Other information:	
Notes	There were no benefit changes during the year.

2019	2018	2017	2016	2015
$ 677,320	$ 676,202	$ 739,519	$ 702,974	$ 642,335
677,320	676,202	739,519	702,974	642,335
$ -	$ -	$ -	$ -	$ -
$ 5,864,246	$ 5,837,617	$ 5,824,298	$ 5,752,659	$ 5,137,298
11.55%	11.58%	12.70%	12.22%	12.50%

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, 2023	Plan Year Ended December 31, 2022	Plan Year Ended December 31, 2021	Plan Year Ended December 31, 2020
Total OPEB liability				
Service cost	$ 18,962	$ 31,978	$ 25,500	$ 22,514
Interest	13,131	8,299	8,632	9,685
Differences between expected and actual experience	(14,356)	870	(22,894)	(4,264)
Changes of assumptions	16,532	(151,360)	12,916	55,127
Benefit payments *	(11,740)	(8,376)	(7,580)	(2,729)
Net change in total OPEB liability	22,529	(118,589)	16,574	80,333
Total OPEB liability - beginning	320,616	439,205	422,631	342,298
Total OPEB liability - ending	$ 343,145	$ 320,616	$ 439,205	$ 422,631
Covered payroll	$ 9,029,638	$ 7,613,836	$ 6,891,970	$ 6,822,433
City's OPEB liability as a percentage of covered payroll	3.80%	4.21%	6.37%	6.19%

*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.

2023 - 3.77%

2022 - 4.05%

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 sixth year of implementation of GASB 75. The City will develop the schedule prospectively.

	Plan Year Ended December 31, 2019	Plan Year Ended December 31, 2018
	$ 17,006	$ 19,803
	10,173	9,256
	(5,568)	(12,937)
	55,864	(18,393)
	(1,759)	(1,747)
	75,716	(4,018)
	266,582	270,600
	$ 342,298	$ 266,582
	$ 6,283,090	$ 5,824,298
	5.45%	4.58%

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, 2024	September 30, 2023	September 30, 2022	September 30, 2021
Total OPEB liability				
Service cost	$ 195,004	$ 173,129	$ 258,315	$ 374,016
Interest	155,040	147,811	85,956	112,619
Differences between expected and actual experience	(468,450)	(152,979)	(1,774,021)	(1,429,860)
Changes of assumptions	444,064	(52,765)	866,362	(85,226)
Benefit payments	(49,654)	(54,880)	(57,130)	(58,404)
Net change in total OPEB liability	276,004	60,316	(620,518)	(1,086,855)
Total OPEB liability - beginning	3,013,400	2,953,084	3,573,602	4,660,457
Total OPEB liability - ending	$ 3,289,404	$ 3,013,400	$ 2,953,084	$ 3,573,602
Covered-employee payroll	$ 9,355,180	$ 8,867,945	$ 7,239,887	$ 6,056,186
City's OPEB liability as a percentage of covered-employee payroll	35.16%	33.98%	40.79%	59.01%

FYE23 - 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 exise tax on high-cost employer health plans.

FYE23 - 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:

FYE	Discount rate
2024	4.06%
2023	4.87%
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 seventh year of implementation of GASB 75. The City will develop the schedule prospectively.

	September 30, 2020	September 30, 2019	September 30, 2018
	$ 307,141	$ 191,338	$ 183,873
	123,008	136,314	126,648
	18,683	(4,841)	-
	(67,046)	907,144	-
	(77,103)	(80,640)	(79,211)
	304,683	1,149,315	231,310
	4,355,774	3,206,459	2,975,149
	$ 4,660,457	$ 4,355,774	$ 3,206,459
	$ 5,894,098	$ 5,864,246	$ 5,837,617
	81.42%	97.62%	62.24%

THE CITY OF PORT ARANSAS

OTHER SUPPLEMENTARY INFORMATION

THE CITY OF PORT ARANSAS

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.

- Court Security Fund
- Court Technology Fund
- COVID-19 Fund
- Drainage Impact Fees
- Impact Fees – Zone 1 Fund
- Impact Fees – Zone 2 Fund
- Library Fund
- Nature Preserve Projects 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, 2024

	SPECIAL REVENUE FUNDS					
	COURT SECURITY FUND	COURT TECHNOLOGY	COVID-19 FUND	DRAINAGE IMPACT FEES	IMPACT FEES ZONE 1 FUND	IMPACT FEES ZONE 2 FUND
ASSETS						
Cash and cash equivalents	$ 55,523	$ 30,158	$ 313,547	$ 9,605	$ 548,144	$ 200,041
Investments	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Lease receivable	-	-	-	-	-	-
Total assets	$ 55,523	$ 30,158	$ 313,547	$ 9,605	$ 548,144	$ 200,041
LIABILITIES						
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ -	$ -	$ -
Accrued wages payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES						
Deferred leases	-	-	-	-	-	-
Deferred property taxes	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
FUND BALANCES						
Nonspendable:						
Inventories	-	-	-	-	-	-
Prepaids	-	-	-	-	-	-
Restricted:						
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Public safety	55,523	30,158	313,547	-	-	-
Committed						
Construction	-	-	-	-	548,144	200,041
Culture and recreation	-	-	-	-	-	-
Public transportation	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	9,605	-	-
Total fund balances	55,523	30,158	313,547	9,605	548,144	200,041
Total liabilities, deferred inflows of resources and fund balances	$ 55,523	$ 30,158	$ 313,547	$ 9,605	$ 548,144	$ 200,041

SPECIAL REVENUE FUNDS						
LIBRARY FUND	NATURE PRESERVE PROJECTS FUND	PARK DEDICATION FEES FUND	RECREATIONAL DEVELOPMENT FUND	STREET MAINTENANCE FUND	WINTER STORM URI FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
$ 105,052	$ 216,975	$ 814,602	$ 1,900,564	$ 774,119	$ -	$ 4,968,330
-	-	-	-	-	-	-
-	30,250	-	119,514	-	-	149,764
-	-	-	-	62,647	-	62,647
-	-	-	-	-	-	-
-	78	-	-	-	-	78
-	-	-	-	-	-	-
$ 105,052	$ 247,303	$ 814,602	$ 2,020,078	$ 836,766	$ -	$ 5,180,819
$ -	$ 60,752	$ -	$ 428,182	$ 2,528	$ 470	$ 491,932
-	6,664	-	17,847	-	-	24,511
-	-	-	-	-	62,647	62,647
-	-	-	-	-	-	-
-	67,416	-	446,029	2,528	63,117	579,090
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	78	-	-	-	-	78
105,052	-	-	1,574,049	-	-	1,679,101
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	399,228
-	-	-	-	-	-	748,185
-	-	814,602	-	-	-	814,602
-	-	-	-	834,238	-	834,238
-	-	-	-	-	-	-
-	179,809	-	-	-	(63,117)	126,297
105,052	179,887	814,602	1,574,049	834,238	(63,117)	4,601,729
$ 105,052	$ 247,303	$ 814,602	$ 2,020,078	$ 836,766	$ -	$ 5,180,819

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2024

	SPECIAL REVENUE FUNDS					
	COURT SECURITY FUND	COURT TECHNOLOGY	COVID-19 FUND	DRAINAGE IMPACT FEES	IMPACT FEES ZONE 1 FUND	IMPACT FEES ZONE 2 FUND
REVENUES						
Taxes						
Property	$ -	$ -	$ -	$ -	$ -	$ -
Sales	-	-	-	-	-	-
Franchise fees, licenses and permits	-	-	-	-	-	-
Hotel/motel	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	-	-	-	7,402	-	-
Fines and forfeitures	16,990	14,158	-	-	199,369	108,721
Interest	2,333	1,143	13,158	111	31,486	8,502
Miscellaneous	-	-	-	-	-	-
Total revenues	19,323	15,301	13,158	7,513	230,855	117,223
EXPENDITURES						
Current:						
General administration	-	-	-	2,800	8,841	6,042
Economic development	-	-	-	-	-	-
Public safety						
Storm repairs	-	-	-	-	-	-
Emergency relief	-	-	-		-	
Municipal court	1,028	8,793	-	-	-	-
Public transportation						
Regional transit	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation						
Airport	-	-	-	-	-	-
Library	-	-	-	-	-	-
Nature preserve	-	-	-	-	-	-
Park	-	-	-	-	-	-
Capital outlay	14,394	-	-	-	-	-
Debt service						
Principal retirement	2,329	-	-	-	-	-
Interest and fiscal charges	79	-	-	-	-	-
Total expenditures	17,830	8,793	-	2,800	8,841	6,042
Excess (deficiency) of revenues over (under) expenditures	1,493	6,508	13,158	4,713	222,014	111,181
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(533,012)	(69,600)
Proceeds from right to use leases/subscriptions	14,394	-	-	-	-	-
Total other financing sources (uses)	14,394	-	-	-	(533,012)	(69,600)
Net change in fund balances	15,887	6,508	13,158	4,713	(310,998)	41,581
Fund balances - beginning	39,636	23,650	300,389	4,892	859,142	158,460
Fund balances - ending	$ 55,523	$ 30,158	$ 313,547	$ 9,605	$ 548,144	$ 200,041

SPECIAL REVENUE FUNDS

LIBRARY FUND	NATURE PRESERVE PROJECT FUND	PARK DEDICATION FEES FUND	RECREATIONAL DEVELOPMENT FUND	STREET MAINTENANCE FUND	WINTER STORM URI FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	1,295,052	-	-	1,295,052
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	159,636	81,626	-	-	2,787	244,049
-	-	-	-	-	-	-
10,850	-	-	-	-	-	18,252
-	-	-	-	-	-	339,238
259	4,172	43,156	70,515	42,227	-	217,062
754	-	-	37,517	-	-	38,271
11,863	163,808	124,782	1,403,084	42,227	2,787	2,151,924
-	-	-	-	-	-	17,683
-	-	-	-	-	-	-
-	-	-	-	-	68,363	68,363
						-
-	-	-	-	-	-	9,821
-	-	-	-	29,220	-	29,220
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,023	-	-	-	-	-	3,023
-	480,803	-	-	-	-	480,803
-	-	-	1,096,196	-	-	1,096,196
-	158,437	-	1,114,508	-	-	1,287,339
-	-	-	8,984	-	-	11,313
-	-	-	767	-	-	846
3,023	639,240	-	2,220,455	29,220	68,363	3,004,607
8,840	(475,432)	124,782	(817,371)	13,007	(65,576)	(852,683)
-	403,746	-	945,071	-	-	1,348,817
-	-	-	-	-	-	(602,612)
-	-	-	72,311	-	-	86,705
-	403,746	-	1,017,382	-	-	832,910
8,840	(71,686)	124,782	200,011	13,007	(65,576)	(19,773)
96,212	251,573	689,820	1,374,038	821,231	2,459	4,621,502
$ 105,052	$ 179,887	$ 814,602	$ 1,574,049	$ 834,238	$ (63,117)	$ 4,601,729

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, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Fines and forfeitures	$ 15,000	$ 15,000	$ 16,990	$ 1,990
Interest	2,000	2,000	2,333	333
Total revenues	17,000	17,000	19,323	2,323
Expenditures:				
Current:				
Public safety				
Municipal court	5,825	5,825	1,028	4,797
Capital outlay	6,500	6,500	14,394	(7,894)
Debt service:				
Principal	-	-	2,329	(2,329)
Interest	-	-	79	(79)
Total expenditures	12,325	12,325	17,830	(5,505)
Excess (deficiency) of revenues over (under) expenditures	4,675	4,675	1,493	(3,182)
OTHER FINANCING SOURCES (USES)				
Proceeds from right to use leases/subscriptions	-	-	14,394	14,394
Total other financing sources (uses)	-	-	14,394	14,394
Net change in fund balances	4,675	4,675	15,887	11,212
Fund balance at October 1, 2023	39,636	39,636	39,636	-
Fund balance at September 30, 2024	$ 44,311	$ 44,311	$ 55,523	$ 11,212

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, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Fines and forfeitures	$ 13,000	$ 13,000	$ 14,158	$ 1,158
Interest	1,000	1,000	1,143	143
Total revenues	14,000	14,000	15,301	1,301
Expenditures:				
Current:				
Public safety				
Municipal court	9,400	11,100	8,793	2,307
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	9,400	11,100	8,793	2,307
Excess (deficiency) of revenues over (under) expenditures	4,600	2,900	6,508	3,608
Fund balance at October 1, 2023	23,650	23,650	23,650	-
Fund balance at September 30, 2024	$ 28,250	$ 26,550	$ 30,158	$ 3,608

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, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	$ 200,000	$ 200,000	$ 199,369	$ (631)
Interest	50,000	50,000	31,486	(18,514)
Total revenues	250,000	250,000	230,855	(19,145)
Expenditures:				
Current:				
General administration	-	-	8,841	(8,841)
Total expenditures	-	-	8,841	(8,841)
Excess (deficiency) of revenues over (under) expenditures	250,000	250,000	222,014	(27,986)
Other financing sources (uses):				
Transfers out	(533,015)	(533,015)	(533,012)	-
Total other financing sources (uses)	(533,015)	(533,015)	(533,012)	-
Net change in fund balances	(283,015)	(283,015)	(310,998)	(27,983)
Fund balance at October 1, 2023	859,142	859,142	859,142	-
Fund balance at September 30, 2024	$ 576,127	$ 576,127	$ 548,144	$ (27,983)

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, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	$ 84,000	$ 84,000	$ 108,721	$ 24,721
Interest	10,000	10,000	8,502	(1,498)
Total revenues	94,000	94,000	117,223	23,223
Expenditures:				
Current:				
General administration	-	-	6,042	(6,042)
Total expenditures	-	-	6,042	(6,042)
Excess (deficiency) of revenues over (under) expenditures	94,000	94,000	111,181	17,181
Other financing sources (uses):				
Transfers out	(69,600)	(69,600)	(69,600)	-
Total other financing sources (uses)	(69,600)	(69,600)	(69,600)	-
Net change in fund balances	24,400	24,400	41,581	17,181
Fund balance at October 1, 2023	158,460	158,460	158,460	-
Fund balance at September 30, 2024	$ 182,860	$ 182,860	$ 200,041	$ 17,181

CITY OF PORT ARANSAS, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – DRAINAGE IMPACT FEES FUND

For the year ended September 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	$ 10,000	$ -	$ 7,402	$ 7,402
Interest	100	100	111	11
Total revenues	10,100	100	7,513	7,413
Expenditures:				
Current:				
General administration	-	-	2,800	(2,800)
Total expenditures	-	-	2,800	(2,800)
Net change in fund balances	10,100	100	4,713	4,613
Fund balance at October 1, 2023	4,892	4,892	4,892	-
Fund balance at September 30, 2024	$ 14,992	$ 4,992	$ 9,605	$ 4,613

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, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Intergovernmental	$ 1,669,000	$ 1,669,000	$ 159,636	$ (1,509,364)
Interest	500	500	4,172	3,672
Miscellaneous	-	-	-	-
Total revenues	1,669,500	1,669,500	163,808	(1,505,692)
Expenditures:				
Current				
Culture and recreation	2,422,775	2,422,775	480,803	1,941,972
Capital outlay				
Capital outlay	320,000	320,000	158,437	161,563
Total expenditures	2,742,775	2,742,775	639,240	2,103,535
Excess (deficiency) of revenues over (under) expenditures	(1,073,275)	(1,073,275)	(475,432)	597,843
Other financing sources (uses):				
Transfers in	1,073,275	1,073,275	403,746	(669,529)
Total other financing sources (uses)	1,073,275	1,073,275	403,746	(669,529)
Net change in fund balances	-	-	(71,686)	(71,686)
Fund balance at October 1, 2023	251,573	251,573	251,573	-
Fund balance at September 30, 2024	$ 251,573	$ 251,573	$ 179,887	$ (71,686)

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, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	$ 108,000	$ 108,000	$ 81,626	$ (26,374)
Interest	25,000	25,000	43,156	18,156
Total revenues	133,000	133,000	124,782	(8,218)
Expenditures:				
Current:	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	133,000	133,000	124,782	(8,218)
Fund balance at October 1, 2023	689,820	689,820	689,820	-
Fund balance at September 30, 2024	$ 822,820	$ 822,820	$ 814,602	$ (8,218)

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, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Taxes				
Sales	$ -	$ 1,265,350	$ 1,295,052	$ 29,702
Interest	65,000	65,000	70,515	5,515
Intergovernmental	265,650	265,650	-	(265,650)
Miscellaneous	131,500	131,500	37,517	(93,983)
Total revenues	462,150	1,727,500	1,403,084	(324,416)
Expenditures:				
Current				
Culture and recreation	1,457,610	1,457,610	1,096,196	361,414
Capital outlay	4,933,650	4,933,650	1,114,508	3,819,142
Debt service:				
Principal	-	-	8,984	(8,984)
Interest	-	-	767	(767)
Total expenditures	6,391,260	6,391,260	2,220,455	4,170,805
Excess (deficiency) of revenues over (under) expenditures	(5,929,110)	(4,663,760)	(817,371)	3,846,389
Other financing sources (uses):				
Proceeds from right to use leases/subscriptic	-	-	72,311	72,311
Transfer in	(4,663,760)	(4,663,760)	945,071	5,608,831
Total other financing sources (uses)	(4,663,760)	(4,663,760)	1,017,382	5,681,142
Net change in fund balances	(10,592,870)	(9,327,520)	200,011	9,527,531
Fund balance at October 1, 2023	1,374,038	1,374,038	1,374,038	-
Fund balance at September 30, 2024	$ (9,218,832)	$ (7,953,482)	$ 1,574,049	$ 9,527,531

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, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Interest	$ 20,000	$ 20,000	$ 42,227	$ 22,227
Total revenues	20,000	20,000	42,227	22,227
Expenditures:				
Current				
Public transportation	131,000	131,000	29,220	101,780
Total expenditures	131,000	131,000	29,220	101,780
Excess (deficiency) of revenues over (under) expenditures	(111,000)	(111,000)	13,007	124,007
Other financing sources (uses):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(111,000)	(111,000)	13,007	124,007
Fund balance at October 1, 2023	821,231	821,231	821,231	-
Fund balance at September 30, 2024	$ 710,231	$ 710,231	$ 834,238	$ 124,007

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, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Taxes				
Property	$ 4,332,420	$ 4,332,420	$ 4,302,108	$ (30,312)
Interest	200,000	200,000	32,602	(167,398)
Total revenues	4,532,420	4,532,420	4,334,710	(197,710)
Expenditures:				
Debt service				
Principal retirement	3,400,000	3,400,000	4,470,000	(1,070,000)
Interest retirement	2,342,923	2,342,923	1,375,315	967,608
Total expenditures	5,742,923	5,742,923	5,845,315	(102,392)
Excess (deficiency) of revenues over (under) expenditures	(1,210,503)	(1,210,503)	(1,510,605)	(300,102)
Other financing sources (uses):				
Transfers in	1,408,087	1,408,087	1,408,087	-
Total other financing sources (uses)	1,408,087	1,408,087	1,408,087	-
Net change in fund balances	197,584	197,584	(102,518)	(300,102)
Fund balance at October 1, 2023	385,744	385,744	385,744	-
Fund balance at September 30, 2024	$ 583,328	$ 583,328	$ 283,226	$ (300,102)

THE CITY OF PORT ARANSAS

COMPLIANCE SECTION

THE CITY OF PORT ARANSAS

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, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 19, 2025.

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.

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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
June 19, 2025

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, 2024. 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, 2024.

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.

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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
June 19, 2025

THE CITY OF PORT ARANSAS

CITY OF PORT ARANSAS, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2024

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ Yes	__X__ No
• Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	__X__ None Reported
Noncompliance material to financial statements noted?	_____ Yes	__X__ No

Federal and State Awards

Internal control over major programs:		
• Material weakness(es) identified?	_____ Yes	__X__ No
• Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	__X__ 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	__X__ No

Identification of Major Programs

Federal Assistance Listing Number(s)	Name of Federal/State Program or Cluster
97.036	Disaster Grants – Public Assistance
14.228	Community Development Block Grant
State Assistance	
N/A	Disaster Grants – Public Assistance

Dollar threshold used to distinguish between Type A and Type B federal and state programs:	$750,000	
Auditee qualified as low-risk auditee?	__X__ 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, 2024

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, 2024

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	GRANTOR'S PASS-THROUGH NUMBER	FEDERAL EXPENDITURES	STATE EXPENDITURES
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Grants				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
Temporary Facility - Jail/Public Safety Building		42615	$ 158,299	$ 13,192
Fire Station		6237	1,713,468	142,789
Public Works Garage (DPW Garage)		16966	203,064	16,922
Gas System		3141	6,076,653	506,388
Port Aransas DAC		65826	349,294	29,108
Library Contents		36768	18,840	1,570
Charlie's Pasture Shoreline Bulkhead		46842	2,076,449	173,037
Robert's Point Park		35875	872	73
Nature Preserve		36926	1,726,133	143,844
Public Safety Building		3139	4,560,373	380,031
Total Disaster grants (Direct)			16,883,445	1,406,954
Passed through the Texas Water Development Board				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	NONE	50,989	-
Total ALN 97.036			16,934,434	1,406,954
Direct Grants				
Hazard Mitigation Grant	97.039	NONE	556,456	-
Total U.S. Department of Homeland Security			17,490,890	1,406,954
U.S. GULF COAST ECOSYSTEM RESTORATION COUNCIL				
Passed through the Texas Commission of Environmental Quality				
Restore Grant	87.052	NONE	110,315	-
Total U.S. Gulf Coast Ecosystem Restoration Council			110,315	-
U.S. DEPARTMENT OF THE INTERIOR				
Direct Grants				
Coastal Program Grants	15.630			
CBBEP Habitat Living Resources		NONE	35,751	-
Total U.S. Department of the Interior			35,751	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Grants				
Community Development Block Grant	14.228			
CDBG Disaster Recovery Program Infrastructure Projects Harvey Round 1 Funding		NONE	3,720,031	-
Total U.S. Department of Housing and Urban Development			3,720,031	-
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			$ 21,356,987	$ 1,406,954

CITY OF PORT ARANSAS, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2024

(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, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *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 position, or cash flows of the City.

(2) Summary of significant accounting policies

Expenditures reported on the schedule of expenditures of federal and state awards 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.


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