NEW ISSUE BOOK-ENTRY-ONLY **Rating: S&P "AA+"**
(See: "OTHER PERTINENT INFORMATION– Rating" herein)

OFFICIAL STATEMENT
March 23, 2023

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Bonds under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Bonds and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)

The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

$6,020,000
CITY OF PORT ARANSAS, TEXAS
(A political subdivision of the State of Texas located in Nueces County)
GENERAL OBLIGATION BONDS, SERIES 2023

Dated Date: March 15, 2023 **Due: February 1, as shown on page 2**

The $6,020,000 City of Port Aransas, Texas (the "City" or the "Issuer") General Obligation Bonds, Series 2023 (the "Bonds") are being issued pursuant to the laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, the City's Home Rule Charter, an election held on November 8, 2022 and an ordinance (the "Ordinance") adopted by the City Council on March 23, 2023. (See "THE BONDS - Authority for herein.)

The Bonds are direct obligations of the Issuer payable from an annual ad valorem tax levied, against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Bonds will accrue from March 15, 2023 (the "Dated Date") and will be payable on February 1 and August 1 of each year, commencing February 1, 2024 until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Austin, Texas, as initial Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (i) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, landscape, signage, upgrading technology and traffic signals, acquiring lands and rights-of-way necessary thereto or incidental therewith and installing related public art, and (ii) to pay costs of issuance and expenses relating to the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS

The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Bonds. (See "LEGAL MATTERS – Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.) It is expected that the Bonds will be available for delivery through DTC on or about April 19, 2023.

$6,020,000
CITY OF PORT ARANSAS, TEXAS
(A political subdivision of the State of Texas located in Nueces County)
GENERAL OBLIGATION BONDS, SERIES 2023

STATED MATURITY SCHEDULE

CUSIP No. Prefix [1] 733454

Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]	Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]
2025	$ 310,000	4.000%	2.650%	GR7	2032	$ 435,000	5.000%	2.660%	GY2
2026	325,000	4.000%	2.600%	GS5	2033	455,000	4.000%	2.700%[2]	GZ9
2027	340,000	5.000%	2.600%	GT3	2034	475,000	5.000%	2.780%[2]	HA3
2028	355,000	5.000%	2.600%	GU0	2035	500,000	5.000%	2.940%[2]	HB1
2029	375,000	5.000%	2.600%	GV8	2036	525,000	5.000%	3.140%[2]	HC9
2030	395,000	5.000%	2.600%	GW6	2037	550,000	4.000%	3.600%[2]	HD7
2031	410,000	5.000%	2.640%	GX4	2038	570,000	4.000%	3.750%[2]	HE5

(Interest to accrue from the Dated Date)

The Bonds maturing on or after February 1, 2033 are subject to optional redemption prior to their scheduled maturities at the option of the Issuer, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2032 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described herein. (See "THE BONDS - Redemption Provisions " herein.)

---

[1] CUSIP numbers are include solely for the convenience of the owner of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

[2] Yield calculated is based on the assumption that the Bonds denoted and sold at premium will be redeemed on February 1, 2032, the first optional call date for the Bonds, at a redemption of par plus accrued interest to the date of redemption.

[The remainder of this page intentionally left blank]

CITY OF PORT ARANSAS, TEXAS

710 W Avenue A
Port Aransas, Texas 78373
Telephone: 361-749-4111

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)
Wendy Moore Mayor	6*	2024
Kelly Owens Mayor Pro-Tem	7 months	2024
Tim Parke Councilmember, Place #1	2	2023
Jo Ellyn Krueger Councilmember, Place #3	2	2023
Tanya Chambers Councilmember, Place #4	7 months	2024
David Sieloff Councilmember, Place #5	2	2023
Dale Christianson Councilmember, Place #6	7 months	2024

***** Includes service as a City Councilmember. [please confirm]

ADMINISTRATION

Name	Position	Years with The City
David Parsons	City Manager	17
Darla Honea	Director of Finance	14
Francisca Nixon	City Secretary	8

CONSULTANTS AND ADVISORS

Bond Counsel ..... Norton Rose Fulbright US LLP
Austin, Texas

Certified Public Accountants ..... Park Fowler & Co.
Corpus Christi, Texas

Financial Advisor ..... SAMCO Capital Markets, Inc.
San Antonio, Texas

For Additional Information Please Contact:

Mr. David Parsons
City Manager
Ms. Darla Honea
Director of Finance
City of Port Aransas
710 West Avenue A
Port Aransas, Texas 78373
Telephone: (361) 749-4111
davidparsons@cityofportaransas.org
dhonea@cityofportaransas.org

Mr. Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
mmcliney@samcocapital.com

Mr. Andrew T. Friedman
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

The Financial Advisor has provided the following sentence for inclusion of this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

The Purchaser has provided the following statement for inclusion in this Official Statement. The Purchaser has reviewed the information in this Official Statement in accordance with, and a part of, its responsibility to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Purchaser does not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the Issuer, the Financial Advisor or the Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System as such information is provided by DTC.

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement or any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Port Aransas, Texas (the "Issuer" or the "City"), is located on the northern end of Mustang Island, approximately 30 miles east of the City of Corpus Christi. The City is a popular tourist resort and sports fishing center located on the northern end of Mustang Island. The 2022 population was 3,105. The City owns and operates the Port Aransas Harbor. The City connects to Aransas Pass via a free ferry service, and to the City of Corpus Christi, via a causeway. 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 pursuant to the adoption of its Home Rule Charter which was last amended on April 21, 2016. (See "APPENDIX B - General Information Regarding the City of Port Aransas and Nueces County, Texas" herein.)
The Bonds	The $6,020,000 City of Port Aransas, Texas General Obligation Bonds, Series 2023 (the "Bonds") are being issued pursuant to the laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, an election held on November 8, 2022, the City's Home Rule Charter, and an ordinance (the "Ordinance") adopted by the City Council on March 23, 2023.
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Austin, Texas.
Security for the Bonds	The Bonds constitute direct and general obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)
Redemption Provisions	The Bonds maturing on or after February 1, 2033 are subject to optional redemption prior to their scheduled maturities at the option of the Issuer, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2032 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS – Redemption Provisions of the Bonds" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for Federal income tax purposes, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for (i) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, landscape, signage, upgrading technology and traffic signals, acquiring lands and rights-of-way necessary thereto or incidental therewith and installing related public art, and (ii) to pay costs of issuance and expenses relating to the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)
Rating	S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Bonds. (See "OTHER PERTINENT INFORMATION – Ratings")
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Payment Record	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
Future Debt Issues	Other than the issuance of the Bonds (defined below), the City does not anticipate the issuance of any additional debt in the next twelve months, except potentially refunding bonds for debt service savings.
Delivery	When issued, anticipated to occur on or about April 19, 2023.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel.

OFFICIAL STATEMENT

Relating to

$6,020,000
CITY OF PORT ARANSAS, TEXAS
(A political subdivision of the State of Texas located in Nueces County)
GENERAL OBLIGATION BONDS, SERIES 2023

INTRODUCTORY STATEMENT

This Official Statement, including the appendices hereto, provides certain information in connection with the issuance by the City of Port Aransas, Texas (the "City" or "Issuer") of its $6,020,000 General Obligation Bonds, Series 2023 (the "Bonds") identified on page 2 hereof.

The Issuer is a political subdivision of the State of Texas and a home-rule municipal corporation organized and existing under the laws of the State of Texas. The Bonds are being issued by the City of Port Aransas, Texas in accordance with the Constitution and laws of the State of Texas (the "State"), including Chapters 1251 and 1331, as amended, Texas Government Code, the City's Home Rule Charter, an election held on November 8, 2022 and an ordinance (the "Ordinance") adopted by the City Council on March 23, 2023.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement (defined below) pertaining to the Bonds will be filed by the Purchaser with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

INFECTIOUS DISEASE OUTBREAK – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. The City has not experienced any decrease in property values or unusual tax delinquencies as a result of COVID-19; however the City cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions. For a discussion of the impact of COVID-19 on the City's financial condition and budget, see "APPENDIX A – Financial Information – City of Port Aransas, Texas".

THE BONDS

General Description

The Bonds are dated March 15, 2023 (the "Dated Date"), will be issued in denominations of $5,000 principal or any integral multiple thereof within a stated maturity, and will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. Interest on the Bonds will accrue from the Dated Date, with such interest payable on February 1 and August 1 of each year, commencing February 1, 2024, until stated maturity or prior redemption. Principal and interest on the Bonds are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM." In the event the Book-Entry-Only System is discontinued, the interest on the Bonds will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Austin, Texas, as the initial Paying Agent/Registrar, as of the Record Date (defined herein) by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at Stated Maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Bonds will be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, an Ordinance adopted by the City Council on March 23, 2023, and election held on November 8, 2022 and the City's Home Rule Charter.

Security for Payment

The Bonds are direct obligations payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Purpose of the Bonds

Proceeds from the sale of the Bonds will be used for (i) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, landscape, signage, upgrading technology and traffic signals, acquiring lands and rights-of-way necessary thereto or incidental therewith and installing related public art, and (ii) to pay costs of issuance and expenses relating to the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)

Redemption Provisions

The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature February 1, 2033, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar) on February 1, 2032 or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the City shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than $5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer or the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Sources and Uses

Sources of Funds	The Bonds
Par Amount	$ 6,020,000.00
Accrued Interest	26,340.56
Reoffering Premium	648,350.80
Total Sources of Funds	**$ 6,694,691.36**
Uses of Funds	
Deposit to Project Fund	$ 6,500,000.00
Accrued Interest	26,340.56
Costs of Issuance	115,408.37
Purchaser's Discount	52,942.43
Total Uses of Funds	**$ 6,694,691.36**

Payment Record

The City has never defaulted on the payment of its ad valorem tax-backed indebtedness.

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas ("Bond Counsel"). The legal opinion of Bond Counsel will accompany the Bonds to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of

permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, change the redemption price or amount, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's Bonds are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court (the "Court") ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In Wasson Interests, Ltd., v. City of Jacksonville, 489 S.W. 3d 427 (Tex. 2016), ("Wasson") the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary at the time of conception of the contractual relationship.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. As noted above, the Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors or general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Austin, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the person entitled to the receipt of the interest payable on a Bond on any interest payment date means the fifteenth (15th) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument

of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer of Bonds

Neither the City nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business of any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City, the Financial Advisor, and the Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the applicable series of Bonds), or any notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Neither DTC or Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Purchaser believe to be reliable, but the Issuer, the Financial Advisors and the Purchaser take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration".

INVESTMENT POLICIES

The Issuer invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the Issuer. Both State law and the Issuer's investment policies are subject to change.

Legal Investment

Under Texas law and subject to certain limitations, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of

Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The Issuer may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the Issuer may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the Issuer may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the Issuer is not required to liquidate the investment unless it no longer carries a required rating, in which case the Issuer is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the Issuer's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Issuer must submit an investment report to the City Council detailing: (1) the investment position of the Issuer, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) the investment strategy expressed in the Issuer's investment policy, and (b) the Public Funds Investment Act. No person may invest Issuer funds without express written authority from the City Council.

Current Investments [1] **TABLE 1**

As of December 31, 2022 the City held investments as follows:

Type of Security	Market Value	Percentage of Total
Cash	$ 724,593.00	1.24%
TexPool	51,232,033.00	87.32%
Texas Class	5,413,378.00	9.23%
CD's & Money Market Fund	1,300,509.00	2.21%
Total	$ 58,670,513.00	100.00%

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

[1] Unaudited.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors *are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The Nueces County Appraisal District (the "Appraisal District") is primarily responsible for appraising property within the City generally as of January 1 of each year. Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. For a discussion of how the various exemptions described above are applied by the City, see "CITY'S APPLICATION OF PROPERTY TAX CODE" herein.

City and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $52.9 million for the 2022 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2022 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY'S APPLICATION OF THE PROPERTY TAX CODE

See Table 1 in APPENDIX A for a listing of the amounts of the exemptions described below.

The City grants a local option exemption to the appraised value of the residence homestead of persons 65 years of age or older of $20,000.

The City has elected to grant a local option exemption to the appraised value of the residence homesteads of $20,000.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and Nueces County Tax Assessor/Collector does collect taxes for the City.

The City does permit split payments and discounts are not allowed.

The City does not tax Goods-in-Transit.

The City does tax Freeport Property.

The City does collect an additional ½ of one percent sales tax for economic development.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion is reproduced as APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the City pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the periodic calculation and payment to the United States Treasury of any arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Bond holders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), life insurance companies, property and casualty insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium on Certain Bonds

The initial public offering price to be paid for certain Bonds (the "Premium Bonds") may be greater than the stated redemption price on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable certificate premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable certificate premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The City has designated the Bonds as "qualified tax-exempt obligations" and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under these agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal market Access ("EMMA") system through an internet website accessible at www.emma.msrb.org as described below under "Availability of Information".

Annual Reports

Under State law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must maintain each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any bondholder or other member of the public within a reasonable time on request to the City Secretary, 710 Avenue A, Port Aransas, Texas, 78373 and upon payment of charges prescribed by the general laws of the State of Texas.

The City will file certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in Table 1 of the Official Statement and in Tables 1 through 10 of APPENDIX A to this Official Statement, and in APPENDIX D. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2022. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March 31 in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of such change with the MSRB through EMMA.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances;(10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes;(12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City has adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Bonds nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Bonds. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchaser from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Undertakings

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical and technical data) the information under the captions "THE BONDS" (except under the subcaptions, "Purpose of Bonds", "Sources and Uses", "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Bonds for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that

no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "OTHER PERTINENT INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; or have the Bonds been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

Rating

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflect only the views of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revisions or withdrawals of the rating may have an adverse effect on the market price of the Bonds.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources that are believed to be reliable. All of the summaries of the statutes, documents, and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Winning Bidder

After requesting competitive bids for the Bonds, the City accepted the bid of Hilltop Securities Inc. (the "Purchaser") to purchase the Bonds at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of $648,350.80, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchasers. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchasers.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate, executed by proper officers of the City, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Bonds and the receipt of the bids therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does

not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

Authorization of the Official Statement

The Official Statement was approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the City Council, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

The Ordinance approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorized its further use in the reoffering of the Bonds by the Purchaser.

This Official Statement was approved by the City Council of the Issuer for distribution in accordance with the provisions of the Rule.

CITY OF PORT ARANSAS, TEXAS

ATTEST:

/s/Wendy Moore
Mayor
City of Port Aransas, Texas

/s/Francisca Nixon
City Secretary
City of Port Aransas, Texas

APPENDIX A

FINANCIAL INFORMATION
CITY OF PORT ARANSAS, TEXAS

(this page intentionally left blank)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2022 Actual Certified Market Value of Taxable Property (100% of Market Value)	$	4,224,565,348
Less Exemptions:		
Optional Over-65 or Disabled Homestead	$	10,550,057
Local Option		95,472,497
Veterans Exemptions		7,447,949
Productivity Loss Value		27,340,933
Loss to 10% HO Cap		129,902,017
Solar		600,250
TOTAL EXEMPTIONS		271,313,703
2022 Certified Assessed Value of Taxable Property	$	3,953,251,645
Less: Freeze Taxable		180,235,104
2022 Freeze Adjusted Taxable Value	$	3,773,016,541

Source: Nueces County Appraisal District.

GENERAL OBLIGATION BONDED DEBT [(1)]

(as of March 1, 2023)

General Obligation Debt Principal Outstanding		
General Obligation Bonds, Series 2012	$	2,100,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014		755,000
General Obligation Bonds, Series 2017		2,930,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018		4,980,000
General Obligation Refunding Bonds, Series 2019		425,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021		2,545,000
Tax Notes, Series 2021		1,315,000
Combination Tax and Limited Pledge Revenue Certificates of Obligaiton,Series 2022		840,000
Tax Notes, Series 2022		7,645,000
The Bonds		6,020,000
Total Gross General Obligation Debt	$	29,555,000
Less: Self Supporting Debt		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (100% HOT)	$	4,980,000
Total Self-Supporting Debt	$	4,980,000
Total Net General Obligation Debt Outstanding	$	24,575,000
2022 Net Assessed Valuation	$	3,953,251,645
Ratio of Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		0.75%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		0.62%

Population: 2000 -3,370; 2010 - 3,480; est. 2022 - 3,105
Per Capita Certified Net Taxable Assessed Valuation - $1,273,188.94
Per Capita Gross General Obligation Debt Principal - $9,518.52

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE **TABLE 2**

(As of September 30, 2021)

Operating Leases

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

FYE (9/30)		Amount
2022	$	12,395
2023		12,395
2024		12,395
Total	$	37,185

Source: The City's Annual Financial Report for Fiscal Year Ended September 30, 2021.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending (9/30)	Current Total Outstanding Debt[1]	The Bonds Principal	The Bonds Interest	The Bonds Total	Total Combined Debt Service	Less: Self Supporting Debt Service	Total Net Debt Service
2023	$ 4,272,740	-	-	-	$ 4,272,740	$ 575,700	$ 3,697,040
2024	4,007,502	-	$ 384,262	$ 384,262	4,391,764	577,875	3,813,889
2025	3,590,653	$ 310,000	272,700	582,700	4,173,353	574,675	3,598,678
2026	3,596,245	325,000	260,000	585,000	4,181,245	576,100	3,605,145
2027	3,606,797	340,000	245,000	585,000	4,191,797	577,075	3,614,722
2028	3,049,713	355,000	227,625	582,625	3,632,338	577,600	3,054,738
2029	2,769,587	375,000	209,375	584,375	3,353,962	577,675	2,776,287
2030	1,248,198	395,000	190,125	585,125	1,833,323	577,300	1,256,023
2031	1,244,473	410,000	170,000	580,000	1,824,473	576,475	1,247,998
2032	1,247,478	435,000	148,875	583,875	1,831,353	575,200	1,256,153
2033	875,275	455,000	128,900	583,900	1,459,175	573,475	885,700
2034	301,150	475,000	107,925	582,925	884,075	-	884,075
2035	305,350	500,000	83,550	583,550	888,900	-	888,900
2036	304,400	525,000	57,925	582,925	887,325		887,325
2037	70,700	550,000	33,800	583,800	654,500		654,500
2038	-	570,000	11,400	581,400	581,400	-	581,400
Total	$ 30,490,259	$ 6,020,000	$ 2,531,462	$ 8,551,462	$ 39,041,721	$ 6,339,150	$ 32,702,571

[1] *Includes self-supporting debt .*

TAX ADEQUACY (Includes Self-Supporting Debt)

2022 Certified Freeze Adjusted Net Taxable Assessed Valuation	$ 3,773,016,541
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2024)	4,391,764
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.11877

* *Includes the Bonds.*

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (Excludes Self-Supporting Debt)

2022 Certified Freeze Adjusted Net Taxable Assessed Valuation	$ 3,773,016,541
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2024)	3,813,889
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.10315

* *Includes the Bonds.*

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

INTEREST AND SINKING FUND MANAGEMENT INDEX

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2022	$ (88,582)
2022 Anticipated Interest and Sinking Fund Tax Levy at 99% Collections Produce [1]	2,915,369
Transfer from HOT Taxes [2]	575,700
Impact Fees Budgeted for Debt Service [2]	870,253
Total Available for General Obligation Debt	$ 4,272,740
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/23	4,272,740
Estimated Fund Balance at Fiscal Year Ending 9/30/2023 [1]	$ (0)

[1] Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

[2] The City annually budgets for the use of HOT Taxes Impact fees for the payment of debt service related to eligible projects.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(As of March 1, 2023)

Fiscal Year Ending 9-30	Principal Repayment Schedule: Currently Outstanding[a]	The Bonds	Total	Principal Unpaid at End of Year*	Percent of Principal Retired (%)*
2023				$ 29,555,000	0.00%
2024	$ 3,400,000		$ 3,400,000	26,155,000	11.50%
2025	3,070,000	$ 310,000	3,380,000	22,775,000	22.94%
2026	3,160,000	325,000	3,485,000	19,290,000	34.73%
2027	3,260,000	340,000	3,600,000	15,690,000	46.91%
2028	2,790,000	355,000	3,145,000	12,545,000	57.55%
2029	2,590,000	375,000	2,965,000	9,580,000	67.59%
2030	1,125,000	395,000	1,520,000	8,060,000	72.73%
2031	1,155,000	410,000	1,565,000	6,495,000	78.02%
2032	1,190,000	435,000	1,625,000	4,870,000	83.52%
2033	845,000	455,000	1,300,000	3,570,000	87.92%
2034	285,000	475,000	760,000	2,810,000	90.49%
2035	295,000	500,000	795,000	2,015,000	93.18%
2036	300,000	525,000	825,000	1,190,000	95.97%
2037	70,000	550,000	620,000	570,000	98.07%
2038	-	570,000	570,000	-	100.00%
Total	$ 23,535,000	$ 6,020,000	$ 29,555,000		

[a] Includes self-supporting debt . All of the Issuer's outstanding debt in FYE 9/30/23 matured 2/1/23.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2013-2022 — TABLE 3

Year	Net Taxable Assessed Valuation	Change From Preceding Year: Amount ($)	Percent
2013	$ 1,493,492,566		0.00%
2014	1,665,227,270	$ 171,734,704	11.50%
2015	1,864,191,163	198,963,893	11.95%
2016	2,089,434,513	225,243,350	12.08%
2017	2,288,255,622	198,821,109	9.52%
2018	1,997,737,022	(290,518,600)	-12.70%
2019	2,240,932,860	243,195,838	12.17%
2020	2,421,674,854	180,741,994	8.07%
2021	2,904,855,837	483,180,983	19.95%
2022	3,953,251,644	1,048,395,807	36.09%

Source: Nueces County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 4**

	2022	% of Total	2021	% of Total	2020	% of Total
Real, Residential, Single-Family	$ 3,331,252,034	78.85%	$ 2,385,493,744	77.20%	$ 1,961,484,818	76.39%
Real, Residential, Multi-Family	40,088,756	0.95%	34,801,298	1.13%	22,970,923	0.89%
Real, Vacant Lots/Tracts	307,755,944	7.28%	227,971,482	7.38%	169,825,750	6.61%
Qualified Agricultural Land	27,445,892	0.65%	27,445,892	0.89%	27,194,837	1.06%
Non-Qualified Agricultural Land	10,020,292	0.24%	12,145,078	0.39%	10,610,198	0.41%
Real, Commercial	364,126,786	8.62%	267,878,687	8.67%	232,124,913	9.04%
Real, Industrial	17,554,448	0.42%	17,301,489	0.56%	10,534,211	0.41%
Real & Tangible, Personal Utilities	21,310,873	0.50%	19,375,365	0.63%	17,480,786	0.68%
Tangible Personal, Commercial	47,965,407	1.14%	74,846,836	2.42%	67,128,060	2.61%
Tangible Personal, Industrial	16,355,774	0.39%	1,628,338	0.05%	1,816,039	0.07%
Tangible Personal, Mobile Homes	1,443,809	0.03%	1,406,265	0.05%	1,319,648	0.05%
Real Property, Inventory	39,183,552	0.93%	19,583,496	0.63%	45,148,442	1.76%
Special Inventory	61,781	0.00%	53,529	0.00%	33,362	0.00%
Total Appraised Value	$ 4,224,565,348	100.00%	$ 3,089,931,499	100.00%	$ 2,567,671,987	100.00%
Less:						
Optional Over-65 or Disabled Homestead	$ 10,550,057		$ 10,390,057		$ 10,497,379	
Local Option	95,472,497		82,649,354		74,051,878	
Veterans Exemptions	7,447,949		6,154,914		5,468,240	
Productivity Value Loss	27,340,933		27,335,853		27,094,581	
Loss to 10% HO Cap	129,902,018		58,545,484		28,885,055	
Solar	600,250		-		-	
Net Taxable Assessed Valuation	$ 3,953,251,644		$ 2,904,855,837		$ 2,421,674,854	

Source: Nueces County Appraisal District

PRINCIPAL TAXPAYERS 2022 **TABLE 5**

Name	Type of Business/Property	2022 Net Taxable Assessed Valuation	% of 2022 Assessed Valuation
ERF Port Aransas Inc.	Real Estate	$ 29,081,211	0.74%
KM Beach LLC	Real Estate	23,175,645	0.59%
Tmine Ltd.	Commercial	17,171,887	0.43%
TCRG Opportunity x LLC	Real Estate	16,902,261	0.43%
RWE Renewables Americas LLC	Renewable Energy	14,179,750	0.36%
EC Browning LTD	Real Estate	11,352,355	0.29%
Blue Marlin Holdings LLC	Real Estate	11,243,315	0.28%
Mustang Island Development Inc.	Real Estate	11,076,296	0.28%
MSE Enterprises Inc.	Lodging	10,996,162	0.28%
AEP Texas Inc.-09N	Utility	10,439,840	0.26%
		$ 155,618,722	3.94%

Source: Nueces County Appraisal District

TAX RATE DISTRIBUTION **TABLE 6**

	2022	2021	2020	2019	2018
General Fund	$ 0.151290	$ 0.194411	$ 0.221915	$ 0.224784	$ 0.236918
I&S Fund	0.074491	0.052598	0.055431	0.058328	0.073988
Total Tax Rate	$ 0.225781	$ 0.247009	$ 0.277346	$ 0.283112	$ 0.310906

Source: Nueces Central Appraisal District

TAX DATA **TABLE 7**

Taxes are due October 1 and become delinquent after January 31. Discounts are allowed: 3% October, 2% November, and 1% if paid in December. Current collections are those taxes collected through August 31, applicable to the current year's tax levy. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 20% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended
2013	$ 1,493,492,566	$ 0.322615	$ 4,818,231	98.42	99.24	9/30/2014
2014	1,665,227,270	0.299100	4,980,695	97.23	97.91	9/30/2015
2015	1,864,191,163	0.275666	5,138,941	97.74	98.41	9/30/2016
2016	2,089,434,513	0.272191	5,687,253	97.11	97.90	9/30/2017
2017	2,288,255,622	0.280906	6,427,847	98.28	100.50	9/30/2018
2018	1,997,737,022	0.310906	6,211,084	99.49	100.51	9/30/2019
2019	2,240,932,860	0.283112	6,344,350	99.14	99.37	9/30/2020
2020	2,421,674,854	0.277346	6,716,418	98.37	99.25	9/30/2021
2021	2,904,855,837	0.247009	7,175,255	70.09	70.23	9/30/2022*
2022	3,953,251,644	0.225781	8,925,691	(In Process of Collection)		9/30/2023

Source: Nueces Central Appraisal District

** Collections through December 31, 2022.*

MUNICIPAL SALES TAX COLLECTIONS — TABLE 8

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The City's total sales tax rate is 1.5%. 1% of the tax is for the General Fund, ½ percent for economic development. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2013	$ 1,747,363	36.27%	0.1170
2014	1,914,414	38.44%	0.1150
2015	1,992,046	38.76%	0.1069
2016	2,031,897	35.73%	0.0972
2017	1,973,779	30.71%	0.0863
2018	2,343,788	37.74%	0.1173
2019	2,705,869	42.65%	0.1207
2020	2,687,502	40.01%	0.1110
2021	3,372,428	47.00%	0.1161
2022	3,839,290	43.01%	0.0971
2023	184,120	(As of January 2023)	

Source: State Comptroller's Office of the State of Texas.

OVERLAPPING DEBT INFORMATION

(As of March 1, 2023)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt (As of 3/1/2023)	% Overlapping	Amount Overlapping
Nueces County	$ 163,045,000	8.44%	$ 13,760,998
Port Aransas ISD	4,139,000	85.06%	3,520,633
Total Gross Overlapping Debt			$ 17,281,631
Port Aransas, City of			$ 29,555,000 *
Total Gross Direct and Overlapping Debt			$ 46,836,631 *
Ratio of Gross Direct Debt and Overlapping Debt			1.18% *
Per Capita Gross Direct Debt and Overlapping Debt			$15,084.26 *

Note: The above figures show Gross General Obligation Debt for the City of Port Aransas, Texas. The Issuer's Net General Obligation Debt is $24,575,000*. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	$ 41,856,631 *
Ratio of Net Direct and Overlapping Debt to 2022 Net Assessed Valuation	1.06% *
Per Capita Net Direct and Overlapping Debt	$13,480.40 *

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas
** Includes the Bonds.*

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES — TABLE 9

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Fund Balance - Beginning of Year	$ 10,747,718	$ 10,646,943	$ 5,466,522	$ 4,320,684	$ 4,442,478
Revenues	12,426,003	10,763,214	11,914,272	10,425,593	9,712,763
Expenditures	10,331,161	10,012,439	10,383,820	9,472,175	9,842,557
Excess (Deficit) of Revenues Over Expenditures	$ 2,094,842	$ 750,775	$ 1,530,452	$ 953,418	$ (129,794)
Other Financing Sources (Uses):					
Community Disaster Loan Proceeds	$ -	$ -	$ 4,347,745	$ -	$ -
Capital Lease	-	-	-	192,420	-
Operating Transfers In	-	-	2,224	-	8,000
Operating Transfers Out	-	(650,000)	(700,000)	-	-
Total Other Financing Sources (Uses):	$ -	$ (650,000)	$ 3,649,969	$ 192,420	$ 8,000
Fund Balance - End of Year	$ 12,842,560	$ 10,747,718	$ 10,646,943	$ 5,466,522	$ 4,320,684

Source: The Issuer's Comprehensive Annual Financial Reports and information provided by the Issuer.
The City anticipates that the unaudited General Fund balance for Fiscal Year ended September 30, 2022 was $12,214,767. This amount includes Community Disaster Loan Proceeds (FEMA) which have not been spent to this point. See "Table 2 - CITY DEBT OBLIGAIONS - CAPITAL LEASE AND NOTES PAYABLE" herein.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2022 Assessed Valuation	% of Actual	2022 Tax Rate
Nueces County	$ 40,013,761,122	100%	$ 0.308000
Nueces County Hospital District	40,395,837,497	100%	$ 0.112000
Nueces County WC&ID #4	4,458,302,498	100%	$ 0.088000
Port Aransas ISD	4,356,219,433	100%	$ 0.995000

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Purpose	Amount Authorized	Amount Issued to Date	Amount Unissued
Nueces County	None				
Nueces County Hospital District	None				
Nueces County WC&ID #4	None				
Port Aransas ISD*	11/3/2020	School Building	$ 4,224,000	$ 4,224,000	$ -
	11/3/2020	Athletic Imp.	241,000	241,000	-
	11/3/2020	Housing Facility	360,000	-	360,000
	11/3/2020	Technology	175,000	175,000	-
	5/6/2017	School Building	6,000,000	5,640,000	360,000
		Total	$ 11,000,000	$ 10,280,000	$ 720,000
City of Port Aransas	11/8/2022	Roads	$ 6,500,000	$ 6,500,000*	$ - *
Port of Corpus Christi Authority	None				

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.
*The Bonds constitute and exhaust the $6,500,000 authorized by voters on November 8, 2022. Includes certain premium allocated toward the voted authorization.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS — TABLE 10

Information regarding the City's Pension Plan can be found within the audit under "Note VI - Pension Plan".

(this page intentionally left blank)

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF PORT ARANSAS, TEXAS AND NUECES COUNTY, TEXAS

(this page intentionally left blank)

General Information Regarding the City of Port Aransas and Nueces County, Texas

General

The City of Aransas Pass, Texas (the "City" or "Issuer") was incorporated as a general law city in November 1955. In August 1978, the City adopted the Mayor-Council-Manager form of government through the adoption of its Home Rule Charter. The principal services accounted for as general governmental functions include public safety, streets, sanitation, park and recreation, planning, zoning and general administrative services. The City is a popular tourist resort and sports fishing center located on the northern end of Mustang Island, about thirty minutes from the City of Corpus Christi and three hours south of the City of San Antonio.

Education

The Port Aransas Independent School District (the "District") is a political subdivision located primarily in the City of Port Aransas, Texas on Mustang Island. The District is comprised of Mustang and Harbor Island and the northern tip of Padre Island which lies of the coast of Corpus Christi. The City offers a variety of options for higher education. Campuses in the area include The University of Texas Marine Science Institute, Corpus Christi Junior College (Del Mar College) and Texas A&M Corpus Christi.

Bird Watching

One of the Country's top bird watching sites is in Port Aransas and the surrounding area. The Port Aransas Birding Center, with a variety of botanical planting is a hub on the Great Texas Birding Trail, and home to hundreds of permanent and visiting birds.

Of the nearly 800 species of birds in North America, almost 500 are here in the Coastal Bend. Spring birds over 200 species a day. Summer hosts 100 nesting species. Falls invites spectacular raptor flights and a tremendous number of hummingbirds. Winter lures the are whooping cranes to nearby areas and over 100 other species a day.

Nueces County

Nueces County (the "County") has an area of 847 square miles. The County was created an organized in 1846 from San Patricio County. The economy is diversified by petroleum, agriculture, tourism, coastal shipping, manufacturing and a military complex. Principal sources of agricultural income include beef, swine, sheep, horses, wheat, grain and corn.

Labor Force Statistics (1)

	2022 (2)	2021 (3)	2020 (3)	2019 (3)
Civilian Labor Force	164,410	163,800	164,185	164,767
Total Employed	157,264	154,893	150,955	158,306
Total Unemployed	7,146	8,907	13,230	6,461
% Unemployment	4.3%	5.4%	8.1%	3.9%
Texas Unemployment				

(1) Source: Texas Workforce Commission.
(2) As of December 2022.
(3) Average Annual Statistics.

(this page intentionally left blank)

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

(this page intentionally left blank)

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

April 19, 2023

FINAL

IN REGARD to the authorization and issuance of the "City of Port Aransas, Texas General Obligation Bonds, Series 2023" (the *Bonds*), dated March 15, 2023, in the aggregate principal amount of $6,020,000, we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Port Aransas, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2025 through 2038, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Bonds, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED UPON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas in connection with the authorization and issuance of "CITY OF PORT ARANSAS, TEXAS GENERAL OBLIGATION BONDS, SERIES 2023"

Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer.

BASED UPON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

APPENDIX D

EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

(Not intended to be a complete statement of the Issuer's financial condition.
Reference is made to the complete Annual Financial Report for further information.)

(this page intentionally left blank)

PARK FOWLER & CO.

Certified Public Accountants & Management Consultants
A Professional Limited Liability Company

MANAGING PARTNER:
Ronald H. Park, CPA

IN-OFFICE COUNCIL:
Daniel T.A. Cotts, JD, LLM

ASSOCIATES:
Clara A. Moreno, CPA
Marc D. Kennedy, CPA
P. Andrew Hall, CPA
Pamela De La Pena, CPA
Priyanka B. Desai, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Members of American Institute of CPA's & Texas Society of CPA's
4639 Corona Drive, Suite 100 • Corpus Christi, Texas 78411 • tel. 361.854.4688 • fax 361.854.2295
www.parkcpas.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, employee retirement system information, and the OPEB system information on 3–12, 94- 95, and 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Aransas, Texas's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards and State of Texas Standards, we have also issued our report dated August 18, 2022, on our consideration of the City of Port Aransas, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Port Aransas, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and State of Texas Standards in considering the City of Port Aransas, Texas' internal control over financial reporting and compliance.

Park Fowler & CO., PLLC

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

(this page intentionally left blank)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This section of the City of Port Aransas' (the City) annual financial report presents an overview, through management's discussion and analysis (MD&A), of the City's financial activities and performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the independent auditors' report and the City's financial statements and disclosures, which follow this section.

Financial Highlights

- The assets of the City of Port Aransas exceeded its liabilities at the close of the most recent fiscal year by $70,977,162 (net position). Of this amount, $22,071,648 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.

- Total net position for the City of Port Aransas increased by $26,519,618 during the fiscal year.

- As of the close of the current fiscal year, the City of Port Aransas governmental funds reported combined ending fund balances of $40,534,154. Approximately 62% of this amount, $25,035,154 is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the general fund was $8,434,497 or 81% of General Fund expenditures.

- The City of Port Aransas' total bonded debt had an increase of $2,670,000 during the current fiscal year due to issuance of Certificates of Obligation for $2,695,000 for park and recreation facilities and issuance of Tax Anticipation notes for $1,790,000 to purchase fire trucks and ambulances, and bond principal payment of $1,815,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City of Port Aransas' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements, including information on individual funds.

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City of Port Aransas finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, including capital assets and long-term obligations. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other indicators of the City's financial position should also be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (i.e., roads and drainage systems), in order to more accurately assess the overall financial condition of the City.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

Fund Financial Statements

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

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

Governmental Funds

Except for the operations of the Harbor, Gas, and Sanitation funds, the City's services are included in governmental funds. These funds focus on how cash and other financial assets can readily be converted to available resources and on the available balances left at year-end. This information may be useful in determining what financial resources are available in the near future to finance the City's programs. Other funds are referred to as non-major funds and are presented as summary data.

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

Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Beach Cleaning Fund, Hotel Motel, Hotel Motel/Facility Fund, Hurricane Recovery Fund, and the Construction Fund all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

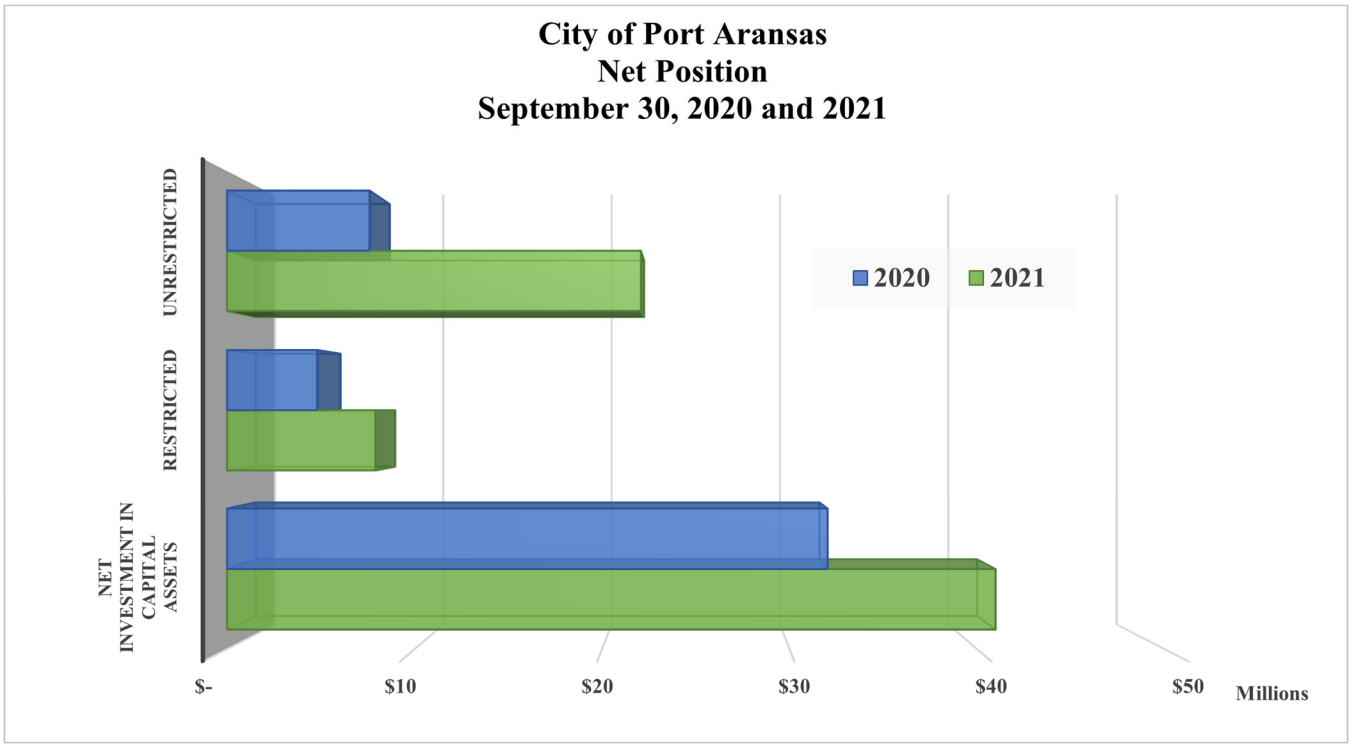
Government-wide Financial Analysis

City's Net Position

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

Table 1 – Summary of Net Positions

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



As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Port Aransas, assets exceeded liabilities by $54,439,461 at the close of the most recent fiscal year for governmental activities and $16,537,701 for business-type activities.

A large portion of the City's net assets (46 percent in governmental activities and 96 percent in business type activities) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Changes in Net Position

Governmental activities increased the City's net assets by $23,189,762 and Business-type activities increased the City's net assets by $3,329,856 for an increase of $26,519,618.

Table 2 – Changes in Net Positions

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

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

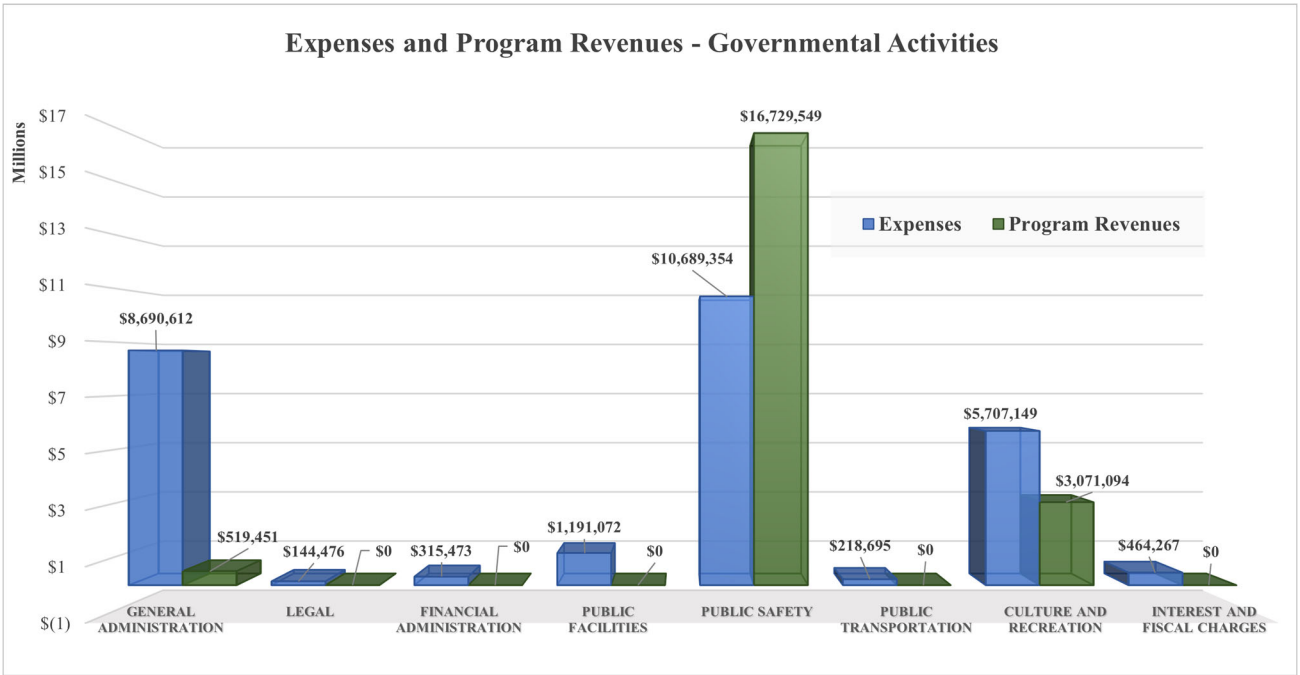
Governmental Activities

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

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

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

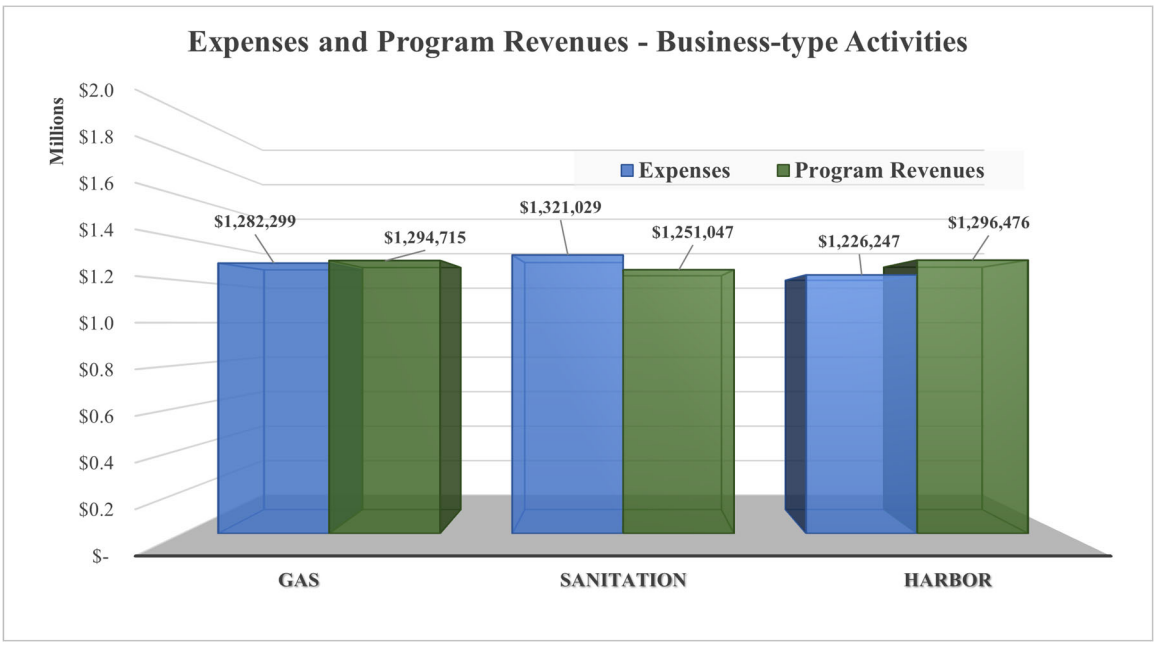
The chart below presents the City's major expenses by function, as well as the associated program revenues for governmental activities.



Business-Type Activities

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

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



Financial Analysis of the Governmental Funds

In comparison to the government-wide statements, the fund level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Port Aransas' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $8,434,497, while total fund balance reached $12,841,183. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 81.63% of total general fund expenditures.

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

Budgetary Highlights

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

Budget variances are "Favorable" if actual revenues exceed budgeted amounts and if actual expenditures are under budgeted amounts. Variances are "Unfavorable" if actual revenues are under budgeted amounts and if actual expenditures are over budgeted amounts. Favorable variances are indicated by showing amounts without brackets and unfavorable variances are indicated by bracketed amounts.

Capital Assets

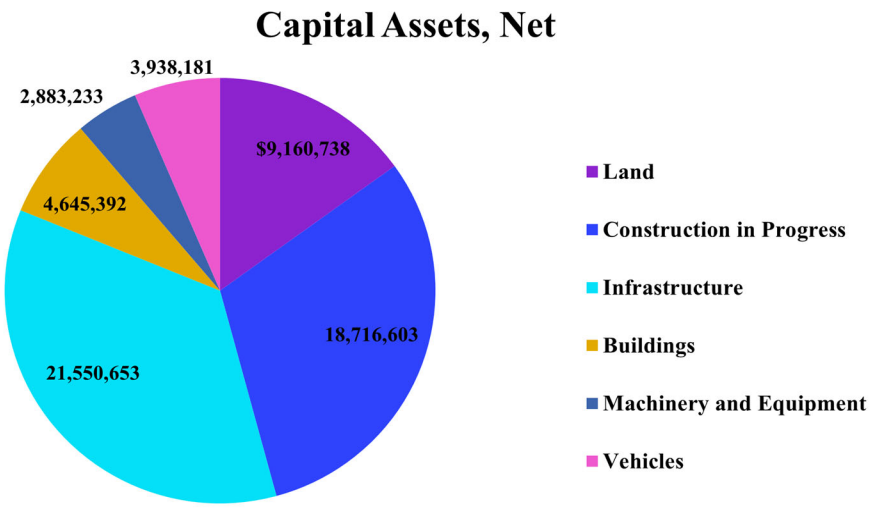
The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to $60,894,801 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, infrastructure, fleet, and construction in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

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

The following capital asset information is presented net of depreciation:

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

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



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

Debt Administration

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

The following is a summary of outstanding debt:

Table 5 – Long-Term Liabilities

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2021-2022 fiscal year. At the end of the fiscal year, the economic impact of the Hurricane is still not completely known. The City will rely on insurance proceeds and Grant assistance to assist in the recovery efforts. The State is assisting the City with the required FEMA 10% match. The State has committed to paying 75% of that 10% match which will greatly assist the City on the road to recovery.

The tax rate for the year has decreased to 24.7009 cents per hundred. The tax rate has been split with .194411 for maintenance and operations and .052598 for interest and sinking for the retirement of the bonds. Even though this a decrease to the tax rate, it was actually an increase as this rate is equal to the voter approval rate (the tax rate that will raise 3.5% more than the no new revenue rate which is the amount of tax revenue as the prior year plus new construction demands).

Overall, the General Fund is budgeted to end the fiscal year 2021-2022 with an estimated fund balance of $6,884,725. This is approximately 59% of General Fund operating expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 710 W. Avenue A., Port Aransas, TX 78373 or call 361-749-4111. Information is also available on the City's web-site at www.cityofportaransas.org.

BASIC FINANCIAL STATEMENTS

City
of
Port Aransas

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

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

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

City
of
Port Aransas

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

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

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

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

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

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

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

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

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

City
of
Port Aransas

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

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

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

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

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

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

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

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

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

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

City
of
Port Aransas

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

City
of
Port Aransas

NOTES TO THE FINANCIAL STATEMENTS

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

Blended Component Unit

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

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

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year- end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, hotel/motel taxes, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Beach Fund* accounts for the portion of sales taxes required to provide beach cleaning and safety.
- The *Hotel-Motel / Facility Funds* account for the portion of sales taxes and hotel/motel taxes that the Council requires to be set aside for recreational development.
- The *Hurricane Recovery fund* is used to administer FEMA monies for reconstruction and cleanup within the City of Port Aransas.
- The *Construction fund* is used to administer bond monies for various construction projects.

C. PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

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

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

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Deposits and Investments

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

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

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

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

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

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from" other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non- current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2021, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2021, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2021, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2021. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes on September 30, 2021, and 10 percent of delinquent outstanding property taxes on September 30, 2021. Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

Type	Governmental Activities
Public Safety	$ 58,441
	$ 58,441

5. Capital Assets

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

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price- level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was $466,171. Of this amount, $-0- was included as part of the cost of capital assets. Significant construction activity during the year was various street, ramp, and dock construction and paving projects.

Property, plant, and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Improvements other than Buildings	20
Gas Pipelines	30
Infrastructure	50
Runways and Related Improvements	50
Vehicles	5
Machinery and Equipment	5
Office Furniture	5

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, governmental funds and proprietary financial statements.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balances – Governmental Funds

As of September 30, 2021, fund balances of the governmental funds are classified as follows:

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

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

- *Restricted* — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

- *Committed* — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

- *Unassigned* — all other spendable amounts.

As of September 30, 2021, fund balances are composed of the following:

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

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

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

9. Comparative Data/Reclassifications

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

10. Deferred Outflows/Inflows of Resources

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

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

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

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the City and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

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

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

11. Net Position Flow Assumption

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

12. New Accounting Pronouncements

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

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

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

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

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

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

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

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

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

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

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

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

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

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this $30,020,289 difference are as follows:

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

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

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

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

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

Property Taxes Receivable	$ 136,469
Allowance for Doubtful Account	(42,609)
Net	$ 93,860

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

Fines and Fees Receivable	$ 597,403
Allowance for Doubtful Accounts	(296,556)
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/20)	579,906
Difference in expected and actual experience	(177,737)
Difference in projected and actual earnings	(379,404)
Difference in assumption changes	53,059
GASB 75	
Difference in assumption changes	472,149
Difference in expected and actual experience	(1,125,976)
Net	$ (277,156)

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

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this $9,288,974 difference are as follows:

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

NOTE III—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for the Library fund, the COVID-19 fund, and the Hurricane Recovery fund. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the city council. The legal level of budgetary control is the fund; whereby budgeted expenditures may not exceed budgeted revenues plus beginning unrestricted equity. The supplemental budgetary appropriations made in the general fund were not material.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2021, expenditures did not exceed appropriations in any funds except for the Hotel/Motel fund whereby actual expenditures were more than budgeted by $1,989,027.

C. DEFICIT FUND EQUITY

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

NOTE IV—DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

Deposits:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a deposit policy for custodial credit risk. As of September 30, 2021, the City had a bank balance of $3,264,300 in American Bank and was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is $3,852,225 and the FDIC coverage is $250,000. The City also has a balance of $1,298,196 with Financial Northeastern Securities, Inc. (a Brokerage) which is a third-party holder of secured certificates of deposit. The book balance of the City's bank balances on September 30, 2021, is $3,440,712.

Investments:

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

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

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City's investments by fair value level are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level 1 investments (investments valued using prices quoted in active markets for identical securities) or Level 3 investments (investments valued using significant unobservable inputs). As of September 30, 2021, the City had the following investments:

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

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

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

Concentration of credit risk: The City places no limit on the amount the City may invest in any one issuer. Texpool (75% of portfolio and Texas Class (25% of portfolio).

B. RECEIVABLES

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

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

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

The receivables are expected to be collected within one year.

This section intentionally left blank

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

C. CAPITAL ASSETS

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

Governmental Activities:	Beginning Balances	Additions	Deletions	Ending Balances
Capital Assets Not Being Depreciated:				
Land	$ 6,779,238	$ 2,381,500	$ -	$ 9,160,738
Construction in Progress	13,313,809	3,234,163	(4,380,503)	12,167,469
Total Capital Assets Not Being Depreciated	20,093,047	5,615,663	(4,380,503)	21,328,207
Capital Assets Being Depreciated:				
Infrastructure	33,843,572	1,206,933	-	35,050,505
Buildings	6,218,091	3,763,612	(39,799)	9,941,904
Machinery and Equipment	6,634,903	506,711	(86,498)	7,055,116
Vehicles	4,789,485	1,678,068	(222,650)	6,244,903
Total Capital Assets Being Depreciated	51,486,051	7,155,324	(348,947)	58,292,428
Less Accumulated Depreciation for:				
Infrastructure	20,142,962	1,547,497	-	21,690,459
Buildings	4,930,047	582,582	(16,373)	5,496,256
Machinery and Equipment	4,393,793	637,288	(86,498)	4,944,583
Vehicles	1,914,498	714,646	(210,243)	2,418,901
Total Accumulated Depreciation	31,381,300	3,482,013	(313,114)	34,550,199
Total Capital Assets Being Depreciated, Net	20,104,751	3,673,311	(35,833)	23,742,229
Governmental Activities Capital Assets, Net	$ 40,197,798	$ 9,288,974	$ (4,416,336)	$ 45,070,436

Business-Type Activities:	Beginning Balances	Additions	Deletions	Ending Balances
Capital Assets Not Being Depreciated:				
Construction in Progress	$ 2,434,361	$ 4,114,773	$ -	$ 6,549,134
Total Capital Assets Not Being Depreciated	2,434,361	4,114,773	-	6,549,134
Capital Assets Being Depreciated:				
Infrastructure	15,558,707	-	-	15,558,707
Buildings	324,731	-	-	324,731
Machinery and Equipment	1,246,876	22,086	$ (111,400)	1,157,562
Vehicles	259,913	23,354	(2,399)	280,868
Total Capital Assets Being Depreciated	17,390,227	45,440	(113,799)	17,321,868
Less Accumulated Depreciation for:				
Infrastructure	6,669,431	698,668	-	7,368,099
Buildings	116,963	8,014	-	124,977
Machinery and Equipment	415,436	80,836	(111,400)	384,872
Vehicles	128,528	42,560	(2,399)	168,689
Total Accumulated Depreciation	7,330,358	830,078	(113,799)	8,046,637
Total Capital Assets Being Depreciated, Net	10,059,869	(784,638)	-	9,275,231
Business-Type Activities Capital Assets, Net	$ 12,494,230	$ 3,330,135	$ -	$ 15,824,365

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

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

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

Construction Commitments

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

D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Inter-fund transfers: Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

In the year ended September 30, 2021, the government made the following one-time transfers:

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

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

E. LEASES

Operating Leases

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

Year Ending Sept. 30	Amount
2022	$ 12,395
2023	12,395
2024	12,395
Total	$ 37,185

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

F. LONG-TERM DEBT

General Obligation Bonds and Revenue Bonds

The government issues Certificates of Obligation and General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. Certificates of Obligation and General Obligation bonds have been issued for governmental activities. The Certificates of Obligation bonds are direct obligations and pledge the full faith and credit of the government.

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

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

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

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

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

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

Capital Leases

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

Asset	Governmental Activities Ambulance	Total
Cost	$ 192,919	$ 192,919
Accumulated Depreciation	(110,240)	(110,240)
Net Asset	$ 82,679	$ 82,679

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

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

FEMA Community Disaster Loan

The City applied for and received a $4,347,745 FEMA Community Disaster Loan. The Community Disaster Loan (CDL) Program provides operational funding to help local governments that have incurred a significant loss in revenue, due to a major disaster, that has or will adversely affect their ability to provide essential municipal services. The principal and Interest less such as may be canceled pursuant to Section 417 of the Stafford Disaster Relief and Emergency Assistance Act, Public Law 93-288, as amended. The standard loan is for five years. However, it may be extended to 10 years depending on circumstances. FEMA may, at its discretion, cancel all or part of the loan.

NOTE IV—DETAILED NOTES ON ALL FUNDS--continued

Changes in Long-Term Liabilities

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

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

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

For a discussion of other post employee benefits please see part V F in these notes.

G. SEGMENT INFORMATION

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

NOTE V—OTHER INFORMATION

A. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and number of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claim's liability estimate.

NOTE V—OTHER INFORMATION--continued

General Liability Insurance: The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims more than $500,000 to $1,000,000 for each insurance event. The City anticipates no contingent losses. TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance: Property, casualty, mobile equipment, boiler, and machinery insurance is provided by TML.

Workers' Compensation Insurance: The City insures against workers' compensation claims through TML.

Group Health and Life Insurance: The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance: The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. EVALUATION OF SUBSEQUENT EVENTS

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

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

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

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

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

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

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

NOTE V—OTHER INFORMATION--continued

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

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

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

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

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

C. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The City was not a defendant in any cases at September 30, 2021.

D. RELATED PARTY TRANSACTIONS

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

NOTE VI—PENSION PLAN

A. Plan Description

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

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

B. Benefits Provided

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

NOTE VI—PENSION PLAN--continued

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

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

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

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

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

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

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

C. Contributions

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

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

NOTE VI—PENSION PLAN--continued

D. Net Pension Liability

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

Actuarial Assumptions

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

Inflation	2.50% per year
Overall Payroll Growth	3.50-11.50% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

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

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

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

NOTE VI—PENSION PLAN--continued

Discount Rate

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

Changes in the Net Pension (Asset) Liability

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

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

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

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

Pension Plan Fiduciary Net Position

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

NOTE VI—PENSION PLAN--continued

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

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

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

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

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

NOTE VII—POST RETIREMENT BENEFITS OTHER THAN PENSION

The City provides for two post-employment benefit (OPEB) plans; one provides for post-employment medical care through a single-member defined benefit medical play (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	(3,573,602)	(422,631)	(3,996,233)
Deferred Outflow of Resources	586,006	86,108	672,114
Deferred Inflow of Resources	(1,376,883)	(21,785)	(1,398,668)
OPEB Expense	400,170	49,381	449,551

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

MEDICAL BENEFITS

Plan description

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

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

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

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

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

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

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

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

Funding Policy

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

Total OPEB Liability

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

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

Actuarial Methods and Assumptions

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

For the December 31, 2020, actuarial valuation, the individual entry-age cost method was used. The actuarial assumptions use a 3.5% to 10.5%% payroll growth rate, including inflation; 2.5% inflation rate; and 7.5% initial rate, declining to an ultimate rate of 5.5% after ten years for medical trends. For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment were used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mo1tality improvements. For employees who retire prior to age 65, the participation rate was assumed to equal the percentage of the premium paid for by the City. 90% of eligible employees who are at least 65 years old at retirement were assumed to participate.

Discount Rate

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

Changes in the Total OPEB Liability

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

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

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

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

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

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

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

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

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

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

Deferred Outflows and Inflows

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

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

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

TMRS SUPPLEMENTAL DEATH BENEFIT FUND

Plan Description

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

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

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

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

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

Funding Policy

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

Total OPEB Liability

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

Actuarial Methods and Assumptions

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

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

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

Discount Rate

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

Changes in the Total OPEB Liability

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

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

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

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

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

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

Deferred Outflows and Inflows

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

NOTE VII—POST RETIREMENT BENEFITS OTHER THAN PENSION—continued

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

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

City
of
Port Aransas

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	25 Years
Asset Valuation Method	10 Year Smoothed Market, 12% Soft Corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table for rates that are specific to the City's plan of benefits. Last updated for the 2019 valuating pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational

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

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

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

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

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

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

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

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

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

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

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

City
of
Port Aransas

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(this page intentionally left blank)

Financial Advisory Services
Provided By: