

PORT OF BAY CITY AUTHORITY

ANNUAL FINANCIAL REPORT

For the year ended December 31, 2023

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Port of Bay City Authority
Bay City, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Port of Bay City Authority (the "Port") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Port'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 and each major fund of the Port as of December 31, 2023 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Port and to meet our 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America, and for 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 Port'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 Responsibilities 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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Port'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 Port'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 and budgetary comparison information, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

June 19, 2025

PORT OF BAY CITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

In this section of the Annual Financial Report, we, the commissioners of the Port of Bay City Authority (the "Port"), discuss and analyze the Port's financial performance for the year ended December 31, 2023. Please read it in conjunction with the independent auditors' report on page 1 and the Port's basic financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Port exceeded its liabilities and deferred inflows at the close of the year ended December 31, 2023, by \$30,545,643. Of this amount, \$22,734,918 is available to meet the Port's ongoing obligations.
- As of December 31, 2023, the Port's General Fund reported an ending fund balance of \$22,603,518, which is an increase of \$1,596,695 in comparison with the prior year.
- As of December 31, 2023, the unassigned fund balance for the General Fund was \$15,123,219 or 565% of total expenditures of \$2,674,587.
- As of December 31, 2023, the Port had \$7,830,005, net of accumulated depreciation, invested in capital assets. This amount represents a net increase of \$13,969 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information

Independent Auditors' Report

Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.

Management's Discussion and Analysis

This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.

Pages 3 to 7

Government-wide Financial Statements

Provides information on governmental activities of the Port.

Pages 8 to 10

Fund Financial Statements

Provides information on the financial position of specific funds of the Port.

Pages 11 to 14

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 15 to 37

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities

The analysis of the Port's overall financial condition and operations begins on page 8. Its primary purpose is to show whether the Port's financial condition improved or declined as a result of the year's activities. The Statement of Net Position includes all the Port's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the Port's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the Port's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the Port's net position and changes in them. The Port's net position (the difference between assets and liabilities) provide one measure of the Port's financial health, or financial position. Over time, increases or decreases in the Port's net position are one indicator of whether its financial health is improving or declining. To fully assess the overall health of the Port, however, you should consider non-financial factors as well, such as changes in the Port's property tax base and the condition of the Port's facilities.

In the Statement of Net Position and the Statement of Activities, we disclose the Port's one type of activity:

Governmental activities - All the Port's basic services are reported here. Property taxes, user charges and leases, and unrestricted investment earnings finance most of these activities. Both of the government-wide financial statements distinguish functions of the Port as being principally supported by taxes (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges (business activities). The Port is a single purpose government.

Fund Financial Statements

The fund financial statements begin on page 11. The Port, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Port is a single purpose government and uses only one governmental fund.

Governmental fund - All the Port's basic services are reported in one governmental fund. This uses modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and reports balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the Port's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Port, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,545,643 at the close of the year ended December 31, 2023.

The largest portion of the Port's net position (74%) is unrestricted and may be used to meet the Port's ongoing obligations to citizens and creditors. The remaining balance of net position reflects the Port's investment in capital assets (i.e., land, buildings, machinery, and equipment), net of any related payables. The Port uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

At the end of the current year, the Port is able to report positive balances in all categories of net position, for the government as a whole, as well as for the governmental activities.

| | Port of Bay City Authority | |
|----------------------------------|-----------------------------------|----------------------|
| | Net Position | |
| | Governmental Activities | |
| | <u>2023</u> | <u>2022</u> |
| Current and other assets | \$ 25,525,127 | \$ 23,764,505 |
| Capital assets (net) | 7,830,005 | 7,816,036 |
| Other noncurrent assets | 841,943 | 956,017 |
| Total assets | <u>34,197,075</u> | <u>32,536,558</u> |
| Deferred outflow of resources | <u>77,536</u> | <u>59,895</u> |
| Long-term liabilities | 79,579 | 71,443 |
| Other liabilities | 359,567 | 357,140 |
| Total liabilities | <u>439,146</u> | <u>428,583</u> |
| Deferred inflow of resources | <u>3,289,822</u> | <u>3,258,364</u> |
| Net position | | |
| Net investment in capital assets | 7,810,725 | 7,816,036 |
| Unrestricted | <u>22,734,918</u> | <u>21,093,470</u> |
| Total net position | <u>\$ 30,545,643</u> | <u>\$ 28,909,506</u> |

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

| Port of Bay City Authority | | |
|------------------------------------|----------------------------|----------------------|
| Changes in Net Position | | |
| | Governmental Activities | |
| | 2023 | 2022 |
| REVENUES | | |
| Program revenues: | | |
| Charges for services | \$ 930,899 | \$ 813,456 |
| General revenues: | | |
| Property taxes | 2,325,344 | 2,244,188 |
| Investment earnings (loss) | 1,007,524 | (1,261,650) |
| Loss on disposal of capital assets | - | (72,468) |
| Miscellaneous | 29,444 | 30,941 |
| Total revenues | 4,293,211 | 1,754,467 |
| EXPENSES | | |
| Navigation | 2,598,469 | 1,903,591 |
| Promotion and development | 58,605 | 59,762 |
| Total expenses | 2,657,074 | 1,963,353 |
| Change in net position | 1,636,137 | (208,886) |
| Net position - beginning | 28,909,506 | 29,118,392 |
| Net position - ending | \$ 30,545,643 | \$ 28,909,506 |

The Port's net position increased by \$1,636,137 or 6% from prior year. The increase in total revenues of \$2,538,744 or 145% was primarily due to a \$2,269,174 increase in investment earnings, a result of fluctuations in unrealized gains and losses. In addition, charges for services increased \$117,443 due to an increase in Port wharfage and rental activity from prior year.

The cost of all governmental activities this year was \$2,657,074, compared to \$1,963,353 last year. The net increase in total expenses of \$693,721 or 35% was primarily due to additional professional fees of \$317,260 related to various projects, including the potential harbor expansion. In addition, the Port incurred additional costs for Caney Creek dredging in the amount of \$186,540.

FINANCIAL ANALYSIS OF THE PORT'S FUNDS

As noted earlier, the Port uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the Port completed the year, the General Fund reported a fund balance of \$22,603,518, which is an increase from last year's total of \$21,006,823. Despite a decrease in tax rates, the Port's primary source of revenues, property tax revenues, increased \$61,518 or 3% from prior year due to an increase in taxable values. Charges for services increased \$117,443 or 14% primarily due to an increase in Port wharfage and rental activity from prior year. Investment earnings increased \$2,269,174 as a result of fluctuations in unrealized gains and losses.

At the end of 2023, the General Fund's unassigned fund balance is \$15,123,219, an increase of \$1,596,551 or 12% from prior year. The unassigned fund balance contains funds that are available for spending, subject to regulatory, statutory, and budgetary restrictions. Of the remaining fund balance, \$7,447,000 is committed for specific purposes and \$33,299 relates to prepaid items.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Port's Commissioners amended various revenue budget line items to account for utilization of the Port. The total increase in budgeted revenues was \$819,651, primarily due to increases in expected investment income and charges for services. The expenditure budget was increased in various categories by \$742,014, mainly due to an increase in expected professional fee expenditures for various projects. The actual revenues were more than budgeted amounts by \$38,429, primarily due to higher investment earnings from fluctuations in unrealized gains and losses. Actual expenditures were less than the budgeted amounts by \$254,089, mainly due to less professional fee expenditures than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Port's investment in capital assets as of December 31, 2023 amounts to \$7,830,005, net of accumulated depreciation. The investment in capital assets includes land, machinery and equipment, buildings and improvements, docks and wharves, and infrastructure. The net increase in the Port's investment in capital assets for the current year was \$13,969, or less than 1%.

| Port of Bay City Authority | | |
|---------------------------------------------|----------------------------|---------------------|
| Capital Assets (Net of Depreciation) | | |
| | Governmental Activities | |
| | 2023 | 2022 |
| Land | \$ 3,728,507 | \$ 3,728,507 |
| Construction in progress | 55,674 | 34,711 |
| Machinery and equipment | 71,880 | 25,005 |
| Buildings and improvements | 584,550 | 602,901 |
| Docks and wharves | 2,967,912 | 2,967,745 |
| Infrastructure | 421,482 | 457,167 |
| Total | <u>\$ 7,830,005</u> | <u>\$ 7,816,036</u> |

Major capital asset events during the current year include the completion of the dock and bulkhead improvement project, as well as the purchase of various equipment. Additional information about the Port's capital assets is presented in Note 7 to the financial statements.

At December 31, 2023, the Port reported a net pension liability of \$724 and an OPEB liability of \$78,855. Additional information on the Port's long-term liabilities is presented in Note 12 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Many factors were considered when setting the 2024 budget and tax rates, including the economy and various ongoing projects. The Port's 2024 budget was adopted at \$2,559,145, an increase of \$372,483 from the 2023 original budget. The property tax rate was set at \$0.04743 per \$100 assessed taxable valuation for 2024 operations, which reflects a decrease of \$0.00264 from the prior year's tax rate. The assessed value of the property tax roll on October 1, 2023, upon which the levy for 2024 was based, was \$5,610,311,040. This is an increase of \$931,676,394 from 2023.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Port'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 Port of Bay City Authority, P.O. Box 1426, Bay City, Texas, 77404-1426.

Basic Financial Statements

PORT OF BAY CITY AUTHORITY
STATEMENT OF NET POSITION
December 31, 2023

| | <u>Governmental Activities</u> |
|-----------------------------------------------------------|------------------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 4,638,360 |
| Investments | 18,127,403 |
| Receivables (net) | 2,445,808 |
| Due from other governments | 250,338 |
| Lease receivable - current | 29,919 |
| Prepaid items | <u>33,299</u> |
| Total current assets | <u>25,525,127</u> |
| Noncurrent assets | |
| Capital assets | |
| Land and other assets not being depreciated | 3,784,181 |
| Buildings, improvements, and equipment (net) | <u>4,045,824</u> |
| Net capital assets | 7,830,005 |
| Lease receivable - noncurrent | <u>841,943</u> |
| Total noncurrent assets | <u>8,671,948</u> |
| Total assets | <u>34,197,075</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pension | <u>77,536</u> |
| Total deferred outflows of resources | <u>77,536</u> |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 165,820 |
| Security deposits payable | 84,907 |
| Unearned revenue | <u>108,840</u> |
| Total current liabilities | <u>359,567</u> |
| Noncurrent liabilities | |
| Net pension liability | 724 |
| OPEB liability | <u>78,855</u> |
| Total noncurrent liabilities | <u>79,579</u> |
| Total liabilities | <u>439,146</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - property taxes | 2,400,639 |
| Deferred inflows related to pension | 18,295 |
| Deferred inflows related to right-to-use lease receivable | <u>870,888</u> |
| Total deferred inflows of resources | <u>3,289,822</u> |
| NET POSITION | |
| Net investment in capital assets | 7,810,725 |
| Unrestricted net position | <u>22,734,918</u> |
| Total net position | <u>\$ 30,545,643</u> |

The accompanying notes are an integral part of this statement.

PORT OF BAY CITY AUTHORITY
STATEMENT OF ACTIVITIES
For the year ended December 31, 2023

| <u>Function/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--------------------------------------|------------------|-----------------------------|-------------------------------------------|-----------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities | | | | |
| Navigation | \$ 2,598,469 | \$ 930,899 | \$ - | \$ - |
| Promotion and development | <u>58,605</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>2,657,074</u> | <u>930,899</u> | <u>-</u> | <u>-</u> |

General revenues:
Taxes:
 Property taxes, levied for general purposes
 Unrestricted investment earnings (loss)
 Miscellaneous
Total general revenues

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Governmental
Activities

\$ (1,667,570)
(58,605)
(1,726,175)

2,325,344
1,007,524
29,444

3,362,312

1,636,137

28,909,506

\$ 30,545,643

PORT OF BAY CITY AUTHORITY

BALANCE SHEET

GOVERNMENTAL FUND

December 31, 2023

| | <u>General Fund</u> |
|------------------------------------------------------------------|-----------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 4,638,360 |
| Investments | 18,127,403 |
| Receivables (net) | 2,445,808 |
| Due from other governments | 250,338 |
| Lease receivable - current portion | 29,919 |
| Prepaid items | 33,299 |
| Total current assets | <u>25,525,127</u> |
| Noncurrent assets | |
| Lease receivable - noncurrent portion | <u>841,943</u> |
| Total noncurrent assets | <u>841,943</u> |
| Total assets | <u><u>\$ 26,367,070</u></u> |
| LIABILITIES | |
| Accounts payable | \$ 165,820 |
| Security deposits payable | 84,907 |
| Unearned revenue | <u>108,840</u> |
| Total liabilities | <u>359,567</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - property taxes | 2,533,097 |
| Deferred inflows related to right-to-use lease receivable | <u>870,888</u> |
| Total deferred inflows of resources | <u>3,403,985</u> |
| FUND BALANCES | |
| Nonspendable | |
| Prepaid items | 33,299 |
| Committed | 7,447,000 |
| Unassigned | <u>15,123,219</u> |
| Total fund balances | <u>22,603,518</u> |
| Total liabilities, deferred inflows and fund balances | <u><u>\$ 26,367,070</u></u> |

The accompanying notes are an integral part of this statement.

PORT OF BAY CITY AUTHORITY

*RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES*

December 31, 2023

Total governmental fund balance \$ 22,603,518

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

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as "unavailable" in the funds. 132,458

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

| | | |
|---------------------------------------------------------|--------------------|-----------|
| Governmental capital assets costs | \$ 16,248,240 | |
| Accumulated depreciation of governmental capital assets | <u>(8,418,235)</u> | 7,830,005 |

Deferred outflows of resources are not reported in the governmental funds:

| | |
|----------------------------|--------|
| Deferred amount on pension | 77,536 |
|----------------------------|--------|

Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

| | | |
|-----------------------|-----------------|----------|
| Net pension liability | (724) | |
| OPEB liability | <u>(78,855)</u> | (79,579) |

Deferred inflows of resources are not reported in the governmental funds:

| | |
|----------------------------|-----------------|
| Deferred amount on pension | <u>(18,295)</u> |
|----------------------------|-----------------|

Net position of governmental activities \$ 30,545,643

The accompanying notes are an integral part of this statement.

PORT OF BAY CITY AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

For the year ended December 31, 2023

| | <u>General Fund</u> |
|-----------------------------------|-------------------------|
| REVENUES | |
| Taxes | \$ 2,326,457 |
| Charges for services | 930,899 |
| Investment income | 1,007,524 |
| Miscellaneous | <u>6,402</u> |
| Total revenues | <u>4,271,282</u> |
| EXPENDITURES | |
| Current | |
| Navigation | 2,188,021 |
| Promotion and development | 58,605 |
| Capital outlay | <u>427,961</u> |
| Total expenditures | <u>2,674,587</u> |
| Net change in fund balance | 1,596,695 |
| Fund balance - January 1 | <u>21,006,823</u> |
| Fund balance - December 31 | <u>\$ 22,603,518</u> |

The accompanying notes are an integral part of this statement.

PORT OF BAY CITY AUTHORITY

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

For the year ended December 31, 2023

Total net change in fund balance - governmental fund **\$ 1,596,695**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

| | | |
|----------------------------|------------------|--------|
| Increase in capital assets | \$ 258,218 | |
| Depreciation expense | <u>(244,249)</u> | 13,969 |

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

| | | |
|----------------|--|--------|
| Property taxes | | 21,929 |
|----------------|--|--------|

Some items 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. These activities consist of:

| | | |
|-------------------|----------------|--------------|
| Net pension costs | 10,956 | |
| OPEB costs | <u>(7,412)</u> | <u>3,544</u> |

Change in net position of governmental activities **\$ 1,636,137**

The accompanying notes are an integral part of this statement.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Bay City Authority (the "Port") was created in open Commissioners' Court on February 22, 1960, under provisions of Article 8263(h) Vernon's Texas Civil Statute (now codified into Chapter 62, Texas Water Code). The Port is charged with working with the U.S. Army Corps of Engineers in maintaining the navigability of the Colorado River and regulating certain port facilities on the Colorado River and Intracoastal Waterway in Matagorda County, Texas. Matagorda Harbor, operated by the Port, provides slips for pleasure boats, RV spaces, and short-term commercial dockage for commercial barge traffic. The Port is governed by a six-member Board of Commissioners (the "Board"), elected by Matagorda County residents for staggered six-year terms.

The Board is elected by the public, and has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters including taxing authority. Therefore, the Port is not included in any other governmental reporting entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

The accounting policies of the Port conform to generally accepted accounting principles (GAAP) as applicable to governments.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the Board has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines the reporting entity consists of the primary government, organizations for which the primary government is financially accountable, organizations for which the primary government is not financially accountable, organizations that raise and hold economic resources for the direct benefit of the primary government, and any other organization for which the nature and significance of the relationship with the primary government is such that exclusion could cause the Port's financial statements to be misleading or incomplete.

There are no component units included in the accompanying financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the Port. Governmental activities, which normally are supported by taxes, and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. The Port does not have any fiduciary funds, and only one governmental fund reported in the fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Port considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenue items are considered to be measurable and available only when cash is received by the government. Investment earnings are recorded as earned, since they are both measurable and available.

Revenue from investments is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase.

The 2023 tax levy is dedicated to pay for expenditures of the 2024 budget. The entire 2023 levy is recorded as unearned revenue or unavailable revenue as of December 31, 2023.

The Port reports the following major governmental fund:

The General Fund is the Port's only fund. It accounts for all financial resources of the Port. The major revenue sources include property taxes, rental revenue, and investment income.

D. Budgets and Budgetary Accounting

Prior to the start of the fiscal year, the Board shall adopt an operating budget for the upcoming fiscal year. The adopted budget and any subsequent amendments shall be passed and approved by a resolution of the Board and shall be made a part of the Board minutes. Budget amendments may be made from time to time at the discretion of the Board.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level without approval of a majority of the Board. Line items may exceed appropriated amounts at the discretion of management as long as total expenditures for the fund do not exceed appropriated amounts. Appropriations not exercised in the current year lapse at the end of the year. The Port does not utilize encumbrance accounting.

The budget for the General Fund is adopted on a GAAP basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**E. Leases****Port as Lessee**

With the exception of short-term leases, when the Port is a lessee in noncancellable lease arrangements the Port recognizes a right-to-use lease liability (lease liability) and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Port recognizes lease liabilities with an initial, individual value that would be material to the government-wide financial statements. The Port does not recognize any such leases as of December 31, 2023. For leases not meeting these criteria, lease payments are recognized as outflows of resources based on the payment provisions of the contract.

At the commencement of a lease, the Port initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Port determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Port uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Port generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Port is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position. The Port monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Port as Lessor

With the exception of short-term leases and certain regulated leases, when the Port is a lessor in noncancellable lease arrangements the Port recognizes a right-to-use lease receivable (lease receivable) and a deferred inflow of resources in the government-wide and governmental fund financial statements. The Port recognizes lease receivables with an initial, individual value that would be material to the governmental financial statements. For leases not meeting these criteria, lease revenues are recognized as inflows of resources based on the payment provisions of the contract. See Note 6 for details of the Port's leasing arrangements as lessor.

At the commencement of a lease, the Port initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Leases - (Continued)

Port as Lessor - (Continued)

Key estimates and judgments include how the Port determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Port uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Port monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

F. Deposits and Investments

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. All elements of investment income (interest, dividends, and changes in fair value) are aggregated and reported as investment income.

The Board has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The Port may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

G. Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the Port in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attached to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the Port is the responsibility of the Matagorda County Appraisal District (MCAD), and independent governmental unit with a board of directors appointed by the taxing jurisdiction within the country and funded from assessments against those taxing jurisdictions. MCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances, taxpayers and taxing units, including the Port, may challenge orders of the MCAD Review Board through various appeals and, if necessary, legal action.

Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

Allowances for uncollectible taxes are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the Port is prohibited from writing off real property taxes without statutory authority from the Texas Legislature.

I. Prepaid Items

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

J. Capital Assets

Capital assets, which include land, machinery and equipment, buildings and improvements, docks and wharves, and infrastructure are reported in the applicable governmental activities column in the government-wide statement of net position. The Port defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Renewals and betterments are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The Port's capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Machinery and equipment | 5-15 |
| Buildings and improvements | 25-40 |
| Docks and wharves | 10-40 |
| Infrastructure | 15-25 |

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**K. Compensated Absences**

It is the Port's policy to permit employees to accumulate earned but unused vacation, sick pay, and compensated time benefits. There is no liability for accumulated sick leave since the Port does not have a policy to pay these amounts when employees separate from service. All vacation and compensated time off pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of an employee resignation or retirement. The Port did not owe compensated absences at December 31, 2023.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Port has the following items that qualify for reporting in this category.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of pension asset/liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension asset/liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

In addition to liabilities, the statement of net position can also 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. This year, the Port has the following items that qualify for reporting in this category.

- Current property tax levy, including taxes collected and receivable – These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Delinquent property taxes receivable (only in fund financial statements) – These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Differences between actuarial assumptions used and actual experience for determination of pension asset/liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension asset/liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.
- Deferred amounts relating to leases represent future inflows of resources which will be recognized as revenue over the life of the lease term.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Pension

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. 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. Information regarding the Port's pension liability is obtained from TCDRS through a report prepared for the Port by TCDRS consulting actuary, Milliman, Inc., in compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

N. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (the "Statement") was issued in February 2009. This Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances - nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This includes inventories, prepaid items, assets held for sale, and long-term receivables.
- Restricted fund balance includes amounts that have externally imposed constraints placed on the use of the resources by creditors, grantors, contributors or other governments; or are imposed by law.
- Committed fund balance includes amounts that can only be used for specific purposes because of a formal resolution by the government's highest level of decision-making authority.
- Assigned fund balance includes amounts that are constrained by the Port's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification of the General Fund.

The unassigned fund balance may only be appropriated by resolution of the Board. Fund balance of the Port may be committed for a specific source by formal action of the Board. Amendments or modifications of the committed fund balance must also be approved by formal action of the Board. When it is appropriate for fund balance to be assigned, the Board has delegated authority to the Commissioners.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**O. Net Position/Fund Balance Flow Assumption**

Net position, as presented on the government-wide statement of net position, represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position invested in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction, or improvements of those assets. Restricted net position is reported when constraints placed on the use of net position are either: 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation. The Port has no restricted net position for the year ended December 31, 2023.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and then lastly, unassigned fund balance.

P. Minimum Fund Balance Policy

The Board meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The Port's unassigned fund balance is maintained to provide the Port with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

Q. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires management to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**Excess of Expenditures Over Appropriations**

For the year ended December 31, 2023, the Port complied with budgetary restrictions except for the following:

| <u>Department</u> | <u>Budget</u> | <u>Actual</u> | <u>Negative Variance</u> |
|----------------------|---------------|---------------|------------------------------|
| General Fund | | | |
| Administrative costs | \$ 270,968 | \$ 279,758 | \$ (8,790) |

NOTE 3: DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of December 31, 2023:

| <u>Deposits and Investments</u> | |
|-----------------------------------|----------------------|
| Bank Deposits - Prosperity | \$ 4,283,894 |
| Bank Deposits - LPL Financial | 354,466 |
| Agency Securities - LPL Financial | <u>18,127,403</u> |
| Total | <u>\$ 22,765,763</u> |

Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits.

The Port's operating funds are deposited and invested under the terms of the Matagorda County's depository contract. The depository bank, Prosperity Bank, deposits for safekeeping and trust with Matagorda County's agent bank, approved pledged securities in an amount sufficient to protect the Port's funds on a day-to-day basis during the period of the contract. The pledge-approved securities are waived only to the extent of the depository bank's dollar amount of FDIC insurance. The market value of the collateral held in the Port's name at year-end was \$6,057,807. As of December 31, 2023, the respective Prosperity bank balances totaled \$4,309,228.

The Port's investment funds are deposited and invested under the terms of the LPL Financial Insured Cash Account (ICA) program. Under the ICA program, available cash balances automatically transfer into interest-bearing FDIC insured deposit accounts. As of December 31, 2023, \$354,466 of cash held in LPL Financial was fully covered by FDIC insurance.

Investments

The Port categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2023, the Port's agency securities were valued at fair value using Level 1 inputs.

Interest Rate Risk

In accordance with the Port's investment policy, the Port manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than five years from the time of purchase. As of December 31, 2023, the weighted average maturity of the agency securities using average life based on principal paydowns was 3.67 years. The weighted average maturity of the agency securities based on final investment maturity was over ten years.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)**Investments** - (Continued)*Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. It is the Port's policy to limit its investments to those with ratings of not less than A or its equivalent. As of December 31, 2023, the agency securities were rated at least AA by Standard & Poor's or Aaa by Moody's; therefore, the Port is not exposed to credit risk.

Concentration of Credit Risk

The Port's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the Port investments mainly consisted of mortgage-backed securities issued by the U.S. government, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port's investment policy requires that securities be held in the name of the Port or held on behalf of the Port and that all securities are purchased using the delivery versus payment method. As of December 31, 2023, and for the year then ended, the Port was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables as of December 31, 2023 for the Port's General Fund, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General Fund</u> |
|-------------------------|-------------------------|
| Gross receivables: | |
| Accounts | \$ 174,179 |
| Ad valorem taxes | 2,284,935 |
| Interest | 86,830 |
| Other | <u>14,111</u> |
| Total gross receivables | 2,560,055 |
| Less: Allowances | <u>114,247</u> |
| Total net receivables | <u>\$ 2,445,808</u> |

The Port's governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

| | <u>Unavailable</u> | <u>Unearned</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| General Fund | | | |
| Ad valorem taxes receivable | \$ 2,553,097 | \$ - | \$ 2,553,097 |
| Lease revenue | <u>-</u> | <u>108,840</u> | <u>108,840</u> |
| | <u>\$ 2,553,097</u> | <u>\$ 108,840</u> | <u>\$ 2,661,937</u> |

As of December 31, 2023, the Port had collected \$362,409 of the 2024 levy (levied October 1, 2023), which is deferred and set aside for 2024 operations. Additionally, property taxes receivable of \$2,144,602 and \$140,333 from the 2023 levy and prior year levies, respectively, are recorded as unavailable revenue, net of allowance for uncollectible taxes of \$114,247.

NOTE 5: DUE FROM OTHER GOVERNMENTS

As of December 31, 2023, the Matagorda County Tax Assessor and Collector held tax receipts in the amount of \$250,338 that had been collected for, but not yet remitted to the Port.

NOTE 6: LEASE RECEIVABLE

The Port owns various properties which are available for lease, primarily land, docks, and wharves. The terms of the noncancellable lease agreements vary, with multiple option periods considered as part of the overall lease term, as the Port determined that it is reasonably certain the lessees will exercise the options. For some of the leases, base rent is adjusted upon the exercise of options by the percentage increase in the Consumer Price Index ("CPI"). Any increases to rent payments as a result of CPI will be considered variable payments in the future.

Some of the leases also include minimum wharfage requirements, quantified in the agreements in dollars. These fees are normally charged in exchange for use of the Port's wharves and associated equipment for loading or unloading goods. The minimum wharfage payments were included in the measurement of the lease receivables. Any wharfage payments above the minimum will be considered variable payments. During 2023, \$71,516 of variable payments relating to amounts received over minimum wharfage requirements were recognized but not included in the measurement of the lease receivable. The Port also charges wharfage fees based solely on usage with no minimum wharfage requirements. These fees are not included in the measurement of the lease receivables, as they are considered to be variable payments in their entirety.

The present value of future minimum lease payments as of December 31, 2023 for governmental leases of \$871,862 is recorded as a right-to-use lease receivable in the government-wide and fund financial statements. The related deferred inflow of resources as of December 31, 2023 of \$870,888 is recorded in the government-wide and fund financial statements.

Governmental fund inflows of resources relating to lease receivables during the current fiscal year include \$32,666 in base lease revenues and \$27,987 in lease interest revenues.

The future payments that are included in the measurement of the lease receivables are as follows:

| <u>Year Ending December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|-------------------|-------------------|---------------------|
| 2024 | \$ 29,919 | \$ 27,132 | \$ 57,051 |
| 2025 | 25,743 | 26,365 | 52,108 |
| 2026 | 21,800 | 25,622 | 47,422 |
| 2027 | 22,845 | 24,900 | 47,745 |
| 2028 | 23,936 | 24,142 | 48,078 |
| 2029 - 2033 | 132,106 | 108,284 | 240,390 |
| 2034 - 2038 | 93,510 | 89,765 | 183,275 |
| 2039 - 2043 | 109,573 | 74,321 | 183,894 |
| 2044 - 2048 | 128,107 | 56,200 | 184,307 |
| 2049 - 2053 | 67,646 | 37,656 | 105,302 |
| 2054 - 2058 | 20,766 | 32,498 | 53,264 |
| 2059 - 2063 | 24,675 | 29,009 | 53,684 |
| 2064 - 2068 | 28,763 | 24,921 | 53,684 |
| 2069 - 2073 | 34,193 | 20,135 | 54,328 |
| 2074 - 2078 | 40,337 | 14,422 | 54,759 |
| 2079 - 2083 | 47,020 | 7,739 | 54,759 |
| 2084 - 2085 | 20,923 | 982 | 21,905 |
| | <u>\$ 871,862</u> | <u>\$ 624,093</u> | <u>\$ 1,495,955</u> |

NOTE 7: CAPITAL ASSETS

The Port's capital asset activity for the year ended December 31, 2023, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---------------------------------------------|------------------------------|-------------------|-------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 3,728,507 | \$ - | \$ - | \$ 3,728,507 |
| Construction in progress | <u>34,711</u> | <u>194,439</u> | <u>173,476</u> | <u>55,674</u> |
| Total capital assets not being depreciated | <u>3,763,218</u> | <u>194,439</u> | <u>173,476</u> | <u>3,784,181</u> |
| Capital assets, being depreciated | | | | |
| Machinery and equipment | 54,012 | 51,311 | - | 105,323 |
| Buildings and improvements | 1,114,566 | 12,468 | - | 1,127,034 |
| Docks and wharves | 8,877,590 | 173,476 | - | 9,051,066 |
| Infrastructure | <u>2,180,636</u> | <u>-</u> | <u>-</u> | <u>2,180,636</u> |
| Total capital assets being depreciated | <u>12,226,804</u> | <u>237,255</u> | <u>-</u> | <u>12,464,059</u> |
| Less accumulated depreciation for | | | | |
| Machinery and equipment | 29,007 | 4,436 | - | 33,443 |
| Buildings and improvements | 511,665 | 30,819 | - | 542,484 |
| Docks and wharves | 5,909,845 | 173,309 | - | 6,083,154 |
| Infrastructure | <u>1,723,469</u> | <u>35,685</u> | <u>-</u> | <u>1,759,154</u> |
| Total accumulated depreciation | <u>8,173,986</u> | <u>244,249</u> | <u>-</u> | <u>8,418,235</u> |
| Total capital assets being depreciated, net | <u>4,052,818</u> | <u>(6,994)</u> | <u>-</u> | <u>4,045,824</u> |
| Governmental activities capital assets, net | <u>\$ 7,816,036</u> | <u>\$ 187,445</u> | <u>\$ 173,476</u> | <u>\$ 7,830,005</u> |

Depreciation expense of \$244,249 was charged to navigation function/program in 2023.

NOTE 8: DEFINED BENEFIT PENSION PLAN

Plan Description

The Port provides retirement and disability benefits for all its full-time employees through a nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of approximately 870 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available at www.TCDRS.org/employer.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 5 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Membership

At the December 31, 2022 valuation and measurement date, the following is the number of members in the plan:

| | |
|------------------------------------|-----------------|
| Current active members | 2 |
| Current inactive members | 0 |
| Current retirees and beneficiaries | <u>0</u> |
| Total | <u><u>2</u></u> |

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 12.83% for the accounting year in 2022, and 13.09% for the accounting year in 2023. The deposit rate payable by the employee members is the rate of 7.00% as adopted by the governing body of the employer. The employee members deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

NOTE 8: DEFINED BENEFIT PENSION PLAN - (Continued)Net Pension Liability

The Port's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date based on results of an actuarial experience study for the period January 1, 2017 through December 31, 2020.

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation timing | Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported. |
| Actuarial cost method | Entry age (level of percent pay) |
| Amortization method | |
| Recognition of economic/ demographic gains or losses | Straight-line amortization over expected working life |
| Recognition of assumptions changes or inputs | Straight-line amortization over expected working life |
| Asset valuation method | |
| Smoothing period | 5 years |
| Recognition method | Non-asymptotic |
| Corridor | None |
| Inflation | 2.50% |
| Salary increases | Varies by age and service. 4.70% average over career including inflation. |
| Investment rate of return | 7.60%, gross of administrative expenses |
| Cost of living adjustments | Cost of living adjustments for the Port of Bay City Authority are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Retirement age | Based on annual rates of service retirement where deferred members are assumed to retire at the later of: a) age 60 or b) earliest retirement eligibility. |
| Turnover | New employees are assumed to replace any terminated members and have similar entry ages. Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience. |

NOTE 8: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)

Mortality

Mortality rates were based on the Pub-2010 tables, depending on status of member, for Males or Females, as appropriate, with adjustments for mortality improvements based on the MP-2021 Ultimate Scale after 2010.

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

| Asset Class | Benchmark | Target Allocation ⁽¹⁾ | Geometric Real Rate of Return ⁽²⁾ |
|------------------------------------|--------------------------------------------------------------------------------------|----------------------------------|----------------------------------------------|
| U.S. Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 4.95% |
| Global Equities | MSCI World (net) Index | 2.50% | 4.95% |
| Int'l Equities - Developed Markets | MSCI World Ex USA (net) Index | 5.00% | 4.95% |
| Int'l Equities - Emerging Markets | MSCI Emerging Markets (net) Index | 6.00% | 4.95% |
| Investment-Grade Bonds | Bloomberg U.S. Aggregate Bond Index | 3.00% | 2.40% |
| Strategic Credit | FTSE High-Yield Cash-Pay Index | 9.00% | 3.39% |
| Direct Lending | Morningstar LSTA US Leveraged Loan TR USD Index | 16.00% | 6.95% |
| Distressed Debt | Cambridge Associates Distressed Securities Index ⁽³⁾ | 4.00% | 7.60% |
| REIT Equities | 67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index | 2.00% | 4.15% |
| Master Limited Partnerships | Alerian MLP Index | 2.00% | 5.30% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index ⁽⁴⁾ | 6.00% | 5.70% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾ | 25.00% | 7.95% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 6.00% | 2.90% |
| Cash Equivalents | 90-Day U.S. Treasury | 2.00% | 0.20% |

⁽¹⁾ Target asset allocation adopted at the March 2023 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.3% per Cliffwater's 2023 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

NOTE 8: DEFINED BENEFIT PENSION PLAN - (Continued)**Net Pension Liability** - (Continued)*Actuarial Assumptions* - (Continued)*Discount Rate*

The discount rate used to measure the total pension liability was 7.60%, which is the same as the prior measurement. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Port contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability/(Asset)

| | Increase (Decrease) | | |
|---------------------------------------------------|------------------------------------|----------------------------------------|------------------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability/(Asset)</u> |
| | (a) | (b) | (a) - (b) |
| Balance at 12/31/2022 | \$ 621,247 | \$ 705,402 | \$ (84,155) |
| Changes for the year: | | | |
| Service cost | 24,288 | - | 24,288 |
| Interest | 49,061 | - | 49,061 |
| Effect of plan changes | - | - | - |
| Effect of economic/demographic gains or losses | (110) | - | (110) |
| Effect of assumptions changes or inputs | - | - | - |
| Refund of contributions | - | - | - |
| Benefit payments | - | - | - |
| Administrative expense | - | (407) | 407 |
| Member contributions | - | 10,068 | (10,068) |
| Net investment income | - | (43,737) | 43,737 |
| Employer contributions | - | 17,907 | (17,907) |
| Other | - | 4,529 | (4,529) |
| Net changes | <u>73,239</u> | <u>(11,640)</u> | <u>84,879</u> |
| Balance at 12/31/2023 | <u>\$ 694,486</u> | <u>\$ 693,762</u> | <u>\$ 724</u> |

NOTE 8: DEFINED BENEFIT PENSION PLAN - (Continued)**Net Pension Liability - (Continued)***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability/(asset) of the Port, calculated using the discount rate of 7.60%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate:

| | 1.0% Decrease in Discount Rate (6.60%) | Current Discount Rate (7.60%) | 1.0% Increase in Discount Rate (8.60%) |
|---------------------------------|-------------------------------------------|----------------------------------|-------------------------------------------|
| Total pension liability | \$ 809,096 | \$ 694,486 | \$ 598,496 |
| Fiduciary net position | 693,762 | 693,762 | 693,762 |
| Net pension liability / (asset) | \$ 115,334 | \$ 724 | (\$ 95,266) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS report.

Pension Expense and Deferred Outflows of Resources

For the year ended December 31, 2023, the Port recognized pension expense of \$9,006. As of December 31, 2023, the Port reported the following deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 1,420 | \$ 15,140 |
| Changes of assumptions | 36,791 | 3,155 |
| Net difference between projected and actual earnings | 19,365 | - |
| Contributions subsequent to the measurement date | 19,960 | - |
| Total | \$ 77,536 | \$ 18,295 |

Amounts reported as deferred outflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

| Year ended December 31: | Pension Expense Amount |
|-------------------------|------------------------|
| 2023 | \$ (3,104) |
| 2024 | 3,322 |
| 2025 | 5,307 |
| 2026 | 21,665 |
| 2027 | 1,956 |
| Thereafter | 10,135 |
| Total | \$ 39,281 |

NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB)

Plan Description and Benefits Provided

The Port's defined benefit OPEB plan provides medical and prescription drug benefits to plan members of the Port. The plan is a single -employer defined benefit OPEB plan administered by the Port. The plan was discontinued prior to the current fiscal year, so is closed to new entrants. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to the Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The plan provides medical and prescription drug benefits for retirees. Benefits are provided by a self-insured plan through the Texas Association of Counties Health and Employee Benefits Pool for the medical plan under age 65. The Medicare Supplement is underwritten by Hartford Life & Accident Insurance Company. A Medicare supplement is available for Medicare eligible retirees with the Port. The retiree is responsible for paying any additional costs for dependent coverage elected.

Membership

At the December 31, 2023 valuation and measurement date, the following is the number of members in the plan:

| | |
|---------------------------------------------------------------|----------|
| Inactive employees currently receiving benefits | 0 |
| Inactive employees entitled to but not yet receiving benefits | 0 |
| Active employees | <u>1</u> |
| Total | <u>1</u> |

Contributions

Local Government Code Section 157.102 assigns to the Board the authority to establish and amend contribution requirements of the plan members. The Port may contribute all, part of, or none of the premium payment. The Port's contribution, if any, will be determined annually by the Board during the Port budget process and will be effective on a fiscal year basis. The Port does not contribute toward the cost of coverage for retirees who do not meet eligibility requirements. The Port pays no more for retiree healthcare than the premium it pays for active employees.

The plan is funded on a pay-as-you-go basis. For the year ended December 31, 2023, the total benefit payments made to the plan was \$0. The total benefit payments made include explicit benefit payments made by the Port of \$0.

Total OPEB Liability

The Port's total OPEB liability and the OPEB expense is recognized on the Port's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

The Port's total OPEB liability and the OPEB expense is recognized on the Port's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability - (Continued)

Assumptions and Other Inputs

The total OPEB liability was measured as of December 31, 2023 using the alternative measurement method. This method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-------------------------|---------------------------------------------------------------------------------|
| Actuarial cost method | Individual entry-age |
| Discount rate | 4.38%; 20-year bond GO Index published by bondbuyer.com as of December 31, 2023 |
| Inflation | 3.00% |
| Salary increases | 3.50% |
| Health care trend rates | Initial rate of 8.00% grading to an ultimate rate of 5.00% after 7 years |
| Mortality | RPH-2014 Total Table with projection MP-2018 |

The assumptions used in the December 31, 2023 measurement were based on the experience study covering the four-year period ending December 31, 2017, as conducted for the Texas County and District Retirement System.

Discount Rate

The discount rate used to measure the total OPEB liability as of December 31, 2023 was 4.38%, an increase from the rate of 3.60% as of December 31, 2022. The OPEB plan has been determined to be an unfunded OPEB plan; therefore, only the municipal bond rate applies.

Changes in Total OPEB Liability

| | Increase (Decrease) |
|------------------------------|-----------------------------|
| | Total OPEB Liability |
| | <u> </u> |
| Balance at 12/31/2022 | \$ 71,443 |
| Changes for the year: | |
| Service cost | 4,103 |
| Interest | 3,309 |
| Net changes | <u>7,412</u> |
| Balance at 12/31/2023 | <u>\$ 78,855</u> |

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

For the year ended December 31, 2023, the Port recognized OPEB expense of \$7,412.

As of December 31, 2023, the Port did not report any deferred outflows of resources and deferred inflows of resources related to OPEB.

NOTE 10: EMPLOYEES' HEALTH INSURANCE

The Port's employees were covered by a health insurance plan by joining together with Matagorda County in their self-insurance pool under an interlocal agreement. The pool is treated as an internal service fund of Matagorda County and is administered by Texas Association of Health Employee Benefits (HEBP), a third-party administrator acting on behalf of the self-funded pool. The plan is authorized by Chapter 172 of the Local Government Code and is documented by contractual agreement between Matagorda County and TAX HEBP. The Port contributed \$21,780 for active employees to Matagorda County for the year ended December 31, 2023.

The agreement between the County and HEBP renews automatically annually for an additional one-year term without the necessity of any action by the parties other than payment of the appropriate premium or contribution. Either party may elect not to renew the agreement by giving written notice at least thirty days prior to the end of the original term or any renewal term. HEBP purchased specific stop-loss coverage of \$100,000, which an aggregate attachment factor based on the number of employees, from Texas Association of Counties, Health and Benefit Pool/Blue Cross Blue Shield of Texas. The contract is renewable October 1, 2023, and terms of coverage and contribution costs are included in the contractual provisions. Each member, to the extent its benefit plan is self-insured, remains responsible for the payment of benefits under the benefit plan in the event HEBP fails to make such payments. The pool has claims that are probable but not reasonably estimable for the Port individually; therefore, no liability has been accrued.

Further information on estimated liabilities for unpaid claims can be obtained by contacting Matagorda County at 2200 Seventh Street, Room 203, Bay City, Texas 77414 or calling (979) 241-0135.

NOTE 11: RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port purchased commercial insurance to cover risks associated with potential claims during fiscal year 2023. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 12: LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2023, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|------------------------------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental activities | | | | | |
| Net pension liability (asset) | \$ (84,155) | \$ 84,879 | \$ - | \$ 724 | \$ - |
| OPEB liability | <u>71,443</u> | <u>7,412</u> | <u>-</u> | <u>78,855</u> | <u>-</u> |
| Total governmental activity long-term liabilities | <u>\$ (12,712)</u> | <u>\$ 92,291</u> | <u>\$ -</u> | <u>\$ 79,579</u> | <u>\$ -</u> |

For the governmental activities, net pension liability and OPEB liability are liquidated by the General Fund.

NOTE 13: FUND BALANCES

As of December 31, 2023, committed fund balance of \$7,447,000 relates to dredging, spoil disposal, capital improvements, and the barge terminal construction. Nonspendable fund balance of \$33,299 relates to prepaid items. The remaining balance of \$15,123,219 is unassigned.

NOTE 14: TAX ABATEMENTS

The Port enters into property tax abatement agreements with taxpayers under the State Property Tax Abatement Act, Tax Code Chapter 312. Under the Act, the Port may enter into a local agreement with a taxpayer that exempts all or part of the increase in value of the real property and/or tangible personal property from taxation for a period not to exceed ten years. Tax abatements are an economic development tool available to the Port to attract new industries and to engage in the retention and development of existing businesses through property tax exemptions or reductions.

The Port entered into a property tax abatement agreement for the purpose of attracting or retaining businesses and creating 600 full-time jobs by December 31, 2017. The agreement was with a pipe manufacturing company, granted for the commitment of building a new steel pipe production plant valued at a minimum value of \$1,314,000,000. Tax abatements on property tax were granted on assessed land valued at \$3,891,608 during the year ended December 31, 2013. The Port's agreement determines the percentage, amount, and duration of the tax abatement, which is not to exceed ten years. If the agreement continues as intended, the abatement period would be for the years ending 2015 through 2024. The Port will recapture a prorated amount of abated taxes if the agreement's conditions are not met through a claw back payment clause. In the case that the company exceeds the job target, the Port has committed to providing additional surplus job credit incentive to the company.

For the year ended December 31, 2023, the Port abated property taxes totaling \$773,328 under this agreement for a total value abated of \$1,510,272,857.

NOTE 15: IMPLEMENTATION OF NEW STANDARD

During the current year, the Port adopted GASB Statement No. 96 (GASB 96), Subscription-Based Information Technology Agreements (SBITA). The objective of this Statement was to establish standards for recognizing and measuring right to use subscription assets and liabilities related to contracts conveying control of the right to use another party's (a SBITA vendor's) information technology software. As of December 31, 2023, the Port did not have any items required to be recorded as right to use subscription assets or liabilities as a result of implementing GASB 96.

NOTE 16: SIGNIFICANT FORTHCOMING STANDARDS

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the Port include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet in the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

Required Supplementary Information

PORT OF BAY CITY AUTHORITY*MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**BUDGET AND ACTUAL**For the year ended December 31, 2023*

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|-----------------------------------|----------------------|----------------------|----------------------|------------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Ad valorem taxes | \$ 2,339,902 | \$ 2,458,952 | \$ 2,326,457 | \$ (132,495) |
| Charges for services | | | | |
| Wharfage | 65,000 | 120,000 | 130,190 | 10,190 |
| Rental revenue | 618,300 | 799,901 | 800,709 | 808 |
| Investment income (loss) | 380,000 | 844,000 | 1,007,524 | 163,524 |
| Miscellaneous | 10,000 | 10,000 | 6,402 | (3,598) |
| Total revenues | <u>3,413,202</u> | <u>4,232,853</u> | <u>4,271,282</u> | <u>38,429</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Navigation | | | | |
| Personnel expenditures | 268,887 | 279,739 | 275,757 | 3,982 |
| Professional fees | 290,000 | 1,032,000 | 923,013 | 108,987 |
| Contracted services | 67,810 | 63,112 | 62,539 | 573 |
| Utilities | 97,750 | 120,000 | 110,285 | 9,715 |
| Repairs and maintenance | 385,100 | 456,700 | 418,361 | 38,339 |
| Operating expenditures | 72,850 | 163,800 | 118,308 | 45,492 |
| Administrative costs | 242,100 | 270,968 | 279,758 | (8,790) |
| Promotion and development | 57,165 | 82,357 | 58,605 | 23,752 |
| Capital outlay | 705,000 | 460,000 | 427,961 | 32,039 |
| Total expenditures | <u>2,186,662</u> | <u>2,928,676</u> | <u>2,674,587</u> | <u>254,089</u> |
| Net change in fund balance | 1,226,540 | 1,304,177 | 1,596,695 | 292,518 |
| Fund balance - January 1 | <u>21,006,823</u> | <u>21,006,823</u> | <u>21,006,823</u> | <u>-</u> |
| Fund balance - December 31 | <u>\$ 22,233,363</u> | <u>\$ 22,311,000</u> | <u>\$ 22,603,518</u> | <u>\$ 292,518</u> |

The accompanying notes to required supplementary information are an integral part of this schedule.

PORT OF BAY CITY AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM - PENSION

Last ten years

| | Measurement Year | | |
|-------------------------------------------------------------------------------|------------------|------------|------------|
| | 2014 | 2015 | 2016 |
| Total Pension Liability | | | |
| Service cost | \$ 25,431 | \$ 25,996 | \$ 17,561 |
| Interest (on the total pension liability) | 18,705 | 21,566 | 22,416 |
| Effect of plan changes | - | (6,562) | - |
| Effect of assumption changes or inputs | - | 515 | - |
| Effect of economic/demographic (gains) or losses | (674) | (24,186) | 793 |
| Benefit payments, including refunds of employee contributions | - | (11,121) | - |
| Net Change in Total Pension Liability | 43,462 | 6,208 | 40,770 |
| Total Pension Liability - Beginning | 218,455 | 261,917 | 268,125 |
| Total Pension Liability - Ending (a) | \$ 261,917 | \$ 268,125 | \$ 308,895 |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | \$ 15,702 | \$ 14,903 | \$ 11,077 |
| Contributions - Employee | 10,733 | 9,668 | 8,043 |
| Net investment income | 15,357 | (6,509) | 20,515 |
| Benefit payments, including refunds of employee contributions | - | (11,121) | - |
| Administrative expense | (192) | (197) | (233) |
| Other | (13) | (24) | 2,126 |
| Net Change in Plan Fiduciary Net Position | 41,587 | 6,720 | 41,528 |
| Plan Fiduciary Net Position - Beginning | 226,979 | 268,566 | 275,286 |
| Plan Fiduciary Net Position - Ending (b) | \$ 268,566 | \$ 275,286 | \$ 316,814 |
| Net Pension Liability/(Asset) - Ending (a) - (b) | \$ (6,649) | \$ (7,161) | \$ (7,919) |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 102.54% | 102.67% | 102.56% |
| Covered Payroll | \$ 153,336 | \$ 138,116 | \$ 114,902 |
| Net Pension Liability/(Asset) as a Percentage of Covered Payroll | -4.34% | -5.18% | -6.89% |

NOTE: Information for the prior year was not readily available. The Port will compile the respective information over the next year as provided by TCDRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

| Measurement Year | | | | | | |
|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | |
| \$ 17,892 | \$ 18,837 | \$ 18,875 | \$ 20,368 | \$ 23,479 | \$ 24,288 | |
| 26,470 | 29,765 | 33,602 | 38,051 | 43,512 | 49,061 | |
| - | - | - | - | - | - | |
| (5,051) | - | - | 41,378 | 5,526 | - | |
| 427 | (1,278) | 961 | (150) | (312) | (110) | |
| - | - | - | - | - | - | |
| 39,738 | 47,324 | 53,438 | 99,647 | 72,205 | 73,239 | |
| 308,895 | 348,633 | 395,957 | 449,395 | 549,042 | 621,247 | |
| <u>\$ 348,633</u> | <u>\$ 395,957</u> | <u>\$ 449,395</u> | <u>\$ 549,042</u> | <u>\$ 621,247</u> | <u>\$ 694,486</u> | |
| \$ 11,589 | \$ 11,612 | \$ 12,531 | \$ 13,077 | \$ 13,325 | \$ 17,907 | |
| 8,415 | 8,432 | 9,099 | 9,496 | 9,679 | 10,068 | |
| 46,566 | (6,919) | 65,147 | 50,052 | 124,987 | (43,737) | |
| - | - | - | - | - | - | |
| (255) | (319) | (369) | (408) | (382) | (407) | |
| 266 | 636 | 809 | 716 | 806 | 4,529 | |
| 66,581 | 13,442 | 87,217 | 72,933 | 148,415 | (11,640) | |
| 316,814 | 383,395 | 396,837 | 484,054 | 556,987 | 705,402 | |
| <u>\$ 383,395</u> | <u>\$ 396,837</u> | <u>\$ 484,054</u> | <u>\$ 556,987</u> | <u>\$ 705,402</u> | <u>\$ 693,762</u> | |
| <u>\$ (34,762)</u> | <u>\$ (880)</u> | <u>\$ (34,659)</u> | <u>\$ (7,945)</u> | <u>\$ (84,155)</u> | <u>\$ 724</u> | |
| 109.97% | 100.22% | 107.71% | 101.45% | 113.55% | 99.90% | |
| \$ 120,215 | \$ 120,461 | \$ 129,992 | \$ 135,655 | \$ 138,269 | \$ 143,834 | |
| -28.92% | -0.73% | -26.66% | -5.86% | -60.86% | 0.50% | |

PORT OF BAY CITY AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM - PENSION
Last ten fiscal years

| | Fiscal Year | | |
|---------------------------------------------------------------------|-----------------|-----------------|-------------------|
| | 2014 | 2015 | 2016 |
| Actuarially Determined Contribution | \$ 15,108 | \$ 15,702 | \$ 13,591 |
| Contribution in relation to the actuarially determined contribution | <u>(15,108)</u> | <u>(15,702)</u> | <u>(14,903)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,312)</u> |
| Covered payroll | \$ 149,876 | \$ 153,336 | \$ 138,116 |
| Contributions as a percentage of covered payroll | 10.1% | 10.2% | 10.8% |

The accompanying notes to required supplementary information are an integral part of this schedule.

| Fiscal Year | | | | | | |
|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$ 11,077 | \$ 9,413 | \$ 9,914 | \$ 9,879 | \$ 10,866 | \$ 11,006 | \$ 17,907 |
| <u>(11,077)</u> | <u>(11,589)</u> | <u>(11,612)</u> | <u>(12,531)</u> | <u>(13,077)</u> | <u>(13,325)</u> | <u>(17,907)</u> |
| <u>\$ -</u> | <u>\$ (2,176)</u> | <u>\$ (1,698)</u> | <u>\$ (2,652)</u> | <u>\$ (2,211)</u> | <u>\$ (2,319)</u> | <u>\$ -</u> |
| \$ 114,902 | \$ 120,215 | \$ 120,461 | \$ 129,992 | \$ 135,655 | \$ 138,269 | \$ 143,834 |
| 9.6% | 9.6% | 9.6% | 9.6% | 9.6% | 9.6% | 12.4% |

PORT OF BAY CITY AUTHORITY**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS****RETIREE HEALTHCARE - OPEB***Last ten years*

| | Measurement Year | | |
|----------------------------------------------------------|------------------|------------------|------------------|
| | 2018 | 2019 | 2020 |
| Total OPEB Liability | | | |
| Service cost | \$ 4,103 | \$ 4,103 | \$ 4,103 |
| Interest (on the total OPEB liability) | <u>1,915</u> | <u>1,449</u> | <u>1,223</u> |
| Net Change in Total OPEB Liability | 6,018 | 5,552 | 5,326 |
| Total OPEB Liability - Beginning | <u>42,555</u> | <u>48,573</u> | <u>54,125</u> |
| Total OPEB Liability - Ending | <u>\$ 48,573</u> | <u>\$ 54,125</u> | <u>\$ 59,451</u> |
| Covered Payroll | \$ 120,215 | \$ 120,461 | \$ 129,992 |
| OPEB Liability as a Percentage of Covered Payroll | 40.41% | 44.93% | 45.73% |

NOTE: Information for the prior four years was not readily available. The Port will compile the respective information over the next four years on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

| Measurement Year | | |
|------------------|------------------|------------------|
| 2021 | 2022 | 2023 |
| \$ 4,103 | \$ 4,103 | \$ 4,103 |
| <u>1,303</u> | <u>2,483</u> | <u>3,309</u> |
| 5,406 | 6,586 | 7,412 |
| <u>59,451</u> | <u>64,857</u> | <u>71,443</u> |
| <u>\$ 64,857</u> | <u>\$ 71,443</u> | <u>\$ 78,855</u> |
| \$ 135,655 | \$ 138,269 | \$ 143,834 |
| 47.81% | 51.67% | 54.82% |

PORT OF BAY CITY AUTHORITY
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 December 31, 2023

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The Port annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

For the year ended December 31, 2023, the Port complied with budgetary restrictions except for the following:

| <u>Department</u> | <u>Budget</u> | <u>Actual</u> | <u>Negative Variance</u> |
|----------------------|---------------|---------------|------------------------------|
| General Fund | | | |
| Administrative costs | \$ 270,968 | \$ 279,758 | \$ (8,790) |

NOTE 3: DEFINED BENEFIT PENSION PLAN

Valuation Date

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates

| | |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial cost method | Entry age (level percentage of pay) |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 18.3 years (based on contribution rate calculated in 12/31/22 valuation) |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.50% |
| Salary increases | Varies by age and service. 4.7% average over career including inflation. |
| Investment rate of return | 7.50%, net of administrative and investment expenses, including inflation |
| Retirement age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality | 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. |

NOTE 3: DEFINED BENEFIT PENSION PLAN - (Continued)

Methods and Assumptions Used to Determine Contribution Rates - (Continued)

Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions 2015: New inflation, mortality and other assumptions were reflected.

Contributions 2017: New mortality assumptions were reflected.
2019: New inflation, mortality and other assumptions were reflected.

2022: New investment return and inflation assumptions were reflected.

Changes in Plan Provisions Reflected 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. Contributions

NOTE 4: RETIREE HEALTH BENEFIT PLAN - OPEB

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

There were no changes in plan provisions or assumptions during the year.