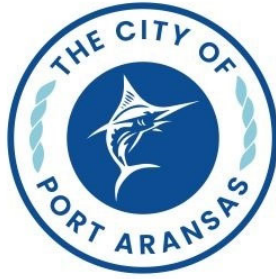
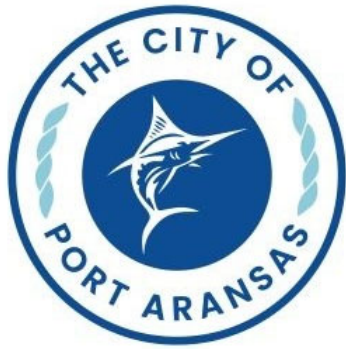


CITY OF PORT ARANSAS, TEXAS



Annual Financial Report September 30, 2025





CITY OF PORT ARANSAS, TEXAS

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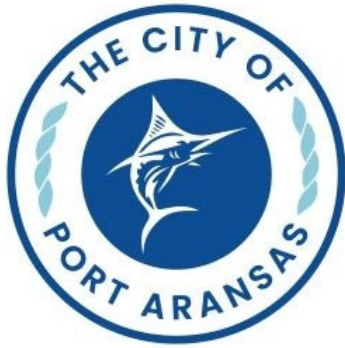
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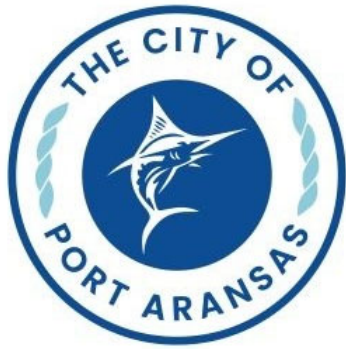
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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas (the City) as of and for the year ended September 30, 2025, 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, 2025, 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.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2025, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections* and GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the net pension liability and other postemployment benefit liabilities required schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

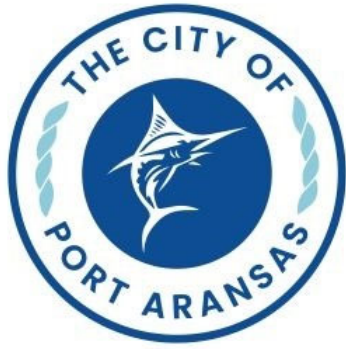
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund statements and schedules, and schedule of expenditures of federal and state awards as required 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 March 25, 2026 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
March 25, 2026



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, 2025. 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 \$157,861,342 (net position). Of this amount, \$4,585,783 (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 \$9,897,819 during 2025.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$58,189,663. Approximately 26% of this amount, \$14,873,071 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 \$12,545,439 or 73% 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 *governmental funds*. These funds focus on how cash and other financial assets can be readily converted to available resources and on the available balances left at year end. This information may be useful in determining what financial resources are available in the near future to finance the City's programs. Other funds are referred to as nonmajor funds and are presented as summary data.

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

Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the general fund, beach fund, hotel motel, hotel motel special revenue/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.

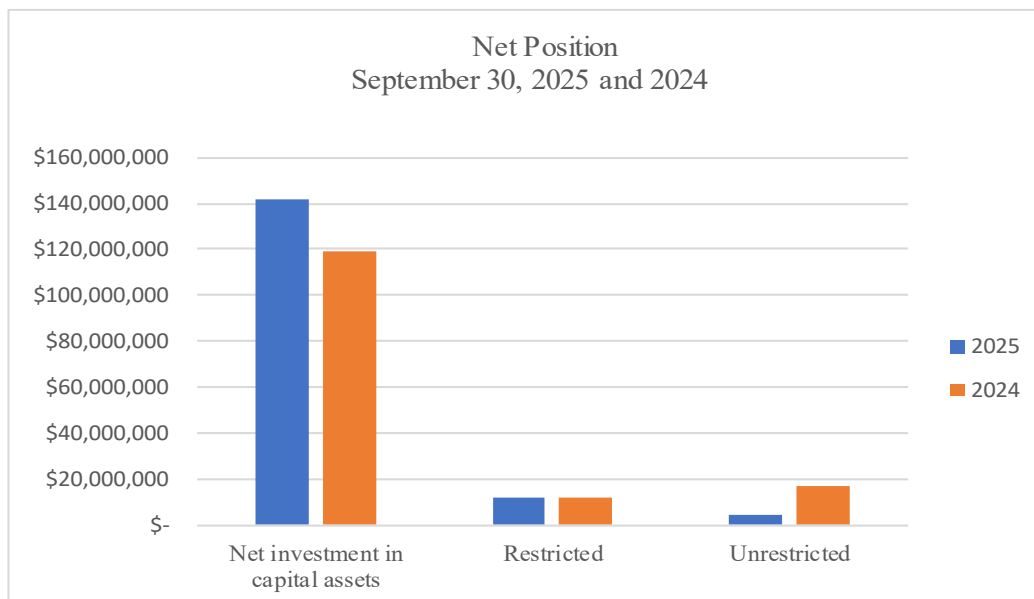
Government-wide Financial Analysis

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	
	2025	Restated 2024	2025	Restated 2024	2025	Restated 2024
Current and other assets	\$ 65,929,613	\$ 74,684,271	\$ (2,120,662)	\$ (147,793)	\$ 63,808,951	\$ 74,536,478
Restricted assets	75,388	75,350	-	-	75,388	75,350
Capital assets	<u>107,558,037</u>	<u>86,678,481</u>	<u>50,264,186</u>	<u>45,747,281</u>	<u>157,822,223</u>	<u>132,425,762</u>
Total assets	<u>173,563,038</u>	<u>161,438,102</u>	<u>48,143,524</u>	<u>45,599,488</u>	<u>221,706,562</u>	<u>207,037,590</u>
Deferred outflows of resources	2,636,262	2,718,135	301,077	311,667	2,937,339	3,029,802
Long-term liabilities	47,265,269	44,549,670	1,266,204	1,302,565	48,531,473	45,852,235
Other liabilities	<u>14,032,453</u>	<u>11,972,676</u>	<u>919,750</u>	<u>948,040</u>	<u>14,952,203</u>	<u>12,920,716</u>
Total liabilities	61,297,722	56,522,346	2,185,954	2,250,605	63,483,676	58,772,951
Deferred inflows of resources	3,030,344	3,064,024	268,539	266,895	3,298,883	3,330,919
Net position:						
Net investment in capital assets	91,764,298	74,076,811	49,994,022	45,443,898	141,758,320	119,520,709
Restricted	11,517,239	11,660,069	-	-	11,517,239	11,660,069
Unrestricted	<u>8,589,697</u>	<u>18,832,987</u>	<u>(4,003,914)</u>	<u>(2,050,243)</u>	<u>4,585,783</u>	<u>16,782,744</u>
Total net position	<u>\$ 111,871,234</u>	<u>\$ 104,569,867</u>	<u>\$ 45,990,108</u>	<u>\$ 43,393,655</u>	<u>\$ 157,861,342</u>	<u>\$ 147,963,522</u>



As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Port Aransas, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$111,871,234 at the close of the most recent fiscal year for governmental activities and \$45,990,108 for business-type activities.

A large portion of the City's net position (approximately 90%) 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 \$7,301,367, and business-type activities increased the City's net position by \$2,596,452 for a total increase of \$9,897,819.

Table 2 – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	Restated 2024	2025	Restated 2024	2025	Restated 2024
Total revenues	\$ 47,760,740	\$ 57,666,342	\$ 4,991,915	\$ 4,592,066	\$ 52,752,655	\$ 62,258,408
Total expenses	36,347,035	32,025,877	6,507,800	5,389,220	42,854,835	37,415,097
Increase (decrease) in net position before transfers	11,413,705	25,640,465	(1,515,885)	(797,154)	9,897,820	24,843,311
Transfers	(4,112,338)	(9,840,300)	4,112,338	9,840,300	-	-
Increase (decrease) in net position	7,301,367	15,800,165	2,596,453	9,043,146	9,897,820	24,843,311
Beginning net position, restated	104,569,867	88,769,702	43,393,655	34,350,509	147,963,522	123,120,211
Ending net position	<u>\$ 111,871,234</u>	<u>\$ 104,569,867</u>	<u>\$ 45,990,108</u>	<u>\$ 43,393,655</u>	<u>\$ 157,861,342</u>	<u>\$ 147,963,522</u>

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

Table 3 – Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2025	2024	2025	2024	2025	2024
Program revenues:						
Charges for services	\$ 7,771,539	\$ 7,351,955	\$ 4,993,885	\$ 4,271,737	\$ 12,765,424	\$ 11,623,692
Operating grants and contributions	994,127	3,157,374	-	-	994,127	3,157,374
Capital grants and contributions	5,335,927	15,213,105	-	-	5,335,927	15,213,105
General revenues:						
Property taxes	11,323,041	10,522,910	-	-	11,323,041	10,522,910
Sales taxes	4,276,280	3,885,154	-	-	4,276,280	3,885,154
Franchises fees	654,840	633,509	-	-	654,840	633,509
Hotel/motel taxes	14,392,955	12,901,234	-	-	14,392,955	12,901,234
Investment earnings	2,940,557	3,762,764	11,485	70,486	2,952,042	3,833,250
Grants and contributions not restricted	-	-	-	2,465,517	-	2,465,517
Miscellaneous	71,474	238,337	(13,455)	(3,536)	58,019	234,801
Total revenues	<u>47,760,740</u>	<u>57,666,342</u>	<u>4,991,915</u>	<u>6,804,204</u>	<u>52,752,655</u>	<u>64,470,546</u>
Expenses:						
General administration	11,697,289	10,803,186	-	-	11,697,289	10,803,186
Legal	110,440	146,542	-	-	110,440	146,542
Financial administration	490,305	357,042	-	-	490,305	357,042
Public facilities	1,537,661	1,571,686	-	-	1,537,661	1,571,686
Public safety	9,067,387	8,500,476	-	-	9,067,387	8,500,476
Public transportation	320,896	264,353	-	-	320,896	264,353
Culture and recreation	11,673,162	9,556,074	-	-	11,673,162	9,556,074
Interest and fiscal charges	1,449,895	826,518	-	-	1,449,895	826,518
Gas	-	-	1,867,658	1,952,337	1,867,658	1,952,337
Sanitation	-	-	2,485,967	1,650,815	2,485,967	1,650,815
Harbor	-	-	2,154,175	1,658,154	2,154,175	1,658,154
Total expenses	<u>\$ 36,347,035</u>	<u>\$ 32,025,877</u>	<u>\$ 6,507,800</u>	<u>\$ 5,261,306</u>	<u>\$ 42,854,835</u>	<u>\$ 37,287,183</u>

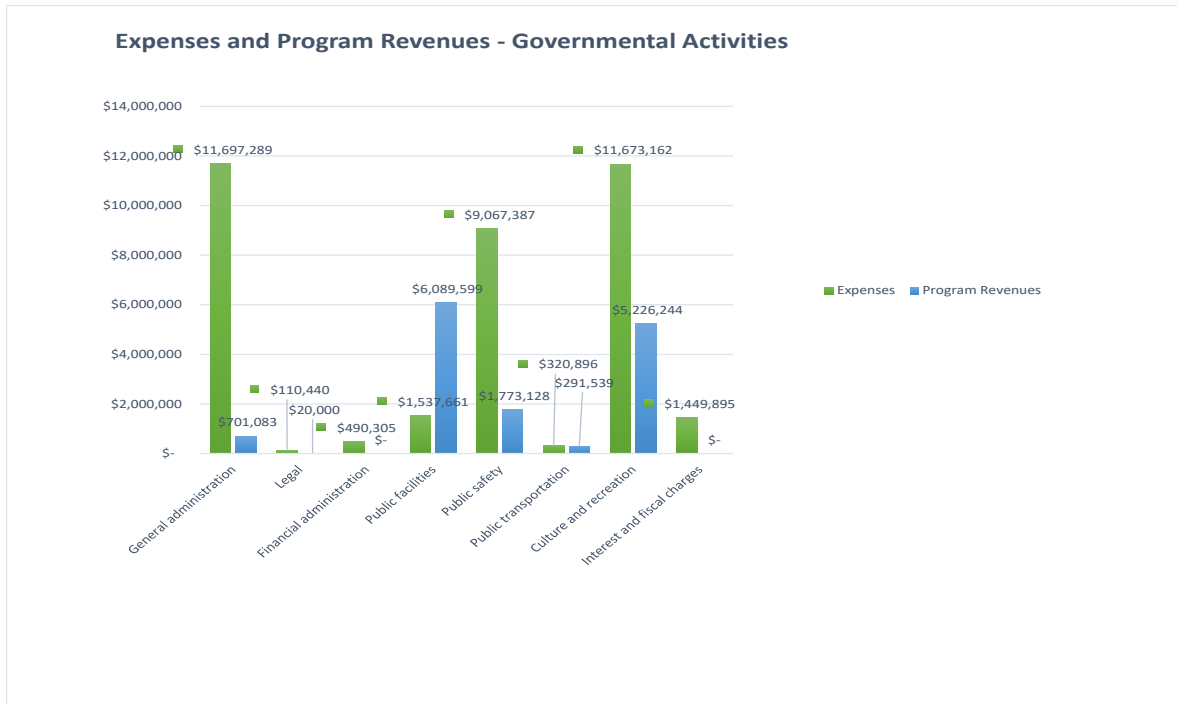
Governmental activities

Governmental activities include the functions of the general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, interest and fiscal charges. 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 decreased by \$9,905,602. This decrease is due to a decrease in grant reimbursements.

Total expenses increased by \$4,321,158.

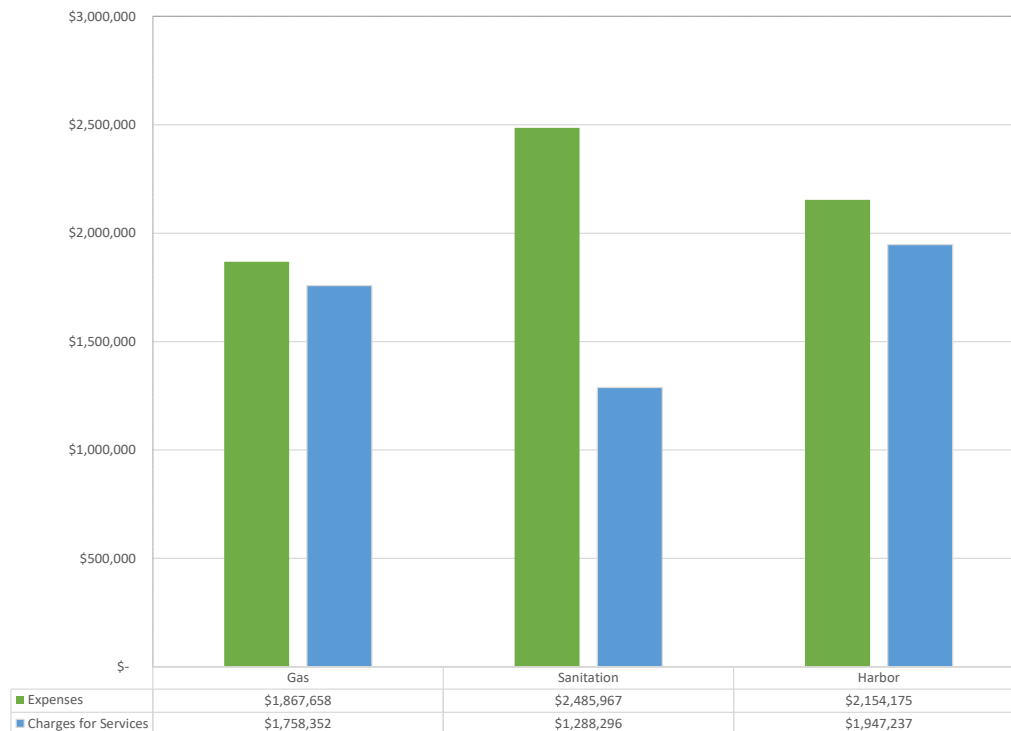
The chart below presents the City’s major expenses by function, as well as the associated program revenues for governmental activities.



Business-type activities

As shown in Table 3, total revenues increased by \$399,849 after restatements due mainly to increased charges for services. Total expenses increased \$1,118,580 after restatements.

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



Financial Analysis of the Governmental Funds

In comparison to the government-wide statements, the fund level statements focus on the 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 \$58,189,663, a decrease of \$9,441,531. Approximately 26% or \$14,873,071, 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 (\$29,757,341), debt service (\$518,838), culture and recreation (\$2,528,873), public safety (\$420,242), public transportation (\$913,243), economic development (\$7,983,639), fire (\$1,000,000), opioid abatement (\$9,242), inventories (\$19,988), and prepaid items (\$165,186).

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 \$12,545,439, while total fund balance reached \$13,719,789. 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 73% of total general fund expenditures.

The fund balance of the City's general fund decreased by \$1,731,279 during the current fiscal year. The key factor for this decrease is due to capital outlay.

Budgetary Highlights

The City's budget was amended during the year. The general fund budgeted expenditures decreased by \$3 million due to mainly a decrease in capital outlay.

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, 2025, amounts to \$157,822,223 (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 \$20,879,556 as a result of \$26,974,410 of additions offset by \$5,993,240 of depreciation and net retirements of \$101,614. Business-type activity capital assets increased by \$4,516,905 as a result of \$6,213,165 of additions less \$1,686,739 of depreciation and net retirements of (\$9,521).

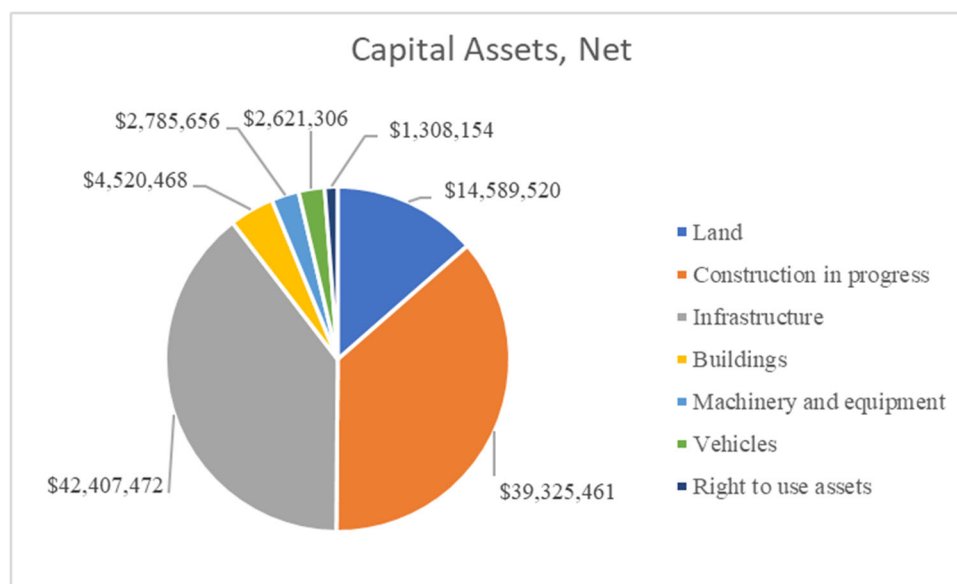
Additional information on the City's capital assets can be found in note 4 of the financial statements.

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	
	2025	2024	2025	2024	2025	2024
Land	\$ 14,589,520	\$ 12,900,075	\$ -	\$ -	\$ 14,589,520	\$ 12,900,075
Construction in progress	39,325,461	33,373,965	31,553,261	25,453,388	70,878,722	58,827,353
Infrastructure	42,407,472	29,052,779	10,325,477	11,387,037	52,732,949	40,439,816
Buildings	4,520,468	5,077,458	8,011,465	8,425,338	12,531,933	13,502,796
Machinery and equipment	2,785,656	2,460,231	94,197	149,336	2,879,853	2,609,567
Vehicles	2,621,306	2,706,306	6,717	20,942	2,628,023	2,727,248
Right to use assets	1,308,154	1,107,667	273,069	311,240	1,581,223	1,418,907
Total capital assets, net	<u>\$ 107,558,037</u>	<u>\$ 86,678,481</u>	<u>\$ 50,264,186</u>	<u>\$ 45,747,281</u>	<u>\$ 157,822,223</u>	<u>\$ 132,425,762</u>

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



Debt Administration

At the end of the current fiscal year, the City had total bonded debt and capital leases outstanding of \$55,449,348. The table below reflects the outstanding debt at September 30, 2025. 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	
	2025	Restated 2024	2025	Restated 2024	2025	2024
General obligation bonds	\$ 23,985,000	\$ 18,185,000	\$ -	\$ -	\$ 23,985,000	\$ 18,185,000
Tax notes	16,950,000	20,040,000	-	-	16,950,000	20,040,000
Premium on bonds	2,305,129	2,119,519	-	-	2,305,129	2,119,519
OPEB liabilities	3,772,591	3,269,295	419,177	363,254	4,191,768	3,632,549
Net pension liability	4,672,718	5,080,066	547,007	594,693	5,219,725	5,674,759
Lease liability on right to use assets	1,184,612	882,721	270,164	303,383	1,454,776	1,186,104
Subscription liability on right to use assets	69,111	99,527	-	-	69,111	99,527
Compensated absences	1,190,047	888,703	83,792	85,236	1,273,839	973,939
Total long-term liabilities	<u>\$ 54,129,208</u>	<u>\$ 50,564,831</u>	<u>\$ 1,320,140</u>	<u>\$ 1,346,566</u>	<u>\$ 55,449,348</u>	<u>\$ 51,911,397</u>

Overall, the City's debt increased by \$3,537,951 or approximately 7%. The key factors to the net change are as follows:

- Issuance of \$7,705,000 General Obligation Bonds with a bond premium of \$495,483.
- Proceeds from right to use lease and subscription assets of \$721,377.

See note 4 - long-term liabilities for more detailed information on long-term debt activity.

Economic Factors and Next Year's Budgets and Rates

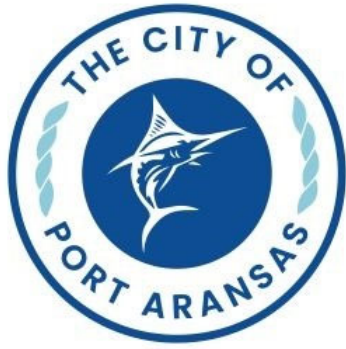
All of these factors were considered in preparing the City's budget for the 2025-2026 fiscal year. The City is finishing up recovery efforts from Hurricane Harvey. All final projects needed to complete recovery are now underway in fiscal year 2024-2025.

The tax rate for the 2026 year has increased to 0.201612 cents per hundred. The tax rate has been split with 0.106877 for maintenance and operations and 0.094735 for interest and sinking for the retirement of the bonds.

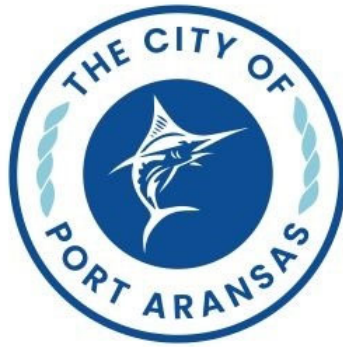
Overall, the general fund is budgeted to end the fiscal year 2025-2026 with an estimated fund balance of \$8,397,715. This is approximately 36% of general fund operating expenditures.

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.



BASIC FINANCIAL STATEMENTS



CITY OF PORT ARANSAS, TEXAS

STATEMENT OF NET POSITION

September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled cash and investments	\$ 61,465,482	\$ 158,355	\$ 61,623,837
Receivables (net of allowance)	1,237,074	116,693	1,353,767
Internal balances	2,395,710	(2,395,710)	-
Inventories	19,988	-	19,988
Prepays	165,186	-	165,186
Lease receivable	646,173	-	646,173
Restricted assets:			
Cash and cash equivalents	75,388	-	75,388
Capital assets not being depreciated:			
Land	14,589,520	-	14,589,520
Construction in progress	39,325,461	31,553,261	70,878,722
Capital assets net of accumulated depreciation:			
Infrastructure	42,407,472	10,325,477	52,732,949
Buildings	4,520,468	8,011,465	12,531,933
Machinery and equipment	2,785,656	94,197	2,879,853
Vehicles	2,621,306	6,717	2,628,023
Right to use assets	1,308,154	273,069	1,581,223
Total capital assets	107,558,037	50,264,186	157,822,223
Total assets	173,563,038	48,143,524	221,706,562
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	2,636,262	301,077	2,937,339
LIABILITIES			
Accounts payable	6,555,163	539,359	7,094,522
Accrued wages payable	349,478	31,338	380,816
Accrued interest payable	224,755	-	224,755
Unearned revenues	39,118	95	39,213
Customer meter deposits	-	295,022	295,022
Noncurrent liabilities:			
Due within one year	6,863,939	53,936	6,917,875
Due in more than one year	47,265,269	1,266,204	48,531,473
Total liabilities	61,297,722	2,185,954	63,483,676
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	3,030,344	268,539	3,298,883
NET POSITION			
Net investment in capital assets	91,764,298	49,994,022	141,758,320
Restricted for:			
Culture and recreation	1,585,278	-	1,585,278
Debt service	518,838	-	518,838
Economic development	7,983,639	-	7,983,639
Public safety	420,242	-	420,242
Fire	1,000,000	-	1,000,000
Opioid abatement	9,242	-	9,242
Unrestricted	8,589,697	(4,003,914)	4,585,783
Total net position	\$ 111,871,234	\$ 45,990,108	\$ 157,861,342

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, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General administration	\$ 11,697,289	\$ 691,841	\$ 9,242	\$ -
Legal	110,440	20,000	-	-
Financial administration	490,305	-	-	-
Public facilities	1,537,661	753,672	-	5,335,927
Public safety	9,067,387	1,699,224	73,904	-
Public transportation	320,896	291,539	-	-
Culture and recreation	11,673,162	4,315,263	910,981	-
Interest on long-term debt	<u>1,449,895</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>36,347,035</u>	<u>7,771,539</u>	<u>994,127</u>	<u>5,335,927</u>
Business-type activities:				
Gas	1,867,658	1,758,352	-	-
Sanitation	2,485,967	1,288,296	-	-
Harbor	<u>2,154,175</u>	<u>1,947,237</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>6,507,800</u>	<u>4,993,885</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 42,854,835</u>	<u>\$ 12,765,424</u>	<u>\$ 994,127</u>	<u>\$ 5,335,927</u>

General revenues:

Taxes:

Property taxes, levies for general purposes

Sales taxes

Franchise taxes

Hotel/motel taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and special items

Change in net position

Net position - beginning

Prior period adjustment - change in accounting principle

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
\$ (10,996,206)	\$ -	\$ (10,996,206)
(90,440)	-	(90,440)
(490,305)	-	(490,305)
4,551,938	-	4,551,938
(7,294,259)	-	(7,294,259)
(29,357)	-	(29,357)
(6,446,918)	-	(6,446,918)
<u>(1,449,895)</u>	<u>-</u>	<u>(1,449,895)</u>
<u>(22,245,442)</u>	<u>-</u>	<u>(22,245,442)</u>
-	(109,306)	3,516,704
-	(1,197,671)	2,576,592
<u>-</u>	<u>(206,938)</u>	<u>3,894,474</u>
<u>-</u>	<u>(1,513,915)</u>	<u>9,987,770</u>
<u>(22,245,442)</u>	<u>(1,513,915)</u>	<u>(12,257,672)</u>
11,323,041	-	11,323,041
4,276,280	-	4,276,280
654,840	-	654,840
14,392,955	-	14,392,955
2,940,557	11,484	2,952,041
71,474	(13,455)	58,019
<u>(4,112,338)</u>	<u>4,112,338</u>	<u>-</u>
<u>29,546,809</u>	<u>4,110,367</u>	<u>33,657,176</u>
7,301,367	2,596,452	9,897,819
104,697,127	43,435,760	148,132,887
<u>(127,260)</u>	<u>(42,104)</u>	<u>(169,364)</u>
<u>\$ 111,871,234</u>	<u>\$ 45,990,108</u>	<u>\$ 157,861,342</u>

CITY OF PORT ARANSAS, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2025

	General Fund	Beach Fund	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund
ASSETS				
Cash and investments	\$ 5,343,124	\$ 8,538,049	\$ 709,984	\$ 11,205,954
Investments	-	-	-	-
Receivables (net)	447,384	84,639	379	15,022
Due from other funds	8,668,802	-	-	-
Restricted cash and cash equivalents	75,388	-	-	-
Inventories	-	-	-	-
Prepaid expenses	165,108	-	-	-
Lease receivable	-	-	-	-
Total assets	<u>\$ 14,699,806</u>	<u>\$ 8,622,688</u>	<u>\$ 710,363</u>	<u>\$ 11,220,976</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 543,758	\$ 583,714	\$ 709,758	\$ 763,580
Accrued wages payable	252,935	55,940	-	6,760
Due to other funds	-	-	-	-
Deferred revenues	39,118	-	-	-
Total liabilities	<u>835,811</u>	<u>639,654</u>	<u>709,758</u>	<u>770,340</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property leases	-	-	-	-
Deferred property taxes	144,206	-	-	-
Total deferred inflows of resources	<u>144,206</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	165,108	-	-	-
Inventories	-	-	-	-
Restricted:				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Economic development	-	7,983,034	605	-
Fire	1,000,000	-	-	-
Public safety	-	-	-	-
Opioid abatement	9,242	-	-	-
Committed:				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Public transportation	-	-	-	-
Unassigned	12,545,439	-	-	10,450,636
Total fund balances	<u>13,719,789</u>	<u>7,983,034</u>	<u>605</u>	<u>10,450,636</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,699,806</u>	<u>\$ 8,622,688</u>	<u>\$ 710,363</u>	<u>\$ 11,220,976</u>

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
\$ -	\$ 518,838	\$ -	\$ 30,132,009	\$ 4,927,994	\$ 61,375,952
-	-	-	-	89,530	89,530
14,152	96,827	26,951	410,189	141,531	1,237,074
-	-	-	-	-	8,668,802
-	-	-	-	-	75,388
19,988	-	-	-	-	19,988
-	-	-	-	78	165,186
646,173	-	-	-	-	646,173
<u>\$ 680,313</u>	<u>\$ 615,665</u>	<u>\$ 26,951</u>	<u>\$ 30,542,198</u>	<u>\$ 5,159,133</u>	<u>\$ 72,278,093</u>
\$ 15,864	\$ -	\$ 1,877,159	\$ 1,842,085	\$ 219,245	\$ 6,555,163
1,004	-	-	-	32,839	349,478
175,363	-	5,839,431	-	258,298	6,273,092
-	-	-	-	-	39,118
192,231	-	7,716,590	1,842,085	510,382	13,216,851
630,546	-	-	-	-	630,546
-	96,827	-	-	-	241,033
630,546	96,827	-	-	-	871,579
-	-	-	-	78	165,186
19,988	-	-	-	-	19,988
-	-	-	28,700,113	-	28,700,113
-	-	-	-	1,585,278	1,585,278
-	518,838	-	-	-	518,838
-	-	-	-	-	7,983,639
-	-	-	-	-	1,000,000
-	-	-	-	420,242	420,242
-	-	-	-	-	9,242
-	-	-	-	1,057,228	1,057,228
-	-	-	-	943,595	943,595
-	-	-	-	913,243	913,243
(162,452)	-	(7,689,639)	-	(270,913)	14,873,071
(142,464)	518,838	(7,689,639)	28,700,113	4,648,751	58,189,663
<u>\$ 680,313</u>	<u>\$ 615,665</u>	<u>\$ 26,951</u>	<u>\$ 30,542,198</u>	<u>\$ 5,159,133</u>	<u>\$ 72,278,093</u>

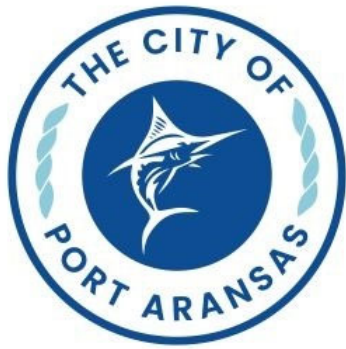
CITY OF PORT ARANSAS, TEXAS

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

September 30, 2025

Total fund balances - governmental funds	\$ 58,189,663
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.	107,558,037
Add property taxes deferred inflows unavailable to pay for current period expenditures.	241,033
Subtract long-term assets/liabilities unavailable to pay for current period expenditures.	236,464
Subtract long-term liabilities, including bonds payable, which are not due and payable in the current period.	<u>(54,353,963)</u>
Net position of governmental activities	<u>\$ 111,871,234</u>

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



CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	General Fund	Beach Fund	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund
Revenues:				
Taxes				
Property	\$ 5,705,449	\$ -	\$ -	\$ -
Sales	2,850,853	-	-	-
Franchise fees	654,840	-	-	-
Hotel/motel	-	3,020,973	5,279,849	6,092,133
Intergovernmental	640,583	471,785	-	-
Licenses and permits	2,048,952	1,454,635	-	-
Charges for services	2,101,308	-	-	18,001
Fines and forfeitures	511,742	-	-	-
Interest	445,115	245,850	-	404,198
Opioid abatement	9,242	-	-	-
Miscellaneous	178,380	-	-	-
Total revenues	<u>15,146,464</u>	<u>5,193,243</u>	<u>5,279,849</u>	<u>6,514,332</u>
Expenditures:				
Current:				
General administration	3,651,833	-	5,279,304	-
Legal	108,304	-	-	-
Financial administration	480,822	-	-	-
Public facilities	1,323,137	-	-	-
Public safety	7,121,184	-	-	-
Public transportation	239,575	-	-	-
Culture and recreation	1,199,062	4,480,441	-	1,489,596
Capital outlay	2,699,104	1,963,748	-	3,308,599
Debt service:				
Principal	286,648	100,334	-	13,370
Interest and other charges	12,657	18,843	-	408
Total expenditures	<u>17,122,326</u>	<u>6,563,366</u>	<u>5,279,304</u>	<u>4,811,973</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>(1,975,862)</u>	<u>(1,370,123)</u>	<u>545</u>	<u>1,702,359</u>
Other financing sources (uses):				
Transfers in	-	879,500	-	-
Transfers out	(200,000)	(60,000)	-	(3,138,576)
Proceeds from right to use leases/subscriptions	444,583	246,836	-	552
Proceeds of bond	-	-	-	-
Premium	-	-	-	-
Total other financing sources	<u>244,583</u>	<u>1,066,336</u>	<u>-</u>	<u>(3,138,024)</u>
Net change in fund balances	<u>(1,731,279)</u>	<u>(303,787)</u>	<u>545</u>	<u>(1,435,665)</u>
Fund balances - beginning	15,451,068	8,286,821	60	11,886,301
Prior period adjustment - correction of error	-	-	-	-
Fund balances - beginning, as restated	<u>15,451,068</u>	<u>8,286,821</u>	<u>60</u>	<u>11,886,301</u>
Fund balances - ending	<u>\$ 13,719,789</u>	<u>\$ 7,983,034</u>	<u>\$ 605</u>	<u>\$ 10,450,636</u>

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
\$ -	\$ 5,552,924	\$ -	\$ -	\$ -	\$ 11,258,373
-	-	-	-	1,425,427	4,276,280
-	-	-	-	-	654,840
-	-	-	-	-	14,392,955
14,048	-	4,046,818	414,109	519,414	6,106,757
-	-	-	-	-	3,503,587
248,830	-	-	-	89,589	2,457,728
-	-	-	-	566,964	1,078,706
-	22,486	-	1,717,129	105,779	2,940,557
-	-	-	-	-	9,242
6,758	-	-	840,000	93,523	1,118,661
<u>269,636</u>	<u>5,575,410</u>	<u>4,046,818</u>	<u>2,971,238</u>	<u>2,800,696</u>	<u>47,797,686</u>
-	-	-	-	-	8,931,137
-	-	-	-	-	108,304
-	-	-	-	-	480,822
-	-	-	-	-	1,323,137
-	-	693,882	-	34,051	7,849,117
-	-	-	-	75,114	314,689
207,965	-	-	-	1,832,651	9,209,715
11,772	-	8,426,954	6,995,401	3,568,832	26,974,410
2,547	4,995,000	7,341	-	39,663	5,444,903
2,953	1,498,373	2	200,483	301	1,734,020
<u>225,237</u>	<u>6,493,373</u>	<u>9,128,179</u>	<u>7,195,884</u>	<u>5,550,612</u>	<u>62,370,254</u>
<u>44,399</u>	<u>(917,963)</u>	<u>(5,081,361)</u>	<u>(4,224,646)</u>	<u>(2,749,916)</u>	<u>(14,572,568)</u>
-	1,153,575	3,434,980	-	3,107,375	8,575,430
-	-	(4,627,013)	(4,314,480)	(347,700)	(12,687,769)
-	-	-	-	37,263	729,234
-	-	-	7,705,000	-	7,705,000
-	-	-	495,483	-	495,483
-	1,153,575	(1,192,033)	3,886,003	2,796,938	4,817,378
44,399	235,612	(6,273,394)	(338,643)	47,022	(9,755,190)
(186,863)	283,226	(1,416,245)	28,725,097	4,601,729	67,631,194
-	-	-	313,659	-	313,659
<u>(186,863)</u>	<u>283,226</u>	<u>(1,416,245)</u>	<u>29,038,756</u>	<u>4,601,729</u>	<u>67,944,853</u>
<u>\$ (142,464)</u>	<u>\$ 518,838</u>	<u>\$ (7,689,639)</u>	<u>\$ 28,700,113</u>	<u>\$ 4,648,751</u>	<u>\$ 58,189,663</u>

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, 2025

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

Net change in fund balances-total governmental funds	\$ (9,755,190)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciable expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	20,879,556
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Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds. This is the change in these amounts in the current year (property taxes).	64,669
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to 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	4,995,000
Lease liability on right to use assets	(703,233)
Subscription liability on right to use assets	(18,144)
Amortization of bond premiums	309,873
Issuance of bonds	(7,705,000)
Issuance of premium	(495,483)
Proceeds from lease and subscription right to use assets	449,902

Governmental funds report required contributions to employee pension as expenditures. However, in the statement of activities, the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined pension expense.	(145,989)
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Governmental funds report required contributions to employee OPEB as expenditures. However, in the statement of activities, the cost of the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined OPEB expense.	(113,224)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(427,766)
Interest expense	<u>(33,604)</u>

Change in net position of governmental activities	<u>\$ 7,301,367</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

For the year ended September 30, 2025

	Business-Type Activities - Enterprise Funds			
	Gas	Harbor	Sanitation	Total
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ -	\$ 158,355	\$ 158,355
Receivables (net)	4,515	66,427	45,751	116,693
Due from other funds	-	-	-	-
Total current assets	<u>4,515</u>	<u>66,427</u>	<u>204,106</u>	<u>275,048</u>
Noncurrent assets:				
Capital assets:				
Construction in progress	31,553,261	-	-	31,553,261
Infrastructure	1,216,322	19,754,658	507,618	21,478,598
Buildings	-	8,581,463	35,787	8,617,250
Machinery and equipment	256,075	56,822	299,462	612,359
Vehicles	215,027	36,698	-	251,725
Right to use assets	63,355	285,332	4,239	352,926
Total capital assets	33,304,040	28,714,973	847,106	62,866,119
Less accumulated depreciation	(1,415,646)	(10,687,079)	(499,208)	(12,601,933)
Total noncurrent assets	<u>31,888,394</u>	<u>18,027,894</u>	<u>347,898</u>	<u>50,264,186</u>
Total assets	<u>31,892,909</u>	<u>18,094,321</u>	<u>552,004</u>	<u>50,539,234</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources	<u>183,260</u>	<u>93,558</u>	<u>24,259</u>	<u>301,077</u>
LIABILITIES				
Current liabilities (payable from current assets):				
Accounts payable	328,274	13,639	197,447	539,360
Accrued wages	18,192	10,763	2,383	31,338
Due to other funds	517,240	1,878,470	-	2,395,710
Compensated absences	13,430	6,826	692	20,948
Deferred revenue	95	-	-	95
Total current liabilities	<u>877,231</u>	<u>1,909,698</u>	<u>200,522</u>	<u>2,987,451</u>
Current liabilities				
Customer meter deposits	<u>280,922</u>	<u>14,100</u>	<u>-</u>	<u>295,022</u>
Total current liabilities	<u>280,922</u>	<u>14,100</u>	<u>-</u>	<u>295,022</u>
Total current liabilities	<u>1,158,153</u>	<u>1,923,798</u>	<u>200,522</u>	<u>3,282,473</u>
Noncurrent liabilities:				
Compensated absences	40,290	20,477	2,076	62,843
Lease liabilities	32,554	237,610	-	270,164
Other postemployment benefits	251,507	125,753	41,917	419,177
Net pension liability	<u>337,112</u>	<u>175,127</u>	<u>34,768</u>	<u>547,007</u>
Total noncurrent liabilities	<u>661,463</u>	<u>558,967</u>	<u>78,761</u>	<u>1,299,191</u>
Total liabilities	<u>1,819,616</u>	<u>2,482,765</u>	<u>279,283</u>	<u>4,581,664</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	<u>161,730</u>	<u>81,313</u>	<u>25,496</u>	<u>268,539</u>
NET POSITION				
Net investment in capital assets	31,855,840	17,790,284	347,898	49,994,022
Unrestricted	(1,761,017)	(2,166,483)	(76,414)	(4,003,914)
Total net position	<u>\$ 30,094,823</u>	<u>\$ 15,623,801</u>	<u>\$ 271,484</u>	<u>\$ 45,990,108</u>

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, 2025

	Business-Type Activities - Enterprise Funds			
	Gas	Harbor	Sanitation	Total
Operating revenues:				
Charges for sales and services	\$ 1,758,352	\$ 1,288,296	\$ 1,947,237	\$ 4,993,885
Total operating revenues	<u>1,758,352</u>	<u>1,288,296</u>	<u>1,947,237</u>	<u>4,993,885</u>
Operating expenses:				
Personnel services	862,680	513,944	70,697	1,447,321
Supplies and other services and charges	943,125	445,299	1,985,316	3,373,740
Depreciation	<u>61,853</u>	<u>1,526,724</u>	<u>98,162</u>	<u>1,686,739</u>
Total operating expenses	<u>1,867,658</u>	<u>2,485,967</u>	<u>2,154,175</u>	<u>6,507,800</u>
Operating income (loss)	<u>(109,306)</u>	<u>(1,197,671)</u>	<u>(206,938)</u>	<u>(1,513,915)</u>
Nonoperating revenues (expenses):				
Investment revenue	9,402	-	2,082	11,484
Sale of assets	(9,521)	-	-	(9,521)
Interest expense	(1,847)	(4,618)	(3,431)	(9,896)
Other income (expense)	<u>257</u>	<u>5,705</u>	<u>-</u>	<u>5,962</u>
Total nonoperating revenues (expenses)	<u>(1,709)</u>	<u>1,087</u>	<u>(1,349)</u>	<u>(1,971)</u>
Net income (loss) before transfers	<u>(111,015)</u>	<u>(1,196,584)</u>	<u>(208,287)</u>	<u>(1,515,886)</u>
Transfers in	4,612,175	14,838	60,000	4,687,013
Transfers out	<u>-</u>	<u>(574,675)</u>	<u>-</u>	<u>(574,675)</u>
Change in net position	4,501,160	(1,756,421)	(148,287)	2,596,452
Net position - beginning	25,616,434	17,396,651	422,675	43,435,760
Prior period adjustment - change in accounting principle	<u>(22,771)</u>	<u>(16,429)</u>	<u>(2,904)</u>	<u>(42,104)</u>
Net position - beginning, restated	<u>25,593,663</u>	<u>17,380,222</u>	<u>419,771</u>	<u>43,393,656</u>
Net position - ending	<u>\$ 30,094,823</u>	<u>\$ 15,623,801</u>	<u>\$ 271,484</u>	<u>\$ 45,990,108</u>

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

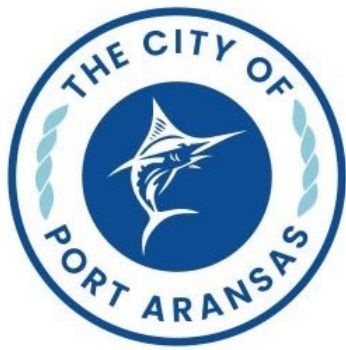
CITY OF PORT ARANSAS, TEXAS

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

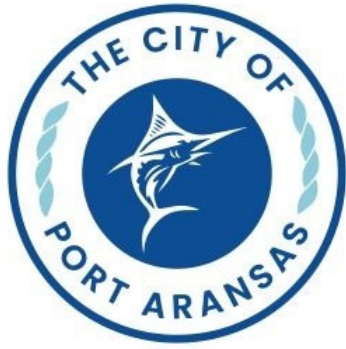
For the year ended September 30, 2025

	Business-Type Activities Enterprise Funds			Totals Enterprise Funds
	Gas	Harbor	Sanitation	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,780,046	\$ 1,283,968	\$ 1,936,777	\$ 5,000,791
Payments to suppliers	(230,275)	(103,698)	(1,841,833)	(2,175,806)
Payments to employees	(829,083)	(490,345)	(68,898)	(1,388,326)
Net cash provided by (used in) operating activities	<u>720,688</u>	<u>689,925</u>	<u>26,046</u>	<u>1,436,659</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal grants and contributions	-	-	-	-
Sale of fixed assets	(43,591)	-	-	(43,591)
Transfers from other funds	4,612,175	14,838	60,000	4,687,013
Transfers to other funds	-	(574,675)	-	(574,675)
Net cash provided by (used in) noncapital financing activities	<u>4,568,584</u>	<u>(559,837)</u>	<u>60,000</u>	<u>4,068,747</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES				
Purchases of capital assets and construction in progress	(6,054,752)	(105,316)	-	(6,160,068)
Interest paid	(1,847)	(4,618)	(3,431)	(9,896)
Payment on right to use leases	(12,002)	(20,154)	(1,063)	(33,219)
Net cash provided by (used in) capital and related financing activities	<u>(6,068,601)</u>	<u>(130,088)</u>	<u>(4,494)</u>	<u>(6,203,183)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and investment revenue received	<u>9,402</u>	<u>-</u>	<u>2,082</u>	<u>11,484</u>
Net cash provided by (used in) investing activities	<u>9,402</u>	<u>-</u>	<u>2,082</u>	<u>11,484</u>
Net increase (decrease) in cash and cash equivalents	<u>(769,927)</u>	<u>-</u>	<u>83,634</u>	<u>(686,293)</u>
Balances - beginning of year	<u>769,927</u>	<u>-</u>	<u>74,721</u>	<u>844,648</u>
Balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,355</u>	<u>\$ 158,355</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (109,306)	\$ (1,197,671)	\$ (206,938)	\$ (1,513,915)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	61,853	1,526,724	98,162	1,686,739
Changes in assets and liabilities:				
Accounts receivable	(569)	(7,028)	(10,460)	(18,057)
Due to/from other funds	517,240	787,393	-	1,304,633
Accounts payable	227,645	(435,083)	145,640	(61,798)
Accrued wages	(2,180)	46	746	(1,388)
Customer deposits	22,263	2,700	-	24,963
Compensated absences	(424)	11,334	(3,665)	7,245
Pension and OPEB liabilities	4,166	1,510	2,561	8,237
Net cash provided by (used in) operating activities	<u>\$ 720,688</u>	<u>\$ 689,925</u>	<u>\$ 26,046</u>	<u>\$ 1,436,659</u>

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



NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies

Reporting entity

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

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

Blended component unit

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

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

Government-wide and fund financial statements

The City’s government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 Special Revenue/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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Proprietary fund financial statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows for each major proprietary fund and for the nonmajor funds aggregated. Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

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

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

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

Deposits and investments

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

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

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

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2025, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2025, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2025, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2025. The property tax receivable allowance is equal to 5 percent of current outstanding property taxes on September 30, 2025, and 5 percent of delinquent outstanding property taxes on September 30, 2025. Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

Inventories and prepaid items

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

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

Restricted assets

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

<u>Type</u>	<u>Governmental Activities</u>
Public Safety	<u>\$ 75,388</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 describe 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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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.

Adoption of new accounting policies

During fiscal year ended September 30, 2025, the City adopted the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections* and GASB Statement No. 101, *Compensated Absences*, which establishes updated guidance for the recognition, measurement, and financial reporting of compensated absences. The requirements of GASB Statement 101 were applied retrospectively to all periods presented and resulted in a prior period adjustment. See note 8 for additional details.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The deferred outflows of resources are reported in the government-wide statement of net position for governmental and business-type activities and the fund level for the proprietary statement of net position. The City has the following that qualifies for reporting in this category: amounts deferred under GASB 68 and GASB 75.

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

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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	Business-Type Activities			
	Activities	Gas	Harbor	Sanitation	Total
Deferred outflows of resources					
Deferred outflows from pension activities	\$ 1,370,857	\$ 98,900	\$ 51,377	\$ 10,200	\$ 1,531,334
Deferred outflows related to OPEB	<u>1,265,405</u>	<u>84,360</u>	<u>42,181</u>	<u>14,059</u>	<u>1,406,005</u>
Total deferred outflows of resources	<u>\$ 2,636,262</u>	<u>\$ 183,260</u>	<u>\$ 93,558</u>	<u>\$ 24,259</u>	<u>\$ 2,937,339</u>
Deferred inflows of resources					
Deferred inflows related to pensions	\$ 318,377	\$ 22,969	\$ 11,932	\$ 2,369	\$ 355,647
Deferred inflows related to OPEB	2,081,421	138,761	69,381	23,127	2,312,690
Deferred inflows related to leases	<u>630,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>630,546</u>
Deferred inflows of resources	<u>\$ 3,030,344</u>	<u>\$ 161,730</u>	<u>\$ 81,313</u>	<u>\$ 25,496</u>	<u>\$ 3,298,883</u>

Pensions

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

Other postemployment benefits

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

Net position flow assumption

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 (\$54,353,963) difference are as follows:

Right to use payables	\$ (1,253,723)
Bonds payable	(23,985,000)
Tax notes payable	(16,950,000)
Bond premium	(2,305,129)
OPEB liabilities	(3,772,591)
Net pension liability	(4,672,718)
Accrued interest payable	(224,755)
Compensated absences	(1,190,047)
	<u>\$ (54,353,963)</u>

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The details of this \$107,558,037 difference are as follows:

Capital assets not being depreciated	\$ 53,914,981
Capital assets being depreciated	104,813,379
Accumulated depreciation	<u>(51,170,323)</u>
Net adjustment to increase net changes in fund balances - total	
funds to arrive at changes in net position of governmental activities	<u>\$ 107,558,037</u>

The governmental fund balance sheet includes reconciliation fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). The details of this \$241,033 difference are as follows:

Property taxes receivable	\$ 253,719
Allowance for doubtful accounts	<u>(12,686)</u>
Net	<u>\$ 241,033</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 \$269,002 difference is as follows:

<u>GASB 68</u>	
Deferred outflows of resources - pensions	\$ 1,531,334
Deferred inflows of resources - pensions	(355,647)
<u>GASB 75</u>	
Deferred outflows of resources - TMRS	21,843
Deferred outflows of resources - Retiree health	1,384,162
Deferred inflows of resources - TMRS	(93,680)
Deferred inflows of resources - Retiree health	<u>(2,219,010)</u>
Net	<u>\$ 269,002</u>

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 \$20,879,556 difference are as follows:

Capital outlay - additions not being depreciated	\$ 15,625,224
Capital outlay - additions being depreciated	3,364,903
Depreciation expense	(5,993,240)
Gain on disposals of assets	<u>7,882,669</u>
Net adjustment to increase net changes in fund balances - total	
funds to arrive at changes in net position of governmental activities	<u>\$ 20,879,556</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2025, the Airport Fund had a deficit of (\$142,464) and the Hurricane Harvey Fund had a deficit of (\$7,689,639). 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, 2025, the City has a deficit unrestricted net position in the gas, harbor, and sanitation enterprise funds of (\$1,761,017), (\$2,166,483), and (\$76,414), 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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2025, the City had a bank balance of \$1,604,239 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 \$8,910,096 and the FDIC coverage is \$250,000. The City also has a balance of \$133,701 with Value Bank of Texas and FDIC coverage of \$250,000. The overall book balance of the City's bank balances on September 30, 2025, is \$1,588,403.

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).

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 (50% of portfolio), Texas Class (10% of portfolio), LOGIC (34% of portfolio), and certificates of deposits (2%).

As of September 30, 2025 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	1,588,403	1	N/A
Money market	316,881	1	N/A
TexPool	31,097,507	42	AAAm
Texas Class	6,276,870	25	AAAm
LOGIC	21,183,763		
Certificates of deposit	<u>1,234,530</u>	470	N/A
Total pooled cash and investments	<u>\$ 61,699,225</u>		
Portfolio weighted after maturity (days)		<u>33</u>	<u>0</u>

Receivables

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

	General	Beach	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund	Airport	Debt Service	Hurricane Harvey Fund	Construction	Nonmajor Funds	Total Governmental Funds
Receivables:										
Taxes - ad valorem	\$ 151,796	\$ -	\$ -	\$ -	\$ -	\$ 101,923	\$ -	\$ -	\$ -	\$ 253,719
Taxes - sales	75,506	-	-	15,022	-	-	-	-	141,531	232,059
Intergovernmental	223,128	27,852	-	-	14,152	-	26,951	410,189	-	702,272
Accounts	-	-	-	-	-	-	-	-	-	-
Other	<u>13,970</u>	<u>56,787</u>	<u>379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,136</u>
Gross receivables	464,400	84,639	379	15,022	14,152	101,923	26,951	410,189	141,531	1,259,186
Less allowances for uncollectibles	<u>(17,016)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,096)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,112)</u>
Net total receivables	<u>\$ 447,384</u>	<u>\$ 84,639</u>	<u>\$ 379</u>	<u>\$ 15,022</u>	<u>\$ 14,152</u>	<u>\$ 96,827</u>	<u>\$ 26,951</u>	<u>\$ 410,189</u>	<u>\$ 141,531</u>	<u>\$ 1,237,074</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

	Gas	Harbor	Sanitation	Total Enterprise Funds	Grand Total
Receivables:					
Taxes - ad valorem	\$ -	\$ -	\$ -	\$ -	\$ 253,719
Taxes - sales	-	-	-	-	232,059
Intergovernmental	-	-	-	-	702,272
Accounts	4,766	293,238	45,919	343,923	343,923
Other	-	-	-	-	71,136
Gross receivables	4,766	293,238	45,919	343,923	1,603,109
Less allowances for uncollectibles	(251)	(226,811)	(168)	(227,230)	(249,342)
Net total receivables	<u>\$ 4,515</u>	<u>\$ 66,427</u>	<u>\$ 45,751</u>	<u>\$ 116,693</u>	<u>\$ 1,353,767</u>

The receivables are expected to be collected within one year.

Lease receivable

The City has entered into various (18) lease agreements as the lessor for the use of hangers at the City's airport. The leases have interest rates ranging from 1.608% to 3.935%. The leases have receipts that range from \$2,100 to \$4,620. The value of the lease receivable on September 30, 2025 is \$646,173 and the City recognized lease revenue of \$29,729 during the fiscal year.

Future minimum lease payments are as follows:

GOVERNMENTAL ACTIVITIES				
September 30,	Principal	Interest	Total	
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		32,785	11,250	44,035
2030-2034		173,998	46,177	220,175
2035-2039		187,597	27,958	215,555
2040-2044		100,535	11,150	111,685
2045-2027		26,364	1,086	27,450
		<u>\$ 646,173</u>	<u>\$ 148,867</u>	<u>\$ 795,040</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Capital assets

Capital asset activity for governmental activities for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Transfers/ Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,900,075	\$ 1,689,445	\$ -	\$ 14,589,520
Construction in progress	<u>33,373,965</u>	<u>13,935,779</u>	<u>(7,984,283)</u>	<u>39,325,461</u>
Total capital assets, not being depreciated	<u>46,274,040</u>	<u>15,625,224</u>	<u>(7,984,283)</u>	<u>53,914,981</u>
Capital assets, being depreciated:				
Infrastructure	59,346,225	8,799,066	7,984,283	76,129,574
Buildings	10,398,287	7,834	(126,971)	10,279,150
Machinery and equipment	8,030,360	1,191,615	(131,101)	9,090,874
Vehicles	6,902,806	626,348	(300,153)	7,229,001
Right to use lease assets	1,376,373	703,479	(299,090)	1,780,762
Right to use subscription assets	<u>320,485</u>	<u>20,844</u>	<u>(37,311)</u>	<u>304,018</u>
Total capital assets being depreciated	<u>86,374,536</u>	<u>11,349,186</u>	<u>7,089,657</u>	<u>104,813,379</u>
Less accumulated depreciation for:				
Infrastructure	(30,293,446)	(3,428,656)	-	(33,722,102)
Buildings	(5,320,829)	(521,398)	83,545	(5,758,682)
Machinery and equipment	(5,570,129)	(808,002)	72,913	(6,305,218)
Vehicles	(4,196,500)	(711,348)	300,153	(4,607,695)
Right to use lease assets	(439,743)	(425,064)	299,090	(565,717)
Right to use subscription assets	<u>(149,448)</u>	<u>(98,772)</u>	<u>37,311</u>	<u>(210,909)</u>
Total accumulated depreciation	<u>(45,970,095)</u>	<u>(5,993,240)</u>	<u>793,012</u>	<u>(51,170,323)</u>
Total capital assets being depreciated, net	<u>40,404,441</u>	<u>5,355,946</u>	<u>7,882,669</u>	<u>53,643,056</u>
Governmental activities capital assets, net	<u>\$ 86,678,481</u>	<u>\$ 20,981,170</u>	<u>\$ (101,614)</u>	<u>\$ 107,558,037</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Capital assets (continued)

Capital asset activity for business-type activities for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 25,453,388	\$ 6,099,873	\$ -	\$ 31,553,261
Total capital assets, not being depreciated	<u>25,453,388</u>	<u>6,099,873</u>	<u>-</u>	<u>31,553,261</u>
Capital assets, being depreciated:				
Infrastructure	21,425,260	53,301	-	21,478,561
Buildings	8,618,563	51,820	(53,133)	8,617,250
Machinery and equipment	604,541	7,819	-	612,360
Vehicles	251,725	-	-	251,725
Right to use lease assets	<u>352,574</u>	<u>352</u>	<u>-</u>	<u>352,926</u>
Total capital assets being depreciated	<u>31,252,663</u>	<u>113,292</u>	<u>(53,133)</u>	<u>31,312,822</u>
Less accumulated depreciation for:				
Infrastructure	(10,038,223)	(1,114,861)	-	(11,153,084)
Buildings	(193,225)	(456,172)	43,612	(605,785)
Machinery and equipment	(455,205)	(62,958)	-	(518,163)
Vehicles	(230,783)	(14,225)	-	(245,008)
Right to use lease assets	<u>(41,334)</u>	<u>(38,523)</u>	<u>-</u>	<u>(79,857)</u>
Total accumulated depreciation	<u>(10,958,770)</u>	<u>(1,686,739)</u>	<u>43,612</u>	<u>(12,601,897)</u>
Total capital assets being depreciated, net	<u>20,293,893</u>	<u>(1,573,447)</u>	<u>(9,521)</u>	<u>18,710,925</u>
Business-type activities capital assets, net	<u>\$ 45,747,281</u>	<u>\$ 4,526,426</u>	<u>\$ (9,521)</u>	<u>\$ 50,264,186</u>

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

Governmental Activities	
General administration	\$ 2,527,913
Public facilities	184,782
Public safety	1,042,886
Culture and recreation	<u>2,237,659</u>
Total depreciation expense - governmental activities	<u>\$ 5,993,240</u>
Business-Type Activities	
Gas	\$ 61,853
Harbor	1,526,724
Sanitation	<u>98,162</u>
Total depreciation expense - business-type activities	<u>\$ 1,686,739</u>

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

(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, 2025:

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ -	\$ 8,668,802
Airport Fund	175,363	-
Hurricane Harvey Fund	5,839,431	
Nonmajor Governmental Funds	258,298	
Harbor Fund	1,878,470	-
Gas Fund	<u>517,240</u>	<u>-</u>
Total	<u>\$ 8,668,802</u>	<u>\$ 8,668,802</u>

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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CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Interfund balances and transfers (continued)

In the year ended September 30, 2025, the government made the following one-time transfers:

	Transfers	
	In	Out
General Fund		
Street Maintenance	\$ -	\$ 200,000
Total General Fund	-	200,000
Beach Fund		
Sanitation Fund	-	60,000
Construction Fund	879,500	-
Total Beach Fund	879,500	60,000
Hurricane Harvey Fund		
Gas Fund	-	4,612,175
Harbor Fund	-	14,838
Construction Fund	3,434,980	-
Total Hurricane Harvey Fund	3,434,980	4,627,013
Debt Service Fund		
Impact Fees Zone 1	275,000	-
Impact Fees Zone 2	72,700	-
Hotel/Motel Special Revenue Fund	231,200	-
Harbor Fund	574,675	-
Total Debt Service Fund	1,153,575	-
Hotel/Motel Special Revenue Fund		
Nature Preserve Fund	-	654,585
Debt Service Fund	-	231,200
Recreational Development Fund	-	2,252,790
Total Hotel/Motel Special Revenue Fund	-	3,138,575
Construction Fund		
Hurricane Harvey Fund	-	3,434,980
Beach Fund	-	879,500
Total Construction Fund	-	4,314,480
Nonmajor Governmental Funds		
Impact Fees Zone 1	-	275,000
Impact Fees Zone 2	-	72,700
Recreational Development Fund	2,252,790	-
Debt Service Fund	200,000	-
Nature Preserve Fund	654,585	-
Total Nonmajor Governmental Funds	3,107,375	347,700
Harbor Fund		
Debt Service Fund	-	574,675
Hurricane Harvey Fund	14,838	-
Total Harbor Fund	14,838	574,675
Gas Fund		
Hurricane Harvey Fund	4,612,175	-
Total Gas Fund	4,612,175	-
Sanitation Fund		
Beach Fund	60,000	-
Total Sanitation Fund	60,000	-
Total Funds	\$ 13,262,443	\$ 13,262,443

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Long-term liabilities

Right to use lease obligations

On September 30, 2025, the City had 46 active leases. The leases have payments that range from \$0 to \$25,334 and interest rates that range from 0.3280% to 3.1440%. As of September 30, 2025, the total combined value of the lease liability is \$1,184,612, the total combined value of the short-term lease liability is \$270,164. The combined value of the right to use asset, as of September 30, 2025, of \$1,728,947 with accumulated amortization of \$645,574. 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			BUSINESS-TYPE ACTIVITIES		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 447,641	\$ 25,359	\$ 473,000	\$ 32,988	\$ 5,190	\$ 38,178
2027	364,270	13,819	378,089	30,555	4,344	34,899
2028	179,847	6,282	186,129	15,866	3,753	19,619
2029	49,188	3,365	52,553	8,469	3,531	12,000
2030	3,346	2,704	6,050	44,756	15,244	60,000
2031 - 2035	18,304	12,551	30,855	49,055	10,945	60,000
2036 - 2040	23,294	10,646	33,940	53,766	6,234	60,000
2041 - 2045	29,092	8,242	37,334	34,709	1,293	36,002
2046 - 2050	35,808	5,260	41,068	-	-	-
2051 - 2054	33,822	1,606	35,428	-	-	-
	<u>\$ 1,184,612</u>	<u>\$ 89,834</u>	<u>\$ 1,274,446</u>	<u>\$ 270,164</u>	<u>\$ 50,534</u>	<u>\$ 320,698</u>

Right to use subscriptions obligations

On September 30, 2025, the City had 4 active subscriptions. The subscriptions have payments that range from \$0 to \$39,450 and interest rates that range from 2.676% - 3.630%. The total combined value of the subscription liability is \$69,111 and the total value of the short-term subscription liability is \$53,913 at September 30, 2025. The combined value of the right to use asset, as of September 30, 2025, is \$304,018 with accumulated amortization of \$210,909. 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	\$ 53,913	\$ 1,746	\$ 55,659
2027	7,264	436	7,700
2028	7,934	228	8,162
	<u>\$ 69,111</u>	<u>\$ 2,410</u>	<u>\$ 71,521</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2025
General Obligation Debt:					
General Obligation Bonds, Series 2012	2/1/2012	\$ 6,400,000	1.75-2.125%	2/1/2027	\$ 1,090,000
General Obligation Bonds, Series 2017	2/15/2017	4,380,000	2.70-4.00	2/1/2032	2,345,000
General Obligation Refunding Bonds, Series 2019	3/28/2019	2,020,000	2.56	9/30/2024	-
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	10/1/2014	1,685,000	2.49	2/1/2029	65,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	11/15/2017	6,300,000	3.00	2/1/2033	4,100,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2021	3/17/2021	2,695,000	2.00-3.00	9/30/2036	2,225,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2022	2/16/2022	885,000	2.00-4.00	2/1/2037	745,000
General Obligation Bonds, Series 2023	4/19/2023	6,020,000	4.00-5.00	2/1/2038	5,710,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2025	3/19/2025	7,705,000	4.00-5.00	2/1/2034	7,705,000
Total bonded debt					<u>23,985,000</u>
Tax Notes, Series 2021	3/18/2021	1,790,000	2.00-3.00	2/1/2028	810,000
Tax Notes, Series 2022	9/28/2022	9,115,000	2.62-2.85	2/1/2029	5,235,000
Tax Notes, Series 2024	9/28/2022	9,115,000	2.62-2.85	2/1/2029	10,905,000
Total tax notes					<u>16,950,000</u>
Total long-term debt					<u>\$ 40,935,000</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

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

Year Ending September 30,	General Obligation Bonds		
	Governmental Activities		
	Principal	Interest	Total
2026	\$ 2,270,000	\$ 875,967	\$ 3,145,967
2027	2,295,000	797,952	3,092,952
2028	1,805,000	721,830	2,526,830
2029	1,880,000	648,705	2,528,705
2030	1,960,000	572,823	2,532,823
2031-2035	8,595,000	1,782,025	10,377,025
2036-2040	5,180,000	434,925	5,614,925
	<u>\$ 23,985,000</u>	<u>\$ 5,834,227</u>	<u>\$ 29,819,227</u>
Average annual requirements			<u>\$ 1,987,948</u>

Debt service requirements on tax notes are as follows:

Year ending September 30,	Tax Notes		
	Governmental Activities		
	Principal	Interest	Total
2026	\$ 3,485,000	\$ 644,820	\$ 4,129,820
2027	3,630,000	501,190	4,131,190
2028	3,780,000	350,527	4,130,527
2029	3,650,000	196,826	3,846,826
2030	2,405,000	60,125	2,465,125
	<u>\$ 16,950,000</u>	<u>\$ 1,753,488</u>	<u>\$ 18,703,488</u>
Average annual requirements			<u>\$ 3,740,698</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2025:

	Beginning Balance	Additions	Retirements/ Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
General obligation bonds	\$ 18,185,000	\$ 7,705,000	\$ (1,905,000)	\$ 23,985,000	\$ 2,270,000	\$ 21,715,000
Tax notes	20,040,000	-	(3,090,000)	16,950,000	3,485,000	13,465,000
Bond premiums	2,119,519	495,483	(309,873)	2,305,129	309,873	1,995,256
Total long-term debt	<u>40,344,519</u>	<u>8,200,483</u>	<u>(5,304,873)</u>	<u>43,240,129</u>	<u>6,064,873</u>	<u>37,175,256</u>
Other long-term liabilities:						
OPEB liability - TMRS	308,831	-	(4,773)	304,058	-	304,058
OPEB liability - Retiree Health	2,960,464	508,069	-	3,468,533	-	3,468,533
Net pension liability - TMRS	5,080,066	-	(407,348)	4,672,718	-	4,672,718
Right to use lease liability	882,721	703,233	(401,342)	1,184,612	447,641	736,971
Right to use subscription liability	99,527	18,144	(48,560)	69,111	53,913	15,198
Compensated absences	888,703	301,344	-	1,190,047	297,512	892,535
Total other long-term liabilities	<u>10,220,312</u>	<u>1,530,790</u>	<u>(862,023)</u>	<u>10,889,079</u>	<u>799,066</u>	<u>10,090,013</u>
Total governmental activities	<u>50,564,831</u>	<u>9,731,273</u>	<u>(6,166,896)</u>	<u>54,129,208</u>	<u>6,863,939</u>	<u>47,265,269</u>
Business-type activities:						
OPEB liability - TMRS	34,314	-	(530)	33,784	-	33,784
OPEB liability - Retiree Health	328,940	56,453	-	385,393	-	385,393
Net pension liability	594,693	-	(47,686)	547,007	-	547,007
Right to use lease liability	303,383	-	(33,219)	270,164	32,988	237,176
Compensated absences	85,236	-	(1,444)	83,792	20,948	62,844
Total business-type activities	<u>1,346,566</u>	<u>56,453</u>	<u>(82,879)</u>	<u>1,320,140</u>	<u>53,936</u>	<u>1,266,204</u>
Total long-term liabilities	<u>\$ 51,911,397</u>	<u>\$ 9,787,726</u>	<u>\$ (6,249,775)</u>	<u>\$ 55,449,348</u>	<u>\$ 6,917,875</u>	<u>\$ 48,531,473</u>

Segment information

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 \$48,197,583. These projects are for the Gas System, Public Safety/Gas Project, Fire/EMS Project, Public Works, Recreation Center, City Hall/Civic Center Renovation and Community Center Project.

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.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2024 valuation and measurement date, the following employees were covered by benefit terms:

Active employees	144
Inactive employees or beneficiaries currently receiving benefits	75
Inactive employees entitled to but not yet receiving benefits	<u>87</u>
Total	<u>306</u>

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

Employees for the City of Port Aransas were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 15.29% and 15.64% in calendar years 2025 and 2024, respectively. The City’s contributions to TMRS for the year ended September 30, 2025 were \$1,612,750 and were equal to the required contributions.

Net pension liability – The City’s net pension liability (NPL) was measured as of December 31, 2024 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, 2024 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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.00%	7.10%
Core fixed income	6.00%	5.00%
Non-core fixed income	6.00%	6.80%
Hedge funds	5.00%	6.40%
Private equity	13.00%	8.50%
Private debt	13.00%	8.20%
Real estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other private markets	4.00%	7.30%
Total	<u>100.00%</u>	

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

Discount rate - The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2023	\$ 27,066,711	\$ 21,391,952	\$ 5,674,759
Changes for the year:			
Service cost	1,727,473	-	1,727,473
Interest	1,847,758	-	1,847,758
Changes of benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	322,890	-	322,890
Changes of assumptions	-	-	-
Contributions - employer	-	1,469,025	(1,469,025)
Contributions - employee	-	672,542	(672,542)
Net investment income	-	2,226,177	(2,226,177)
Benefit payments, including refunds of employee contributions	(1,112,519)	(1,112,519)	-
Administrative expenses	-	(14,255)	14,255
Other changes	-	(334)	334
Net changes	<u>2,785,602</u>	<u>3,240,636</u>	<u>(455,034)</u>
Balance at 12/31/2024	<u>\$ 29,852,313</u>	<u>\$ 24,632,588</u>	<u>\$ 5,219,725</u>

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	<u>\$ 9,708,398</u>	<u>\$ 5,219,725</u>	<u>\$ 1,553,775</u>

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2025, the City recognized pension expense of \$1,688,051.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ -	\$ 293,231
Changes in actuarial assumptions	-	51,949
Difference between projected and actual earnings on investment earnings	328,586	10,467
Contributions subsequent to the measurement date	<u>1,202,748</u>	<u>-</u>
Total	<u>\$ 1,531,334</u>	<u>\$ 355,647</u>

\$1,202,748 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>September 30,</u>	<u>Amortization Expense</u>
2026	\$ 142,364
2027	276,155
2028	(289,136)
2029	(156,444)
2030	-
Thereafter	<u>-</u>
Total	<u>\$ (27,061)</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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	\$ 3,853,926	\$ 337,842	\$ 4,191,768
Deferred outflows of resources	1,384,162	21,843	1,406,005
Deferred inflows of resources	2,219,010	93,680	2,312,690
OPEB expense	187,853	11,035	198,888

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, 2025, the following employees were covered by the benefit terms:

Retirees currently receiving benefits	11
Inactive employees entitled to but not receiving benefits	-
Active employees	<u>140</u>
Total	<u>151</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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

OPEB liability

The City's OPEB liability of \$3,853,926 was measured as of September 30, 2025, and was determined by an actuarial valuation as of September 30, 2025.

Changes in the total OPEB liability:

Balance at September 30, 2024	\$ 3,289,404
Changes for the year:	
Service cost	245,339
Interest on total OPEB liability	142,248
Changes of benefit terms	-
Difference between expected and actual experience	555,643
Changes of assumptions	(316,532)
Benefit payments	(62,176)
Net changes	<u>564,522</u>
Balance at September 30, 2025	<u>\$ 3,853,926</u>

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.50%, 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 (3.50%) or 1-percentage-point higher (5.50%) than the current rate:

	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
OPEB liability	<u>\$ 4,626,168</u>	<u>\$ 3,853,926</u>	<u>\$ 3,247,002</u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (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	<u>\$ 3,173,281</u>	<u>\$ 3,853,926</u>	<u>\$ 4,745,491</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2025, the City reported OPEB expense of \$187,853 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	\$ 925,027	\$ 974,303
Changes in actuarial assumptions	459,135	1,244,707
Contributions made subsequent to the measurement date	-	-
Total	<u>\$ 1,384,162</u>	<u>\$ 2,219,010</u>

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

Year Ended September 30,	Net Deferred Outflows/(Inflows)
2026	\$ (199,734)
2027	(297,515)
2028	(287,575)
2029	(112,136)
2030	1,626
Thereafter	60,486
	<u>\$ (834,848)</u>

Actuarial valuation information:

Actuarial assumptions and other inputs - the OPEB liability in the September 30, 2025, 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	4.50%

The discount rate was selected by reviewing the recently published S&P Municipal Bond 20 Year High Grade Rate Index.

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

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 4.06% to 4.05% 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 0.29% 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, 2025 were \$31,955 and were equal to the required contributions.

At December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	144
Inactive employees currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	<u>17</u>
Total	<u>215</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of \$337,842 was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 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	2.5%
Salary increases	3.60% to 11.85% including inflation
Discount rate *	4.08%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. 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 (with immediate convergence).
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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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

Other postemployment benefits (OPEB) liability (continued)

Changes in the total OPEB liability:

Balance at December 31, 2023	\$ 343,146
Changes for the year:	
Service cost	22,098
Interest on the total OPEB liability	13,136
Changes of benefit terms	-
Differences between expected and actual experience	(11,393)
Changes of assumptions	(17,616)
Benefit payments*	<u>(11,529)</u>
Net changes	<u>(5,304)</u>
Balance at December 31, 2024	<u>\$ 337,842</u>

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

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's OPEB would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
OPEB liability	<u>\$ 399,779</u>	<u>\$ 337,842</u>	<u>\$ 288,826</u>

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$11,035 related to the SDBF.

At September 30, 2025, 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	\$ 330	\$ 22,119
Changes in actuarial assumptions	13,823	71,561
Contributions made subsequent to the measurement date	<u>7,690</u>	<u>-</u>
Total	<u>\$ 21,843</u>	<u>\$ 93,680</u>

CITY OF PORT ARANSAS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 \$7,690 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

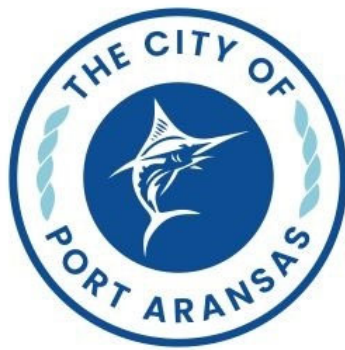
<u>September 30,</u>	<u>Amortization Expense</u>
2026	\$ (37,061)
2027	(31,587)
2028	(5,558)
2029	(5,321)
Total	<u>\$ (79,527)</u>

(8) Prior period adjustment

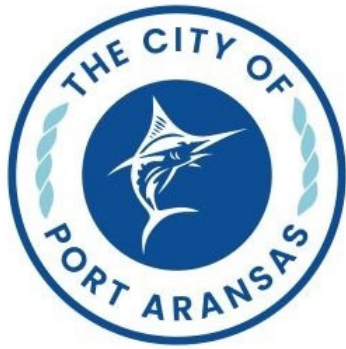
	<u>Net Position</u>		<u>Fund Balance</u>
	<u>Governmental Activities</u>	<u>Business Activities</u>	
	Net	Hurricane	Construction
	Position	Fund	Fund
Implementation of GASB 101 compensated absences	\$ (127,260)	\$ (42,104)	\$ -
Understated CDBG receivable in prior year	<u>-</u>	<u>-</u>	<u>313,659</u>
Total prior period adjustment - change in accounting principle/correction of error	<u>\$ (127,260)</u>	<u>\$ (42,104)</u>	<u>\$ 313,659</u>

(9) 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 March 25, 2026 the date the financial statements were available to be issued.



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF PORT ARANSAS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND**

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

For the year ended September 30, 2025

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Property	\$ 6,005,300	\$ 6,005,300	\$ 5,705,449	(299,851)
Sales	2,625,000	2,825,000	2,850,853	25,853
Franchise	640,400	640,400	654,840	14,440
Intergovernmental	610,950	610,950	640,583	29,633
Licenses and permits	1,979,500	1,979,500	2,048,952	69,452
Charges for services	452,000	502,000	2,101,308	1,599,308
Fines and forfeitures	467,000	467,000	511,742	44,742
Interest	1,000,000	500,000	445,115	(54,885)
Opioid abatement	-	-	9,242	9,242
Miscellaneous	1,453,900	1,453,900	178,380	(1,275,520)
Total revenues	<u>15,234,050</u>	<u>14,984,050</u>	<u>15,146,464</u>	<u>162,414</u>
Expenditures:				
Current:				
General administration	4,656,650	4,519,150	3,651,833	867,317
Legal	150,500	150,500	108,304	42,196
Financial administration	478,250	478,250	480,822	(2,572)
Public facilities	1,222,275	1,222,275	1,323,137	(100,862)
Public safety	7,868,640	7,768,640	7,121,184	647,456
Public transportation	311,450	311,450	239,575	71,875
Culture and recreation	1,316,420	1,316,420	1,199,062	117,358
Capital outlay	7,891,900	5,146,900	2,699,104	2,447,796
Debt service:	-	-		
Principal retirement	-	-	286,648	(286,648)
Interest retirement	-	-	12,657	(12,657)
Total expenditures	<u>23,896,085</u>	<u>20,913,585</u>	<u>17,122,326</u>	<u>3,791,259</u>
Excess (deficiency) of revenues over (under) expenditures	(8,662,035)	(5,929,535)	(1,975,862)	3,953,673
Other financing sources (uses):				
Transfers out	-	(200,000)	(200,000)	-
Proceeds from right to use subscriptions	-	-	444,583	444,583
Total other financing sources (uses)	<u>-</u>	<u>(200,000)</u>	<u>244,583</u>	<u>444,583</u>
Net change in fund balances	(8,662,035)	(6,129,535)	(1,731,279)	4,398,256
Fund balance at October 1, 2024	<u>15,451,068</u>	<u>15,451,068</u>	<u>15,451,068</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ 6,789,033</u>	<u>\$ 9,321,533</u>	<u>\$ 13,719,789</u>	<u>\$ 4,398,256</u>

CITY OF PORT ARANSAS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
BEACH FUND**

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

For the year ended September 30, 2025

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Hotel/Motel	\$ 2,900,000	\$ 2,900,000	\$ 3,020,973	120,973
Beach parking permits	1,300,000	1,300,000	1,454,635	154,635
Intergovernmental	329,000	329,000	471,785	142,785
Interest	200,000	200,000	245,850	45,850
Total revenues	<u>4,729,000</u>	<u>4,729,000</u>	<u>5,193,243</u>	<u>464,243</u>
Expenditures:				
Culture and recreation:				
Lifeguards and permits	2,589,940	2,739,940	974,448	1,765,492
Beach public works	5,114,621	4,964,621	3,505,993	1,458,628
Debt service	-	-	119,177	(119,177)
Capital outlay	-	-	1,963,748	(1,963,748)
Total expenditures	<u>7,704,561</u>	<u>7,704,561</u>	<u>6,563,366</u>	<u>1,141,195</u>
Excess (deficiency) of revenues over (under) expenditures	(2,975,561)	(2,975,561)	(1,370,123)	1,605,438
Other financing sources (uses):				
Transfers in	879,500	879,500	879,500	-
Transfers out	(1,410,000)	(1,410,000)	(60,000)	1,350,000
Proceeds from right to use leases/subscriptions	-	-	246,836	246,836
Total other financing sources (uses)	<u>(530,500)</u>	<u>(530,500)</u>	<u>1,066,336</u>	<u>1,596,836</u>
Net change in fund balances	(3,506,061)	(3,506,061)	(303,787)	3,202,274
Fund balance at October 1, 2024	<u>8,286,821</u>	<u>8,286,821</u>	<u>8,286,821</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ 4,780,760</u>	<u>\$ 4,780,760</u>	<u>\$ 7,983,034</u>	<u>\$ 3,202,274</u>

CITY OF PORT ARANSAS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
HOTEL/MOTEL FUND**

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

For the year ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes:				
Hotel/Motel	\$ 4,656,310	\$ 5,223,310	\$ 5,279,849	\$ 56,539
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>4,656,310</u>	<u>5,223,310</u>	<u>5,279,849</u>	<u>56,539</u>
Expenditures:				
General administration:				
Mayor and council	<u>4,656,310</u>	<u>5,223,310</u>	<u>5,279,304</u>	<u>(55,994)</u>
Total expenditures	<u>4,656,310</u>	<u>5,223,310</u>	<u>5,279,304</u>	<u>(55,994)</u>
Net change in fund balances	-	-	545	545
Fund balance at October 1, 2024	<u>60</u>	<u>60</u>	<u>60</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ 60</u>	<u>\$ 60</u>	<u>\$ 605</u>	<u>\$ 545</u>

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Variance</u>
Revenues:				
Taxes:				
Hotel/Motel	\$ 4,656,330	\$ 5,309,330	\$ 6,092,133	\$ 782,803
Charges for services	-	-	18,001	18,001
Miscellaneous	300,000	300,000	-	(300,000)
Interest	-	-	404,198	404,198
Total revenues	<u>4,956,330</u>	<u>5,609,330</u>	<u>6,514,332</u>	<u>905,002</u>
Expenditures:				
Current:				
Culture and recreation	3,263,265	263,265	1,489,596	(1,226,331)
Debt Service	231,200	231,200	13,778	217,422
Capital outlay	-	-	3,308,599	(3,308,599)
Total expenditures	<u>3,494,465</u>	<u>494,465</u>	<u>4,811,973</u>	<u>(4,317,508)</u>
Excess (deficiency) of revenues over (under) expenditures	1,461,865	5,114,865	1,702,359	(3,412,506)
Other financing sources (uses):				
Proceeds from right to use leases/subscriptions	-	-	552	552
Transfers out	<u>(9,587,885)</u>	<u>(9,587,885)</u>	<u>(3,138,576)</u>	<u>6,449,309</u>
Total other financing sources (uses)	<u>(9,587,885)</u>	<u>(9,587,885)</u>	<u>(3,138,024)</u>	<u>6,449,861</u>
Net change in fund balances	(8,126,020)	(4,473,020)	(1,435,665)	3,037,355
Fund balance at October 1, 2024	<u>11,886,301</u>	<u>11,886,301</u>	<u>11,886,301</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ 3,760,281</u>	<u>\$ 7,413,281</u>	<u>\$ 10,450,636</u>	<u>\$ 3,037,355</u>

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, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 478,400	\$ 478,400	\$ 14,048	\$ (464,352)
Charges for services	256,150	256,150	248,830	(7,320)
Interest	-	-	-	-
Miscellaneous	5,000	5,000	6,758	1,758
Total revenues	<u>739,550</u>	<u>739,550</u>	<u>269,636</u>	<u>(469,914)</u>
Expenditures:				
Airport	248,585	248,585	207,965	40,620
Debt service	-	-	5,500	(5,500)
Capital outlay	481,000	481,000	11,772	469,228
Total expenditures	<u>729,585</u>	<u>729,585</u>	<u>225,237</u>	<u>504,348</u>
Excess (deficiency) of revenues over (under) expenditures	9,965	9,965	44,399	34,434
Fund balance at October 1, 2024	<u>(186,863)</u>	<u>(186,863)</u>	<u>(186,863)</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ (176,898)</u>	<u>\$ (176,898)</u>	<u>\$ (142,464)</u>	<u>\$ 34,434</u>

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Grant proceeds	\$ 1,131,756	\$ 1,131,756	\$ 414,109	\$ (717,647)
Miscellaneous	100,000	100,000	840,000	740,000
Interest	<u>-</u>	<u>-</u>	<u>1,717,129</u>	<u>1,717,129</u>
Total revenues	<u>1,231,756</u>	<u>1,231,756</u>	<u>2,971,238</u>	<u>1,739,482</u>
Expenditures:				
Capital outlay:				
Capital projects	25,499,286	25,499,286	6,995,401	18,503,885
Debt service:				
Issuance costs	<u>-</u>	<u>-</u>	<u>200,483</u>	<u>(200,483)</u>
Total expenditures	<u>25,499,286</u>	<u>25,499,286</u>	<u>7,195,884</u>	<u>18,303,402</u>
Excess (deficiency) of revenues over (under) expenditures	(24,267,530)	(24,267,530)	(4,224,646)	20,042,884
Other financing sources (uses):				
Transfers out	(879,500)	(879,500)	(4,314,480)	(3,434,980)
Proceeds of bond	-	8,000,000	7,705,000	(295,000)
Bond premium	<u>-</u>	<u>-</u>	<u>495,483</u>	<u>495,483</u>
Total other financing sources (uses)	<u>(879,500)</u>	<u>7,120,500</u>	<u>3,886,003</u>	<u>(3,234,497)</u>
Net change in fund balances	(25,147,030)	(17,147,030)	(338,643)	16,808,387
Fund balance at October 1, 2024	28,725,097	28,725,097	28,725,097	-
Prior period adjustment - correction of error	<u>-</u>	<u>-</u>	<u>313,659</u>	<u>313,659</u>
Fund balance at October 1, 2022, as restated	<u>28,725,097</u>	<u>28,725,097</u>	<u>29,038,756</u>	<u>313,659</u>
Fund balance at September 30, 2025	<u>\$ 3,578,067</u>	<u>\$ 11,578,067</u>	<u>\$ 28,700,113</u>	<u>\$ 17,122,046</u>



CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	Plan Year Ended December 31, 2024	Plan Year Ended December 31, 2023	Plan Year Ended December 31, 2022	Plan Year Ended December 31, 2021
Total pension liability				
Service cost	\$ 1,727,473	\$ 1,528,718	\$ 1,279,125	\$ 969,700
Interest	1,847,758	1,705,553	1,522,139	1,283,703
Difference in benefit terms including substantively automatic status	-	-	1,856,638	-
Differences between expected and actual experience	322,890	(24,907)	675,970	16,241
Changes of assumptions	-	(123,605)	-	-
Benefit payments, including refunds of employee contributions	(1,112,519)	(1,044,296)	(725,256)	(771,971)
Net change in total pension liability	2,785,602	2,041,463	4,608,616	1,497,673
Total pension liability - beginning	27,066,711	25,025,248	20,416,632	18,918,959
Total pension liability - ending (a)	29,852,313	27,066,711	25,025,248	20,416,632
Plan fiduciary net position				
Contributions - employer	1,469,025	1,300,267	906,929	784,283
Contributions - employee	672,542	632,075	479,503	413,518
Net investment income	2,226,177	2,131,206	(1,396,795)	2,158,435
Benefit payments, including refunds of employee contributions	(1,112,519)	(1,044,296)	(725,256)	(771,971)
Administrative expense	(14,255)	(13,538)	(12,077)	(9,980)
Other	(334)	(95)	14,410	69
Net change in plan fiduciary net position	3,240,636	3,005,619	(733,286)	2,574,354
Plan fiduciary net position - beginning	21,391,952	18,386,333	19,119,619	16,545,265
Plan fiduciary net position - ending (b)*	24,632,588	21,391,952	18,386,333	19,119,619
City's net position liability - ending (a) - (b)	\$ 5,219,725	\$ 5,674,759	\$ 6,638,915	\$ 1,297,013
Plan fiduciary net position as a percentage of the total pension liability	82.51%	79.03%	73.47%	93.65%
Covered payroll	\$ 9,607,747	\$ 9,029,638	\$ 7,613,836	\$ 6,891,970
City's net pension liability as a percentage of covered payroll	54.33%	62.85%	87.20%	18.82%

*FNP may be off a dollar due to rounding

Note to schedule: N/A

Plan Year Ended December 31, 2020	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
\$ 956,505	\$ 842,106	\$ 848,018	\$ 907,907	\$ 826,657	\$ 714,598
1,196,253	1,114,685	1,036,361	957,205	875,901	865,317
-	-	-	-	-	-
(126,601)	(214,179)	(20,913)	-	45,133	(565,781)
-	125,908	-	1,626	-	105,958
<u>(702,410)</u>	<u>(732,215)</u>	<u>(668,095)</u>	<u>(660,131)</u>	<u>(507,493)</u>	<u>(615,455)</u>
1,323,747	1,136,305	1,195,371	1,206,607	1,240,198	504,637
<u>17,595,212</u>	<u>16,458,907</u>	<u>15,263,536</u>	<u>14,056,929</u>	<u>12,816,731</u>	<u>12,312,094</u>
<u>18,918,959</u>	<u>17,595,212</u>	<u>16,458,907</u>	<u>15,263,536</u>	<u>14,056,929</u>	<u>12,816,731</u>
796,179	677,320	676,202	739,519	702,974	642,335
409,346	351,855	349,458	376,985	345,160	308,238
1,132,787	1,960,094	(380,621)	1,491,703	647,381	13,638
(702,410)	(732,215)	(668,095)	(660,131)	(507,493)	(615,455)
(7,327)	(11,069)	(7,354)	(7,730)	(7,313)	(8,306)
<u>(286)</u>	<u>(333)</u>	<u>(384)</u>	<u>(392)</u>	<u>(394)</u>	<u>(410)</u>
1,628,289	2,245,652	(30,794)	1,939,954	1,180,315	340,040
<u>14,916,976</u>	<u>12,671,324</u>	<u>12,702,118</u>	<u>10,762,164</u>	<u>9,581,849</u>	<u>9,241,809</u>
<u>16,545,265</u>	<u>14,916,976</u>	<u>12,671,324</u>	<u>12,702,118</u>	<u>10,762,164</u>	<u>9,581,849</u>
<u>\$ 2,373,694</u>	<u>\$ 2,678,236</u>	<u>\$ 3,787,583</u>	<u>\$ 2,561,418</u>	<u>\$ 3,294,765</u>	<u>\$ 3,234,882</u>
87.45%	84.78%	76.99%	83.22%	76.56%	74.76%
<u>\$ 6,822,433</u>	<u>\$ 5,864,246</u>	<u>\$ 5,824,298</u>	<u>\$ 6,283,090</u>	<u>\$ 5,752,659</u>	<u>\$ 5,137,298</u>
34.79%	45.67%	65.03%	40.77%	57.27%	62.97%

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,

	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 1,612,750	\$ 1,408,790	\$ 1,306,855	\$ 799,303	\$ 689,194
Contributions in relation to the actuarially determined contribution	<u>1,612,750</u>	<u>1,408,790</u>	<u>1,306,855</u>	<u>799,303</u>	<u>689,194</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,371,707</u>	<u>\$ 9,355,180</u>	<u>\$ 8,867,945</u>	<u>\$ 7,239,887</u>	<u>\$ 6,056,186</u>
Contributions as a percentage of covered payroll	15.55%	15.06%	14.74%	11.04%	11.38%

Notes to schedule of contributions

Valuation date

Notes

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

Methods and assumptions used to

Determine contribution rates:

Actuarial cost method

Entry age normal

Amortization method

Level percentage of payroll, closed

Remaining amortization period

21 years

Asset valuation method

10 year smoothed market; 12.0% soft corridor

Actuarial assumption:

Inflation

2.50%

Salary increases

3.50% to 11.50% including inflation

Investment rate of return

6.75%

Retirement age

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

Mortality

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

Other information:

Notes

Increased member contribution rate from 6% to 7%

Removed statutory max.

2020	2019	2018	2017	2016
\$ 687,841	\$ 677,320	\$ 676,202	\$ 739,519	\$ 702,974
<u>687,841</u>	<u>677,320</u>	<u>676,202</u>	<u>739,519</u>	<u>702,974</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 5,894,098</u>	<u>\$ 5,864,246</u>	<u>\$ 5,837,617</u>	<u>\$ 5,824,298</u>	<u>\$ 5,752,659</u>
11.67%	11.55%	11.58%	12.70%	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, 2024	Plan Year Ended December 31, 2023	Plan Year Ended December 31, 2022	Plan Year Ended December 31, 2021
Total OPEB liability				
Service cost	\$ 22,098	\$ 18,962	\$ 31,978	\$ 25,500
Interest	13,136	13,131	8,299	8,632
Differences between expected and actual experience	(11,393)	(14,356)	870	(22,894)
Changes of assumptions	(17,616)	16,532	(151,360)	12,916
Benefit payments *	<u>(11,528)</u>	<u>(11,740)</u>	<u>(8,376)</u>	<u>(7,580)</u>
Net change in total OPEB liability	(5,303)	22,529	(118,589)	16,574
 Total OPEB liability - beginning	<u>343,145</u>	<u>320,616</u>	<u>439,205</u>	<u>422,631</u>
Total OPEB liability - ending	<u>\$ 337,842</u>	<u>\$ 343,145</u>	<u>\$ 320,616</u>	<u>\$ 439,205</u>
 Covered payroll	<u>\$ 9,607,747</u>	<u>\$ 9,029,638</u>	<u>\$ 7,613,836</u>	<u>\$ 6,891,970</u>
 City's OPEB liability as a percentage of covered payroll	3.52%	3.80%	4.21%	6.37%

*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

2024 - 4.08%
2023 - 3.77%
2022 - 4.05%
2021 - 1.84%
2020 - 2.00%
2019 - 2.75%
2018 - 3.71%

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.

<u>Plan Year Ended</u> <u>December 31, 2020</u>	<u>Plan Year Ended</u> <u>December 31, 2019</u>	<u>Plan Year Ended</u> <u>December 31, 2018</u>
\$ 22,514	\$ 17,006	\$ 19,803
9,685	10,173	9,256
(4,264)	(5,568)	(12,937)
55,127	55,864	(18,393)
<u>(2,729)</u>	<u>(1,759)</u>	<u>(1,747)</u>
80,333	75,716	(4,018)
<u>342,298</u>	<u>266,582</u>	<u>270,600</u>
<u>\$ 422,631</u>	<u>\$ 342,298</u>	<u>\$ 266,582</u>
 <u>\$ 6,822,433</u>	 <u>\$ 6,283,090</u>	 <u>\$ 6,822,433</u>

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, 2025	September 30, 2024	September 30, 2023	September 30, 2022	September 30, 2021
Total OPEB liability					
Service cost	\$ 245,339	\$ 195,004	\$ 173,129	\$ 258,315	\$ 374,016
Interest	142,248	155,040	147,811	85,956	112,619
Differences between expected and actual experience	555,643	(468,450)	(152,979)	(1,774,021)	(1,429,860)
Changes of assumptions	(316,532)	444,064	(52,765)	866,362	(85,226)
Benefit payments	(62,176)	(49,654)	(54,880)	(57,130)	(58,404)
Net change in total OPEB liability	564,522	276,004	60,316	(620,518)	(1,086,855)
Total OPEB liability - beginning	<u>3,289,404</u>	<u>3,013,400</u>	<u>2,953,084</u>	<u>3,573,602</u>	<u>4,660,457</u>
Total OPEB liability - ending	<u>\$ 3,853,926</u>	<u>\$ 3,289,404</u>	<u>\$ 3,013,400</u>	<u>\$ 2,953,084</u>	<u>\$ 3,573,602</u>
 Covered-employee payroll	 <u>\$ 10,371,707</u>	 <u>\$ 9,355,180</u>	 <u>\$ 8,867,945</u>	 <u>\$ 7,239,887</u>	 <u>\$ 6,056,186</u>
 City's OPEB liability as a percentage of covered-employee payroll	 37.16%	 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 excise 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:

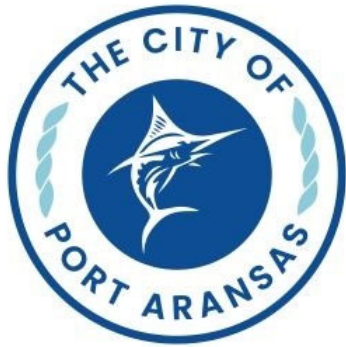
<u>FYE</u>	<u>Discount rate</u>
2025	4.50%
2024	4.06%
2023	4.87%
2022	4.77%
2021	2.00%
2020	2.00%
2019	2.75%
2018	3.31%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the eighth 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	-
<u>(77,103)</u>	<u>(80,640)</u>	<u>(79,211)</u>
304,683	1,149,315	231,310
<u>4,355,774</u>	<u>3,206,459</u>	<u>2,975,149</u>
<u>\$ 4,660,457</u>	<u>\$ 4,355,774</u>	<u>\$ 3,206,459</u>
 <u>\$ 5,894,098</u>	 <u>\$ 5,864,246</u>	 <u>\$ 5,837,617</u>
 81.42%	 97.62%	 62.24%



OTHER SUPPLEMENTARY INFORMATION



CITY OF PORT ARANSAS, TEXAS
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

- 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, 2025

	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	\$ 68,415	\$ 29,590	\$ 323,051	\$ 91,331	\$ 661,327	\$ 315,008
Investments	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 68,415</u>	<u>\$ 29,590</u>	<u>\$ 323,051</u>	<u>\$ 91,331</u>	<u>\$ 661,327</u>	<u>\$ 315,008</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ -	\$ 814	\$ -	\$ 697	\$ 9,741	\$ -
Accrued wages payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>814</u>	<u>-</u>	<u>697</u>	<u>9,741</u>	<u>-</u>
FUND BALANCES						
Nonspendable:						
Prepays	-	-	-	-	-	-
Restricted:						
Culture and recreation	-	-	-	-	-	-
Public safety	68,415	28,776	323,051	-	-	-
Committed						
Construction	-	-	-	90,634	651,586	315,008
Culture and recreation	-	-	-	-	-	-
Public transportation	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>68,415</u>	<u>28,776</u>	<u>323,051</u>	<u>90,634</u>	<u>651,586</u>	<u>315,008</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 68,415</u>	<u>\$ 29,590</u>	<u>\$ 323,051</u>	<u>\$ 91,331</u>	<u>\$ 661,327</u>	<u>\$ 315,008</u>

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
\$ 30,774	\$ -	\$ 946,746	\$ 1,548,509	\$ 913,243	\$ -	\$ 4,927,994
89,530	-	-	-	-	-	89,530
-	3,778	-	137,753	-	-	141,531
-	78	-	-	-	-	78
<u>\$ 120,304</u>	<u>\$ 3,856</u>	<u>\$ 946,746</u>	<u>\$ 1,686,262</u>	<u>\$ 913,243</u>	<u>\$ -</u>	<u>\$ 5,159,133</u>
\$ -	\$ 6,267	\$ 3,151	\$ 196,460	\$ -	\$ 2,115	\$ 219,245
-	8,011	-	24,828	-	-	32,839
-	251,215	-	-	-	7,083	258,298
-	265,493	3,151	221,288	-	9,198	510,382
-	78	-	-	-	-	78
120,304	-	-	1,464,974	-	-	1,585,278
-	-	-	-	-	-	420,242
-	-	-	-	-	-	1,057,228
-	-	943,595	-	-	-	943,595
-	-	-	-	913,243	-	913,243
-	(261,715)	-	-	-	(9,198)	(270,913)
<u>120,304</u>	<u>(261,637)</u>	<u>943,595</u>	<u>1,464,974</u>	<u>913,243</u>	<u>(9,198)</u>	<u>4,648,751</u>
<u>\$ 120,304</u>	<u>\$ 3,856</u>	<u>\$ 946,746</u>	<u>\$ 1,686,262</u>	<u>\$ 913,243</u>	<u>\$ -</u>	<u>\$ 5,159,133</u>

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	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	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	79,559	-	-
Fines and forfeitures	16,190	13,721	-	-	358,102	178,951
Interest	1,802	879	9,504	1,470	20,340	8,716
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>17,992</u>	<u>14,600</u>	<u>9,504</u>	<u>81,029</u>	<u>378,442</u>	<u>187,667</u>
EXPENDITURES						
Current:						
Public safety						
Storm repairs	-	-	-	-	-	-
Municipal court	2,692	15,982	-	-	-	-
Public transportation						
Regional transit	-	-	-	-	-	-
Culture and recreation						
Library	-	-	-	-	-	-
Nature preserve	-	-	-	-	-	-
Park	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal retirement	2,377	-	-	-	-	-
Interest and fiscal charges	31	-	-	-	-	-
Total expenditures	<u>5,100</u>	<u>15,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,892</u>	<u>(1,382)</u>	<u>9,504</u>	<u>81,029</u>	<u>378,442</u>	<u>187,667</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(275,000)	(72,700)
Proceeds from right to use leases/subscriptions	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(275,000)</u>	<u>(72,700)</u>
Net change in fund balances	<u>12,892</u>	<u>(1,382)</u>	<u>9,504</u>	<u>81,029</u>	<u>103,442</u>	<u>114,967</u>
Fund balances - beginning	<u>55,523</u>	<u>30,158</u>	<u>313,547</u>	<u>9,605</u>	<u>548,144</u>	<u>200,041</u>
Fund balances - ending	<u>\$ 68,415</u>	<u>\$ 28,776</u>	<u>\$ 323,051</u>	<u>\$ 90,634</u>	<u>\$ 651,586</u>	<u>\$ 315,008</u>

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	1,425,427	-	-	1,425,427
-	312,492	102,626	35,000	-	69,296	519,414
10,030	-	-	-	-	-	89,589
-	-	-	-	-	-	566,964
7,894	566	26,367	4,695	23,546	-	105,779
750	-	-	92,773	-	-	93,523
<u>18,674</u>	<u>313,058</u>	<u>128,993</u>	<u>1,557,895</u>	<u>23,546</u>	<u>69,296</u>	<u>2,800,696</u>
-	-	-	-	-	15,377	15,377
-	-	-	-	-	-	18,674
-	-	-	-	75,114	-	75,114
3,422	-	-	-	-	-	3,422
-	466,993	-	-	-	-	466,993
-	-	-	1,362,236	-	-	1,362,236
-	942,174	-	2,557,231	69,427	-	3,568,832
-	-	-	37,286	-	-	39,663
-	-	-	270	-	-	301
<u>3,422</u>	<u>1,409,167</u>	<u>-</u>	<u>3,957,023</u>	<u>144,541</u>	<u>15,377</u>	<u>5,550,612</u>
<u>15,252</u>	<u>(1,096,109)</u>	<u>128,993</u>	<u>(2,399,128)</u>	<u>(120,995)</u>	<u>53,919</u>	<u>(2,749,916)</u>
-	654,585	-	2,252,790	200,000	-	3,107,375
-	-	-	-	-	-	(347,700)
-	-	-	37,263	-	-	37,263
-	654,585	-	2,290,053	200,000	-	2,796,938
<u>15,252</u>	<u>(441,524)</u>	<u>128,993</u>	<u>(109,075)</u>	<u>79,005</u>	<u>53,919</u>	<u>47,022</u>
<u>105,052</u>	<u>179,887</u>	<u>814,602</u>	<u>1,574,049</u>	<u>834,238</u>	<u>(63,117)</u>	<u>4,601,729</u>
<u>\$ 120,304</u>	<u>\$ (261,637)</u>	<u>\$ 943,595</u>	<u>\$ 1,464,974</u>	<u>\$ 913,243</u>	<u>\$ (9,198)</u>	<u>\$ 4,648,751</u>

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Fines and forfeitures	\$ 15,000	\$ 15,000	\$ 16,190	\$ 1,190
Interest	2,000	2,000	1,802	(198)
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>17,992</u>	<u>992</u>
Expenditures:				
Current:				
Public safety				
Municipal court	1,825	1,825	2,692	(867)
Capital outlay	50,000	50,000	-	50,000
Principal retirement	4,000	4,000	2,377	1,623
Interest and fiscal charges	-	-	31	(31)
Total expenditures	<u>55,825</u>	<u>55,825</u>	<u>5,100</u>	<u>50,725</u>
Excess (deficiency) of revenues over (under) expenditures	(38,825)	(38,825)	12,892	51,717
Fund balance at October 1, 2024	<u>55,523</u>	<u>55,523</u>	<u>55,523</u>	-
Fund balance at September 30, 2025	<u>\$ 16,698</u>	<u>\$ 16,698</u>	<u>\$ 68,415</u>	<u>\$ 51,717</u>

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Fines and forfeitures	\$ 14,500	\$ 14,500	\$ 13,721	\$ (779)
Interest	750	750	879	129
Total revenues	<u>15,250</u>	<u>15,250</u>	<u>14,600</u>	<u>(650)</u>
Expenditures:				
Current:				
Public safety				
Municipal court	<u>43,200</u>	<u>43,200</u>	<u>15,982</u>	<u>27,218</u>
Total expenditures	<u>43,200</u>	<u>43,200</u>	<u>15,982</u>	<u>27,218</u>
Excess (deficiency) of revenues over (under) expenditures	(27,950)	(27,950)	(1,382)	26,568
Fund balance at October 1, 2024	<u>30,158</u>	<u>30,158</u>	<u>30,158</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ 2,208</u>	<u>\$ 2,208</u>	<u>\$ 28,776</u>	<u>\$ 26,568</u>

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	\$ 125,000	\$ 125,000	\$ 358,102	\$ 233,102
Interest	30,000	30,000	20,340	(9,660)
Total revenues	<u>155,000</u>	<u>155,000</u>	<u>378,442</u>	<u>223,442</u>
Expenditures:				
Current:				
General administration	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	155,000	155,000	378,442	223,442
Other financing sources (uses):				
Transfers out	<u>(275,000)</u>	<u>(275,000)</u>	<u>(275,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(275,000)</u>	<u>(275,000)</u>	<u>(275,000)</u>	<u>-</u>
Net change in fund balances	(120,000)	(120,000)	103,442	223,442
Fund balance at October 1, 2024	<u>548,144</u>	<u>548,144</u>	<u>548,144</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ 428,144</u>	<u>\$ 428,144</u>	<u>\$ 651,586</u>	<u>\$ 223,442</u>

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	\$ 75,000	\$ 75,000	\$ 178,951	\$ 103,951
Interest	7,500	7,500	8,716	1,216
Total revenues	82,500	82,500	187,667	105,167
Expenditures:				
Current:				
General administration	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	82,500	82,500	187,667	105,167
Other financing sources (uses):				
Transfers out	(72,700)	(72,700)	(72,700)	-
Total other financing sources (uses)	(72,700)	(72,700)	(72,700)	-
Net change in fund balances	9,800	9,800	114,967	105,167
Fund balance at October 1, 2024	200,041	200,041	200,041	-
Fund balance at September 30, 2025	\$ 209,841	\$ 209,841	\$ 315,008	\$ 105,167

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, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	\$ 100,000	\$ 100,000	\$ 79,559	\$ (20,441)
Interest	100	100	1,470	1,370
Total revenues	100,100	100,100	81,029	(19,071)
Expenditures:				
Current:				
General administration	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	100,100	100,100	81,029	(19,071)
Other financing sources (uses):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	100,100	100,100	81,029	(19,071)
Fund balance at October 1, 2024	9,605	9,605	9,605	-
Fund balance at September 30, 2025	\$ 109,705	\$ 109,705	\$ 90,634	\$ (19,071)

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, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 1,559,000	\$ -	\$ 312,492	\$ 312,492
Interest	500	-	566	566
Miscellaneous	<u>1,244,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,803,885</u>	<u>-</u>	<u>313,058</u>	<u>313,058</u>
Expenditures:				
Current				
Culture and recreation	2,803,885	-	466,993	(466,993)
Capital outlay				
Capital outlay and other	<u>-</u>	<u>-</u>	<u>942,174</u>	<u>(942,174)</u>
Total expenditures	<u>2,803,885</u>	<u>-</u>	<u>1,409,167</u>	<u>(1,409,167)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(1,096,109)	(1,096,109)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>654,585</u>	<u>654,585</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>654,585</u>	<u>654,585</u>
Net change in fund balances	-	-	(441,524)	(441,524)
Fund balance at October 1, 2024	<u>179,887</u>	<u>179,887</u>	<u>179,887</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ 179,887</u>	<u>\$ 179,887</u>	<u>\$ (261,637)</u>	<u>\$ (441,524)</u>

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	\$ 45,000	\$ 45,000	\$ 102,626	\$ 57,626
Interest	<u>20,000</u>	<u>20,000</u>	<u>26,367</u>	<u>6,367</u>
Total revenues	<u>65,000</u>	<u>65,000</u>	<u>128,993</u>	<u>63,993</u>
Expenditures:				
Current:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	65,000	65,000	128,993	63,993
Other financing sources (uses):				
Transfers out	<u>(780,000)</u>	<u>(780,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(780,000)</u>	<u>(780,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(715,000)	(715,000)	128,993	843,993
Fund balance at October 1, 2024	<u>814,602</u>	<u>814,602</u>	<u>814,602</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ 99,602</u>	<u>\$ 99,602</u>	<u>\$ 943,595</u>	<u>\$ 843,993</u>

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Taxes				
Sales	\$ 1,313,600	\$ 1,313,600	\$ 1,425,427	\$ 111,827
Interest	97,250	97,250	4,695	(92,555)
Intergovernmental	263,600	263,600	35,000	(228,600)
Miscellaneous	<u>-</u>	<u>-</u>	<u>92,773</u>	<u>92,773</u>
Total revenues	<u>1,674,450</u>	<u>1,674,450</u>	<u>1,557,895</u>	<u>(116,555)</u>
Expenditures:				
Current				
Culture and recreation	1,482,625	1,482,625	1,362,236	120,389
Debt service	-	-	37,556	(37,556)
Capital outlay	<u>5,028,585</u>	<u>5,028,585</u>	<u>2,557,231</u>	<u>2,471,354</u>
Total expenditures	<u>6,511,210</u>	<u>6,511,210</u>	<u>3,957,023</u>	<u>2,554,187</u>
Excess (deficiency) of revenues over (under) expenditures	(4,836,760)	(4,836,760)	(2,399,128)	2,437,632
Other financing sources (uses):				
Proceeds from right to use leases/subscriptions	-	-	37,263	37,263
Transfers in	<u>4,744,500</u>	<u>4,744,500</u>	<u>2,252,790</u>	<u>(2,491,710)</u>
Total other financing sources (uses)	<u>4,744,500</u>	<u>4,744,500</u>	<u>2,290,053</u>	<u>(2,454,447)</u>
Net change in fund balances	(92,260)	(92,260)	(109,075)	(16,815)
Fund balance at October 1, 2024	<u>1,574,049</u>	<u>1,574,049</u>	<u>1,574,049</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ 1,481,789</u>	<u>\$ 1,481,789</u>	<u>\$ 1,464,974</u>	<u>\$ (16,815)</u>

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

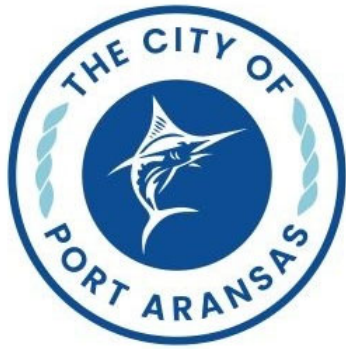
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Interest	\$ 25,000	\$ 25,000	\$ 23,546	\$ (1,454)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>23,546</u>	<u>(1,454)</u>
Expenditures:				
Current				
Public transportation	<u>659,000</u>	<u>659,000</u>	<u>144,541</u>	<u>514,459</u>
Total expenditures	<u>659,000</u>	<u>659,000</u>	<u>144,541</u>	<u>514,459</u>
Excess (deficiency) of revenues over (under) expenditures	(634,000)	(634,000)	(120,995)	513,005
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balances	(634,000)	(434,000)	79,005	513,005
Fund balance at October 1, 2024	<u>834,238</u>	<u>834,238</u>	<u>834,238</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ 200,238</u>	<u>\$ 400,238</u>	<u>\$ 913,243</u>	<u>\$ 513,005</u>

CITY OF PORT ARANSAS, TEXAS

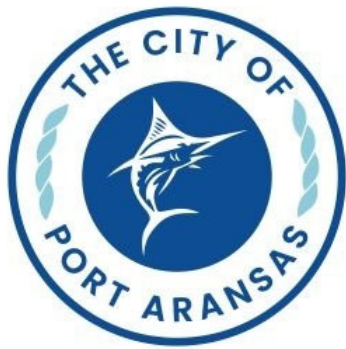
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – DEBT SERVICE FUND**

For the year ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Taxes				
Property	\$ 5,220,400	\$ 5,220,400	\$ 5,552,924	\$ 332,524
Interest	50,000	50,000	22,486	(27,514)
Total revenues	<u>5,270,400</u>	<u>5,270,400</u>	<u>5,575,410</u>	<u>305,010</u>
Expenditures:				
Debt service				
Principal retirement	4,995,000	5,140,000	4,995,000	145,000
Interest retirement	<u>1,370,780</u>	<u>1,432,280</u>	<u>1,498,373</u>	<u>(66,093)</u>
Total expenditures	<u>6,365,780</u>	<u>6,572,280</u>	<u>6,493,373</u>	<u>(66,093)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,095,380)	(1,301,880)	(917,963)	383,917
Other financing sources (uses):				
Transfers in	<u>1,143,575</u>	<u>1,143,575</u>	<u>1,153,575</u>	<u>10,000</u>
Total other financing sources (uses)	<u>1,143,575</u>	<u>1,143,575</u>	<u>1,153,575</u>	<u>10,000</u>
Net change in fund balances	48,195	(158,305)	235,612	393,917
Fund balance at October 1, 2024	<u>283,226</u>	<u>283,226</u>	<u>283,226</u>	<u>-</u>
Fund balance at September 30, 2025	<u>\$ 331,421</u>	<u>\$ 124,921</u>	<u>\$ 518,838</u>	<u>\$ 393,917</u>



COMPLIANCE SECTION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas (the City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Antonio, Texas
March 25, 2026

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, 2025. 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, 2025.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State of Texas Single Audit Circular*. Our responsibilities under those standards, the Uniform Guidance and the *State of Texas Single Audit Circular*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

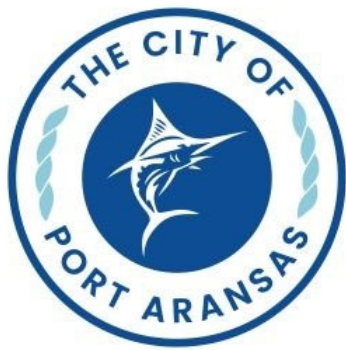
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

ABIP, PC

San Antonio, Texas
March 25, 2026



CITY OF PORT ARANSAS, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2025

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal and State Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

Federal Assistance
Listing Number(s)
97.036

Name of Federal/State Program or Cluster
Disaster Grants – Public Assistance

State Assistance
N/A

Disaster Grants – Public Assistance

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

\$1,000,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

None

CITY OF PORT ARANSAS, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2025

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, 2025

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	GRANTOR'S PASS-THROUGH NUMBER	FEDERAL EXPENDITURES	STATE EXPENDITURES
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Direct Grants				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
Robert's Point Park Bulkhead		3137	\$ 63,416	\$ 5,285
Demolition from Private Property Debris Removal		68702	34,604	2,884
Public Works Garage (DPW Garage)		16966	970,077	80,840
Gas System		3141	4,150,958	345,913
Robert's Point Park		35875	29,011	2,418
Citizen's Collection Station		16977	227	19
Port Aransas DAC		65826	386,485	-
Library Contents		36768	20,233	1,686
Charlie's Pasture Shoreline Bulkhead		46842	6,620	552
Temporary Facilities - Harbor Master Office		42621	3,980	332
Nature Preserve		36926	380,444	31,704
DR4798-TX - Pre-Positioning EOC		761115	69,296	-
Management Costs		959617	4,620	-
Total Disaster grants (Direct)			<u>6,119,971</u>	<u>471,633</u>
<u>U.S. GULF COAST ECOSYSTEM RESTORATION COUNCIL</u>				
Passed through the Texas Commission of Environmental Quality				
Restore Grant	87.052	NONE	<u>278,872</u>	<u>-</u>
Total U.S. Gulf Coast Ecosystem Restoration Council			<u>278,872</u>	<u>-</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>				
Direct Grants				
Coastal Program Grants	15.630			
CBBEP Habitat Living Resources		NONE	<u>23,249</u>	<u>-</u>
Total U.S. Department of the Interior			<u>23,249</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Passed through General Land Office				
Community Development Block Grant	14.228			
CDBG Disaster Recovery Program Infrastructure Projects				
Harvey Round 1 Funding (Contract #20-065-143-C811)		NONE	<u>514,329</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>514,329</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 6,936,421</u>	<u>\$ 471,633</u>

CITY OF PORT ARANSAS, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2025

(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, 2025. 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.

