

**OFFICIAL STATEMENT**  
**February 20, 2025**

*In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Certificates (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates 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 Certificates 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 Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.*

**\$7,705,000**  
**CITY OF PORT ARANSAS, TEXAS**  
**(A political subdivision of the State of Texas located in Nueces County, Texas)**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025**

**Dated Date: March 1, 2025**

**Due: February 1, as shown on inside cover**

The \$7,705,000 City of Port Aransas, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City of Port Aransas, Texas (the "City" or the "Issuer") on February 20, 2025, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein.)

Interest on the Certificates will accrue from March 1, 2025 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing August 1, 2025, 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 Certificates 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. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as 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 Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, enlarging, and improving the Issuer's parks and recreation facilities; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

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

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*The Certificates 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 Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" as "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about March 19, 2025.*

**\$7,705,000**  
**CITY OF PORT ARANSAS, TEXAS**  
**(A political subdivision of the State of Texas located in Nueces, Texas)**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025**

**MATURITY SCHEDULE**  
**(Due February 1)**

CUSIP Prefix No. 733454<sup>(1)</sup>

<b>Stated</b>				<b>CUSIP</b>	<b>Stated</b>				<b>CUSIP</b>
<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>No.</b>	<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>No.</b>
<b><u>2/1</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Suffix</u></b> <sup>(1)</sup>	<b><u>2/1</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Suffix</u></b> <sup>(1)</sup>
2026	\$ 360,000	5.000%	2.900%	HN5	2034	\$ 535,000	5.000%	3.150%	HW5
2027	380,000	5.000%	2.900%	HP0	2035	560,000	4.000%	3.300% <sup>(2)</sup>	HX3
2028	395,000	5.000%	2.950%	HQ8	2036	585,000	4.000%	3.450% <sup>(2)</sup>	HY1
2029	415,000	5.000%	3.000%	HR6	2037	605,000	4.000%	3.500% <sup>(2)</sup>	HZ8
2030	440,000	5.000%	3.000%	HS4	2038	630,000	4.000%	3.550% <sup>(2)</sup>	JA1
2031	460,000	5.000%	3.050%	HT2	2039	660,000	4.000%	3.600% <sup>(2)</sup>	JB9
2032	485,000	5.000%	3.050%	HU9	2040	685,000	4.000%	3.700% <sup>(2)</sup>	JC7
2033	510,000	5.000%	3.100%	HV7					

**(Interest to accrue from Dated Date)**

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2034, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

<sup>(1)</sup> CUSIP numbers are include solely for the convenience of the owner of the Certificates. 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 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.

<sup>(2)</sup> Yield calculated based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2034, the earliest date of redemption for the Certificates, at a price of par plus accrued interest to the date of redemption.

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**CITY OF PORT ARANSAS, TEXAS**  
**710 W Avenue A**  
**Port Aransas, Texas 78737**  
**Telephone: (361) 749-4111**

**ELECTED OFFICIALS**

Name	Years Served	Term Expires (May)
Wendy Moore Mayor	7	2026
Kelly Owens Mayor Pro-Tem	3	2026
Mark Winton Councilmember, Place 1	2	2025
Jo Ellyn Krueger Councilmember, Place 3	4	2025
Tanya Chambers Councilmembers, Place 4	3	2026
Charles Crawford Councilmember, Place 5	4	2025
Dale Christianson Councilmember, Place 6	3	2026

**ADMINISTRATION**

Name	Position	Years with The City
David Parsons	City Manager	19
Darla Honea	Director of Finance	16
Francisca Nixon	City Secretary	10

**CONSULTANTS AND ADVISORS**

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

**Certified Public Accountants** .....Beyer & Company  
Pleasanton, 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 M. McLiney  
Senior Managing Director  
SAMCO Capital Markets, Inc.  
1020 NE 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 NE 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 are 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 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.

THE CERTIFICATES 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 CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

None of the City, the Financial Advisors or the Purchaser makes 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 Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the Purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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*The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.*

## 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 Certificates 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 "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 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 Certificates**

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City of Port Aransas, on February 20, 2025 and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.

### **Security**

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein.)

### **Redemption Provisions of the Certificates**

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2034, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

### **Tax Matters**

In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS", and will not be included in calculating the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" and, "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.)

### **Qualified Tax-Exempt Obligations**

The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)

**Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, enlarging, and improving the Issuer's parks and recreation facilities; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

**Rating**

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Certificates. (See "OTHER PERTINENT INFORMATION - Rating" herein.)

**Payment Record**

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

**Future Debt Issues**

The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2025 except potentially issuing refunding bonds for debt service savings.

**Delivery**

When issued, anticipated on or about March 19, 2025.

**Legality**

Delivery of the Certificates 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.

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**OFFICIAL STATEMENT**

relating to

**\$7,705,000**

**CITY OF PORT ARANSAS, TEXAS**

**(A political subdivision of the State of Texas located in Nueces County, Texas)**

**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025**

**INTRODUCTORY STATEMENT**

This Official Statement provides certain information in connection with the issuance by the City of Port Aransas, Texas (the "City" or the "Issuer") of its \$7,705,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and its Home Rule Charter. 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 Certificates 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 Northeast 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 pertaining to the Certificates will be deposited 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.

**THE CERTIFICATES**

**General Description of the Certificates**

The Certificates are dated March 1, 2025 (the "Dated Date"), 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. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing August 1, 2025, until stated maturity or prior redemption. Principal of and interest on the Certificates 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 Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), 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 Certificates 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 Certificates is 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 Certificates are being issued pursuant to the Constitution and general laws of the State particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City of Port Aransas (the "City Council") on February 20, 2025, and the City's Home Rule Charter.

## **Security for Payment**

*Limited Pledge of Ad Valorem Taxes.* The Certificates are general obligations of the City, payable primarily from the proceeds of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "PROPERTY TAXATION – Debt Tax Rate Limitations" herein.)

*Limited Revenue Pledge Benefiting the Certificates.* Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Even though the City has pledged the Pledged Revenues of the System to further secure the Certificates, the City does not expect that any Net Revenues from such System will actually be utilized to pay the debt service requirements on the Certificates.

## **Redemption Provisions of the Certificates**

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

## **Notice of Redemption**

At least 30 days prior to the date fixed for any redemption of any Certificates 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 Certificate 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 Certificates 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 Certificates 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 RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates 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 Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates 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 Certificates from the Beneficial Owners. Any such selection of Certificates 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 nor 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 Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)



**Selection of Certificates to be Redeemed**

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice or such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, enlarging, and improving the Issuer’s parks and recreation facilities; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects.

**Sources and Uses**

Sources	
Par Amount of the Certificates	\$ 7,705,000.00
Accrued Interest on the Certificates	17,400.00
Reoffering Premium	<u>495,482.90</u>
Total Sources of Funds	<u>\$ 8,217,882.90</u>
Uses	
Project Fund Deposit	\$ 8,000,000.00
Purchaser’s Discount	77,296.80
Certificate Fund Deposit	17,400.00
Costs of Issuance	<u>123,186.10</u>
Total Uses	<u>\$ 8,217,882.90</u>

**Payment Record**

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

**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 Certificates 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 Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of or interest on the Certificates, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any amendment, addition or recession.

**Defeasance**

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates 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 other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. 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 Certificates. 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 Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, 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 Certificates (“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 Certificates, registered owners of Certificates 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 Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates 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 Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates 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.

#### **Default and Remedies**

If the City defaults in the payment of principal, interest, or redemption price on the Certificates 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 Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates 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 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 Texas Supreme Court (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 alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

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 Certificates. As noted above, the Ordinance provides that Certificate holders 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is BOKF, NA, Dallas, 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 association or 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 registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

The Certificates 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 prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Certificates 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 party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15<sup>th</sup>) 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 "REGISTRATION, TRANSFER, AND EXCHANGE - 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 Certificate 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 Certificates are not in the Book-Entry-Only System, the Certificates 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 Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates 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 Certificate or Certificates 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 Certificates.)

### **Limitation on Transfer of Certificates**

Neither the Issuer 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 on 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 Certificate 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 Certificate redeemed in part.

### **Replacement Certificates**

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates 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 Certificate 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 Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates 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 cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other 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 Certificates), or redemption or other 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, 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 Certificates. The Certificates 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 bond certificate will be issued for the Certificates, in the aggregate principal amount of such issue, 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, 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 securities certificates. 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"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect 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 Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Certificates 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 City or the Paying Agent/Registrar, on 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 City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City 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 Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a

successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under “REGISTRATION, TRANSFER AND EXCHANGE” hereinabove.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Certificates 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 Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or 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 Certificates will be issued to the holders and the Certificates 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 State law in accordance with investment policies approved and reviewed annually 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 <sup>(1)</sup>**

**TABLE 1**

As of January 1, 2025 the City held investments as follows:

Type of Security	Market Value	Percentage
Cash	\$ 648,475	1%
Investment Pools	69,570,377	97.13%
CD's and Money Markets	1,405,718	1.96%
Total	<u>\$ 71,624,570</u>	<u>100.00%</u>

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.

<sup>(1)</sup> 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.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars

(the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the “Appraisal Cap”). After the 2024 tax year, through December 31, 2026 unless extended by the Legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value.

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.

### **Temporary Exemption for Qualified Property Damaged by a Disaster**

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes, located in an area declared by the Governor (hereinafter defined) to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

### **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 THE PROPERTY TAX CODE” herein.

### **Chapter 380 Agreements**

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

### **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.

Beginning in the 2020 tax year, 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 is set at \$59,562,331 for the 2024 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.

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

"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 2021 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 Certificates.**

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.

## **The 89th Texas Legislature**

The 89<sup>th</sup> Texas legislative session commenced on January 14, 2025 and will continue through June 2, 2025. During this time, the Texas Legislature could potentially enact laws that materially affect the City and its finances. The City can make no prediction as to the outcome of this legislative session but intends to monitor applicable legislation related thereto.

## **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 \$20,000.00.

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 Certificates is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Certificates for federal income tax purposes (1) is 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 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 statute, 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 Issuer made in a certificate of even date with the initial delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Ordinance by the Issuer subsequent to the issuance of the Certificates. The Ordinance contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

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 Certificates. 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 Issuer 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 Certificates is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Certificates 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 Certificates, the Issuer may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

## **Tax Changes**

Existing law may change to reduce or eliminate the benefit to Certificate holders of the exclusion of interest on the Certificates 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 Certificates. Prospective purchasers of the Certificates 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 Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates 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, 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 Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

## **Tax Accounting Treatment of Discount Certificates**

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the “Discount Certificates”). An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates 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 Certificates. A portion of such original issue discount, allocable to the holding period of a Discount Certificate 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 Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate 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, 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 Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Certificates and with respect to the state and local tax consequences of owning Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Certificates 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 Certificates**

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the “Premium Certificates”). An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Certificates. 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 with respect to the Premium Certificates. 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 Certificates should consult with their own tax advisors with respect to the determination of amortizable Certificate premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

### **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 Certificates as "qualified tax-exempt obligations" and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates 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 Certificates 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 Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under these agreement, 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](http://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 City Secretary, 710 West Avenue A, Port Aransas, Texas 78373 and upon payment of charges prescribed by the Texas General Services Commission.

The City will provide 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 obligation 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 2024. 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 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 Certificates 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 Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, 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/registrars or the change of name of a paying agent/registrars, 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 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates 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 Certificates. 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 Purchasers from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

### **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 Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate 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 Certificates, 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 Certificates 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 Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "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 Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates 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 Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates 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 Certificates 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.



At the time of the initial delivery of the Certificates, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

#### **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, 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. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to 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 Certificates 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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates 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 Certificates for Sale**

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates 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 Certificates 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 Certificates. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view 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 revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

### **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 which are believed to be reliable. All of the summaries of the statutes, documents and Ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinances. 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.

### **Financial Advisor**

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted 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 initial delivery of the Certificates.

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 City 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 Certificates, the City accepted the bid of BOK Financial Securities (the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of \$495,482.90, less a Purchaser's discount of \$77,296.80, plus accrued interest on the Certificates 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 Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

### **Certification of the Official Statement**

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, 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, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, 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 September 30, 2019, the date of the last financial statements of the City appearing in the Official Statement.

### **Information from External Sources**

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.

**Concluding Statement**

No person has been authorized to give any information or to make any representations 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 City. This Official Statement does not constitute an offer to sell or 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 qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the City's records, audited financial statements and other sources which the City considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. 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 summarized documents for further information. Reference is made to official documents in all respects.

The Ordinance authorizing the issuance of the Certificates approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Certificates by the Purchaser.

This Official Statement was approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

**CITY OF PORT ARANSAS, TEXAS**

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

ATTEST:

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

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**APPENDIX A**

**FINANCIAL INFORMATION RELATING TO  
THE CITY OF PORT ARANSAS, TEXAS**

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

2024 Actual Certified Market Value of Taxable Property (100% of Market Value).....	\$ 6,611,109,376
Less Exemptions:	
Optional Over-65 or Disabled Homestead.....	\$ 11,646,258
Homestead Exemption.....	130,443,463
Veterans Exemption.....	156,712,509
Solar.....	508,950
Productivity Value Loss .....	42,476,609
Loss to 10% HO Cap.....	250,559,069
<b>TOTAL EXEMPTIONS</b> .....	<u>592,346,858</u>
2024 Certified Assessed Value of Taxable Property.....	<u>\$ 6,018,762,518</u>
Less: Freeze Taxable.....	<u>263,461,563</u>
2024 Freeze Adjusted Taxable Value.....	<u>\$ 5,755,300,955</u>

Source: Nueces County Appraisal District.

**GENERAL OBLIGATION BONDED DEBT <sup>(1)</sup>**

(as of February 1, 2025)

**General Obligation Debt Principal Outstanding**

General Obligation Bonds, Series 2012	\$ 1,090,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	65,000
General Obligation Bonds, Series 2017	2,345,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	4,100,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021	2,225,000
Tax Notes, Series 2021	810,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022	745,000
Tax Notes, Series 2022	5,235,000
General Obligation Bonds, Series 2023	5,710,000
Tax Notes, Series 2024	12,520,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates")	<u>7,705,000</u>
<b>Total Gross General Obligation Debt</b>	<u>\$ 42,550,000</u>

**Less: Self Supporting Debt**

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (100% HOT)	\$ 4,100,000
The Certificates (100% HOT)	<u>7,705,000</u>
<b>Total Self-Supporting Debt</b>	<u>\$ 11,805,000</u>
<b>Total Net General Obligation Debt Outstanding</b>	<u>\$ 30,745,000</u>

2024 Certified Assessed Value of Taxable Property	\$ 6,018,762,518
Ratio of Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation	0.71%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation	0.51%

Population: 2000 -3,370; 2010 - 3,480; est. 2024 - 3,446  
Per Capita Certified Net Taxable Assessed Valuation - \$1,746,593.88  
Per Capita Gross General Obligation Debt Principal - \$12,347.65  
Per Capita Net General Obligation Debt Principal - \$8,921.94

(As of September 30, 2023)

Right to use lease obligations

At September 30, 2023, the City was obligated under the right to use leases for the Jail (\$270,302) and a copier (\$24,730) in the governmental activities and Roberts's Point Park (\$248,135) and a collection station sublease (\$4,239) in the business-type activities. The Jail was leased for a term of 3 years at a fixed interest rate of 3.28% with a monthly payment of \$7,343. The copier was leased for a term of 2 years at a fixed interest rate of 2.48% with a monthly payment of \$1,033. Robert's Point Park was leased for a term of 26.5 years at a fixed interest rate of 1.851% with an annual payment of \$12,000. The collection substation was leased for a term of 4 years at a fixed interest rate of 4.31% with an annual payment of \$1,067.

Fiscal Year 9/30	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 87,936	\$ 180	\$ 88,116	\$ 8,785	\$ 4,282	\$ 13,067
2025	7,341	2	7,343	8,933	4,135	13,068
2026	-	-	-	8,016	3,984	12,000
2027	-	-	-	8,164	3,836	12,000
2028	-	-	-	8,315	3,685	12,000
2029-2033	-	-	-	43,943	16,057	60,000
2034-2038	-	-	-	48,163	11,837	60,000
2039-2043	-	-	-	52,789	7,211	60,000
2044-2048	-	-	-	45,858	2,142	48,000
	<u>\$ 95,277</u>	<u>\$ 182</u>	<u>\$ 95,459</u>	<u>\$ 232,966</u>	<u>\$ 57,169</u>	<u>\$ 290,135</u>

Source: The City's Annual Financial Report for Fiscal Year Ended September 30, 2023.



**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending (9/30)	Current Total Outstanding Debt <sup>(1)</sup>	The Certificates			Total Combined Debt Service	Less: Self Supporting Debt Service	Total Net Debt Service
		Principal	Interest	Total			
2025	\$ 6,362,773	-	\$ 145,000	\$ 145,000	\$ 6,507,773	\$ 719,675	\$ 5,788,098
2026	6,576,787	\$ 360,000	339,000	699,000	7,275,787	1,275,100	6,000,687
2027	6,523,642	380,000	320,500	700,500	7,224,142	1,277,575	5,946,567
2028	5,961,233	395,000	301,125	696,125	6,657,358	1,273,725	5,383,633
2029	5,679,656	415,000	280,875	695,875	6,375,531	1,273,550	5,101,981
2030	4,298,448	440,000	259,500	699,500	4,997,948	1,276,800	3,721,148
2031	1,824,473	460,000	237,000	697,000	2,521,473	1,273,475	1,247,998
2032	1,831,353	485,000	213,375	698,375	2,529,728	1,273,575	1,256,153
2033	1,459,175	510,000	188,500	698,500	2,157,675	1,271,975	885,700
2034	884,075	535,000	162,375	697,375	1,581,450	697,375	884,075
2035	888,900	560,000	137,800	697,800	1,586,700	697,800	888,900
2036	887,325	585,000	114,900	699,900	1,587,225	699,900	887,325
2037	654,500	605,000	91,100	696,100	1,350,600	696,100	654,500
2038	581,400	630,000	66,400	696,400	1,277,800	696,400	
2039	-	660,000	40,600	700,600	700,600	700,600	
2040	-	685,000	13,700	698,700	698,700	698,700	-
<b>Total</b>	<b>\$ 44,413,738</b>	<b>\$ 7,705,000</b>	<b>\$ 2,911,750</b>	<b>\$ 10,616,750</b>	<b>\$ 55,030,488</b>	<b>\$ 15,802,325</b>	<b>\$ 38,646,763</b>

<sup>(1)</sup> Includes self-supporting debt .

**TAX ADEQUACY (Includes Self-Supporting Debt)**

2024 Certified Freeze Adjusted Net Taxable Assessed Valuation	\$ 5,755,300,955
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2026)	7,275,787 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.12900 *

\* Includes the Certificates.

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)**

2024 Certified Freeze Adjusted Net Taxable Assessed Valuation	\$ 5,755,300,955
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2026)	6,000,687 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.10639 *

\* Includes the Certificates.

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**

Unaudited Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2024	\$ (102,392)
Fiscal Year Ending 9/30/25 Interest and Sinking Fund Tax Levy at 99% Collections Produce <sup>(1)</sup>	5,644,856
Impact Fees Allocated for General Fund Debt Service <sup>(2)</sup>	<u>365,518</u>
Total Available for General Obligation Debt	<u>\$ 5,907,982</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/25	<u>5,799,303</u>
Estimated Fund Balance at Fiscal Year Ending 9/30/2025 <sup>(1)</sup>	<u>\$ 108,679</u>

<sup>(1)</sup> Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

<sup>(2)</sup> The City annually budgets for the use of HOT Taxes and Impact fees for the payment of debt service related to eligible projects.

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

(As of February 1, 2025)

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding <sup>(a)</sup>	The Certificates	Total		
2025	\$ 1,615,000	-	\$ 1,615,000	40,935,000	4%
2026	5,395,000	\$ 360,000	5,755,000	35,180,000	17%
2027	5,545,000	380,000	5,925,000	29,255,000	31%
2028	5,190,000	395,000	5,585,000	23,670,000	44%
2029	5,115,000	415,000	5,530,000	18,140,000	57%
2030	3,925,000	440,000	4,365,000	13,775,000	68%
2031	1,565,000	460,000	2,025,000	11,750,000	72%
2032	1,625,000	485,000	2,110,000	9,640,000	77%
2033	1,300,000	510,000	1,810,000	7,830,000	82%
2034	760,000	535,000	1,295,000	6,535,000	85%
2035	795,000	560,000	1,355,000	5,180,000	88%
2036	825,000	585,000	1,410,000	3,770,000	91%
2037	620,000	605,000	1,225,000	2,545,000	94%
2038	570,000	630,000	1,200,000	1,345,000	97%
2039		660,000	660,000	685,000	98%
2040	-	685,000	685,000	-	100%
Total	<u>\$ 34,845,000</u>	<u>\$ 7,705,000</u>	<u>\$ 42,550,000</u>		

<sup>(a)</sup> Includes self-supporting debt.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2015-2024**

**TABLE 3**

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
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%
2023	5,597,553,470	1,644,301,826	41.59%
2024	6,018,762,518	421,209,048	7.52%

Source: Nueces County Appraisal District.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 4**

	<b>2024</b>	<b>% of Total</b>	<b>2023</b>	<b>% of Total</b>	<b>2022</b>	<b>% of Total</b>
Real, Residential, Single-Family	\$ 5,206,122,832	78.75%	\$ 4,772,304,384	78.12%	\$ 3,331,252,034	78.85%
Real, Residential, Multi-Family	55,267,603	0.84%	53,579,146	0.88%	40,088,756	0.95%
Real, Vacant Lots/Tracts	562,509,242	8.51%	531,808,282	8.71%	307,755,944	7.28%
Qualified Agricultural Land	42,575,598	0.64%	40,043,122	0.66%	27,445,892	0.65%
Non-Qualified Agricultural Land	12,093,431	0.18%	12,262,143	0.20%	10,020,292	0.24%
Real, Commercial	515,140,070	7.79%	494,445,758	8.09%	364,126,786	8.62%
Real, Industrial	37,990,936	0.57%	25,902,620	0.42%	17,554,448	0.42%
Real & Tangible, Personal Utilities	21,551,571	0.33%	22,089,209	0.36%	21,310,873	0.50%
Tangible Personal, Commercial	70,311,171	1.06%	64,983,635	1.06%	47,965,407	1.14%
Tangible Personal, Industrial	8,910,631	0.13%	16,201,126	0.27%	16,355,774	0.39%
Tangible Personal, Mobile Homes	2,692,914	0.04%	2,424,148	0.04%	1,443,809	0.03%
Real Property, Inventory	75,808,187	1.15%	72,993,429	1.19%	39,183,552	0.93%
Special Inventory	135,190	0.00%	54,686	0.00%	61,781	0.00%
<b>Total Appraised Value</b>	<b>\$ 6,611,109,376</b>	<b>100.00%</b>	<b>\$ 6,109,091,688</b>	<b>100.00%</b>	<b>\$ 4,224,565,348</b>	<b>100.00%</b>
<b>Less:</b>						
Optional Over-65 or Disabled Homestead	\$ 11,646,258		\$ 10,902,534		\$ 10,550,057	
Homestead Exemption	130,443,463		112,712,104		95,472,497	
Veterans Exemptions	156,712,509		8,609,968		7,447,949	
Solar	508,950		502,991		600,250	
Productivity Value Loss	42,476,609		39,933,083		27,340,933	
Loss to 10% HO Cap	250,559,069		338,877,538		129,902,018	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 6,018,762,518</b>		<b>\$ 5,597,553,470</b>		<b>\$ 3,953,251,644</b>	

Source: Nueces Central Appraisal District

**PRINCIPAL TAXPAYERS 2024**

**TABLE 5**

<b>Name</b>	<b>Type of Business/Property</b>	<b>2024 Net Taxable Assessed Valuation</b>	<b>% of Total 2024 Assessed Valuation</b>
Mustang Island Development II Inc	Real Estate	\$ 66,136,840	1.10%
ERF Port Aransas Inc	Real Estate	46,332,004	0.77%
KM Beach, LLC	Real Estate	26,341,577	0.44%
TMINE LTD	Commercial	23,263,989	0.39%
TCRG Opportunity X LLC	Real Estate	23,162,619	0.38%
Blue Marlin Holdings LLC	Real Estate	16,227,112	0.27%
EC Browning LTD	Real Estate	11,913,165	0.20%
AEP Texas Inc-09N	Utility	11,305,870	0.19%
Koontz/Mccombs 1 LTD	Real Estate	10,680,670	0.18%
J&S Paradise Lagoons LLC	Nature Preserve	10,377,415	0.17%
		<b>\$ 245,741,261</b>	<b>4.08%</b>

Source: Nueces Central Appraisal District

**TAX RATE DISTRIBUTION****TABLE 6**

	2024	2023	2022	2021	2020
General Fund	\$ 0.097227	\$ 0.115018	\$ 0.151290	\$ 0.194411	\$ 0.221915
I&S Fund	0.094735	0.080010	0.074491	0.052598	0.055431
Total Tax Rate	<u>\$ 0.191962</u>	<u>\$ 0.195028</u>	<u>\$ 0.225781</u>	<u>\$ 0.247009</u>	<u>\$ 0.277346</u>

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		Year Ended
				Current	Total	
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	97.50	98.36	9/30/2022
2022	3,953,251,644	0.225781	8,925,691	97.59	97.71	9/30/2023
2023	5,597,553,470	0.195028	10,916,797	99.00	99.05	9/30/2024
2024	6,018,762,518	0.191962	11,553,737	In process of collection		9/30/2025

Source: Nueces Central Appraisal District

**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
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	3,824,850	35.04%	0.0683
2024	3,827,390	33.13%	0.0636

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

**OVERLAPPING DEBT INFORMATION**

(As of February 1, 2025)

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 2/1/2025)	% Overlapping	Amount Overlapping
Nueces County	\$ 153,360,000	10.10%	\$ 15,489,360
Port Aransas ISD	35,707,000	86.34%	30,829,424
Total Gross Overlapping Debt			\$ 46,318,784
Port Aransas, City of			\$ 42,550,000 *
Total Gross Direct and Overlapping Debt			\$ 88,868,784 *
Ratio of Gross Direct and Overlapping Debt to 2024 Net Assessed Valuation			1.48% *
Per Capita Gross Direct Debt and Overlapping Debt			\$25,788.97 *

Note: The above figures show Gross General Obligation Debt for the City of Port Aransas, Texas. The Issuer's Net General Obligation Debt is \$30,745,000\*. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 77,063,784 *
Ratio of Net Direct and Overlapping Debt to 2024 Net Assessed Valuation	1.28% *
Per Capita Net Direct and Overlapping Debt	\$22,363.26 *

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

\* Includes the Certificates.

**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				
	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Fund Balance - Beginning of Year	\$ 16,682,074	\$ 12,842,560	\$ 10,747,718	\$ 10,646,943	\$ 5,466,522
Revenues	15,821,053	14,961,378	12,426,003	10,763,214	11,914,272
Expenditures	13,057,377	11,121,864	10,331,161	10,012,439	10,383,820
Excess (Deficit) of Revenues Over Expenditures	\$ 2,763,676	\$ 3,839,514	\$ 2,094,842	\$ 750,775	\$ 1,530,452
Other Financing Sources (Uses):					
Community Disaster Loan Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 4,347,745
Capital Lease	-	-	-	-	2,224
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	(622,500)	-	-	(650,000)	(700,000)
Proceeds from right to use subscriptions	222,820	-	-	-	-
Total Other Financing Sources (Uses):	\$ (399,680)	\$ -	\$ -	\$ (650,000)	\$ 3,649,969
Fund Balance - End of Year	\$ 19,046,070	\$ 16,682,074	\$ 12,842,560	\$ 10,747,718	\$ 10,646,943

Source: The Issuer’s Comprehensive Annual Financial Reports and information provided by the Issuer.

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**

Governmental Subdivision	2024 Assessed Valuation	% of Actual	2024 Tax Rate
Nueces County	\$ 47,984,771,229	100%	\$ 0.262373
Nueces County Hospital District	48,343,988,286	100%	0.089240
Nueces County WC&ID #4	1,631,850,947	100%	-
Port Aransas ISD	13,770,870,220	100%	0.738921

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	None				
City of Port Aransas	None				

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

**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".

**APPENDIX B**

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

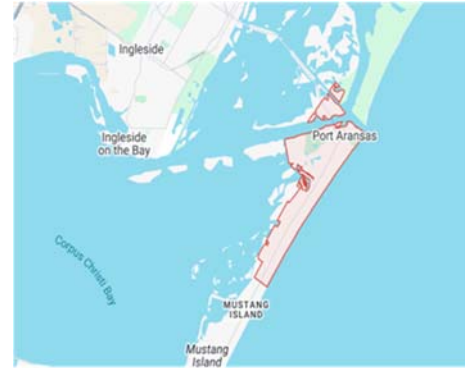
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# General Information Regarding the City of Port Aransas and Nueces County, Texas

## General

The City of Port Aransas, 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 off 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 and 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.

Minerals produced in Nueces County include oil, gas, cement, lime, sand and gravel. The Corpus Christi Ship Channel (the “Channel”) handled 82 million tons of cargo in 2010. In 2010 crude oil and gasoline were the leading inbound and outbound commodities. This made it the largest port in the State of Texas and the fifth largest port in the nation.

### Labor Force Statistics <sup>(1)</sup>

	<u>2024</u> <sup>(2)</sup>	<u>2023</u> <sup>(3)</sup>	<u>2022</u> <sup>(3)</sup>	<u>2021</u> <sup>(3)</sup>
Civilian Labor Force	172,791	168,426	164,081	163,762
Total Employed	166,130	161,292	156,295	152,585
Total Unemployed	6,661	7,134	7,786	11,177
% Unemployment	3.9%	4.2%	4.7%	6.8%
Texas Unemployment	3.7%	3.9%	3.9%	5.6%

(1) Source: Texas Workforce Commission.

(2) As of December 2024.

(3) Average Annual Statistics.

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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March 19, 2025

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

**FINAL**

IN REGARD to the authorization and issuance of the “City of Port Aransas, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025” (the *Certificates*), dated March 1, 2025 in the aggregate principal amount of \$7,705,000 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 Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2026 through 2040, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. 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 Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates 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 or the Issuer’s combined utility system and 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 Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Certificates 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 Certificates, 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 Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate 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.

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

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**Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF PORT ARANSAS, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025”**

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates 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 Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer’s combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Limited Pledge Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON 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 Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates 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 Certificates 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 Certificates. Ownership of tax-exempt obligations such as the Certificates 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.

**Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF PORT ARANSAS, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025”**

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

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**APPENDIX D**

**FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements – 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.)

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, Texas (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibility for the Audit of the Financial Statements***

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

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

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

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the net pension liability and other postemployment benefit liabilities required schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

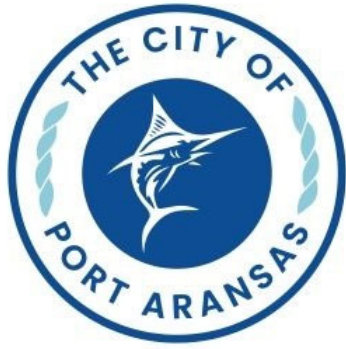
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund statements and schedules, and schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Single Audit Circular*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2024 on our consideration of the City of Port Aransas, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas  
May 16, 2024



# CITY OF PORT ARANSAS, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Port Aransas' (the "City") annual financial report presents an overview, through management's discussion and analysis (MD&A), of the City's financial activities and performance during the fiscal year ended September 30, 2023. Please read it in conjunction with the independent auditor's report and the City's financial statements and disclosures, which follow this section.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$123,120,211 (net position). Of this amount, \$27,553,055 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net position increased by \$22,973,003, after the restatement.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$64,517,218. Approximately 53% of this amount, \$34,335,866 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 \$18,214,484 or 139% of total general fund expenditures.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the general fund, beach fund, hotel motel, hotel motel/facility fund, hurricane recovery fund, and the construction fund, all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its gas, harbor and sanitation.

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

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

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



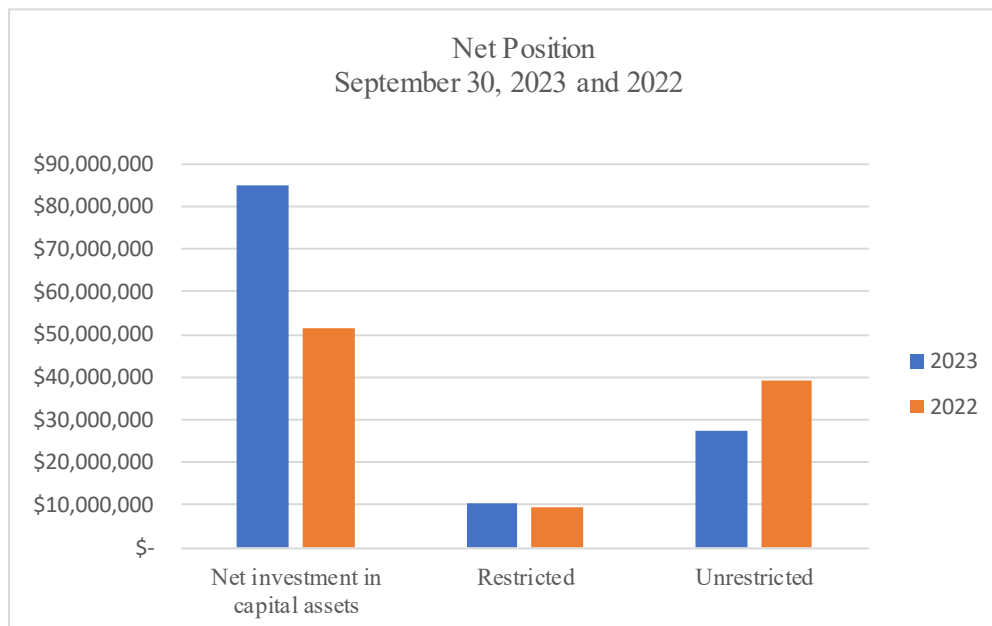
## Government-wide Financial Analysis

### City of Port Aransas's Net Position Information:

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

**Table 1 – Summary of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 70,803,263	\$ 61,384,714	\$ 1,916,026	\$ 1,982,453	\$ 72,719,289	\$ 63,367,167
Restricted assets	75,311	61,857	-	-	75,311	61,857
Capital assets	63,796,397	56,706,376	35,427,224	22,552,376	99,223,621	79,258,752
Total assets	<u>134,674,971</u>	<u>118,152,947</u>	<u>37,343,250</u>	<u>24,534,829</u>	<u>172,018,221</u>	<u>142,687,776</u>
Deferred outflows of resources	3,368,923	1,740,817	388,686	193,426	3,757,609	1,934,243
Long-term liabilities	36,802,385	28,615,055	1,281,311	710,535	38,083,696	29,325,590
Other liabilities	9,374,960	10,042,742	1,834,948	392,224	11,209,908	10,434,966
Total liabilities	<u>46,177,345</u>	<u>38,657,797</u>	<u>3,116,259</u>	<u>1,102,759</u>	<u>49,293,604</u>	<u>39,760,556</u>
Deferred inflows of resources	3,096,847	4,317,683	265,168	396,572	3,362,015	4,714,255
Net position:						
Net investment in capital assets	49,765,144	28,824,143	35,194,258	22,552,376	84,959,402	51,376,519
Restricted	10,607,754	9,595,784	-	-	10,607,754	9,595,784
Unrestricted	28,396,804	38,498,357	(843,749)	676,548	27,553,055	39,174,905
Total net position	<u>\$ 88,769,702</u>	<u>\$ 76,918,284</u>	<u>\$ 34,350,509</u>	<u>\$ 23,228,924</u>	<u>\$ 123,120,211</u>	<u>\$ 100,147,208</u>



As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Port Aransas, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$88,769,702 at the close of the most recent fiscal year for governmental activities and \$34,350,509 for business-type activities.

A large portion of the City's net position (approximately 69%) reflects its investment in capital assets (e.g., land, construction in progress, infrastructure, buildings, machinery, vehicles, and right to use assets), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City of Port Aransas is able to report positive balances in all categories of net position for the government as a whole. The same situation held true for the prior fiscal year. The business type activities reported a deficit unrestricted net position at the end of the current fiscal year, primarily due to the balances of the net pension and other postemployment benefit liabilities.

### Changes in Net Position:

Governmental activities increased the City's net position by \$11,851,418, after the restatement and business-type activities increased the City's net position by \$11,121,585 for a total increase of \$22,973,003, after the restatement.

**Table 2 – Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Total revenues	\$ 53,516,975	\$ 54,271,747	\$ 6,804,204	\$ 5,546,708	\$ 60,321,179	\$ 59,818,455
Total expenses	32,218,470	26,247,338	5,261,306	4,401,071	37,479,776	30,648,409
Increase (decrease) in net position before transfers	21,298,505	28,024,409	1,542,898	1,145,637	22,841,403	29,170,046
Transfers	(9,578,687)	(5,545,586)	9,578,687	5,545,586	-	-
Increase (decrease) in net position	11,719,818	22,478,823	11,121,585	6,691,223	22,841,403	29,170,046
Beginning net position	76,918,284	54,439,461	23,228,924	16,537,701	100,147,208	70,977,162
Restatement of net position	131,600	-	-	-	131,600	-
Ending net position	<u>\$ 88,769,702</u>	<u>\$ 76,918,284</u>	<u>\$ 34,350,509</u>	<u>\$ 23,228,924</u>	<u>\$ 123,120,211</u>	<u>\$ 100,147,208</u>

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

**Table 3 – Statement of Activities**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Program revenues:</b>						
Charges for services	\$ 6,972,709	\$ 7,692,585	\$ 4,271,737	\$ 4,174,277	\$ 11,244,446	\$ 11,866,862
Operating grants and contributions	3,909,384	1,382,567	-	-	3,909,384	1,382,567
Capital grants and contributions	12,787,459	20,792,145	-	-	12,787,459	20,792,145
<b>General revenues:</b>						
Property taxes	8,833,884	7,103,457	-	-	8,833,884	7,103,457
Sales taxes	3,900,270	3,808,860	-	-	3,900,270	3,808,860
Franchises fees	648,585	621,015	-	-	648,585	621,015
Hotel/motel taxes	13,524,952	12,448,937	-	-	13,524,952	12,448,937
Investment earnings	2,817,541	301,748	70,486	11,529	2,888,027	313,277
Grants and contributions not restricted	-	-	2,465,517	1,349,952	2,465,517	1,349,952
Miscellaneous	122,191	120,433	(3,536)	10,950	118,655	131,383
<b>Total revenues</b>	<b>53,516,975</b>	<b>54,271,747</b>	<b>6,804,204</b>	<b>5,546,708</b>	<b>60,321,179</b>	<b>59,818,455</b>
<b>Expenses:</b>						
General administration	10,995,779	10,248,766	-	-	10,995,779	10,248,766
Legal	146,542	89,895	-	-	146,542	89,895
Financial administration	357,042	281,534	-	-	357,042	281,534
Public facilities	1,571,686	1,134,414	-	-	1,571,686	1,134,414
Public safety	8,500,476	6,805,763	-	-	8,500,476	6,805,763
Public transportation	264,353	188,331	-	-	264,353	188,331
Culture and recreation	9,556,074	6,676,090	-	-	9,556,074	6,676,090
Interest and fiscal charges	826,518	822,545	-	-	826,518	822,545
Gas	-	-	1,952,337	1,669,299	1,952,337	1,669,299
Sanitation	-	-	1,650,815	1,253,650	1,650,815	1,253,650
Harbor	-	-	1,658,154	1,478,122	1,658,154	1,478,122
<b>Total expenses</b>	<b>\$ 32,218,470</b>	<b>\$ 26,247,338</b>	<b>\$ 5,261,306</b>	<b>\$ 4,401,071</b>	<b>\$ 37,479,776</b>	<b>\$ 30,648,409</b>

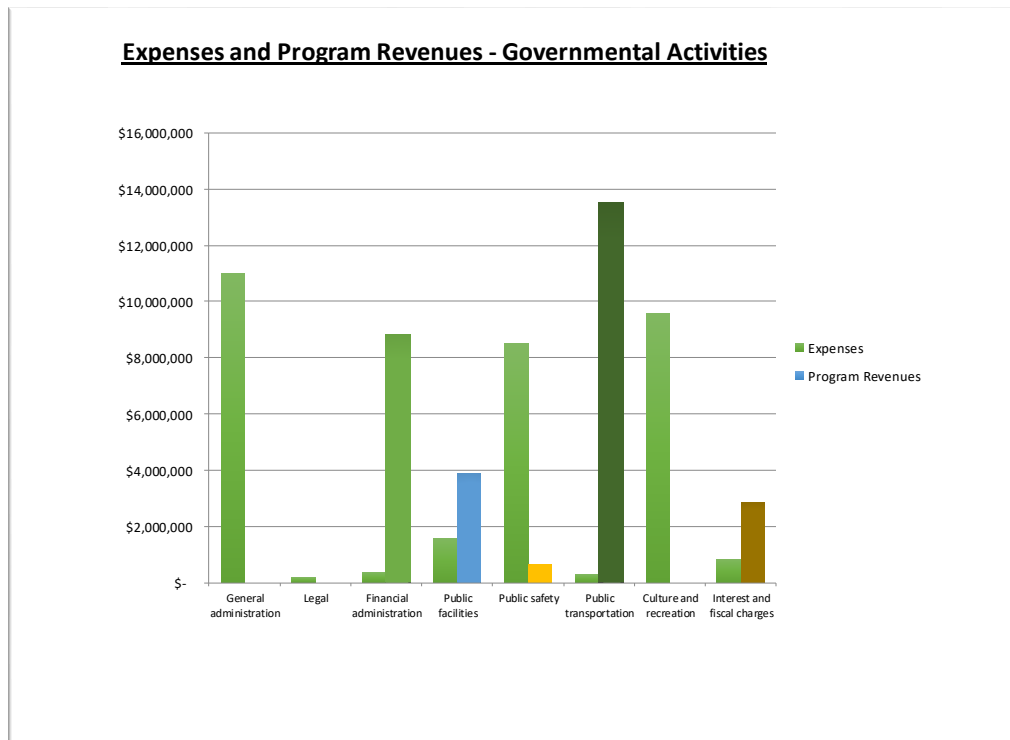
### Governmental activities

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

As shown in table 3, total revenue decreased by (\$754,772). This decrease is due to a decrease in building permits and a decrease in grant reimbursements.

Total expenses increased by \$5,971,132. This increase was primarily due to an increase in personnel costs to include added staff and pay scale adjustments and capital project expenditures.

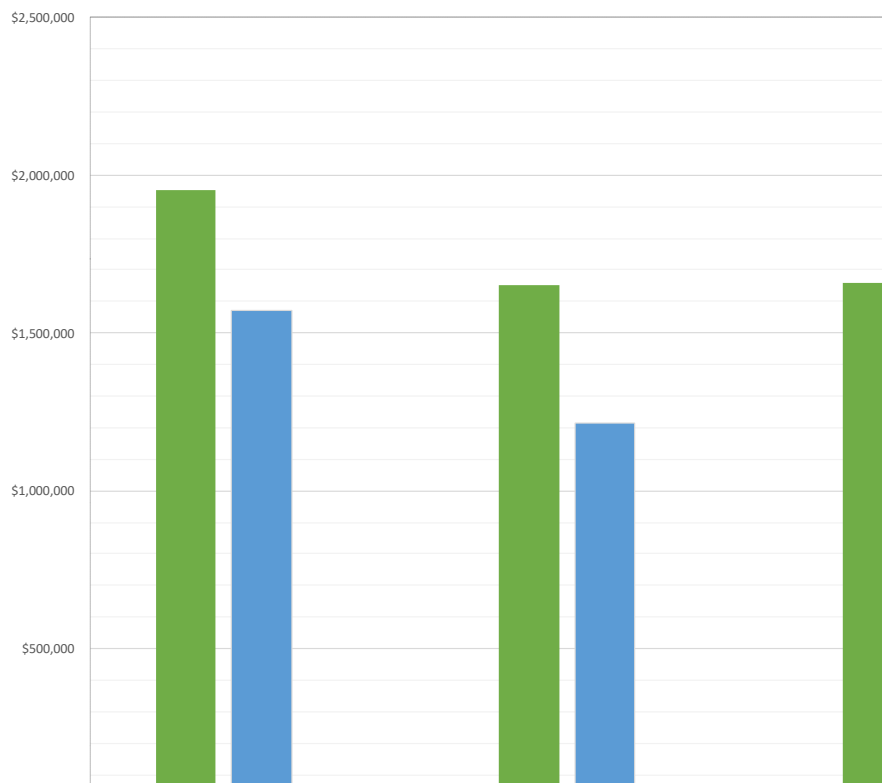
The chart below presents the City’s major expenses by function, as well as the associated program revenues for governmental activities.



**Business-type activities**

As shown in Table 3, total revenues increased by \$1,257,496 due mainly to increased consumption and sales in each of the proprietary funds.

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



## **Financial Analysis of the Governmental Funds**

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$64,517,218, an increase of \$10,114,528, after the restatement. Approximately 53% or \$34,335,866, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new spending because it has already been committed/restricted to pay for construction (\$18,033,918), debt service (\$385,744), culture and recreation (\$2,160,070), public safety (\$379,468), public transportation (\$821,231), economic development (\$7,572,292), fire (\$800,000), inventories (\$12,758), and prepaid items (\$15,871).

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 \$18,214,484, while total fund balance reached \$19,046,070. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 139% of total general fund expenditures.

The fund balance of the City's general fund increased by \$2,363,996 during the current fiscal year. The key factor for this increase is the increase in property tax, court fines, EMS charges, and interest earned.

### **Budgetary Highlights**

The City's budget was amended one time. The general fund budgeted revenues and appropriations each increased \$925,000. There was an increase in several revenue categories that covered additional fuel needs and transfers that were made to the Street Maintenance Fund and to the Drainage Impact Fee Fund for the initial impact fee study. The Hotel Motel Fund and Hotel Motel Special Fund had increases to taxes collected and an increase to advertising efforts. The Airport Fund had increases in expenditures to fuel costs, and unexpected fuel tank repair, and additional grant match needs required by Tx DOT. The Gas Fund had a system outage that required an increase to contracted services and additional costs for gas purchased. The Cares Act expended funds for the purchase of an ambulance and ventilators.

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

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$99,223,621 (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 \$6,970,753 as a result of \$12,122,915 of additions offset by \$5,146,679 of depreciation and net retirements of (\$5,483). Business-type activity capital assets increased by \$12,874,848 as a result of \$13,933,192 of additions less \$1,058,344 of depreciation and net retirements of \$-0-.

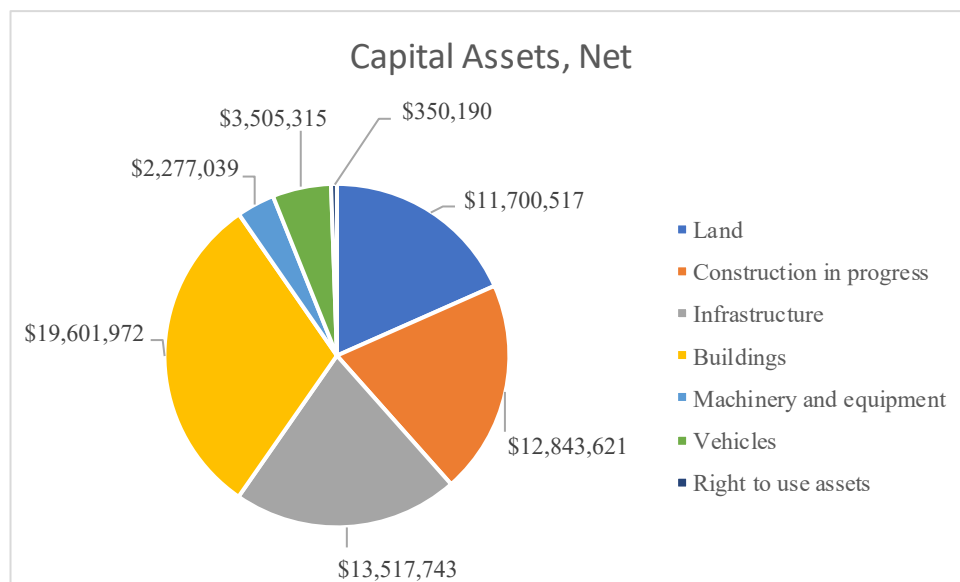
Additional information on the City's capital assets can be found in note 4 of the financial statements.

The following capital asset information is presented net of depreciation:

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 11,700,517	\$ 11,700,517	\$ -	\$ -	\$ 11,700,517	\$ 11,700,517
Construction in progress	12,843,621	16,510,861	24,465,847	11,631,774	37,309,468	28,142,635
Infrastructure	13,517,743	16,091,914	10,478,490	10,297,860	23,996,233	26,389,774
Buildings	19,601,972	6,289,899	72,816	86,320	19,674,788	6,376,219
Machinery and equipment	2,277,039	2,184,711	120,256	193,810	2,397,295	2,378,521
Vehicles	3,505,315	3,732,845	58,257	100,646	3,563,572	3,833,491
Right to use assets	350,190	314,897	231,558	241,966	581,748	556,863
Total capital assets, net	<u>\$ 63,796,397</u>	<u>\$ 56,825,644</u>	<u>\$ 35,427,224</u>	<u>\$ 22,552,376</u>	<u>\$ 99,223,621</u>	<u>\$ 79,378,020</u>

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



## Debt Administration

At the end of the current fiscal year, the City had total bonded debt and capital leases outstanding of \$41,756,665. The table below reflects the outstanding debt at September 30, 2023. Additional information can be found in note 4.

The following is a summary of outstanding debt:

**Table 5 – Long-Term Liabilities**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 20,595,000	\$ 16,470,000	\$ -	\$ -	\$ 20,595,000	\$ 16,470,000
Tax notes	8,960,000	10,675,000	-	-	8,960,000	10,675,000
Premium on bonds	1,271,002	737,233	-	-	1,271,002	737,233
OPEB liabilities	3,000,616	3,053,061	333,400	339,228	3,334,016	3,392,289
Net pension liability	5,943,182	1,167,312	695,733	129,701	6,638,915	1,297,013
Lease liability on right to use assets	95,277	195,302	232,966	241,606	328,243	436,908
Subscription liability on right to use assets	126,290	57,668	-	-	126,290	57,668
Compensated absences	465,869	366,746	37,330	22,659	503,199	389,405
Total long-term liabilities	<u>\$ 40,457,236</u>	<u>\$ 32,722,322</u>	<u>\$ 1,299,429</u>	<u>\$ 733,194</u>	<u>\$ 41,756,665</u>	<u>\$ 33,455,516</u>

The City's debt increased by \$8,301,149 or approximately 25%. The key factors to the net change are as follows:

- Issuance of \$6,020,000 General Obligation Bonds
- Proceeds from right to use subscription assets of \$222,820
- Increases in the City's net pension liability \$5,341,902

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

## Economic Factors and Next Year's Budgets and Rates

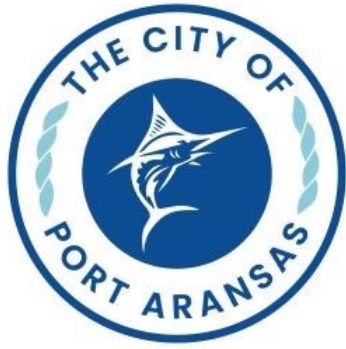
All of these factors were considered in preparing the City's budget for the 2023-2024 fiscal year. At the end of the fiscal year, the economic impact of the hurricane is still not completely known for all projects as we have not settled for the Fire/EMS station or the Public Works building. The City proceeds and grant assistance to assist with 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 19.5019 cents per hundred. The tax rate has been split with .115018 for maintenance and operations and .080001 for interest and sinking for the retirement of the bonds. Even though this is a decrease to the tax rate, it was actually an increase as this rate is equal to the voter approval rate (the tax rate that will raise 3.5% more than the no new revenue rate which is the amount of tax revenue as the prior year plus new construction demands).

Overall, the general fund is budgeted to end the fiscal year 2023-2024 with an estimated fund balance of \$11,166,056. This is approximately 78% of general fund operating expenditures.

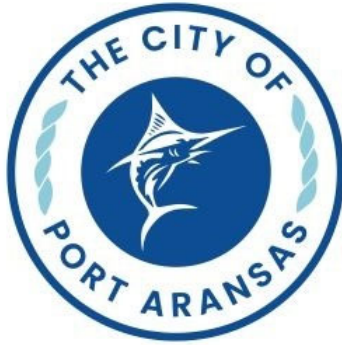
## Requests for Information

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





## **BASIC FINANCIAL STATEMENTS**



**CITY OF PORT ARANSAS, TEXAS**

**STATEMENT OF NET POSITION**

**September 30, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Pooled cash and investments	\$ 66,419,898	\$ 933,400	\$ 67,353,298
Receivables (net of allowance)	1,943,364	2,683,438	4,626,802
Internal balances	1,700,812	(1,700,812)	-
Inventories	12,758	-	12,758
Prepays	15,871	-	15,871
Lease receivable	710,560	-	710,560
Restricted assets:			
Cash and cash equivalents	75,311	-	75,311
Capital assets not being depreciated:			
Land	11,700,517	-	11,700,517
Construction in progress	12,843,621	24,465,847	37,309,468
Capital assets net of accumulated depreciation:			
Infrastructure	13,517,743	10,478,490	23,996,233
Buildings	19,601,972	72,816	19,674,788
Machinery and equipment	2,277,039	120,256	2,397,295
Vehicles	3,505,315	58,257	3,563,572
Right to use assets	350,190	231,558	581,748
Total capital assets	<u>63,796,397</u>	<u>35,427,224</u>	<u>98,641,873</u>
Total assets	<u>134,674,971</u>	<u>37,343,250</u>	<u>172,018,221</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources	3,368,923	388,686	3,757,609
<b>LIABILITIES</b>			
Bank overdraft	279,128	-	279,128
Accounts payable	4,936,775	1,535,182	6,471,957
Accrued wages payable	226,978	25,971	252,949
Accrued interest payable	219,643	-	219,643
Unearned revenues	57,585	95	57,680
Customer meter deposits	-	255,582	255,582
Noncurrent liabilities:			
Due within one year	3,654,851	18,118	3,672,969
Due in more than one year	36,802,385	1,281,311	38,083,696
Total liabilities	<u>46,177,345</u>	<u>3,116,259</u>	<u>49,293,604</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources	3,096,847	265,168	3,362,015
<b>NET POSITION</b>			
Net investment in capital assets	49,765,144	35,194,258	84,959,402
Restricted for:			
Culture and recreation	1,470,250	-	1,470,250
Debt service	385,744	-	385,744
Economic development	7,572,292	-	7,572,292
Public safety	379,468	-	379,468
Fire	800,000	-	800,000
Unrestricted	<u>28,396,804</u>	<u>(843,749)</u>	<u>27,553,055</u>
Total net position	<u>\$ 88,769,702</u>	<u>\$ 34,350,509</u>	<u>\$ 123,120,211</u>

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

**CITY OF PORT ARANSAS, TEXAS**

**STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General administration	\$ 10,995,779	\$ 2,293,970	\$ -	\$ -
Legal	146,542	-	-	-
Financial administration	357,042	-	-	-
Public facilities	1,571,686	1,171,073	-	742,295
Public safety	8,500,476	865,902	2,706,217	12,045,164
Public transportation	264,353	219,727	-	-
Culture and recreation	9,556,074	2,422,037	1,203,167	-
Interest on long-term debt	826,518	-	-	-
<b>Total governmental activities</b>	<b>32,218,470</b>	<b>6,972,709</b>	<b>3,909,384</b>	<b>12,787,459</b>
<b>Business-type activities:</b>				
Gas	1,952,337	1,572,929	-	-
Sanitation	1,650,815	1,216,123	-	-
Harbor	1,658,154	1,482,685	-	-
<b>Total business-type activities</b>	<b>5,261,306</b>	<b>4,271,737</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 37,479,776</b>	<b>\$ 11,244,446</b>	<b>\$ 3,909,384</b>	<b>\$ 12,787,459</b>

**General revenues:**

**Taxes:**

Property taxes, levies for general purposes

Sales taxes

Franchise taxes

Hotel/motel taxes

Unrestricted investment earnings

Grants and contributions not restricted to specific programs

Miscellaneous

Transfers

Total general revenues and special items

Change in net position

Net position - beginning

Restatement of net position

Net position - ending

Net (Expenses) Revenues  
and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (8,701,809)	\$ -	\$ (8,701,809)
(146,542)	-	(146,542)
(357,042)	-	(357,042)
341,682	-	341,682
7,116,807	-	7,116,807
(44,626)	-	(44,626)
(5,930,870)	-	(5,930,870)
<u>(826,518)</u>	<u>-</u>	<u>(826,518)</u>
<u>(8,548,918)</u>	<u>-</u>	<u>(8,548,918)</u>
-	(379,408)	3,145,858
-	(434,692)	2,432,246
<u>-</u>	<u>(175,469)</u>	<u>2,965,370</u>
<u>-</u>	<u>(989,569)</u>	<u>8,543,474</u>
<u>(8,548,918)</u>	<u>(989,569)</u>	<u>(5,444)</u>
8,833,884	-	8,833,884
3,900,270	-	3,900,270
648,585	-	648,585
13,524,952	-	13,524,952
2,817,541	70,486	2,888,027
-	2,465,517	2,465,517
122,191	(3,536)	118,655
<u>(9,578,687)</u>	<u>9,578,687</u>	<u>-</u>
<u>20,268,736</u>	<u>12,111,154</u>	<u>32,379,890</u>
11,719,818	11,121,585	22,841,403
<u>76,918,284</u>	<u>23,228,924</u>	<u>100,147,208</u>
<u>131,600</u>	<u>-</u>	<u>131,600</u>
<u>\$ 88,769,702</u>	<u>\$ 34,350,509</u>	<u>\$ 123,120,211</u>

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

**CITY OF PORT ARANSAS, TEXAS**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**September 30, 2023**

	General Fund	Beach Fund	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund
<b>ASSETS</b>				
Pooled cash and investments	\$ 17,701,993	\$ 7,908,625	\$ 661,501	\$ 14,432,584
Receivables (net)	448,102	244,418	379	-
Due from other funds	1,831,299	-	-	-
Restricted cash and cash equivalents	75,311	-	-	-
Inventories	-	-	-	-
Prepaid expenses	15,793	-	-	-
Lease receivable	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 20,072,498</u>	<u>\$ 8,153,043</u>	<u>\$ 661,880</u>	<u>\$ 14,432,584</u>
<b>LIABILITIES</b>				
Bank overdraft	\$ 279,128	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	409,678	683,596	530,068	109,541
Accrued wages payable	169,788	28,967	-	8,210
Due to other funds	-	-	-	-
Deferred revenues	<u>57,585</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>916,179</u>	<u>712,563</u>	<u>530,068</u>	<u>117,751</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property leases	-	-	-	-
Deferred property taxes	<u>110,249</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>110,249</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	15,793	-	-	-
Inventories	-	-	-	-
Restricted:				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Economic development	-	7,440,480	131,812	-
Fire	800,000	-	-	-
Public safety	15,793	-	-	-
Committed:				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Public transportation	-	-	-	-
Unassigned	<u>18,214,484</u>	<u>-</u>	<u>-</u>	<u>14,314,833</u>
Total fund balances	<u>19,046,070</u>	<u>7,440,480</u>	<u>131,812</u>	<u>14,314,833</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,072,498</u>	<u>\$ 8,153,043</u>	<u>\$ 661,880</u>	<u>\$ 14,432,584</u>

Airport Fund	Debt Service Fund	Hurricane Harvey Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 412,085	\$ 4,208,888	\$ 16,458,422	\$ 4,635,800	\$ 66,419,898
67,424	39,144	-	759,182	384,715	1,943,364
-	-	-	-	-	1,831,299
-	-	-	-	-	75,311
12,758	-	-	-	-	12,758
-	-	-	-	78	15,871
<u>710,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>710,560</u>
<u>\$ 790,742</u>	<u>\$ 451,229</u>	<u>\$ 4,208,888</u>	<u>\$ 17,217,604</u>	<u>\$ 5,020,593</u>	<u>\$ 71,009,061</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 279,128
81	26,341	2,596,416	201,288	379,766	4,936,775
688	-	-	-	19,325	226,978
130,487	-	-	-	-	130,487
-	-	-	-	-	57,585
<u>131,256</u>	<u>26,341</u>	<u>2,596,416</u>	<u>201,288</u>	<u>399,091</u>	<u>5,630,953</u>
711,497	-	-	-	-	711,497
-	39,144	-	-	-	149,393
<u>711,497</u>	<u>39,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>860,890</u>
-	-	-	-	78	15,871
12,758	-	-	-	-	12,758
-	-	-	17,016,316	-	17,016,316
-	-	-	-	1,470,250	1,470,250
-	385,744	-	-	-	385,744
-	-	-	-	-	7,572,292
-	-	-	-	-	800,000
-	-	-	-	363,675	379,468
-	-	-	-	1,017,602	1,017,602
-	-	-	-	689,820	689,820
-	-	-	-	821,231	821,231
(64,769)	-	1,612,472	-	258,846	34,335,866
<u>(52,011)</u>	<u>385,744</u>	<u>1,612,472</u>	<u>17,016,316</u>	<u>4,621,502</u>	<u>64,517,218</u>
<u>\$ 790,742</u>	<u>\$ 451,229</u>	<u>\$ 4,208,888</u>	<u>\$ 17,217,604</u>	<u>\$ 5,020,593</u>	<u>\$ 71,009,061</u>

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

**CITY OF PORT ARANSAS, TEXAS**

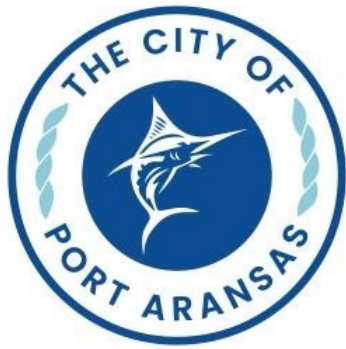
**RECONCILIATION OF BALANCE SHEET-  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

**September 30, 2023**

Total fund balances - governmental funds	\$ 64,517,218
Amounts reported for governmental funds in the statement of net position are different because:	
Add net capital assets which are not treated as financial resources on the modified accrual basis.	63,796,397
Add property taxes receivable unavailable to pay for current period expenditures.	149,393
Subtract long-term assets/liabilities unavailable to pay for current period expenditures.	983,573
Subtract long-term liabilities, including bonds payable, which are not due and payable in the current period.	<u>(40,676,879)</u>
Net position of governmental activities	<u>\$ 88,769,702</u>

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





**CITY OF PORT ARANSAS, TEXAS**

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

**For the year ended September 30, 2023**

	General Fund	Beach Fund	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund
<b>Revenues:</b>				
Taxes				
Property	\$ 5,894,617	\$ -	\$ -	\$ -
Sales	2,600,183	-	-	-
Franchise fees	648,585	-	-	-
Hotel/motel	-	2,997,245	4,887,652	5,640,055
Intergovernmental	1,239,917	459,580	-	-
Licenses and permits	1,767,647	1,221,490	-	-
Charges for services	1,672,754	-	-	16,650
Fines and forfeitures	555,217	-	-	-
Interest	1,290,838	176,343	46,772	300,448
Miscellaneous	151,295	-	-	763
Total revenues	<u>15,821,053</u>	<u>4,854,658</u>	<u>4,934,424</u>	<u>5,957,916</u>
<b>Expenditures:</b>				
Current:				
General administration	3,600,029	-	4,888,048	-
Legal	145,945	-	-	-
Financial administration	304,636	-	-	-
Public facilities	1,128,246	-	-	-
Public safety	5,611,196	-	-	-
Public transportation	175,959	-	-	-
Culture and recreation	1,047,029	3,538,352	-	1,039,063
Capital outlay	880,712	151,921	-	1,195,838
Debt service:				
Principal	163,312	-	-	-
Interest and other charges	313	-	-	-
Total expenditures	<u>13,057,377</u>	<u>3,690,273</u>	<u>4,888,048</u>	<u>2,234,901</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>2,763,676</u>	<u>1,164,385</u>	<u>46,376</u>	<u>3,723,015</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(622,500)	(278,976)	-	(2,905,411)
Proceeds from right to use subscriptions	222,820	-	-	-
Premium	-	-	-	-
Proceeds of bond	-	-	-	-
Total other financing sources	<u>(399,680)</u>	<u>(278,976)</u>	<u>-</u>	<u>(2,905,411)</u>
Net change in fund balances	2,363,996	885,409	46,376	817,604
Fund balances - beginning	<u>16,682,074</u>	<u>6,555,071</u>	<u>85,436</u>	<u>13,497,229</u>
Restatement of fund balance	-	-	-	-
Fund balances - beginning, as restated	<u>16,682,074</u>	<u>6,555,071</u>	<u>85,436</u>	<u>13,497,229</u>
Fund balances - ending	<u>\$ 19,046,070</u>	<u>\$ 7,440,480</u>	<u>\$ 131,812</u>	<u>\$ 14,314,833</u>

Airport Fund	Debt Service Fund	Hurricane Harvey Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,897,497	\$ -	\$ -	\$ -	\$ 8,792,114
-	-	-	-	1,300,087	3,900,270
-	-	-	-	-	648,585
-	-	-	-	-	13,524,952
50,000	-	14,700,620	742,295	693,567	17,885,979
-	-	-	-	-	2,989,137
277,601	-	-	-	8,381	1,975,386
-	-	-	-	496,370	1,051,587
22,444	453,779	-	286,097	240,820	2,817,541
<u>7,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,893</u>	<u>201,664</u>
<u>357,758</u>	<u>3,351,276</u>	<u>14,700,620</u>	<u>1,028,392</u>	<u>2,781,118</u>	<u>53,787,215</u>
-	-	-	-	111,105	8,599,182
-	-	-	-	-	145,945
-	-	-	-	-	304,636
-	-	-	-	-	1,128,246
-	-	684,265	-	91,825	6,387,286
-	-	-	-	59,671	235,630
247,931	-	-	-	1,561,313	7,433,688
506,770	-	7,361,054	1,001,045	1,025,575	12,122,915
-	3,610,000	87,647	-	3,264	3,864,223
-	664,740	7	168,351	9	833,420
<u>754,701</u>	<u>4,274,740</u>	<u>8,132,973</u>	<u>1,169,396</u>	<u>2,852,762</u>	<u>41,055,171</u>
<u>(396,943)</u>	<u>(923,464)</u>	<u>6,567,647</u>	<u>(141,004)</u>	<u>(71,644)</u>	<u>12,732,044</u>
-	1,397,762	-	-	1,233,823	2,631,585
-	-	(7,548,967)	(260,306)	(594,112)	(12,210,272)
-	-	-	-	-	222,820
-	-	-	648,351	-	648,351
-	-	-	<u>6,020,000</u>	-	<u>6,020,000</u>
-	1,397,762	(7,548,967)	6,408,045	639,711	(2,687,516)
(396,943)	474,298	(981,320)	6,267,041	568,067	10,044,528
<u>344,932</u>	<u>(88,554)</u>	<u>2,635,603</u>	<u>10,749,275</u>	<u>3,941,624</u>	<u>54,402,690</u>
-	-	(41,811)	-	111,811	70,000
<u>344,932</u>	<u>(88,554)</u>	<u>2,593,792</u>	<u>10,749,275</u>	<u>4,053,435</u>	<u>54,472,690</u>
<u>\$ (52,011)</u>	<u>\$ 385,744</u>	<u>\$ 1,612,472</u>	<u>\$ 17,016,316</u>	<u>\$ 4,621,502</u>	<u>\$ 64,517,218</u>

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

## CITY OF PORT ARANSAS, TEXAS

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

September 30, 2023

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

Net change in fund balances-total governmental funds \$ 10,044,528

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciable expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 6,970,753

Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds. This is the change in these amounts in the current year (property taxes and court receivable). (264,757)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	3,610,000
Lease liability on right to use assets	100,025
Subscription liability on right to use assets	154,198
Amortization of bond premiums	114,582
Issuance of bonds	(6,020,000)
Issuance of premium	(648,351)
Proceeds from subscription right to use assets	(222,820)

Governmental funds report required contributions to employee pension as expenditures. However, in the statement of activities, the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined pension expense. (1,859,672)

Governmental funds report required contributions to employee OPEB as expenditures. However, in the statement of activities, the cost of the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined OPEB expense. (51,865)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(99,123)
Interest expense	<u>(107,680)</u>

Change in net position of governmental activities \$ 11,719,818

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

**CITY OF PORT ARANSAS, TEXAS**

**STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS**

**For the year ended September 30, 2023**

	Business-Type Activities - Enterprise Funds			
	Gas	Harbor	Sanitation	Total
<b>ASSETS</b>				
Current assets:				
Pooled cash and investments	\$ 933,400	\$ -	\$ -	\$ 933,400
Receivables (net)	5,681	2,638,022	39,735	2,683,438
Total current assets	<u>939,081</u>	<u>2,638,022</u>	<u>39,735</u>	<u>3,616,838</u>
Noncurrent assets:				
Capital assets:				
Construction in progress	18,562,785	5,903,062	-	24,465,847
Infrastructure	1,216,322	17,741,882	507,618	19,465,822
Buildings	53,133	199,498	35,787	288,418
Machinery and equipment	218,791	30,732	285,612	535,135
Vehicles	215,027	43,373	-	258,400
Right to use assets	-	248,135	4,239	252,374
Total capital assets	20,266,058	24,166,682	833,256	45,265,996
Less accumulated depreciation	(1,321,191)	(8,230,140)	(287,441)	(9,838,772)
Total noncurrent assets	<u>18,944,867</u>	<u>15,936,542</u>	<u>545,815</u>	<u>35,427,224</u>
Total assets	<u>19,883,948</u>	<u>18,574,564</u>	<u>585,550</u>	<u>39,044,062</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources	<u>237,811</u>	<u>122,298</u>	<u>28,577</u>	<u>388,686</u>
<b>LIABILITIES</b>				
Current liabilities (payable from current assets):				
Accounts payable	189,811	1,313,769	31,602	1,535,182
Accrued wages	16,791	7,602	1,578	25,971
Due to other funds	-	1,505,838	194,974	1,700,812
Compensated absences	6,404	2,003	926	9,333
Deferred revenue	95	-	-	95
Total current liabilities (payable from current assets)	<u>213,101</u>	<u>2,829,212</u>	<u>229,080</u>	<u>3,271,393</u>
Current liabilities (payable from restricted assets):				
Customer meter deposits	<u>244,702</u>	<u>10,880</u>	<u>-</u>	<u>255,582</u>
Total current liabilities (payable from restricted assets)	<u>244,702</u>	<u>10,880</u>	<u>-</u>	<u>255,582</u>
Total current liabilities	<u>457,803</u>	<u>2,840,092</u>	<u>229,080</u>	<u>3,526,975</u>
Noncurrent liabilities:				
Compensated absences	19,211	6,010	2,776	27,997
Lease liabilities	-	230,845	2,121	232,966
Other postemployment benefits	200,040	100,020	33,340	333,400
Net pension liability	428,769	222,742	44,222	695,733
Total noncurrent liabilities	<u>648,020</u>	<u>559,617</u>	<u>82,459</u>	<u>1,290,096</u>
Total liabilities	<u>1,105,823</u>	<u>3,399,709</u>	<u>311,539</u>	<u>4,817,071</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources	<u>159,142</u>	<u>79,600</u>	<u>26,426</u>	<u>265,168</u>
<b>NET POSITION</b>				
Net investment in capital assets	18,944,867	15,705,697	543,694	35,194,258
Unrestricted	(88,073)	(488,144)	(267,532)	(843,749)
Total net position	<u>\$ 18,856,794</u>	<u>\$ 15,217,553</u>	<u>\$ 276,162</u>	<u>\$ 34,350,509</u>

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

**CITY OF PORT ARANSAS, TEXAS**

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

**For the year ended September 30, 2023**

	Business-Type Activities - Enterprise Funds			
	Gas	Harbor	Sanitation	Total
<b>Operating revenues:</b>				
Charges for sales and services	\$ 1,572,929	\$ 1,216,123	\$ 1,482,685	\$ 4,271,737
Total operating revenues	<u>1,572,929</u>	<u>1,216,123</u>	<u>1,482,685</u>	<u>4,271,737</u>
<b>Operating expenses:</b>				
Personnel services	956,042	500,184	91,855	1,548,081
Supplies and other services and charges	913,020	263,072	1,478,789	2,654,881
Depreciation	<u>83,275</u>	<u>887,559</u>	<u>87,510</u>	<u>1,058,344</u>
Total operating expenses	<u>1,952,337</u>	<u>1,650,815</u>	<u>1,658,154</u>	<u>5,261,306</u>
Operating income (loss)	<u>(379,408)</u>	<u>(434,692)</u>	<u>(175,469)</u>	<u>(989,569)</u>
<b>Nonoperating revenues (expenses):</b>				
Investment revenue	60,579	1,187	8,720	70,486
Sale of assets	2,775	-	-	2,775
Interest expense	-	(4,413)	(1,750)	(6,163)
Other income (expense)	(173)	25	-	(148)
Federal and state grants	<u>-</u>	<u>2,465,517</u>	<u>-</u>	<u>2,465,517</u>
Total nonoperating revenues (expenses)	<u>63,181</u>	<u>2,462,316</u>	<u>6,970</u>	<u>2,532,467</u>
Net income (loss) before transfers	<u>(316,227)</u>	<u>2,027,624</u>	<u>(168,499)</u>	<u>1,542,898</u>
Transfers in	7,548,967	2,326,444	278,976	10,154,387
Transfers out	<u>-</u>	<u>(575,700)</u>	<u>-</u>	<u>(575,700)</u>
Change in net position	7,232,740	3,778,368	110,477	11,121,585
Net position - beginning	<u>11,624,054</u>	<u>11,439,185</u>	<u>165,685</u>	<u>23,228,924</u>
Net position - ending	<u>\$ 18,856,794</u>	<u>\$ 15,217,553</u>	<u>\$ 276,162</u>	<u>\$ 34,350,509</u>

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

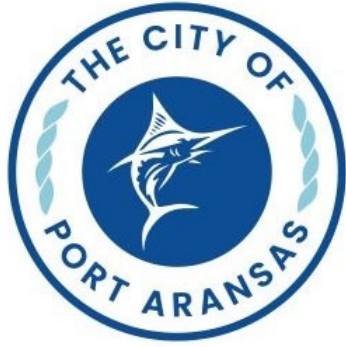
**CITY OF PORT ARANSAS, TEXAS**

**STATEMENT OF CASH FLOWS –  
PROPRIETARY FUNDS**

**For the year ended September 30, 2023**

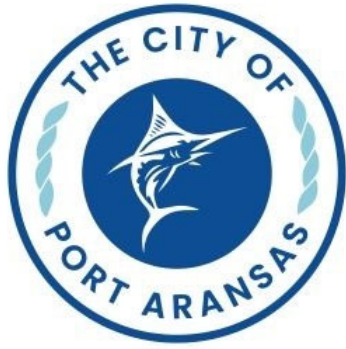
	Business-Type Activities Enterprise Funds			Totals Enterprise Funds
	Gas	Harbor	Sanitation	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,598,803	\$ 1,032,277	\$ 1,526,354	\$ 4,157,434
Payments to suppliers	(76,731)	1,833,642	(1,272,544)	484,367
Payments to employees	(798,562)	(415,186)	(82,688)	(1,296,436)
Net cash provided by (used in) operating activities	<u>723,510</u>	<u>2,450,733</u>	<u>171,122</u>	<u>3,345,365</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Federal grants and contributions	-	1,724,074	-	1,724,074
Sale of fixed assets	2,775	-	-	2,775
Transfers from other funds	7,548,967	2,326,444	278,976	10,154,387
Transfers to other funds	-	(575,700)	-	(575,700)
Net cash provided by (used in) noncapital financing activities	<u>7,551,742</u>	<u>3,474,818</u>	<u>278,976</u>	<u>11,305,536</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>				
Purchases of capital assets and construction in progress	(7,561,231)	(5,914,738)	(457,396)	(13,933,365)
Interest paid	-	(4,413)	(1,750)	(6,163)
Payment on right to use leases	-	(7,587)	(1,053)	(8,640)
Net cash provided by (used in) capital and related financing activities	<u>(7,561,231)</u>	<u>(5,926,738)</u>	<u>(460,199)</u>	<u>(13,948,168)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and investment revenue received	<u>60,579</u>	<u>1,187</u>	<u>8,720</u>	<u>70,486</u>
Net cash provided by (used in) investing activities	<u>60,579</u>	<u>1,187</u>	<u>8,720</u>	<u>70,486</u>
Net increase (decrease) in cash and cash equivalents	<u>774,600</u>	<u>-</u>	<u>(1,381)</u>	<u>773,219</u>
Balances - beginning of year	<u>158,800</u>	<u>-</u>	<u>1,381</u>	<u>160,181</u>
Balances - end of year	<u>\$ 933,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 933,400</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (379,408)	\$ (434,692)	\$ (175,469)	\$ (989,569)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	83,275	887,559	87,510	1,058,344
Changes in assets and liabilities:				
Accounts receivable	(2,409)	(160,958)	43,669	(119,698)
Due to/from other funds	711,337	794,501	194,974	1,700,812
Accounts payable	124,952	1,302,213	11,271	1,438,436
Accrued wages	2,636	798	-	3,434
Customer deposits	28,283	(22,888)	-	5,395
Compensated absences	7,949	5,758	964	14,671
Pension and OPEB liabilities	<u>146,895</u>	<u>78,442</u>	<u>8,203</u>	<u>233,540</u>
Net cash provided by (used in) operating activities	<u>\$ 723,510</u>	<u>\$ 2,450,733</u>	<u>\$ 171,122</u>	<u>\$ 3,345,365</u>

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





## **NOTES TO BASIC FINANCIAL STATEMENTS**



**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(1) Summary of significant accounting policies

Reporting entity

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

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

Blended component unit

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

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

Government-wide and fund financial statements

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

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

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(1) Summary of significant accounting policies (continued)

Government-wide and fund financial statements (continued)

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have both been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government wide financial statements.

Measurement focus, basis of accounting, and financial statement presentation

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

The governmental reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Beach Fund* accounts for the portion of sales taxes required to provide beach cleaning and safety.
- The *Hotel-Motel/Facility Funds* account for the hotel/motel taxes that the Council requires to be set aside for recreational development.
- The *Hurricane Harvey Fund* is used to administer FEMA monies for reconstruction and cleanup within the City of Port Aransas.
- The *Construction Fund* is used to administer bond monies for various construction projects.
- The *Airport Fund* is used to account for the fees and costs needed to operate the municipal airport.
- The *Debt Service Fund* is used to account for the resources needed to fund the City's debt service obligation on its outstanding bonds and tax notes.

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(1) Summary of significant accounting policies (continued)

Proprietary fund financial statements

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

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

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

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

Deposits and investments

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

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

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

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

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(1) Summary of significant accounting policies (continued)

Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2023, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2023, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2023, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2023. The property tax receivable allowance is equal to 5 percent of current outstanding property taxes on September 30, 2023, and 5 percent of delinquent outstanding property taxes on September 30, 2023. Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

Inventories and prepaid items

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

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

Restricted assets

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

Type	Governmental Activities
Public Safety	\$ <u>75,311</u>

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(1) Summary of significant accounting policies (continued)

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

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

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

Assets	Years
Buildings	50
Improvements other than buildings	20
Gas pipelines	30
Infrastructure	50
Runways and related improvements	50
Vehicles	5
Machinery and equipment	5
Office furniture	5

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(1) Summary of significant accounting policies (continued)

Compensated absences

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

Long-term obligations

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

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

Fund balances – governmental funds

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

- *Nonspendable* – accounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* – amounts that can be used only for specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.
- *Assigned* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- *Unassigned* – all other spendable amounts.



**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(1) Summary of significant accounting policies (continued)

Fund balances – governmental funds (continued)

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

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

Comparative data/reclassifications

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

Deferred outflows/inflows of resources

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

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

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

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(1) Summary of significant accounting policies (continued)

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

	Governmental	Business-Type Activities			Total
	Activities	Gas	Harbor	Sanitation	
Deferred outflows of resources					
Deferred outflows from pension activities	\$ 2,412,595	\$ 174,055	\$ 90,421	\$ 17,951	\$ 2,695,022
Deferred outflows related to OPEB	956,328	63,756	31,877	10,626	1,062,587
Total deferred outflows of resources	<u>\$ 3,368,923</u>	<u>\$ 237,811</u>	<u>\$ 122,298</u>	<u>\$ 28,577</u>	<u>\$ 3,757,609</u>
Deferred inflows of resources					
Deferred inflows related to pensions	\$ 21,441	\$ 1,547	\$ 804	\$ 160	\$ 23,952
Deferred inflows related to OPEB	2,363,909	157,595	78,796	26,266	2,626,566
Deferred inflows related to leases	711,497	-	-	-	711,497
Deferred inflows of resources	<u>\$ 3,096,847</u>	<u>\$ 159,142</u>	<u>\$ 79,600</u>	<u>\$ 26,426</u>	<u>\$ 3,362,015</u>

**Pensions**

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

**Other postemployment benefits**

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

**Net position flow assumption**

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

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(1) Summary of significant accounting policies (continued)

Implementation of new accounting principle

The City adopted the provisions of GASB Statement No. 96, *Subscription Based Information Technology Arrangements* (SBITA's) during the fiscal year 2023. The statement is based on the principle that SBITAs are financings of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). It establishes that a SBITA results in a right to use subscription asset (an intangible asset) and a corresponding subscription liability.

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

Below are explanations of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this (\$40,676,879) difference are as follows:

Right to use payables	\$ (221,567)
Bonds payable	(20,595,000)
Tax notes payable	(8,960,000)
Bond premium	(1,271,002)
OPEB liabilities	(3,000,616)
Net pension liability	(5,943,182)
Accrued interest payable	(219,643)
Compensated absences	(465,869)
	<u>\$ (40,676,879)</u>

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The details of this \$63,796,397 difference are as follows:

Capital assets not being depreciated	\$ 24,544,138
Capital assets being depreciated	80,323,542
Accumulated depreciation	<u>(41,071,283)</u>
Net adjustment to increase net changes in fund balances - total funds to arrive at changes in net position of governmental activities	<u>\$ 63,796,397</u>

The governmental fund balance sheet includes reconciliation fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). The details of this \$149,393 difference are as follows:

Property taxes receivable	\$ 157,256
Allowance for doubtful accounts	<u>(7,863)</u>
Net	<u>\$ 149,393</u>

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that other long-term assets/liabilities are unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). The details of the \$983,573 difference is as follows:

Fines and fees receivable	\$ -
<u>GASB 68</u>	
Deferred outflows of resources - pensions	2,412,595
Deferred inflows of resources - pensions	(21,441)
<u>GASB 75</u>	
Deferred outflows of resources - TMRS	49,666
Deferred outflows of resources - Retiree health	906,662
Deferred inflows of resources - TMRS	(126,803)
Deferred inflows of resources - Retiree health	<u>(2,237,106)</u>
Net	<u>\$ 983,573</u>

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$6,970,753 difference are as follows:

Capital outlay - additions not being depreciated	\$ 6,347,330
Capital outlay - additions being depreciated	5,775,585
Depreciation expense	(5,146,679)
Loss on disposals of assets	<u>(5,483)</u>
Net adjustment to increase net changes in fund balances - total	
funds to arrive at changes in net position of governmental activities	<u><u>\$ 6,970,753</u></u>

(3) Stewardship, compliance, and accountability

Budgetary information

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

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

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

Deficit fund equity

On September 30, 2023, the airport fund had a deficit of (\$52,011). The deficit is expected to be liquidated with future resources of the fund.

On September 30, 2023, the City has a deficit unrestricted net position in the gas, harbor, and sanitation enterprise funds of (\$88,073), (\$488,144), and (\$267,532), respectively. This deficit is due to the District’s implementation of accounting standards Statement No. 68 related to the net pension liability and Statement No. 75 related to other postemployment benefits liabilities.

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(4) Detailed notes on all funds

Deposits and investments

Legal and contractual provisions governing deposits and investments: The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investment, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

Deposits

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a deposit policy for custodial credit risk. As of September 30, 2023, the City had a bank balance of \$575,575 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 \$4,492,142 and the FDIC coverage is \$250,000. The City also has a balance of \$134,065 with Value Bank of Texas and FDIC coverage of \$250,000. At September 30, 2023 the City reported a bank overdraft of (\$279,128). The overall book balance of the City's bank balances on September 30, 2023, is \$183,559.

Investments

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

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

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

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(4) Detailed notes on all funds (continued)

Deposits and investments (continued)

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

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

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

*Concentration of credit risk.* The City places no limit on the amount the City may invest in any one issuer. TexPool (90% of portfolio), Texas Class (8% of portfolio), and certificates of deposits (2%).

As of September 30, 2023 the City had the following pooled and cash investments:

	<u>Carrying Amount</u>	<u>Maturity (WAM) days</u>	<u>Rating</u>
Cash on hand	\$ 1,271	1	N/A
Cash in bank	166,156	1	N/A
Bank overdraft	(279,128)	1	N/A
Money market	295,260	1	N/A
TexPool	60,147,336	24	AAAm
Texas Class	5,678,586	49	AAAm
Certificates of deposit	<u>1,140,000</u>	394	N/A
Total pooled cash and investments	<u>\$ 67,149,481</u>		
Portfolio weighted after maturity (days)		<u>32</u>	<u>0</u>

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(4) Detailed notes on all funds (continued)

Receivables

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

	General	Beach	Hotel/ Motel Fund	Airport	Debt Service	Construction	Nonmajor Funds	Total Governmental Funds
Receivables:								
Taxes - ad valorem	\$ 116,052	\$ -	\$ -	\$ -	\$ 41,204	\$ -	\$ -	\$ 157,256
Taxes - sales	266,997	-	-	-	-	-	133,498	400,495
Intergovernmental	37,338	244,418	-	66,759	-	759,182	251,217	1,358,914
Accounts	-	-	-	665	-	-	-	665
Other	38,685	-	379	-	-	-	-	39,064
Gross receivables	459,072	244,418	379	67,424	41,204	759,182	384,715	1,956,394
Less allowances for uncollectibles	(10,970)	-	-	-	(2,060)	-	-	(13,030)
Net total receivables	<u>\$ 448,102</u>	<u>\$ 244,418</u>	<u>\$ 379</u>	<u>\$ 67,424</u>	<u>\$ 39,144</u>	<u>\$ 759,182</u>	<u>\$ 384,715</u>	<u>\$ 1,943,364</u>

	Gas	Sanitation	Harbor	Total Enterprise Funds	Grand Total
Receivables:					
Taxes - ad valorem	\$ -	\$ -	\$ -	\$ -	\$ 157,256
Taxes - sales	-	-	-	-	400,495
Intergovernmental	-	-	2,465,517	2,465,517	3,824,431
Accounts	5,681	39,735	172,505	217,921	218,586
Other	-	-	-	-	39,064
Gross receivables	5,681	39,735	2,638,022	2,683,438	4,639,832
Less allowances for uncollectibles	-	-	-	-	(13,030)
Net total receivables	<u>\$ 5,681</u>	<u>\$ 39,735</u>	<u>\$ 2,638,022</u>	<u>\$ 2,683,438</u>	<u>\$ 4,626,802</u>

The receivables are expected to be collected within one year.

Lease receivable

The City has entered into various (18) lease agreements as the lessor for the use of hangers at the City's airport. The leases have interest rates ranging from 1.608% to 3.434%. The value of the lease receivable on September 30, 2023 is \$710,560 and the City recognized lease revenue of \$29,341 during the fiscal year.

Future minimum lease payments are as follows:

GOVERNMENTAL ACTIVITIES			
Fiscal Year	Principal	Interest	Total
September 30,			
2024	\$ 29,784	\$ 14,251	\$ 44,035
2025	30,348	13,688	44,036
2026	30,923	13,112	44,035
2027	31,510	12,525	44,035
2028	32,109	11,926	44,035
2029 - 2033	169,971	50,204	220,175
2034 - 2038	186,919	33,256	220,175
2039 - 2043	140,917	15,568	156,485
2044 - 2047	58,079	3,523	61,602
	<u>\$ 710,560</u>	<u>\$ 168,053</u>	<u>\$ 878,613</u>



**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(4) Detailed notes on all funds (continued)

Capital assets

Capital asset activity for governmental activities for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,700,517	\$ -	\$ -	\$ 11,700,517
Construction in progress	<u>16,510,861</u>	<u>6,347,330</u>	<u>(10,014,570)</u>	<u>12,843,621</u>
Total capital assets, not being depreciated	<u>28,211,378</u>	<u>6,347,330</u>	<u>(10,014,570)</u>	<u>24,544,138</u>
Capital assets, being depreciated:				
Infrastructure	40,996,668	82,133	-	41,078,801
Buildings	10,286,546	13,969,860	-	24,256,406
Machinery and equipment	6,893,380	832,169	(533,880)	7,191,669
Vehicles	6,650,674	620,193	(121,191)	7,149,676
Right to use lease assets	295,032	-	(24,730)	270,302
Right to use subscription assets	<u>119,268</u>	<u>285,800</u>	<u>(28,380)</u>	<u>376,688</u>
Total capital assets being depreciated	<u>65,241,568</u>	<u>15,790,155</u>	<u>(708,181)</u>	<u>80,323,542</u>
Less accumulated depreciation for:				
Infrastructure	(24,904,754)	(2,656,304)	-	(27,561,058)
Buildings	(3,996,647)	(657,787)	-	(4,654,434)
Machinery and equipment	(4,708,669)	(734,358)	528,397	(4,914,630)
Vehicles	(2,917,829)	(847,723)	121,191	(3,644,361)
Right to use lease assets	(99,403)	(99,403)	24,730	(174,076)
Right to use subscription assets	<u>-</u>	<u>(151,104)</u>	<u>28,380</u>	<u>(122,724)</u>
Total accumulated depreciation	<u>(36,627,302)</u>	<u>(5,146,679)</u>	<u>702,698</u>	<u>(41,071,283)</u>
Total capital assets being depreciated, net	<u>28,614,266</u>	<u>10,643,476</u>	<u>(5,483)</u>	<u>39,252,259</u>
Governmental activities capital assets, net	<u>\$ 56,825,644</u>	<u>\$ 16,990,806</u>	<u>\$ (10,020,053)</u>	<u>\$ 63,796,397</u>

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

**(4) Detailed notes on all funds (continued)**

**Capital assets (continued)**

Capital asset activity for business-type activities for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Construction in progress	\$ 11,631,774	\$ 12,872,931	\$ (38,858)	\$ 24,465,847
Total capital assets, not being depreciated	<u>11,631,774</u>	<u>12,872,931</u>	<u>(38,858)</u>	<u>24,465,847</u>
<b>Capital assets, being depreciated:</b>				
Infrastructure	18,378,794	1,087,028	-	19,465,822
Buildings	288,418	-	-	288,418
Machinery and equipment	523,044	12,091	-	535,135
Vehicles	260,682	-	(2,282)	258,400
Right to use lease assets	<u>252,374</u>	<u>-</u>	<u>-</u>	<u>252,374</u>
Total capital assets being depreciated	<u>19,703,312</u>	<u>1,099,119</u>	<u>(2,282)</u>	<u>20,800,149</u>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(8,080,934)	(906,398)	-	(8,987,332)
Buildings	(202,098)	(13,504)	-	(215,602)
Machinery and equipment	(329,234)	(85,645)	-	(414,879)
Vehicles	(160,036)	(42,389)	2,282	(200,143)
Right to use lease assets	<u>(10,408)</u>	<u>(10,408)</u>	<u>-</u>	<u>(20,816)</u>
Total accumulated depreciation	<u>(8,782,710)</u>	<u>(1,058,344)</u>	<u>2,282</u>	<u>(9,838,772)</u>
Total capital assets being depreciated, net	<u>10,920,602</u>	<u>40,775</u>	<u>-</u>	<u>10,961,377</u>
Business-type activities capital assets, net	<u>\$ 22,552,376</u>	<u>\$ 12,913,706</u>	<u>\$ (38,858)</u>	<u>\$ 35,427,224</u>

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

<b>Governmental Activities</b>	
General administration	\$ 2,175,144
Public facilities	213,160
Public safety	1,109,470
Culture and recreation	<u>1,648,905</u>
Total depreciation expense - governmental activities	<u>\$ 5,146,679</u>
<b>Business-Type Activities</b>	
Gas	\$ 83,275
Harbor	887,559
Sanitation	<u>87,510</u>
Total depreciation expense - business-type activities	<u>\$ 1,058,344</u>

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

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(4) Detailed notes on all funds (continued)

Interfund balances and transfers

Interfund balances represent reimbursements for expenditures paid or cash received on behalf of other funds and are expected to be liquidated in the next fiscal year. In the fund financial statements, the City had the below interfund balances as September 30, 2023:

	Due To	Due From
General Fund	\$ -	\$ 1,831,299
Airport Fund	130,487	-
Harbor Fund	1,505,838	-
Sanitation Fund	194,974	-
Total	\$ 1,831,299	\$ 1,831,299

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

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**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(4) Detailed notes on all funds (continued)

Interfund balances and transfers (continued)

In the year ended September 30, 2023, the government made the following one-time transfers:

	Transfers	
	In	Out
General Fund		
Nonmajor Governmental Funds	\$ -	\$ 622,500
Total General Fund	-	622,500
Beach Fund		
Sanitation Fund	-	278,976
Total Beach Fund	-	278,976
Hurricane Harvey Fund		
Gas Fund	-	7,548,967
Total Hurricane Harvey Fund	-	7,548,967
Debt Service Fund		
Impact Fees Zone 1	522,712	-
Impact Fees Zone 2	71,400	-
Hotel/Motel Special Revenue Fund	227,950	-
Harbor Fund	575,700	-
Total Debt Service Fund	1,397,762	-
Hotel/Motel Special Revenue Fund		
Nature Preserve Fund	-	611,323
Harbor Fund	-	2,066,138
Debt Service Fund	-	227,950
Total Hotel/Motel Special Revenue Fund	-	2,905,411
Construction Fund		
Harbor Fund	-	260,306
Total Construction Fund	-	260,306
Nonmajor Governmental Funds		
Impact Fees Zone 1	-	522,712
Impact Fees Zone 2	-	71,400
Drainage Impact Fees	174,650	-
Street Maintenance Fund	447,850	-
Nature Preserve Fund	611,323	-
Total Nonmajor Governmental Funds	1,233,823	594,112
Harbor Fund		
Debt Service Fund	-	575,700
Construction Fund	260,306	-
Hotel/Motel Special Revenue Fund	2,066,138	-
Total Harbor Fund	2,326,444	575,700
Gas Fund		
Hurricane Harvey Fund	7,548,967	-
Total Gas Fund	7,548,967	-
Sanitation Fund		
Beach Fund	278,976	-
Total Sanitation Fund	278,976	-
Total Funds	\$ 12,785,972	\$ 12,785,972

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(4) Detailed notes on all funds (continued)

Long-term liabilities

Right to use lease obligations

At September 30, 2023, the City was obligated under the right to use leases for the Jail (\$270,302) and a copier (\$24,730) in the governmental activities and Robert’s Point Park (\$248,135) and a collection station sublease (\$4,239) in the business-type activities. The Jail was leased for a term of 3 years at a fixed interest rate of 3.28% with a monthly payment of \$7,343. The copier was leased for a term of 2 years at a fixed interest rate of 2.48% with a monthly payment of \$1,033. Robert’s Point Park was leased for a term of 26.5 years at a fixed interest rate of 1.851% with an annual payment of \$12,000. The collection substation was leased for a term of 4 years at a fixed interest rate of 4.31% with an annual payment of \$1,067.

Future minimum lease payments for these leases are as follows:

Fiscal Year September 30,	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 87,936	\$ 180	\$ 88,116	\$ 8,785	\$ 4,282	\$ 13,067
2025	7,341	2	7,343	8,933	4,135	13,068
2026	-	-	-	8,016	3,984	12,000
2027	-	-	-	8,164	3,836	12,000
2028	-	-	-	8,315	3,685	12,000
2029 - 2033	-	-	-	43,943	16,057	60,000
2034 - 2038	-	-	-	48,163	11,837	60,000
2039 - 2043	-	-	-	52,789	7,211	60,000
2044 - 2048	-	-	-	45,858	2,142	48,000
	<u>\$ 95,277</u>	<u>\$ 182</u>	<u>\$ 95,459</u>	<u>\$ 232,966</u>	<u>\$ 57,169</u>	<u>\$ 290,135</u>

Right to use subscriptions obligations

At September 30, 2023, the City was obligated under the right to use subscriptions for various software (\$376,688) in the governmental activities. The software terms of ranges 2-4 years with interest rates ranging from 2.68% - 3.144%. Total monthly payments on subscriptions outstanding is \$7,825.

Future minimum lease payments for these leases are as follows:

Fiscal Year September 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 50,448	\$ 4,002	\$ 54,450
2025	37,420	2,030	39,450
2026	38,422	1,028	39,450
	<u>\$ 126,290</u>	<u>\$ 7,060</u>	<u>\$ 133,350</u>

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(4) Detailed notes on all funds (continued)

Long-term liabilities

Certificates of obligation, general obligation bonds, and tax notes

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

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

Governmental Activities	Date of Issuance	Original Amount of Issuance	Interest Rate to Maturity	Maturity Date	Balances Sept. 30, 2023
General Obligation Debt:					
General Obligation Bonds, Series 2012	2/1/2012	\$ 6,400,000	1.75-2.125%	2/1/2027	\$ 2,100,000
General Obligation Bonds, Series 2017	2/15/2017	4,380,000	2.70-4.00	2/1/2032	2,930,000
General Obligation Refunding Bonds, Series 2019	3/28/2019	2,020,000	2.56	9/30/2024	425,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	10/1/2014	1,685,000	2.49	2/1/2029	755,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	11/15/2017	6,300,000	3.00	2/1/2033	4,980,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2021	3/17/2021	2,695,000	2.00-3.00	9/30/2036	2,545,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2022	2/16/2022	885,000	2.00-4.00	2/1/2037	840,000
General Obligation Bonds, Series 2023	4/19/2023	6,020,000	4.00-5.00	2/1/1938	<u>6,020,000</u>
Total bonded debt					<u>20,595,000</u>
Tax Notes, Series 2021	3/18/2021	1,790,000	2.00-3.00	2/1/2028	1,315,000
Tax Notes, Series 2022	9/28/2022	9,115,000	2.62-2.85	2/1/2029	<u>7,645,000</u>
Total tax notes					<u>8,960,000</u>
Total long-term debt					<u>\$ 29,555,000</u>

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

Year Ending September 30,	General Obligation Bonds		
	Governmental Activities		
	Principal	Interest	Total
2024	\$ 1,960,000	\$ 766,949	\$ 2,726,949
2025	1,905,000	605,159	2,510,159
2026	1,970,000	547,425	2,517,425
2027	2,040,000	485,607	2,525,607
2028	1,540,000	425,685	1,965,685
2029-2033	7,610,000	1,307,833	8,917,833
2034-2038	<u>3,570,000</u>	<u>326,200</u>	<u>3,896,200</u>
	<u>\$ 20,595,000</u>	<u>\$ 4,464,858</u>	<u>\$ 25,059,858</u>
Average annual requirements			<u>\$ 1,670,657</u>

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

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

Debt service requirements on tax notes are as follows:

Year ending September 30,	Tax Notes		
	Governmental Activities		
	Principal	Interest	Total
2024	\$ 1,440,000	\$ 224,816	\$ 1,664,816
2025	1,475,000	188,195	1,663,195
2026	1,515,000	148,820	1,663,820
2027	1,560,000	106,190	1,666,190
2028	1,605,000	61,653	1,666,653
2029	1,365,000	19,451	1,384,451
	\$ 8,960,000	\$ 749,125	\$ 9,709,125

Average annual requirements \$ 1,618,188

Capital leases

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

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

The capital lease was paid in full as of September 30, 2023.

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

**(4) Detailed notes on all funds (continued)**

**Changes in long-term liabilities**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2023:

	Beginning Balance	Additions	Retirements/ Reductions	Ending Balance	Due Within One Year	Due After One Year
<b>Governmental activities:</b>						
General obligation bonds	\$ 16,470,000	\$ 6,020,000	\$ (1,895,000)	\$ 20,595,000	\$ 1,960,000	\$ 18,635,000
Tax notes	10,675,000	-	(1,715,000)	8,960,000	1,440,000	7,520,000
Bond premiums	<u>737,233</u>	<u>648,351</u>	<u>(114,582)</u>	<u>1,271,002</u>	<u>-</u>	<u>1,271,002</u>
Total long-term debt	<u>27,882,233</u>	<u>6,668,351</u>	<u>(3,724,582)</u>	<u>30,826,002</u>	<u>3,400,000</u>	<u>27,426,002</u>
<b>Other long-term liabilities:</b>						
OPEB liability - TMRS	395,285	-	(106,730)	288,555	-	288,555
OPEB liability - Retiree Health	2,657,776	54,285	-	2,712,061	-	2,712,061
Net pension liability - TMRS	1,167,312	4,775,870	-	5,943,182	-	5,943,182
Right to use lease liability	195,302	-	(100,025)	95,277	87,936	7,341
Right to use subscription liability	57,668	222,820	(154,198)	126,290	50,448	75,842
Compensated absences	<u>366,746</u>	<u>190,810</u>	<u>(91,687)</u>	<u>465,869</u>	<u>116,467</u>	<u>349,402</u>
Total other long-term liabilities	<u>4,840,089</u>	<u>5,243,785</u>	<u>(452,640)</u>	<u>9,631,234</u>	<u>254,851</u>	<u>9,376,383</u>
 Total governmental activities	 <u>32,722,322</u>	 <u>11,912,136</u>	 <u>(4,177,222)</u>	 <u>40,457,236</u>	 <u>3,654,851</u>	 <u>36,802,385</u>
 <b>Business-type activities:</b>						
OPEB liability - TMRS	43,920	-	(11,859)	32,061	-	32,061
OPEB liability - Retiree Health	295,308	6,031	-	301,339	-	301,339
Net pension liability	129,701	566,032	-	695,733	-	695,733
Right to use lease liability	241,606	-	(8,640)	232,966	8,785	224,181
Compensated absences	<u>22,659</u>	<u>20,336</u>	<u>(5,665)</u>	<u>37,330</u>	<u>9,333</u>	<u>27,997</u>
Total business-type activities	<u>733,194</u>	<u>592,399</u>	<u>(26,164)</u>	<u>1,299,429</u>	<u>18,118</u>	<u>1,281,311</u>
 Total long-term liabilities	 <u>\$ 33,455,516</u>	 <u>\$ 12,504,535</u>	 <u>\$ (4,203,386)</u>	 <u>\$ 41,756,665</u>	 <u>\$ 3,672,969</u>	 <u>\$ 38,083,696</u>

**Segment information**

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



**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(5) Other information

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the City carries commercial insurance. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

General liability insurance

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

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

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

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

Property and casualty insurance

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

Worker's compensation insurance

The City insures against workers' compensation claims through TML.

Group health and life insurance

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

Unemployment compensation insurance

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

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(5) Other information

Contingent liabilities

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

Related party transactions

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

(6) Defined benefit pension plan

Texas Municipal Retirement System (TMRS)

*Plan description* – The City participates as one of the 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [TMRS.com](http://TMRS.com).

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

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

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

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

Employee deposit rate	7.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	20 years at any age, 5 years at 60 and above

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

At December 31, 2022 valuation and measurement date, the following employees were covered by benefit terms:

Active employees	130
Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	<u>74</u>
Total	<u><u>269</u></u>

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

Employees for the City of Port Aransas were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 14.25% and 14.40% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2023 were \$1,273,583 and were equal to the required contributions.

*Net pension liability* – The City’s net pension liability (NPL) was measured as of December 31, 2022 and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions* – The TPL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

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

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

Actuarial assumptions (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.00%	7.70%
Core fixed income	6.00%	4.90%
Non-core fixed income	20.00%	8.70%
Other private and public markets	12.00%	8.10%
Real estate	12.00%	5.80%
Hedge funds	5.00%	6.90%
Private equity	10.00%	11.80%
Total	100.00%	

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

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

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 20,416,632	\$ 19,119,619	\$ 1,297,013
Changes for the year:			
Service cost	1,279,125	-	1,279,125
Interest	1,522,139	-	1,522,139
Changes of benefit terms including substantively automatic status	1,856,638	-	1,856,638
Difference between expected and actual experience	675,970	-	675,970
Changes of assumptions	-	-	-
Contributions - employer	-	906,929	(906,929)
Contributions - employee	-	479,503	(479,503)
Net investment income	-	(1,396,795)	1,396,795
Benefit payments, including refunds of employee contributions	(725,256)	(725,256)	-
Administrative expenses	-	(12,077)	12,077
Other changes	-	14,410	(14,410)
Net changes	<u>4,608,616</u>	<u>(733,286)</u>	<u>5,341,902</u>
Balance at 12/31/2022	<u>\$ 25,025,248</u>	<u>\$ 18,386,333</u>	<u>\$ 6,638,915</u>

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	<u>\$ 10,450,719</u>	<u>\$ 6,638,915</u>	<u>\$ 3,536,856</u>

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

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

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

For the year ended September 30, 2023, the City recognized pension expense of \$3,360,990.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 490,916	\$ 23,952
Changes in actuarial assumptions	-	-
Difference between projected and actual earnings on investment earnings	1,253,606	-
Contributions subsequent to the measurement date	950,500	-
Total	\$ 2,695,022	\$ 23,952

\$950,500 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

September 30,	Amortization Expense
2024	\$ 256,002
2025	499,730
2026	427,363
2027	537,475
2028	-
Thereafter	-
Total	\$ 1,720,570

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(7) Post retirement benefits other than pensions

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

Aggregate amounts for the two OPEB plans are as follows:

	Medical OPEB	TMRS SDBF	Total
OPEB liability	\$3,013,400	\$ 320,616	\$ 3,334,016
Deferred outflows of resources	1,007,402	55,185	1,062,587
Deferred inflows of resources	2,485,674	140,892	2,626,566
OPEB expense	94,996	23,238	118,234

Medical benefits

Plan description, benefits provided, and contributions

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

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

At September 30, 2023, the following employees were covered by the benefit terms:

Retirees currently receiving benefits	11
Inactive employees entitled to but not receiving benefits	-
Active employees	129
Total	140

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

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

OPEB liability

The City's OPEB liability of \$3,013,400 was measured as of September 30, 2023, and was determined by an actuarial valuation as of September 30, 2023.

Changes in the total OPEB liability:

Balance at September 30, 2022	\$	2,953,084
Changes for the year:		
Service cost		173,129
Interest on total OPEB liability		147,811
Changes of benefit terms		(152,979)
Difference between expected and actual experience		(52,765)
Changes of assumptions		-
Benefit payments		<u>(54,880)</u>
Net changes		<u>60,316</u>
 Balance at September 30, 2023	 \$	 <u>3,013,400</u>

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.87%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.87%) or 1-percentage-point higher (5.87%) than the current rate:

	1% Decrease <u>(3.87%)</u>	Current Discount Rate (4.87%)	1% Increase <u>(5.87%)</u>
OPEB liability	<u>\$ 2,547,744</u>	<u>\$ 3,013,400</u>	<u>\$ 3,602,093</u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rates:

	1% Decrease <u>(3.50%)</u>	Current Healthcare Cost Trend Rate Assumption (4.50%)	1% Increase <u>(5.50%)</u>
OPEB liability	<u>\$ 2,493,378</u>	<u>\$ 3,013,400</u>	<u>\$ 3,688,267</u>



**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

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

OPEB liability (continued)

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

For the year ended September 30, 2023, the City reported OPEB expense of \$94,996 and deferred outflows of resources as determined inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 658,843	\$ 1,023,159
Changes in actuarial assumptions	348,559	1,462,515
Contributions made subsequent to the measurement date	-	-
Total	\$ 1,007,402	\$ 2,485,674

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

Year Ended September 30,	Net Deferred Outflows/(Inflows)
2024	\$ (225,944)
2025	(225,944)
2026	(225,944)
2027	(323,725)
2028	(313,785)
Thereafter	(162,930)
	\$ (1,478,272)

Actuarial valuation information:

Actuarial assumptions and other inputs - the OPEB liability in the September 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50%
Discount rate	4.87%

The discount rate was based on the average of the September 30, 2023, Fidelity General Obligation AA 20-year yield and the S&P Municipal Bond 20 year high grade index.

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

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

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

OPEB liability (continued)

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

- The discount rate was changed from 4.77% to 4.87% based on updated 20-year municipal bond rates.

Supplemental death benefits fund (SDBF)

Plan description

The City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (SDBF). SDBF provides group-term life insurance to employees who are active members in TMRS. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1<sup>st</sup> of any year to be effective the following January 1<sup>st</sup>.

Benefits provided

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

Contributions

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

The contribution rate for the City was 0.36% and 0.21% for calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2023 were \$11,075 and were equal to the required contributions.

At December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	130
Inactive employees currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	<u>18</u>
Total	<u><u>193</u></u>

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

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

Other postemployment benefits (OPEB) liability

The City’s total OPEB liability of \$320,616 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Discount rate *	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

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

Other postemployment benefits (OPEB) liability (continued)

Changes in the total OPEB liability:

Balance at December 31, 2021	\$	439,205
Changes for the year:		
Service cost		31,978
Interest on the total OPEB liability		8,299
Changes of benefit terms		-
Differences between expected and actual experience		870
Changes of assumptions		(151,360)
Benefit payments*		<u>(8,376)</u>
Net changes		<u>(118,589)</u>
 Balance at December 31, 2022	 \$	 <u>320,616</u>

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

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's OPEB would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease <u>(3.05%)</u>	Current Discount Rate (4.05%)	1% Increase <u>(5.05%)</u>
OPEB liability	\$ <u>378,967</u>	\$ <u>320,616</u>	\$ <u>274,736</u>

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$23,238 related to the SDBF.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 690	\$ 18,577
Changes in actuarial assumptions	45,913	122,315
Contributions made subsequent to the measurement date	<u>8,582</u>	<u>-</u>
Total	<u>\$ 55,185</u>	<u>\$ 140,892</u>

**CITY OF PORT ARANSAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

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

Other postemployment benefits (OPEB) liability (continued)

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

The City reported \$8,582 as deferred outflows of resources related to the OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>September 30,</u>	<u>Amortization Expense</u>
2024	\$ (17,849)
2025	(18,730)
2026	(31,592)
2027	<u>(26,118)</u>
Total	<u>\$ (94,289)</u>

(8) Prior period adjustments

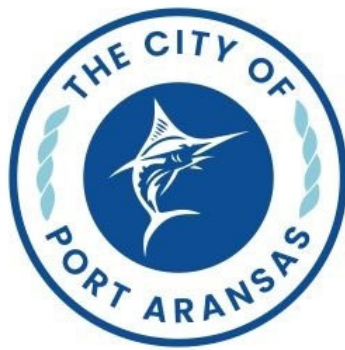
The City recognized the below restatements to the beginning fund balances and net position for the fiscal year ended September 30, 2023:

	Governmental Activities		Nonmajor Governmental Funds	
	Net Position	Hurricane Harvey Fund	Winter Storm Uri Fund	Library Fund
Implementation of GASB 96, SBITAs	\$ 61,600	\$ -	\$ -	\$ -
Grant receivable reported in wrong fund	-	(41,811)	41,811	-
Certificate of deposit not recognized in the prior year	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
Total	<u>\$ 131,600</u>	<u>\$ (41,811)</u>	<u>\$ 41,811</u>	<u>\$ 70,000</u>

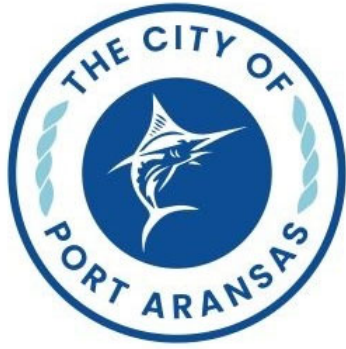
(9) Subsequent event

In preparing the financial statements, the management of the City of Port Aransas has evaluated events and transactions for potential recognition or disclosure through May 16, 2024, the date the financial statements were available to be issued.

In December 2023, the City issued \$13,140,000 Tax Notes, Series 2024, to be used for the construction of a recreational center.



**REQUIRED SUPPLEMENTARY INFORMATION**





**CITY OF PORT ARANSAS, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND**

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

**For the year ended September 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 6,037,900	\$ 6,037,900	\$ 5,894,617	\$ (143,283)
Sales	2,250,000	2,450,000	2,600,183	150,183
Franchise	601,000	601,000	648,585	47,585
Intergovernmental	987,400	987,400	1,239,917	252,517
Licenses and permits	1,970,500	1,695,500	1,767,647	72,147
Charges for services	1,395,000	1,395,000	1,672,754	277,754
Fines and forfeitures	382,750	382,750	555,217	172,467
Interest	50,000	1,050,000	1,290,838	240,838
Miscellaneous	87,800	87,800	151,295	63,495
Total revenues	<u>13,762,350</u>	<u>14,687,350</u>	<u>15,821,053</u>	<u>1,133,703</u>
Expenditures:				
Current:				
General administration	3,922,595	4,173,595	3,600,029	573,566
Legal	125,500	155,500	145,945	9,555
Financial administration	372,300	372,300	304,636	67,664
Public facilities	1,346,050	1,381,050	1,128,246	252,804
Public safety	6,345,675	6,292,675	5,611,196	681,479
Public transportation	265,700	265,700	175,959	89,741
Culture and recreation	1,037,450	1,068,450	1,047,029	21,421
Capital outlay	1,210,375	1,218,875	880,712	338,163
Debt service:				
Principal retirement	-	-	163,312	(163,312)
Interest retirement	-	-	313	(313)
Total expenditures	<u>14,625,645</u>	<u>14,928,145</u>	<u>13,057,377</u>	<u>1,870,768</u>
Excess (deficiency) of revenues over (under) expenditures	(863,295)	(240,795)	2,763,676	3,004,471
Other financing sources (uses):				
Transfers out	-	(622,500)	(622,500)	-
Proceeds from right to use subscriptions	-	-	222,820	222,820
Total other financing sources (uses)	<u>-</u>	<u>(622,500)</u>	<u>(399,680)</u>	<u>222,820</u>
Net change in fund balances	(863,295)	(863,295)	2,363,996	3,227,291
Fund balance at October 1, 2022	<u>16,682,074</u>	<u>16,682,074</u>	<u>16,682,074</u>	<u>-</u>
Fund balance at September 30, 2023	<u>\$ 15,818,779</u>	<u>\$ 15,818,779</u>	<u>\$ 19,046,070</u>	<u>\$ 3,227,291</u>

**CITY OF PORT ARANSAS, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
BEACH FUND**

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

**For the year ended September 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenues:				
Taxes:				
Hotel/Motel	\$ 2,750,000	\$ 2,750,000	\$ 2,997,245	\$ 247,245
Beach parking permits	317,000	317,000	1,221,490	904,490
Intergovernmental	1,387,000	1,387,000	459,580	(927,420)
Interest	<u>1,500</u>	<u>1,500</u>	<u>176,343</u>	<u>174,843</u>
Total revenues	<u>4,455,500</u>	<u>4,455,500</u>	<u>4,854,658</u>	<u>399,158</u>
Expenditures:				
Culture and recreation:				
Lifeguards and permits	534,950	753,950	694,705	59,245
Beach public works	3,133,900	3,133,900	2,843,647	290,253
Capital outlay	<u>1,010,000</u>	<u>1,010,000</u>	<u>151,921</u>	<u>858,079</u>
Total expenditures	<u>4,678,850</u>	<u>4,897,850</u>	<u>3,690,273</u>	<u>1,207,577</u>
Excess (deficiency) of revenues over (under) expenditures	(223,350)	(442,350)	1,164,385	1,606,735
Other financing sources (uses):				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(278,976)</u>	<u>(228,976)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(278,976)</u>	<u>(228,976)</u>
Net change in fund balances	(273,350)	(492,350)	885,409	1,377,759
Fund balance at October 1, 2022	<u>6,555,071</u>	<u>6,555,071</u>	<u>6,555,071</u>	<u>-</u>
Fund balance at September 30, 2023	<u>\$ 6,281,721</u>	<u>\$ 6,062,721</u>	<u>\$ 7,440,480</u>	<u>\$ 1,377,759</u>

**CITY OF PORT ARANSAS, TEXAS**

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

**For the year ended September 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenues:				
Taxes:				
Hotel/Motel	\$ 4,342,865	\$ 4,855,915	\$ 4,887,652	\$ 31,737
Interest	<u>1,000</u>	<u>1,000</u>	<u>46,772</u>	<u>45,772</u>
Total revenues	<u>4,343,865</u>	<u>4,856,915</u>	<u>4,934,424</u>	<u>77,509</u>
Expenditures:				
General administration:				
Mayor and council	<u>4,342,850</u>	<u>4,855,900</u>	<u>4,888,048</u>	<u>(32,148)</u>
Total expenditures	<u>4,342,850</u>	<u>4,855,900</u>	<u>4,888,048</u>	<u>(32,148)</u>
Net change in fund balances	1,015	1,015	46,376	45,361
Fund balance at October 1, 2022	<u>85,436</u>	<u>85,436</u>	<u>85,436</u>	<u>-</u>
Fund balance at September 30, 2023	<u>\$ 86,451</u>	<u>\$ 86,451</u>	<u>\$ 131,812</u>	<u>\$ 45,361</u>

**CITY OF PORT ARANSAS, TEXAS**

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

**For the year ended September 30, 2023**

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Hotel/Motel	\$ 4,982,135	\$ 5,495,185	\$ 5,640,055	\$ 144,870
Charges for services	15,000	15,000	16,650	1,650
Miscellaneous	17,500	79,500	763	(78,737)
Interest	<u>-</u>	<u>-</u>	<u>300,448</u>	<u>300,448</u>
Total revenues	<u>5,014,635</u>	<u>5,589,685</u>	<u>5,957,916</u>	<u>368,231</u>
 Expenditures:				
Current:				
Culture and recreation	991,035	1,016,035	1,039,063	(23,028)
Capital outlay	<u>1,358,000</u>	<u>1,358,000</u>	<u>1,195,838</u>	<u>162,162</u>
Total expenditures	<u>2,349,035</u>	<u>2,374,035</u>	<u>2,234,901</u>	<u>139,134</u>
 Excess (deficiency) of revenues over (under) expenditures	2,665,600	3,215,650	3,723,015	507,365
 Other financing sources (uses):				
Transfers out	<u>(5,959,615)</u>	<u>(5,959,615)</u>	<u>(2,905,411)</u>	<u>3,054,204</u>
Total other financing sources (uses)	<u>(5,959,615)</u>	<u>(5,959,615)</u>	<u>(2,905,411)</u>	<u>3,054,204</u>
 Net change in fund balances	(3,294,015)	(2,743,965)	817,604	3,561,569
 Fund balance at October 1, 2022	<u>13,497,229</u>	<u>13,497,229</u>	<u>13,497,229</u>	<u>-</u>
Fund balance at September 30, 2023	<u>\$ 10,203,214</u>	<u>\$ 10,753,264</u>	<u>\$ 14,314,833</u>	<u>\$ 3,561,569</u>

**CITY OF PORT ARANSAS, TEXAS**

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

**For the year ended September 30, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	
Revenues:				
Grant proceeds	\$ -	\$ -	\$ 14,700,620	\$ 14,700,620
Total revenues	<u>-</u>	<u>-</u>	<u>14,700,620</u>	<u>14,700,620</u>
Expenditures:				
Current:				
Public safety	-	-	684,265	(684,265)
Capital outlay:				
Capital projects	-	-	7,361,054	(7,361,054)
Debt service:				
Principal	-	-	87,647	(87,647)
Interest	<u>-</u>	<u>-</u>	<u>7</u>	<u>(7)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>8,132,973</u>	<u>(8,132,973)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	6,567,647	6,567,647
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(7,548,967)</u>	<u>(7,548,967)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,548,967)</u>	<u>(7,548,967)</u>
Net change in fund balances	-	-	(981,320)	(981,320)
Fund balance at October 1, 2022	2,635,603	2,635,603	2,635,603	-
Restatement of fund balance	<u>(41,811)</u>	<u>(41,811)</u>	<u>(41,811)</u>	<u>-</u>
Fund balance at October 1, 2022, as restated	<u>2,593,792</u>	<u>2,593,792</u>	<u>2,593,792</u>	<u>-</u>
Fund balance at September 30, 2023	<u>\$ 2,635,603</u>	<u>\$ 2,635,603</u>	<u>\$ 1,612,472</u>	<u>\$ (1,023,131)</u>

**CITY OF PORT ARANSAS, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
AIRPORT FUND**

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

**For the year ended September 30, 2023**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 50,000	\$ 30,000
Charges for services	203,500	256,500	277,601	21,101
Interest	1,000	1,000	22,444	21,444
Miscellaneous	<u>          -</u>	<u>          -</u>	<u>      7,713</u>	<u>      7,713</u>
Total revenues	<u>      224,500</u>	<u>      277,500</u>	<u>      357,758</u>	<u>      80,258</u>
 Expenditures:				
Culture and recreation				
Airport	196,475	271,475	247,931	23,544
Capital outlay	<u>      388,554</u>	<u>      505,454</u>	<u>      506,770</u>	<u>      (1,316)</u>
Total expenditures	<u>      585,029</u>	<u>      776,929</u>	<u>      754,701</u>	<u>      22,228</u>
 Excess (deficiency) of revenues over (under) expenditures	 (360,529)	 (499,429)	 (396,943)	 102,486
 Fund balance at October 1, 2022	 <u>      344,932</u>	 <u>      344,932</u>	 <u>      344,932</u>	 <u>          -</u>
Fund balance at September 30, 2023	<u>\$      (15,597)</u>	<u>\$      (154,497)</u>	<u>\$      (52,011)</u>	<u>\$      102,486</u>

**CITY OF PORT ARANSAS, TEXAS**

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

**For the year ended September 30, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	
Revenues:				
Grant proceeds	\$ 4,750,000	\$ 4,750,000	\$ 742,295	\$ (4,007,705)
Interest	-	-	286,097	286,097
Total revenues	<u>4,750,000</u>	<u>4,750,000</u>	<u>1,028,392</u>	<u>(3,721,608)</u>
Expenditures:				
Capital outlay:				
Capital projects	5,413,477	5,642,477	1,001,045	4,641,432
Debt service:				
Issuance costs	-	-	168,351	(168,351)
Total expenditures	<u>5,413,477</u>	<u>5,642,477</u>	<u>1,169,396</u>	<u>4,473,081</u>
Excess (deficiency) of revenues over (under) expenditures	(663,477)	(892,477)	(141,004)	751,473
Other financing sources (uses):				
Transfers out	-	-	(260,306)	(260,306)
Premium	-	-	648,351	648,351
Proceeds of bond	-	6,500,000	6,020,000	(480,000)
Total other financing sources (uses)	<u>-</u>	<u>6,500,000</u>	<u>6,408,045</u>	<u>(91,955)</u>
Net change in fund balances	(663,477)	5,607,523	6,267,041	659,518
Fund balance at October 1, 2022	<u>10,749,275</u>	<u>10,749,275</u>	<u>10,749,275</u>	-
Fund balance at September 30, 2023	<u>\$ 10,085,798</u>	<u>\$ 16,356,798</u>	<u>\$ 17,016,316</u>	<u>\$ 659,518</u>

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

\*FNP may be off a dollar due to rounding



Plan Year Ended December 31, 2019	Plan Year Ended December 31, 2018	Plan Year Ended December 31, 2017	Plan Year Ended December 31, 2016	Plan Year Ended December 31, 2015	Plan Year Ended December 31, 2014
\$ 842,106	\$ 848,018	\$ 907,907	\$ 826,657	\$ 714,598	\$ 571,442
1,114,685	1,036,361	957,205	875,901	865,317	803,551
-	-	-	-	-	-
(214,179)	(20,913)	-	45,133	(565,781)	(11,868)
125,908	-	1,626	-	105,958	-
<u>(732,215)</u>	<u>(668,095)</u>	<u>(660,131)</u>	<u>(507,493)</u>	<u>(615,455)</u>	<u>(489,225)</u>
1,136,305	1,195,371	1,206,607	1,240,198	504,637	873,900
<u>16,458,907</u>	<u>15,263,536</u>	<u>14,056,929</u>	<u>12,816,731</u>	<u>12,312,094</u>	<u>11,438,194</u>
<u>17,595,212</u>	<u>16,458,907</u>	<u>15,263,536</u>	<u>14,056,929</u>	<u>12,816,731</u>	<u>12,312,094</u>
677,320	676,202	739,519	702,974	642,335	560,988
351,855	349,458	376,985	345,160	308,238	272,766
1,960,094	(380,621)	1,491,703	647,381	13,638	481,740
(732,215)	(668,095)	(660,131)	(507,493)	(615,455)	(489,225)
(11,069)	(7,354)	(7,730)	(7,313)	(8,306)	(5,029)
<u>(333)</u>	<u>(384)</u>	<u>(392)</u>	<u>(394)</u>	<u>(410)</u>	<u>(414)</u>
2,245,652	(30,794)	1,939,954	1,180,315	340,040	820,826
<u>12,671,324</u>	<u>12,702,118</u>	<u>10,762,164</u>	<u>9,581,849</u>	<u>9,241,809</u>	<u>8,420,983</u>
<u>14,916,976</u>	<u>12,671,324</u>	<u>12,702,118</u>	<u>10,762,164</u>	<u>9,581,849</u>	<u>9,241,809</u>
<u>\$ 2,678,236</u>	<u>\$ 3,787,583</u>	<u>\$ 2,561,418</u>	<u>\$ 3,294,765</u>	<u>\$ 3,234,882</u>	<u>\$ 3,070,285</u>
84.78%	76.99%	83.22%	76.56%	74.76%	75.06%
<u>\$ 5,864,246</u>	<u>\$ 5,824,298</u>	<u>\$ 6,283,090</u>	<u>\$ 5,752,659</u>	<u>\$ 5,137,298</u>	<u>\$ 4,546,100</u>
45.67%	65.03%	40.77%	57.27%	62.97%	67.54%

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

**CITY OF PORT ARANSAS, TEXAS**

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

**For the year ended September 30,**

	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 1,306,855	\$ 799,303	\$ 689,194	\$ 687,841	\$ 677,320
Contributions in relation to the actuarially determined contribution	<u>1,306,855</u>	<u>799,303</u>	<u>689,194</u>	<u>687,841</u>	<u>677,320</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 8,867,945</u>	<u>\$ 7,239,887</u>	<u>\$ 6,056,186</u>	<u>\$ 5,894,098</u>	<u>\$ 5,864,246</u>
Contributions as a percentage of covered payroll	14.74%	11.04%	11.38%	11.67%	11.55%

Notes to schedule of contributions

Valuation date

Notes

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

Methods and assumptions used to

Determine contribution rates:

Actuarial cost method

Entry age normal

Amortization method

Level percentage of payroll, closed

Remaining amortization period

21 years

Asset valuation method

10 year smoothed market; 12.0% soft corridor

Actuarial assumption:

Inflation

2.50%

Salary increases

3.50% to 11.50% including inflation

Investment rate of return

6.75%

Retirement age

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

Mortality

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

Other information:

Notes

Increased member contribution rate from 6% to 7%

Removed statutory max.

2018	2017	2016	2015
\$ 676,202	\$ 739,519	\$ 702,974	\$ 642,335
<u>676,202</u>	<u>739,519</u>	<u>702,974</u>	<u>642,335</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,837,617</u>	<u>\$ 5,824,298</u>	<u>\$ 5,752,659</u>	<u>\$ 5,137,298</u>
11.58%	12.70%	12.22%	12.50%

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

**CITY OF PORT ARANSAS, TEXAS**

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

**For the year ended September 30,**

	<u>Plan Year Ended December 31, 2022</u>	<u>Plan Year Ended December 31, 2021</u>	<u>Plan Year Ended December 31, 2020</u>	<u>Plan Year Ended December 31, 2019</u>	<u>Plan Year Ended December 31, 2018</u>
Total OPEB liability					
Service cost	\$ 31,978	\$ 25,500	\$ 22,514	\$ 17,006	\$ 19,803
Interest	8,299	8,632	9,685	10,173	9,256
Differences between expected and actual experience	870	(22,894)	(4,264)	(5,568)	(12,937)
Changes of assumptions	(151,360)	12,916	55,127	55,864	(18,393)
Benefit payments *	<u>(8,376)</u>	<u>(7,580)</u>	<u>(2,729)</u>	<u>(1,759)</u>	<u>(1,747)</u>
Net change in total OPEB liability	(118,589)	16,574	80,333	75,716	(4,018)
Total OPEB liability - beginning	<u>439,205</u>	<u>422,631</u>	<u>342,298</u>	<u>266,582</u>	<u>270,600</u>
Total OPEB liability - ending	<u>\$ 320,616</u>	<u>\$ 439,205</u>	<u>\$ 422,631</u>	<u>\$ 342,298</u>	<u>\$ 266,582</u>
Covered payroll	<u>\$ 7,613,836</u>	<u>\$ 6,891,970</u>	<u>\$ 6,822,433</u>	<u>\$ 6,283,090</u>	<u>\$ 5,824,298</u>
City's OPEB liability as a percentage of covered payroll	4.21%	6.37%	6.19%	5.45%	4.58%

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

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

- 2022 - 4.05%
- 2021 - 1.84%
- 2020 - 2.00%
- 2019 - 2.75%
- 2018 - 3.71%
- 2017 - 3.31%

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

**CITY OF PORT ARANSAS, TEXAS**

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

**For the year ended September 30,**

	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018
Total OPEB liability						
Service cost	\$ 173,129	\$ 258,315	\$ 374,016	\$ 307,141	\$ 191,338	\$ 183,873
Interest	147,811	85,956	112,619	123,008	136,314	126,648
Differences between expected and actual experience	(152,979)	(1,774,021)	(1,429,860)	18,683	(4,841)	-
Changes of assumptions	(52,765)	866,362	(85,226)	(67,046)	907,144	-
Benefit payments	<u>(54,880)</u>	<u>(57,130)</u>	<u>(58,404)</u>	<u>(77,103)</u>	<u>(80,640)</u>	<u>(79,211)</u>
Net change in total OPEB liability	60,316	(620,518)	(1,086,855)	304,683	1,149,315	231,310
Total OPEB liability - beginning	<u>2,953,084</u>	<u>3,573,602</u>	<u>4,660,457</u>	<u>4,355,774</u>	<u>3,206,459</u>	<u>2,975,149</u>
Total OPEB liability - ending	<u>\$ 3,013,400</u>	<u>\$ 2,953,084</u>	<u>\$ 3,573,602</u>	<u>\$ 4,660,457</u>	<u>\$ 4,355,774</u>	<u>\$ 3,206,459</u>
Covered-employee payroll	<u>\$ 8,867,945</u>	<u>\$ 7,239,887</u>	<u>\$ 6,056,186</u>	<u>\$ 5,894,098</u>	<u>\$ 5,864,246</u>	<u>\$ 5,837,617</u>
City's OPEB liability as a percentage of covered-employee payroll	33.98%	40.79%	59.01%	81.42%	97.62%	62.24%

FYE23 - The demographic assumptions were updated to reflect the 2019 TMRS Experience Study and the health care trend rates were updated to better reflect the plan's anticipated experience and the repeal of the excise tax on high-cost employer health plans.

FYE23 - The health care trend assumption was modified.

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

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

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

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