



**ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT
2022**

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2022

CITY OF
PORT NECHES, TEXAS

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*ANNUAL COMPREHENSIVE
FINANCIAL REPORT*

of the

City of Port Neches, Texas

**For the Year Ended
September 30, 2022**

Prepared by:

Finance Department

City of Port Neches, Texas

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INTRODUCTORY SECTION

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April 3, 2023

To the Honorable Mayor, Members of the City Council,
And the Citizens of Port Neches, Texas

It is our pleasure to submit for your information the Annual Comprehensive Financial Report (ACFR) of the City of Port Neches (City) for the fiscal year ended September 30, 2022. This report was prepared by City management and staff, in accordance with the City Charter, and in compliance with State law, to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City.

The ACFR consists of representations by City management concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive internal control framework that is established for the purpose of providing accurate data in all material respects. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements.

The City's financial statements have been audited by BrooksWatson and Co. PLLC, which is a firm of licensed certified public accountants. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended September 30, 2022 exists, and that they are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

The report from the CPA firm. BrooksWatson and Co., PLLC is presented as the first component of the financial section of this document. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). Finally, the statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Government

The City of Port Neches, incorporated in 1927, is located in the southeast corner of the state in Jefferson County. With a population of 13,692 the City occupies a land area of 8.99 square miles. The City is served by a regional airport, has ready rail access to all parts of the country, and is located on the Neches River. Although empowered to levy a property tax on both real and personal properties located within its boundaries, the City collects no personal or corporate taxes from residents, nor is a State income tax assessed.

The City is a Council-Manager form of government. It is governed by an elected City Council composed of a Mayor and five (5) Council members, who each serve three (3) year staggered terms. The City Council is charged with formulating public policy, enacting local legislation, adopting budgets, and appointing the City Manager, City Attorney, and Municipal Court Judge. The City Manager is the chief administrative and executive officer of the City, and implements Council directives and policies, administers the fiscal affairs, and is responsible for the administration of municipal operations. The City provides a full range of services including police and fire protection, the construction and maintenance of streets and other infrastructure, and recreational and cultural facilities. Additionally, water, sanitary sewer, and solid waste services are operated by the City.

The financial reporting entity includes all the funds of the primary government as well as its legally separate component unit, the Port Neches Economic Development Corporation.

Factors Affecting Financial Conditions

The City is located in a metropolitan area in Southeast Texas frequently referred to as the Golden Triangle and is a component of the Beaumont-Port Arthur-Orange MSA. Retail and service businesses, along with residential construction firms, continue to experience growth as the overall local economy remains strong. The regional economy is substantially based on petroleum refining and the production and processing of chemicals and petrochemicals. Area refineries are aggressively expanding their refining infrastructure, several Liquefied Natural Gas facilities are operational and/or under development, and significant construction activity remains in progress to support the personnel and corresponding service needs associated with the industrial projects. These improvements, totaling approximately \$20 billion, have provided massive economic stimulus to communities throughout our regional energy corridor. Local school entities have upgraded educational infrastructure, creating both an economic and quality of life impact for our citizens.

The City continues with its conservative approach to the expansion of various public services. The City continues to invest in quality of life improvements and basic infrastructure maintenance, and has not encountered any need to reduce the level of services to its citizens. While the economic environment and public expenditure policies are subject to change and reevaluation, it is anticipated that the City will experience manageable growth that will not be disruptive to the current financial position of the City.

Major Initiatives and Long Term Planning

In 2022, City operations and functions continued to provide the full range of municipal services to residents. Sales tax remained strong and exceeded budgetary projects, while total assessed property values, in addition to the values of industrial facilities located in the ETJ, also increased,

The City was impacted by Winter Storm Uri in February 2021, but not to the extent experienced in other portions of the State. The resulting impacts were relatively minimal and were primarily short-term, and the City continues to seek FEMA reimbursement for storm-related infrastructure damage. Likewise, the City remains engaged in the process to obtain FEMA reimbursement for August 2020 Hurricane Laura.

The City continues to be the recipient of numerous Federal and State grants. These funds have been and continue to be utilized for the construction of municipal facilities, infrastructure improvements, and the purchase/acquisition of equipment. Utilizing approximately \$3 million in Hurricane Harvey relief funding, projects to (1) rehabilitate a water tower and (2) construct a water line are nearing completion. With cost savings achieved on these two (2) projects, remaining funds will be utilized to upgrade/rehabilitate the chlorination system at the Wastewater Treatment Plant.

The City was awarded approximately \$2.9 million in Coronavirus Local Fiscal Recovery Funds (CLFRF). The initial deposit of a portion of the funds was received in August 2021 with the remainder provided in November 2022. These funds will be utilized to upgrade/rehabilitate an existing sanitary sewer lift station that serves a large, growing area of the community. Engineering/design for this project has been completed and it is anticipated that construction will begin in late Spring 2023.

In May 2020, the City issued \$5.2 million in Certificates of Obligation to fund various improvements throughout the municipality. More specifically, these projects involved upgrades and enhancements at both the Water Treatment Plant and the Wastewater Treatment Plant, replacement of sanitary sewer lines, roadway repairs and improvements, the purchase of generators, and the purchase of firefighting apparatus. All of these projects have been completed.

In May 2022, the City issued \$7,000,000 in Certificates of Obligation. Funds will be utilized for projects involving the Water Treatment Plant, the Wastewater Treatment Plant, replacement of sanitary sewer lines, replacement of water distribution lines, roadway repairs and improvements, and municipal facilities improvements. Engineering has been initiated on several projects with construction expected to begin in 2023.

Infrastructure improvements in the City's riverfront area were completed in 2021. It is anticipated that several commercial projects will begin construction in 2023 to include restaurants, entertainment venues, and potentially office and retail space. Concurrently, a new subdivision consisting of approximately 100 homes in the riverfront area has completed installation of infrastructure and residential construction has been initiated.

The regional area continues to benefit from a strong employment base associated with the multi-national oil and petrochemical employers despite the downturn in certain sectors. Additionally, favorable monetary conditions and federal stimulus have helped the City experience a boom in housing renovation and new construction. It is anticipated that the base taxable values of both industry and residential properties will expand over the next several years. The strong economy is expected to support expansion in commercial ventures as well.

The Port Neches Economic Development Corporation (PNEDC) continues to collaborate with the private sector to provide funding mechanisms that assist in the placement of new business in the community. Likewise, the PNEDC also continues to facilitate the retention and expansion of exiting businesses.

Relevant Financial Policies – Budgetary Control, Risk Management and Pension Obligations

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager by mid-May. A proposed budget is then prepared which is presented to the City Council for review by August 15. In accordance with the City Charter and State statutes, public hearings on the proposed budget and corresponding tax rate are then conducted. The budget and tax rate must be approved and adopted by the City Council no later than September 30.

The appropriated budget is prepared by fund and department. Transfers of appropriations between funds require the approval of the City Council, with certain adjustments within departments can be authorized by the City Manager. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

The primary objective of the City's investment policy is safety of principal in order to minimize credit and market risks, while maintaining a competitive yield on its portfolio.

The City is exposed to a variety of accidental losses and has initiated a risk management strategy that attempts to minimize both losses and the cost of insurance. Risk control methods have been established to reduce possible losses to property owned or under the control of the City and to assure that the City's employees are aware of their duties and responsibilities. The primary method used for risk financing and control is participation in the Texas Municipal League Intergovernmental Risk Pool.

The City provides pension benefits for all full-time employees, through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. As a matter of policy, the City fully funds the annual required contribution to the pension plan as determined by the TMRS actuary. The City provides additional post employment benefits in the form of medical, dental, and life insurance.

Single Audit

OMB Uniform Guidance (2.CFR.200) requirements were utilized to review the funding of State and Federal Awards for the fiscal year ended September 30, 2022. The City did meet the threshold for Single Audit in this period.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2021. This is the thirty sixth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one (1) year only. The City believes that the current comprehensive annual financial report continues to meet the requirement of the Certificate of Achievement Program and, as such, the City will submit this document to the GFOA to determine its eligibility for another certificate.

I very much appreciate the Mayor and the members of the City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. I also wish to express my gratitude to all employees of the City for their contributions in the preparation of this financial report as well as their ongoing commitment to serving the citizens of Port Neches.

Respectively submitted,

A handwritten signature in black ink, appearing to read "Andre' Wimer". The signature is fluid and cursive, starting with a large loop on the left and ending with a horizontal stroke on the right.

Andre' Wimer
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Port Neches
Texas**

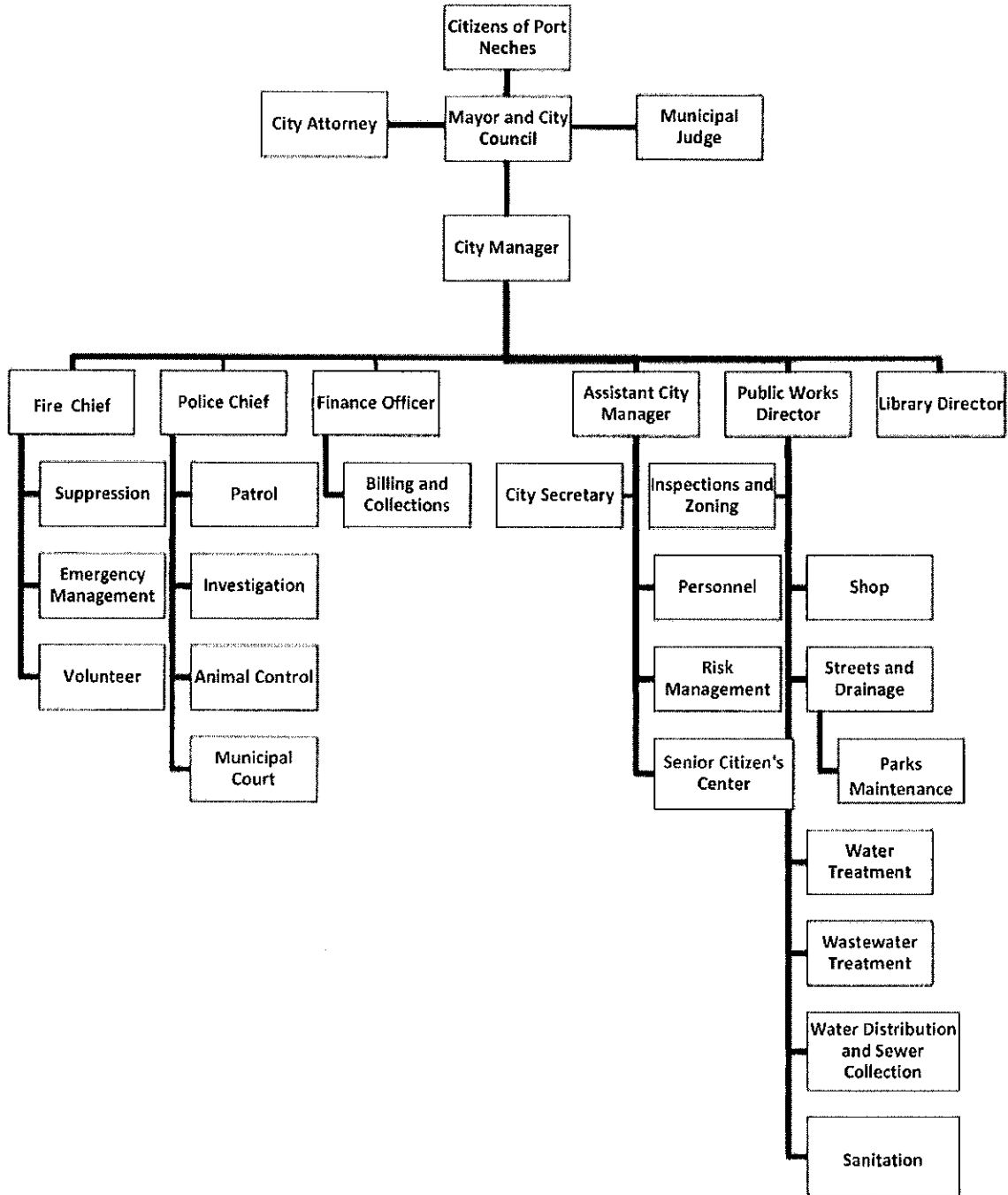
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021

Christopher P. Morill

Executive Director/CEO

CITY OF PORT NECHES ORGANIZATIONAL CHART



City of Port Neches, Texas

ELECTED OFFICIALS AND STAFF

September 30, 2022

| CITY OFFICIALS | ELECTED POSITIONS |
|-----------------------|--------------------------|
| Glenn Johnson | Mayor |
| Chris McMahon | Council Member - Place 1 |
| Adam Anders | Council Member - Place 2 |
| John Davenport | Council Member - Place 3 |
| Robert Arnold | Council Member - Place 4 |
| Terry Schwertner | Council Member - Place 5 |

| KEY STAFF | POSITION |
|------------------|---|
| Andre' Wimer | City Manager |
| David Miller | Assistant City Manager |
| Amy Guidroz | Finance Officer |
| Holly Alexander | City Secretary |
| Taylor Shelton | Public Works Director |
| Paul Lemoine | Police Chief |
| Eloy Vega | Fire Chief / Emergency Management Coordinator |
| Mark Durham | Library Director |

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Port Neches, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Port Neches, Texas, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in footnote V. D., and the implementation of GASB Statement No. 87, *Leases*, the City restated assets and liabilities of business-type activities and the water and sewer fund. In addition, the City restated beginning net position/fund balance of governmental activities and the general fund due to a correction in reporting of fiduciary activities. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

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

individual nonmajor fund financial statements, the supplemental schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, professional style.

Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
April 3, 2023

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Port Neches, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2022

As management of the City of Port Neches, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2022 by \$51,647,717.
- The City's total net position increased by \$2,234,437. The majority of the City's net position is invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$23,875,693 at September 30, 2022, an increase of \$6,546,173 from the prior fiscal year; this includes an decrease of \$322,804 in the general fund, a decrease of \$348,632 in the debt service fund, an increase of \$5,825,035 in the capital improvement fund, an increase of \$1,374,845 in the SLFRF fund and an increase of \$17,729 in the nonmajor funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$8,896,715 or 76% of total general fund operating expenditures.
- The City's net pension liability and OPEB liability totaled \$5,066,798 and \$13,197,844, respectively as of yearend.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

City of Port Neches, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, culture and recreation, health and welfare, public safety, and highways and streets. The business-type activities of the City include water and sewer, gas, and solid waste operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Port Neches Economic Development Corporation, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 20-25 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

City of Port Neches, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental* activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital improvement fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general, debt service, and street maintenance funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with their respective budget.

The basic governmental fund financial statements can be found on pages 26-33 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water/sewer and sanitation service operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for accrued compensated absences. This internal service fund has been included with governmental activities on the governmental-wide financial statements.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water/sewer and sanitation funds since they are considered major funds of the City.

The basic proprietary fund financial statements can be found on pages 34-38 of this report.

City of Port Neches, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

Component Unit

The City maintains the accounting and financial statements for one component unit. The Port Neches Economic Development Corporation ("PNEDC") is a discretely presented component unit displayed on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-72 of this report.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund, schedule of changes in the net pension liability and OPEB liability and related ratios, and schedule of employer contributions for the Texas Municipal Retirement System. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Port Neches, Texas, assets and deferred outflows exceeded liabilities and deferred inflows by \$51,647,717 as of September 30, 2022, in the primary government.

The largest portion of the City's net position, \$56,121,336, reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Port Neches, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

| | 2022 | | | 2021 | | |
|-------------------------------------|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Current and other assets | \$ 25,862,826 | \$ 3,291,950 | \$ 29,154,776 | \$ 19,358,023 | \$ 3,860,643 | \$ 23,218,666 |
| Capital assets, net | 33,527,405 | 35,734,448 | 69,261,853 | 34,595,036 | 34,380,108 | 68,975,144 |
| Total Assets | 59,390,231 | 39,026,398 | 98,416,629 | 53,953,059 | 38,240,751 | 92,193,810 |
| Total Deferred Outflows | 1,516,994 | 456,395 | 1,973,389 | 2,610,987 | 1,064,084 | 3,675,071 |
| Other Liabilities | 3,730,631 | 976,762 | 4,707,393 | 4,130,293 | 1,510,050 | 5,640,343 |
| Long-term liabilities | 32,276,117 | 5,692,017 | 37,968,134 | 31,119,838 | 7,555,241 | 38,675,079 |
| Total Liabilities | 36,006,748 | 6,668,779 | 42,675,527 | 35,250,131 | 9,065,291 | 44,315,422 |
| Total Deferred Inflows | 3,883,812 | 2,182,962 | 6,066,774 | 1,011,920 | 1,128,259 | 2,140,179 |
| Net Position: | | | | | | |
| Net investment in capital assets | 20,611,718 | 35,509,618 | 56,121,336 | 21,370,820 | 34,348,782 | 55,719,602 |
| Restricted | 1,377,537 | - | 1,377,537 | 1,708,439 | - | 1,708,439 |
| Unrestricted | (972,590) | (4,878,566) | (5,851,156) | (2,777,264) | (5,237,497) | (8,014,761) |
| Total Net Position | \$ 21,016,665 | \$ 30,631,052 | \$ 51,647,717 | \$ 20,301,995 | \$ 29,111,285 | \$ 49,413,280 |

Total other liabilities decreased by \$932,950 primarily due to timing of payments to vendors subsequent to yearend and a decrease in the current portion of compensated absences. Total long-term liabilities decreased by \$706,945 due to a significant decrease in the City's OPEB healthcare liability. This OPEB decreased due to an adjustment in the discount rate from 2.16% to 4.06% which corresponds to the current year 20 year municipal bond rate.

City of Port Neches, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

Statement of Activities:

The following table provides a summary of the City's changes in net position:

| | For the Year Ended September 30, 2022 | | | For the Year Ended September 30, 2021 | | |
|-------------------------------------|---------------------------------------|-----------------------------|-----------------------|---------------------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| | | | Primary Government | | | Primary Government |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 415,108 | \$ 5,240,022 | \$ 5,655,130 | \$ 374,778 | \$ 5,046,372 | \$ 5,421,150 |
| Grants and contributions | 1,494,538 | 1,508,619 | 3,003,157 | 4,472,407 | 1,126,456 | 5,598,863 |
| General revenues: | | | | | | |
| Property taxes | 7,280,015 | - | 7,280,015 | 7,174,173 | - | 7,174,173 |
| Sales taxes | 2,097,888 | - | 2,097,888 | 1,807,842 | - | 1,807,842 |
| In Lieu of Tax Payments | 2,730,607 | - | 2,730,607 | 3,164,147 | - | 3,164,147 |
| Gross Receipts | 770,395 | - | 770,395 | 628,202 | - | 628,202 |
| Miscellaneous | 404,159 | 39,965 | 444,124 | 271,938 | - | 271,938 |
| Investment income | 77,528 | 20,894 | 98,422 | 108,714 | - | 108,714 |
| Total Revenues | 15,270,238 | 6,809,500 | 22,079,738 | 18,002,201 | 6,172,828 | 24,175,029 |
| Expenses | | | | | | |
| General government | 1,771,362 | - | 1,771,362 | 1,905,533 | - | 1,905,533 |
| Public safety | 6,050,884 | - | 6,050,884 | 6,990,035 | - | 6,990,035 |
| Public works | 2,232,151 | - | 2,232,151 | 2,212,857 | - | 2,212,857 |
| Community enrichment | 1,001,270 | - | 1,001,270 | 1,126,027 | - | 1,126,027 |
| Contingent | 2,256,680 | - | 2,256,680 | 1,771,616 | - | 1,771,616 |
| Interest on long term debt | 447,843 | - | 447,843 | 379,200 | - | 379,200 |
| Water & Sewer | - | 4,760,544 | 4,760,544 | - | 4,965,626 | 4,965,626 |
| Sanitation | - | 1,324,567 | 1,324,567 | - | 1,318,760 | 1,318,760 |
| Total Expenses | 13,760,190 | 6,085,111 | 19,845,301 | 14,385,268 | 6,284,386 | 20,669,654 |
| Change in Net Position | | | | | | |
| Before Transfers & Other | 1,510,048 | 724,389 | 2,234,437 | 3,616,933 | (111,558) | 3,505,375 |
| Transfers & other | (795,378) | 795,378 | - | (1,120,626) | 1,120,626 | - |
| Total | (795,378) | 795,378 | - | (1,120,626) | 1,120,626 | - |
| Change in Net Position | 714,670 | 1,519,767 | 2,234,437 | 2,496,307 | 1,009,068 | 3,505,375 |
| Beginning Net Position | 20,301,995 | 29,111,285 | 49,413,280 | 17,805,688 | 28,102,217 | 45,907,905 |
| Ending Net Position | \$ 21,016,665 | \$ 30,631,052 | \$ 51,647,717 | \$ 20,301,995 | \$ 29,111,285 | \$ 49,413,280 |

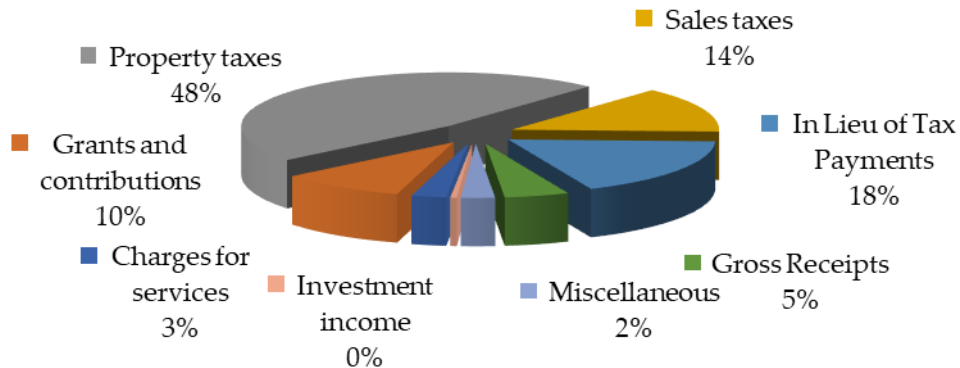
City of Port Neches, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

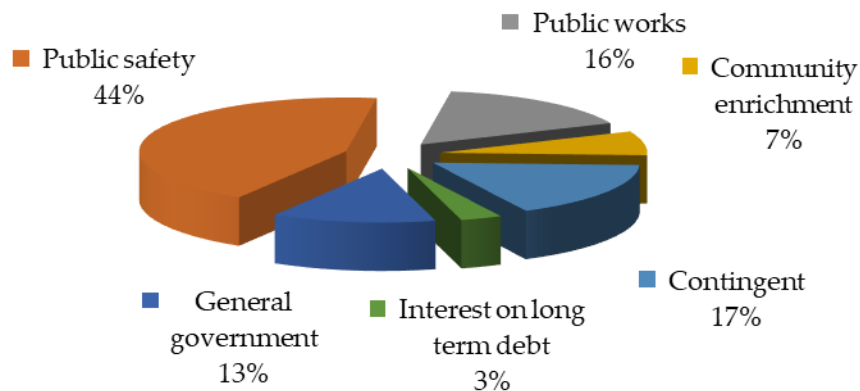
Governmental Activities - Revenues



For the year ended September 30, 2022, revenues from governmental activities totaled \$15,270,238. Property taxes and grants/contributions were the City's largest general revenue sources. Overall revenue decreased \$2,731,963 or 15% from the prior year. This decrease is primarily due to an overall decrease in grants and contributions of \$2,977,869. Grants decreased primarily due to nonrecurring federal and state grants received in the prior year to help assist the City's response to COVID-19. In addition, the City received a capital contribution for the riverfront 2020 project. Sales tax revenue increased by \$290,046 or 16% primarily due to economic growth fueled by the manufacturing sector. Payments in-lieu of taxes was down by \$433,540 or 14% due to lower inventories held by the oil and gas industrial payors. Investment income decreased by \$31,186 or 29% due primarily to a decrease in investment balances from the prior year. All other revenues remained relatively consistent with the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



City of Port Neches, Texas

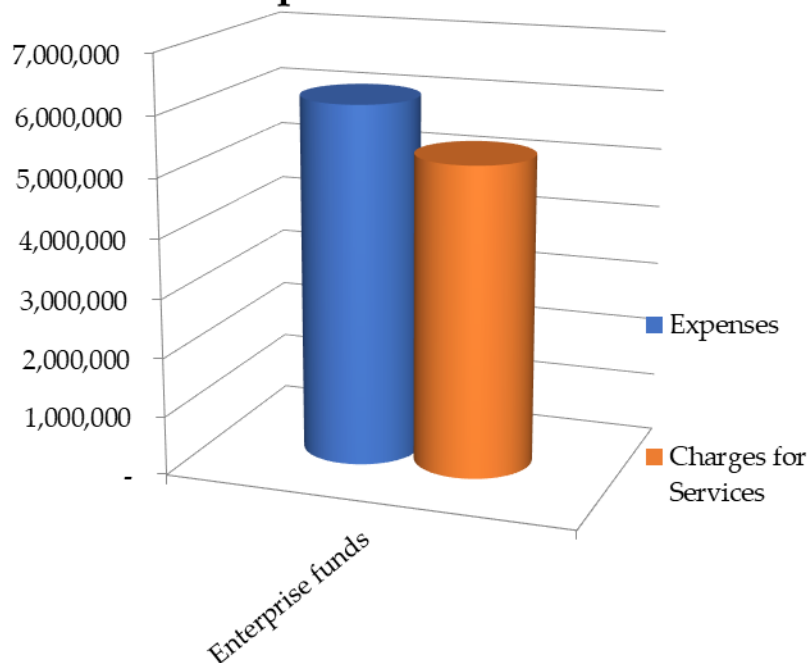
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

For the year ended September 30, 2022, expenses for governmental activities totaled \$13,760,190. This represents a decrease of \$625,078 or 4% compared to the prior year. The City's largest functional expense is public safety totaling \$6,050,884. Public safety expenses decreased by \$939,151 or 13% primarily due to a change in department expenses for central dispatching which is now reported in the contingent expense function. General government decreased by \$134,171 or 7% when compared to the prior year, which is primarily a result of grant expenditures and expense allocation in the prior year. Contingent expenses increased by \$485,064 or 27% primarily as a result of central dispatching expenses being reported in the current year. All other expenses remained relatively consistent with the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2022, charges for services by business-type activities totaled \$5,240,022. This is an increase of \$193,650 or 4% from the previous year, which is considered consistent with the prior year.

Total expenses decreased \$199,275 or 4% to a total of \$6,085,111. This change is primarily due to lower personnel costs and reduced expense allocations.

City of Port Neches, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

At September 30, 2022, the City's governmental funds reported combined fund balances of \$23,875,693, an increase of \$6,546,173 in comparison with the prior year. Approximately 37% of this amount, \$8,896,715, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted or committed* to indicate that it is 1) not in spendable form \$63,006, 2) restricted for particular purposes \$12,533,500, and 3) committed for other purposes \$2,382,472.

As of the end of the year the general fund reflected a total fund balance of \$8,959,721. Of this, \$63,006 is considered nonspendable and \$8,896,715 is unassigned. General fund balance decreased by \$402,692. This decrease can be attributed to a budgeted decrease in fund balance in the current year.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$8,896,715 is 76% of total general fund operating expenditures.

The debt service fund had an ending fund balance of \$670,612 as of year end. Total fund balance decreased by \$348,632 from the prior year primarily due to greater debt service expenditures related to the 2022 issuance of certificates of obligation. Revenues were adversely impacted by a refund of prior year property tax related to tax code rule 25.25(c).

As of the end of the year the capital improvement fund reflected a fund balance of \$10,594,530, an increase of \$5,825,035 from the prior year. This increase was a direct result of an issuance of \$7,000,000 of certificates of obligation during the year.

The SLFRF fund had an increase in fund balance of \$1,374,845 for the year. Ending fund balance of \$2,943,905 is restricted for grant activities. The fund received \$1,574,063 in new grant funding during the year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

City of Port Neches, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by \$756,700 and increasing total revenues by \$283,000. The primary reasons for the revenue budget revision were due to greater than expected revenue from sales tax and an unanticipated refund of industrial property tax related to tax code rule 25.25(c). Budgeted expenditures were increased to account for actual operating results of the year. Total budgeted revenues of \$11,060,650 were less than actual revenues of \$11,203,246, resulting in a total positive revenue variance of \$142,596. The majority of this variance is a result of claims and settlements. Total budgeted expenditures of \$12,466,850 were more than final actual expenditures of \$11,756,550, resulting in a total positive expenditure variance of \$710,300. This positive variance is primarily a result of contingent expenditures being under budget appropriations and a reduction in OPEB liability expense allocations across all departments.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$33,527,405 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$35,734,448 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

Major capital asset events during the current year include the following:

- HMAC street resurfacing improvements for \$442,844.
- 2022 Peterbilt Garbage Truck totaling \$272,350.
- Water tower improvements totaling \$859,849.
- Sanitary sewer project improvements for \$318,319.
- Water treatment plant rehab project investments for \$426,557.
- Park lift station engineering totaling \$203,000.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

The City's outstanding bonds and certificates of obligation payable increased by \$5,190,000 from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$20,585,000.

More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

City of Port Neches, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Jefferson County Appraisal District's certified tax roll indicates the 2022 property tax levy has increased by \$868,685 to \$8,424,948.

The property tax rate for the 2022 fiscal year is \$0.685 per \$100 assessed valuation. Overall property values increases throughout the City.

For fiscal year 2022, Industrial District property values have increased by 22% or \$109,587,951. Industrial contracts will produce approximately \$3,078,327 in revenue, which is an increase of \$563,008. These items were considered in preparing the City of Port Neches budget for the 2023 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the Municipal Administration Department, P.O. Box 758, Port Neches, Texas 77651. General information on the City of Port Neches, Texas is available at www.ci.port-neches.tx.us.



FINANCIAL STATEMENTS

City of Port Neches, Texas

STATEMENT OF NET POSITION

September 30, 2022

| | Primary Government | | |
|--|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>Assets</u> | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 24,612,488 | \$ 1,441,994 | \$ 26,054,482 |
| Receivables, net | 983,895 | 972,365 | 1,956,260 |
| Leases receivable | - | 38,246 | 38,246 |
| Inventory | 63,006 | 308,384 | 371,390 |
| Internal balances | 203,437 | (203,437) | - |
| Total Current Assets | 25,862,826 | 2,557,552 | 28,420,378 |
| Noncurrent assets: | | | |
| Leases receivable | - | 734,398 | 734,398 |
| Capital assets: | | | |
| Non-depreciable | 3,211,592 | 2,290,789 | 5,502,381 |
| Net depreciable capital assets | 30,315,813 | 33,443,659 | 63,759,472 |
| Noncurrent Assets | 33,527,405 | 36,468,846 | 69,996,251 |
| Total Assets | 59,390,231 | 39,026,398 | 98,416,629 |
| <u>Deferred Outflows of Resources</u> | | | |
| Pension outflows | 1,516,994 | 456,395 | 1,973,389 |
| Total Deferred Outflows of Resources | 1,516,994 | 456,395 | 1,973,389 |

Component Unit

PNEDC

| | |
|----|------------------|
| \$ | 1,301,776 |
| | 80,067 |
| | - |
| | - |
| | - |
| | <u>1,381,843</u> |
| | - |
| | - |
| | - |
| | <u>1,381,843</u> |
| | - |
| | - |
| | <u>-</u> |

City of Port Neches, Texas
STATEMENT OF NET POSITION (Continued)
September 30, 2022

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 857,377 | \$ 306,332 | \$ 1,163,709 |
| Accrued interest payable | 39,383 | - | 39,383 |
| Customer deposits | - | 489,064 | 489,064 |
| Compensated absences, current | 1,098,871 | 181,366 | 1,280,237 |
| Long term debt due within one year | 1,735,000 | - | 1,735,000 |
| Current Liabilities | 3,730,631 | 976,762 | 4,707,393 |
| Noncurrent liabilities: | | | |
| Compensated absences, noncurrent | 732,581 | 120,911 | 853,492 |
| Long-term debt due in more than one year | 18,850,000 | - | 18,850,000 |
| OPEB liability | 8,798,563 | 4,399,281 | 13,197,844 |
| Net pension liability | 3,894,973 | 1,171,825 | 5,066,798 |
| Noncurrent Liabilities | 32,276,117 | 5,692,017 | 37,968,134 |
| Total Liabilities | 36,006,748 | 6,668,779 | 42,675,527 |
| Deferred Inflows of Resources | | | |
| Pension inflows | 2,564,427 | 771,520 | 3,335,947 |
| OPEB inflows | 1,319,385 | 659,692 | 1,979,077 |
| Lease related | - | 751,750 | 751,750 |
| Total Deferred Inflows of Resources | 3,883,812 | 2,182,962 | 6,066,774 |
| Net Position | | | |
| Net investment in capital assets | \$ 20,611,718 | \$ 35,509,618 | \$ 56,121,336 |
| Restricted for: | | | |
| Debt service | 670,612 | - | 670,612 |
| Street maintenance | 212,802 | - | 212,802 |
| Law enforcement | 91,820 | - | 91,820 |
| Grants | 330,755 | - | 330,755 |
| Community enrichment | 71,548 | - | 71,548 |
| Economic development | - | - | - |
| Unrestricted | (972,590) | (4,878,566) | (5,851,156) |
| Total Net Position | \$ 21,016,665 | \$ 30,631,052 | \$ 51,647,717 |

See Notes to Financial Statements.

Component Unit

PNEDC

\$ 100,121
-
-
-
-
100,121

-
-
-
-
-
100,121

-
-
-
-
-
-

\$ -
-
-
-
-
-
1,281,722
-
\$ 1,281,722

City of Port Neches, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General government | \$ 1,771,362 | \$ - | \$ 1,430,413 | \$ 10,880 |
| Public safety | 6,050,884 | 115,753 | 40,529 | - |
| Public works | 2,232,151 | 299,355 | - | - |
| Community enrichment | 1,001,270 | - | 12,716 | - |
| Contingent | 2,256,680 | - | - | - |
| Interest on long term debt | 447,843 | - | - | - |
| Total Governmental Activities | 13,760,190 | 415,108 | 1,483,658 | 10,880 |
| Business-Type Activities | | | | |
| Water and sewer | 4,760,544 | 3,694,394 | - | 1,508,619 |
| Sanitation | 1,324,567 | 1,545,628 | - | - |
| Total Business-Type Activities | 6,085,111 | 5,240,022 | - | 1,508,619 |
| Total Primary Government | \$ 19,845,301 | \$ 5,655,130 | \$ 1,483,658 | 1,519,499 |
| Component Unit | | | | |
| Port Neches EDC | \$ 267,696 | \$ - | \$ - | \$ - |
| Total Component Unit | \$ 267,696 | \$ - | \$ - | \$ - |

General Revenues:

Taxes

Property taxes

Sales taxes

In Lieu of Tax Payments

Gross Receipts

Gain (Loss) on sale of asset

Miscellaneous

Investment income

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|---------------------------------|----------------------|-----------------------|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-Type Activities | Total | PNEDC |
| \$ (330,069) | \$ - | \$ (330,069) | \$ - |
| (5,894,602) | - | (5,894,602) | - |
| (1,932,796) | - | (1,932,796) | - |
| (988,554) | - | (988,554) | - |
| (2,256,680) | - | (2,256,680) | - |
| (447,843) | - | (447,843) | - |
| <u>(11,850,544)</u> | <u>-</u> | <u>(11,850,544)</u> | <u>-</u> |
| - | 442,469 | 442,469 | - |
| - | 221,061 | 221,061 | - |
| <u>-</u> | <u>663,530</u> | <u>663,530</u> | <u>-</u> |
| <u>(11,850,544)</u> | <u>663,530</u> | <u>(11,187,014)</u> | <u>-</u> |
| | | | <u>(267,696)</u> |
| | | | <u>(267,696)</u> |
| 7,280,015 | - | 7,280,015 | - |
| 2,097,888 | - | 2,097,888 | 411,644 |
| 2,730,607 | - | 2,730,607 | - |
| 770,395 | - | 770,395 | - |
| - | 39,965 | 39,965 | - |
| 404,159 | - | 404,159 | - |
| 77,528 | 20,894 | 98,422 | - |
| <u>(795,378)</u> | <u>795,378</u> | <u>-</u> | <u>-</u> |
| <u>12,565,214</u> | <u>856,237</u> | <u>13,421,451</u> | <u>411,644</u> |
| 714,670 | 1,519,767 | 2,234,437 | 143,948 |
| 20,301,995 | 29,111,285 | 49,413,280 | 1,137,774 |
| <u>\$ 21,016,665</u> | <u>\$ 30,631,052</u> | <u>\$ 51,647,717</u> | <u>\$ 1,281,722</u> |

City of Port Neches, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2022

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Improvement</u> | <u>SLFRF Fund</u> |
|--|---------------------|-------------------------|--------------------------------|-----------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 8,782,630 | \$ 670,614 | \$ 10,546,116 | \$ 2,942,713 |
| Receivables, net | 721,264 | 55,771 | - | - |
| Due from other funds | - | - | 203,437 | 1,192 |
| Inventory | 63,006 | - | - | - |
| Total Assets | \$ 9,566,900 | \$ 726,385 | \$ 10,749,553 | \$ 2,943,905 |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 297,978 | \$ - | \$ 155,023 | \$ - |
| Due to other funds | 1,192 | - | - | - |
| Total Liabilities | 299,170 | - | 155,023 | - |
| <u>Deferred Inflows of Resources</u> | | | | |
| Unavailable revenue - | | | | |
| Property taxes | 127,407 | 55,773 | - | - |
| Grant receivable | - | - | - | - |
| Industrial receivable | 180,602 | - | - | - |
| Total Deferred Inflows | 308,009 | 55,773 | - | - |
| <u>Fund Balances</u> | | | | |
| Nonspendable for: | | | | |
| Inventory | 63,006 | - | - | - |
| Restricted for: | | | | |
| Debt service | - | 670,612 | - | - |
| Street maintenance | - | - | - | - |
| Capital improvements | - | - | 8,212,058 | - |
| Law enforcement | - | - | - | - |
| Grants | - | - | - | - |
| Community enrichment | - | - | - | - |
| Grants | - | - | - | 2,943,905 |
| Committed | - | - | 2,382,472 | - |
| Unassigned | 8,896,715 | - | - | - |
| Total Fund Balances | 8,959,721 | 670,612 | 10,594,530 | 2,943,905 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 9,566,900 | \$ 726,385 | \$ 10,749,553 | \$ 2,943,905 |

See Notes to Financial Statements.

| Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|
| \$ 1,031,234 | \$ 23,973,307 |
| 206,860 | 983,895 |
| - | 204,629 |
| - | 63,006 |
| <u>\$ 1,238,094</u> | <u>\$ 25,224,837</u> |

| | |
|----------------|----------------|
| \$ 404,376 | \$ 857,377 |
| - | 1,192 |
| <u>404,376</u> | <u>858,569</u> |

| | |
|----------------|----------------|
| - | 183,180 |
| 126,793 | 126,793 |
| - | 180,602 |
| <u>126,793</u> | <u>490,575</u> |

| | |
|---------------------|----------------------|
| - | 63,006 |
| - | 670,612 |
| 212,802 | 212,802 |
| - | 8,212,058 |
| 91,820 | 91,820 |
| 330,755 | 330,755 |
| 71,548 | 71,548 |
| - | 2,943,905 |
| - | 2,382,472 |
| - | 8,896,715 |
| <u>706,925</u> | <u>23,875,693</u> |
| <u>\$ 1,238,094</u> | <u>\$ 25,224,837</u> |



City of Port Neches, Texas
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2022

| | | |
|---|-----------|-------------------|
| Fund Balances - Total Governmental Funds | \$ | 23,875,693 |
| Adjustments for the Statement of Net Position: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds. | | |
| Capital assets - non-depreciable | | 3,211,592 |
| Capital assets - net depreciable | | 30,315,813 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | | |
| Property tax receivable | | 183,180 |
| Grant receivable | | 126,793 |
| Industrial receivable | | 180,602 |
| Deferred outflows (inflows) of resources represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflows) of resources (expense/expenditure)/(revenue) until then. | | |
| Pension outflows | | 1,516,994 |
| Pension inflows | | (2,564,427) |
| OPEB inflows | | (1,319,385) |
| Internal service funds are used by management to charge the cost of equipment to individual departments and funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | | |
| | | (1,192,271) |
| Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds. | | |
| Accrued interest | | (39,383) |
| Non-current liabilities due in one year | | (1,735,000) |
| Non-current liabilities due in more than one year | | (18,850,000) |
| Net pension liability | | (3,894,973) |
| OPEB liability | | (8,798,563) |
| Net Position of Governmental Activities | \$ | 21,016,665 |

See Notes to Financial Statements.

City of Port Neches, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2022

| | General | Debt Service | Capital Improvement | SLFRF Fund |
|--|--------------|-----------------|------------------------|---------------|
| Revenues | | | | |
| Property tax | \$ 5,426,404 | \$ 1,842,586 | \$ - | \$ - |
| Sales tax | 1,686,244 | - | - | - |
| In lieu of tax contracts | 2,550,005 | - | - | - |
| Gross receipts business tax | 770,395 | - | - | - |
| License, permits and fees | 299,355 | - | - | - |
| Grant revenue | 47,995 | - | - | 1,574,063 |
| Fines and forfeitures | 111,053 | - | - | - |
| Contributions and donations | - | - | 10,880 | - |
| Investment income | 35,256 | 4,250 | 34,240 | 3,782 |
| Other revenue | 276,539 | - | - | - |
| Total Revenues | 11,203,246 | 1,846,836 | 45,120 | 1,577,845 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,209,148 | 850 | - | - |
| Public safety | 5,813,906 | - | - | - |
| Public works | 1,593,037 | - | 9,900 | - |
| Community enrichment | 949,325 | - | - | - |
| Contingent | 2,191,134 | - | 49,124 | - |
| Debt Service: | | | | |
| Principal | - | 1,810,000 | - | - |
| Interest and fiscal charges | - | 384,618 | - | - |
| Bond issuance costs | - | - | 63,225 | - |
| Capital outlay | - | - | 142,458 | - |
| Total Expenditures | 11,756,550 | 2,195,468 | 264,707 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (553,304) | (348,632) | (219,587) | 1,577,845 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 363,000 | - | - | - |
| Transfers (out) | (132,500) | - | (955,378) | (203,000) |
| Bond issuance | - | - | 7,000,000 | - |
| Total Other Financing Sources (Uses) | 230,500 | - | 6,044,622 | (203,000) |
| Net Change in Fund Balances | (322,804) | (348,632) | 5,825,035 | 1,374,845 |
| Beginning fund balances | 9,282,525 | 1,019,244 | 4,769,495 | 1,569,060 |
| Ending Fund Balances | \$ 8,959,721 | \$ 670,612 | \$ 10,594,530 | \$ 2,943,905 |

See Notes to Financial Statements.

| Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|
| \$ - | \$ 7,268,990 |
| 411,644 | 2,097,888 |
| - | 2,550,005 |
| - | 770,395 |
| - | 299,355 |
| - | 1,622,058 |
| 4,700 | 115,753 |
| 12,716 | 23,596 |
| - | 77,528 |
| 127,620 | 404,159 |
| <u>556,680</u> | <u>15,229,727</u> |
| 9,154 | 1,219,152 |
| - | 5,813,906 |
| 489,767 | 2,092,704 |
| 23,608 | 972,933 |
| 16,422 | 2,256,680 |
| - | 1,810,000 |
| - | 384,618 |
| - | 63,225 |
| - | 142,458 |
| <u>538,951</u> | <u>14,755,676</u> |
| 17,729 | 474,051 |
| - | 363,000 |
| - | (1,290,878) |
| - | 7,000,000 |
| <u>-</u> | <u>6,072,122</u> |
| 17,729 | 6,546,173 |
| 689,196 | 17,329,520 |
| <u>\$ 706,925</u> | <u>\$ 23,875,693</u> |



City of Port Neches, Texas

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

For the Year Ended September 30, 2022

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

| | |
|---|--------------|
| Net changes in fund balances - total governmental funds | \$ 6,546,173 |
|---|--------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|----------------------|-------------|
| Capital outlay | 729,946 |
| Depreciation expense | (1,797,577) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|-----------------------|-----------|
| Property tax | 11,025 |
| Grants receivable | (151,116) |
| Industrial receivable | 180,602 |

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

| | |
|------------------|----------|
| Accrued interest | (13,017) |
| Pension expense | 450,533 |
| OPEB expense | 16,698 |

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | |
|--------------------------------------|-------------|
| Issuance of debt | (7,000,000) |
| Principal payments on long-term debt | 1,810,000 |

Internal service funds are used by management to charge the cost of health insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

(68,597)

| | |
|--|-------------------|
| Change in Net Position of Governmental Activities | \$ 714,670 |
|--|-------------------|

See Notes to Financial Statements.

City of Port Neches, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2022

| | Business-type Activities | | | Governmental Activities |
|--|-----------------------------|-------------------|------------------------------|-----------------------------|
| | Water & Sewer | Sanitation | Total Enterprise Funds | Internal Service Fund |
| <u>Assets</u> | | | | |
| <u>Current Assets</u> | | | | |
| Cash and cash equivalents | \$ 889,104 | \$ 559,419 | \$ 1,448,523 | \$ 632,652 |
| Receivables, net | 777,979 | 194,386 | 972,365 | - |
| Lease receivable | 38,246 | - | 38,246 | - |
| Inventory | 242,630 | 65,754 | 308,384 | - |
| Total Current Assets | 1,947,959 | 819,559 | 2,767,518 | 632,652 |
| <u>Noncurrent Assets</u> | | | | |
| Lease receivable | 734,398 | - | 734,398 | - |
| Capital assets: | | | | |
| Non-depreciable | 2,290,789 | - | 2,290,789 | - |
| Net depreciable capital assets | 32,607,085 | 836,574 | 33,443,659 | - |
| Total Noncurrent Assets | 35,632,272 | 836,574 | 36,468,846 | - |
| Total Assets | 37,580,231 | 1,656,133 | 39,236,364 | 632,652 |
| <u>Deferred Outflows of Resources</u> | | | | |
| Pension outflows | 335,390 | 121,005 | 456,395 | - |
| Total Deferred Outflows | \$ 335,390 | \$ 121,005 | \$ 456,395 | \$ - |

City of Port Neches, Texas
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
September 30, 2022

| | Business-type Activities | | | Governmental Activities |
|--|-----------------------------|---------------------|------------------------------|-----------------------------|
| | Water & Sewer | Sanitation | Total Enterprise Funds | Internal Service Fund |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 269,224 | \$ 37,108 | \$ 306,332 | \$ - |
| Due to other funds | 203,437 | - | 203,437 | - |
| Customer deposits | 489,064 | - | 489,064 | - |
| Compensated absences - current | - | - | - | 1,280,237 |
| Total Current Liabilities | 961,725 | 37,108 | 998,833 | 1,280,237 |
| Noncurrent Liabilities | | | | |
| Compensated absences, noncurrent | - | - | - | 853,492 |
| OPEB liability | 4,399,281 | - | 4,399,281 | - |
| Net pension liability | 861,136 | 310,689 | 1,171,825 | - |
| Total Noncurrent Liabilities | 5,260,417 | 310,689 | 5,571,106 | 853,492 |
| Total Liabilities | 6,222,142 | 347,797 | 6,569,939 | 2,133,729 |
| Deferred Inflows of Resources | | | | |
| Pension inflows | 566,965 | 204,555 | 771,520 | - |
| OPEB inflows | 659,692 | - | 659,692 | - |
| Lease related | 751,750 | - | 751,750 | - |
| Total Deferred Inflows | 1,978,407 | 204,555 | 2,182,962 | - |
| Net Position | | | | |
| Net investment in capital assets | 34,673,044 | 836,574 | 35,509,618 | - |
| Unrestricted | (4,957,972) | 388,212 | (4,569,760) | (1,501,077) |
| Total Net Position | \$ 29,715,072 | \$ 1,224,786 | \$ 30,631,052 | \$ (1,501,077) |
| Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the proprietary funds | | | (308,806) | |
| Net position of business-type activities | | | \$ 30,631,052 | |

See Notes to Financial Statements.

City of Port Neches, Texas

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

For the Year Ended September 30, 2022

| | Business-type Activities | | | Governmental Activities |
|---|-----------------------------|--------------|------------------------------|-----------------------------|
| | Water & Sewer | Sanitation | Total Enterprise Funds | Internal Service Fund |
| <u>Operating Revenues</u> | | | | |
| Charges for services | \$ 3,692,257 | \$ 1,545,628 | \$ 5,237,885 | \$ - |
| Other revenue | 2,137 | - | 2,137 | - |
| Total Operating Revenues | 3,694,394 | 1,545,628 | 5,240,022 | - |
| <u>Operating Expenses</u> | | | | |
| Supply and purification | 1,202,171 | - | 1,202,171 | - |
| Maintenance | 929,453 | - | 929,453 | - |
| Accounting and collections | 297,773 | - | 297,773 | - |
| Wastewater plant | 1,034,318 | - | 1,034,318 | - |
| Salaries and benefits | - | - | - | 134,505 |
| Sanitation | - | 1,153,688 | 1,153,688 | - |
| Depreciation | 1,363,420 | 170,879 | 1,534,299 | - |
| Total Operating Expenses | 4,827,135 | 1,324,567 | 6,151,702 | 134,505 |
| Operating Income (Loss) | (1,132,741) | 221,061 | (911,680) | (134,505) |
| <u>Nonoperating Revenues (Expenses)</u> | | | | |
| Investment income | 20,894 | - | 20,894 | - |
| Gain on sale of capital asset | - | 39,965 | 39,965 | - |
| Total Nonoperating Revenues | 20,894 | 39,965 | 60,859 | - |
| Income (Loss) Before Transfers | | | | |
| Capital Contributions | (1,111,847) | 261,026 | (850,821) | (134,505) |
| <u>Transfers and Capital Contributions</u> | | | | |
| Capital grants | 1,508,619 | - | 1,508,619 | - |
| Transfers in | 1,158,378 | - | 1,158,378 | 192,500 |
| Transfers (out) | (323,000) | (100,000) | (423,000) | - |
| Change in Net Position | 1,232,150 | 161,026 | 1,393,176 | 57,995 |
| Beginning net position | 28,482,922 | 1,063,760 | 29,546,682 | (1,559,072) |
| Ending Net Position | \$ 29,715,072 | \$ 1,224,786 | | \$ (1,501,077) |
| Adjustment for net effect of current year activity between the internal service fund and the proprietary funds | | | 126,591 | |
| Change in net position of business-type activities | | | \$ 1,519,767 | |

See Notes to Financial Statements.

City of Port Neches, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2022

| | Business-type Activities | | | Governmental Activities |
|--|-----------------------------|--------------|------------------------------|-----------------------------|
| | Water & Sewer | Sanitation | Total Enterprise Funds | Internal Service Fund |
| <u>Cash Flows from Operating Activities</u> | | | | |
| Receipts from customers | \$ 3,722,092 | \$ 1,544,164 | \$ 5,266,256 | \$ - |
| Payments to suppliers | (1,931,453) | (642,957) | (2,574,410) | - |
| Payments to employees | (1,863,327) | (692,512) | (2,555,839) | (293,012) |
| Net Cash (Used for) Operating Activities | (72,688) | 208,695 | 136,007 | (293,012) |
| <u>Cash Flows from Noncapital Financing Activities</u> | | | | |
| Transfers in | 1,158,378 | - | 1,158,378 | 192,500 |
| Transfers (out) | (323,000) | (100,000) | (423,000) | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | 835,378 | (100,000) | 735,378 | 192,500 |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | | |
| Capital purchases | (2,829,609) | (272,350) | (3,101,959) | - |
| Disposal of capital assets | 213,320 | 39,965 | 253,285 | - |
| Capital grants | 1,508,619 | - | 1,508,619 | - |
| Net Cash (Used for) Capital and Related Financing Activities | (1,107,670) | (232,385) | (1,340,055) | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | (344,980) | (123,690) | (468,670) | (100,512) |
| Beginning cash and cash equivalents | 1,234,084 | 683,109 | 1,917,193 | 733,164 |
| Ending Cash and Cash Equivalents | \$ 889,104 | \$ 559,419 | \$ 1,448,523 | \$ 632,652 |

See Notes to Financial Statements.

City of Port Neches, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2022

| | Business-type Activities | | | Governmental Activities |
|--|-----------------------------|-------------------|------------------------------|-----------------------------|
| | Water & Sewer | Sanitation | Total Enterprise Funds | Internal Service Fund |
| <u>Reconciliation of Operating Income (Loss)</u> | | | | |
| <u>to Net Cash Provided (Used) by Operating Activities</u> | | | | |
| Operating income (loss) | \$ (1,132,741) | \$ 221,061 | \$ (911,680) | \$ (134,505) |
| Adjustments to reconcile operating income to net cash provided: | | | | |
| Depreciation | 1,363,420 | 170,879 | 1,534,299 | - |
| Changes in Operating Assets and Liabilities: | | | | |
| (Increase) Decrease in: | | | | |
| Accounts receivable | 22,984 | (1,464) | 21,520 | - |
| Inventory | (34,380) | (28,053) | (62,433) | - |
| Due from other funds | 203,437 | - | 203,437 | - |
| Increase (Decrease) in: | | | | |
| Accounts payable and accrued liab. | (332,376) | (17,652) | (350,028) | - |
| Due to other funds | - | (80,230) | (80,230) | - |
| Compensated absences | - | - | - | (158,507) |
| Customer deposits | 4,714 | - | 4,714 | - |
| Deferred outflows - Pension | 300,642 | (11,724) | 288,918 | - |
| Deferred outflows - OPEB | 1,310,485 | - | 1,310,485 | - |
| Deferred inflows - Pension | - | 120,102 | 120,102 | - |
| OPEB liability | (1,318,833) | - | (1,318,833) | - |
| Net pension liability | (460,040) | (164,224) | (624,264) | - |
| Net Cash (Used for) Operating Activities | \$ (72,688) | \$ 208,695 | \$ 136,007 | \$ (293,012) |

See Notes to Financial Statements.

City of Port Neches, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Port Neches, Texas (the "City") was incorporated in October of 1927, and was chartered as a Home Rule City on April 16, 1955. The City operates under a Council-Manager form of government and is governed by an elected body comprised of a Mayor and five (5) Council members. The City provides the following services: police, fire, Streets, water and sewer, sanitation, parks, library, planning and zoning, and general administrative services.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Financial Reporting Entity

The City of Port Neches is a municipal corporation governed by an elected mayor and a five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the government.

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

Discretely Presented Component Unit

Port Neches Economic Development Corporation

The Port Neches Economic Development Corporation ("PNEDC") was created under Section 4B of the Development Corporation Act of 1979. As an entity legally separate from the City, the PNEDC is governed by a board of directors appointed by the City Council. The PNEDC is comprised of a single fund that is reported as a governmental fund type. Separately issued financial statements for the PNEDC are not available. The specific purpose of the PNEDC is to promote community and economic vitality in Port Neches.

The PNEDC's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The PNEDC is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the appropriate utilization of 4b sales tax proceeds through the appointment of the PNEDC Board and the ability of the City to approve the PNEDC operating budget. Directors serve at the will of the City Council and may be appointed/removed at any time, thereby reflecting the City Councils' ability to impose their will upon the entity.

Joint Venture

Mid-County Dispatch

The City of Port Neches and two neighboring cities, Nederland and Groves, have a contractual agreement to pool resources and share the costs, risks, and rewards of providing a central radio dispatching service for the participating cities in compliance with the "Interlocal Cooperation Act". Each of the participating cities has an ongoing financial

City of Port Neches, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

responsibility for the Mid-County Dispatch. Costs of operations are shared based on each City's percentage of combined population of the three cities. Based on the agreement, there is no explicit, measurable equity interest for any of entities in the joint ventures resources.

The Mid-County Dispatch facility is located at the City of Nederland's police station. The City of Nederland has both a responsibility for the daily supervision of the facility as well as a financial responsibility to account for the financial operations of the Mid-County Dispatch. However, approval from all three City Managers is required for capital purchase and operational changes. Separately issued financial statements are not available for this joint venture.

C. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including any fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and

City of Port Neches, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

franchise taxes, gross receipts from business taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, community enrichment, contingent. This fund is considered to be a major fund.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all certificates of obligation, general obligation bonds, and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. This fund is considered to be a major fund.

Capital Improvement Fund

The capital improvement fund accounts for the financial resources to be used for the construction or acquisition of major capital facilities (other than those financed by proprietary funds or trust funds).

SLFRF Fund

The SLFRF fund accounts for the financial resources and expenditures of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program authorized by the American Rescue Plan Act.

The government reports the following major enterprise funds:

Water & Sewer Fund

The water and sewer Fund is used to account for the provision of water and sewer services to the residents of the City and others. Activities of the fund include administration, water treatment and distribution, wastewater collection and treatment, and the related revenue collection activity. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary to ensure integrity of the funds.

Sanitation Fund

The sanitation fund accounts for solid waste disposal services for residents and commercial businesses.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

The government reports the following fund types:

Internal Service Funds

Internal service funds are used to account for the financing of goods or service provided by one department to other departments of the City on a cost reimbursement basis. The sick leave fund accounts for the liability associated with accrued compensated absences for eligible employees that retire and/or separate from service. Funds are transferred on an annual basis as available from the General Fund, the Water and Sewer Fund, and the Sanitation Fund to provide resources for the liability. The City's internal service fund are presented as a proprietary fund in the funds financial statements. Since transactions of the internal service fund predominately involves providing services to the General Fund and other funds that comprise governmental activities of the City, the financial balances are included in the government activities column of the government-wide statements.

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. The City maintains six special revenue funds: library improvement, street maintenance, hazard mitigation, state forfeiture, federal forfeiture, and senior citizens association fund.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

D. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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.

The 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension custodial and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

E. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

The City'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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are reported at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized (the consumption method).

5. Restricted Assets

The refundable customer advance payments account is used to account for customer meter deposits held on behalf of water customers and recorded as a liability of the Water and Sewer Fund.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, water lines, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets or donated works of art and similar items are reported at acquisition value rather than fair value. Also, capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

| <u>Asset Description</u> | <u>Estimated Useful Life</u> |
|----------------------------|------------------------------|
| Buildings | 50 years |
| Buildings and improvements | 20 - 80 years |
| Vehicles | 5 - 10 years |
| Operating equipment | 5 - 10 years |
| Computer equipment | 3 - 5 years |
| System improvements | 40 - 80 years |

7. Net Position Flow Assumption

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

8. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the fund.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. The City has not adopted a policy stating which fund balance category is spent first when committed, assigned, or unassigned fund balances are available. By default, the City will consider amounts to have been spent first out of committed funds, then assigned and finally unassigned funds.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and unamortized premiums.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

10. Leases

Lessor: The City is a lessor for a noncancellable lease of cell towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City 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.

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

- The City 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 City 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.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

11. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

12. Pensions

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

13. Other Postemployment Benefits (“OPEB”)

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the City’s medical, dental, and life insurance plan for retirees, which began for the plan year July 1, 2021. The new retiree must have been hired by the City prior to October 10, 2011, completed a minimum of five years of service with Port Neches and be eligible for retirement under the provisions of the TMRS. The requirement that a new retiree must have been hired by Port Neches prior to October 10, 2011 to be eligible for retiree health and life insurance benefits is the result of an amendment to the City’s employee policy that was adopted on October 6, 2011. The effect of the amendment was to eliminate the City’s long-standing practice that extended retiree insurance benefits to all employees who completed a minimum of five years of service and met the TMRS retirement eligibility criteria.

14. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows / inflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One example is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

3. Compensated Absences

It is the policy of the City to permit employees to accumulate earned but unused sick pay benefits. No liability is reported for unpaid accumulated sick leave in the governmental or enterprise funds.

The City has established an internal service fund to account for the liability related to compensated absences. The assets reserved for the payment of this benefit total \$632,651. Eligible employees may be compensated for accrued sick leave in an amount which is

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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dependent on City policy at the time of a qualified retirement from service. Civil Service employees that separate from service for non-retirement reasons may be eligible to receive accumulated sick leave compensation in accordance with Civil Service statutes unless governed by collective bargaining stipulations. Additionally, a limited number of employees may be eligible for payment of deferred vacation pay and other accrued leave types associated with comp time accrued during a disaster. As of September 30, 2022, the liability for accumulated sick leave was approximately \$1,809,676 as indicated in the Internal Service Fund. Prior to a policy change occurring in December of 2003, employees were allowed to accumulate vacation time and carry the time forward to the subsequent years. The employees were eligible to defer the accrued vacation time until their retirement and receive compensation at the time of retirement for all unused vacation days. As of September 30, 2022, the liability for deferred vacation compensation was approximately \$324,053. The City has reviewed the policy related to Accrued Leave compensation for retirees and attempted to minimize the challenge of funding this liability in the context of the overall increase in benefit costs by implementing policy modifications on a periodic basis.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

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

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, and street maintenance fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Supplemental budget appropriations were made during the year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the primary government had no investments.

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk: The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or 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 fair value of not less than the principal amount of the deposits. As of September 30, 2022, the fair values of pledged securities and FDIC exceeded bank balances.

A. Receivables

1. The following comprise receivable balances of the primary government at year end:

| | <u>General</u> | <u>Debt Service</u> | <u>Nonmajor Governmental</u> | <u>Water & Sewer</u> | <u>Sanitation</u> | <u>Total</u> |
|-------------------|-------------------|---------------------|----------------------------------|------------------------------|-------------------|---------------------|
| Property taxes | \$ 227,512 | \$ 99,591 | \$ - | \$ - | \$ - | \$ 327,103 |
| Sales tax | 320,266 | - | 80,067 | - | - | 400,333 |
| Accounts | 92,989 | - | - | 811,181 | 207,262 | 1,111,432 |
| Intergovernmental | - | - | 126,793 | - | - | 126,793 |
| Industrial | 180,602 | - | - | - | - | 180,602 |
| Leases | - | - | - | 772,644 | - | 772,644 |
| Allowance | (100,105) | (43,820) | - | (33,202) | (12,876) | (190,003) |
| | <u>\$ 721,264</u> | <u>\$ 55,771</u> | <u>\$ 206,860</u> | <u>\$ 1,550,623</u> | <u>\$ 194,386</u> | <u>\$ 2,728,904</u> |

The Port Neches EDC receivable balance was comprised entirely of sales tax.

2. The City is the lessor of three contracts in which the City receives lease payments from Verizon and T-Mobile for the use of existing water tower antenna space and land. The leases commenced in 2007, 2008, and 2015 and are renewable in 5-year increments. Annual payments of \$17,622 to 23,683 will be received from T-Mobile through January 2032. Annual lease payments of \$19,044 to \$25,185 and \$19,774 to \$33,663, will be received from Verizon through September 2033 and 2040, respectively. As of September 30, 2022, the lease receivable and offsetting deferred inflows amounted to \$772,644 and \$751,750, respectively. The annual principal and interest payments to be received are as follows:

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

| Year ending September 30, | Business-Type Activities | |
|------------------------------|--------------------------|-----------------|
| | Principal | Interest (2.5%) |
| 2023 | \$ 38,246 | \$ 19,316 |
| 2024 | 43,214 | 18,360 |
| 2025 | 45,485 | 17,280 |
| 2026 | 47,848 | 16,143 |
| 2027 | 50,306 | 14,946 |
| Thereafter | 547,545 | 80,743 |
| | \$ 772,644 | \$ 166,788 |

B. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

| | Beginning Balances | Increases | Decreases/ Reclassifications | Ending Balances |
|--|-----------------------|-----------------------|---------------------------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 3,211,592 | \$ - | \$ - | \$ 3,211,592 |
| Construction in progress | 343,273 | 6,300 | (349,573) | - |
| Total capital assets not being depreciated | 3,554,865 | 6,300 | (349,573) | 3,211,592 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 21,115,355 | 85,953 | - | 21,201,308 |
| Machinery and equipment | 10,233,813 | 70,773 | - | 10,304,586 |
| Vehicles | 2,985,836 | 124,077 | (60,507) | 3,049,406 |
| Infrastructure | 19,213,406 | 442,843 | 349,573 | 20,005,822 |
| Total capital assets being depreciated | 53,548,410 | 723,646 | 289,066 | 54,561,122 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (6,596,171) | (556,240) | - | (7,152,411) |
| Machinery and equipment | (5,767,618) | (506,462) | - | (6,274,080) |
| Vehicles | (1,722,314) | (207,074) | 60,507 | (1,868,881) |
| Infrastructure | (8,422,136) | (527,801) | - | (8,949,937) |
| Total accumulated depreciation | (22,508,239) | (1,797,577) | 60,507 | (24,245,309) |
| Net capital assets being depreciated | 31,040,171 | (1,073,931) | 349,573 | 30,315,813 |
| Total Capital Assets | \$ 34,595,036 | \$ (1,067,631) | \$ - | \$ 33,527,405 |

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Depreciation was charged to governmental functions as follows:

| | | |
|---|-----------|-------------------------|
| General government | \$ | 502,468 |
| Public safety | | 494,676 |
| Public works | | 689,901 |
| Parks | | 110,532 |
| Total Governmental Activities Depreciation Expense | \$ | <u>1,797,577</u> |

A summary of changes in business-type activities capital assets for the year end was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases/ Reclassifications</u> | <u>Ending Balances</u> |
|--|-------------------------------|----------------------------|---|-----------------------------|
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ 2,468,847 | \$ 2,527,381 | \$ (2,705,439) | \$ 2,290,789 |
| Total capital assets not being depreciated | <u>2,468,847</u> | <u>2,527,381</u> | <u>(2,705,439)</u> | <u>2,290,789</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 45,999,941 | - | - | 45,999,941 |
| Machinery and equipment | 14,654,947 | 574,578 | 2,306,382 | 17,535,907 |
| Total capital assets being depreciated | <u>60,654,888</u> | <u>574,578</u> | <u>2,306,382</u> | <u>63,535,848</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (20,538,333) | (975,840) | - | (21,514,173) |
| Vehicles and equipment | (8,205,294) | (558,459) | 185,737 | (8,578,016) |
| Total accumulated depreciation | <u>(28,743,627)</u> | <u>(1,534,299)</u> | <u>185,737</u> | <u>(30,092,189)</u> |
| Net capital assets being depreciated | <u>31,911,261</u> | <u>(959,721)</u> | <u>2,492,119</u> | <u>33,443,659</u> |
| Total Capital Assets | <u>\$ 34,380,108</u> | <u>\$ 1,567,660</u> | <u>\$ (213,320)</u> | <u>\$ 35,734,448</u> |

Depreciation was charged to business-type activities as follows:

| | | |
|--|-----------|-------------------------|
| Water and sewer | \$ | 170,878 |
| Sanitation | | 1,363,421 |
| Total Business-Type Activities Depreciation Expense | \$ | <u>1,534,299</u> |

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

D. Other Long-term Liabilities

The following summarizes the changes in other long-term liabilities of the primary government during the year. In general, the City uses the general and enterprise funds to liquidate compensated absences.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Sick leave | \$ 1,623,253 | \$ 80,613 | \$ (130,250) | \$ 1,573,616 | \$ 944,169 |
| Compensated absences | 258,604 | 516,010 | (516,778) | 257,836 | 154,702 |
| Total Governmental Activities | <u>\$ 1,881,857</u> | <u>\$ 596,623</u> | <u>\$ (647,028)</u> | <u>\$ 1,831,452</u> | <u>\$ 1,098,871</u> |
| Other Long-term Liabilities Due in More than One Year | | | | <u>\$ 732,581</u> | |
| Business-Type Activities: | | | | | |
| Sick leave | \$ 315,370 | \$ 24,052 | \$ (103,363) | \$ 236,059 | \$ 141,635 |
| Compensated Absences | 95,008 | 132,907 | (161,697) | 66,218 | 39,731 |
| Total Business-Type Activities | <u>\$ 410,378</u> | <u>\$ 156,959</u> | <u>\$ (265,060)</u> | <u>\$ 302,277</u> | <u>\$ 181,366</u> |
| Other Long-term Liabilities Due in More than One Year | | | | <u>\$ 120,911</u> | |

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

E. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund and general fund to liquidate governmental long-term liabilities.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|--|------------------------------|---------------------|-----------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Bonds Payable: | | | | | |
| Certificates of Obligation | \$ 15,395,000 | \$ 7,000,000 | \$ (1,810,000) | \$ 20,585,000 | \$ 1,735,000 |
| Total Governmental Activities | <u>\$ 15,395,000</u> | <u>\$ 7,000,000</u> | <u>\$ (1,810,000)</u> | <u>\$ 20,585,000</u> | <u>\$ 1,735,000</u> |
| Long-term liabilities due in more than one year | | | | <u>\$ 18,850,000</u> | |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. Any proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Long-term debt at year end was comprised of the following debt issues:

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Certificates of Obligation: | |
| 2013 Certificates of Obligation issued June 1, 2016 due in annual installments through September 30, 2033, bearing interest rates ranging from 2.25% to 3%, payable March 1 & September 1. | \$ 3,100,000 |
| 2016 Certificates of Obligation issued August 1, 2013 due in annual installments through September 30, 2028, bearing interest rates ranging of 2.11%, payable March 1 & September 1. | 5,890,000 |
| 2020 Certificates of Obligation issued May 5, 2020 due in annual installments through September 30, 2032, bearing interest rates ranging of 1.2%, payable March 1 & September 1. | 4,815,000 |
| 2022 Certificates of Obligation issued May 23, 2022 due in annual installments through September 1, 2035, bearing interest rates ranging of 2.95%, payable March 1 & September 1. | 6,780,000 |
| Total Certificates of Obligation | <u><u>\$ 20,585,000</u></u> |

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Certificates of Obligation

| | Governmental Activities | | Total |
|--------------|-------------------------|---------------------|----------------------|
| | Principal | Interest | |
| 2023 | \$ 1,735,000 | \$ 497,470 | 2,232,470 |
| 2024 | 1,780,000 | 447,782 | 2,227,782 |
| 2025 | 1,815,000 | 416,970 | 2,231,970 |
| 2026 | 1,855,000 | 374,084 | 2,229,084 |
| 2027 | 1,900,000 | 330,128 | 2,230,128 |
| 2028 | 1,810,000 | 285,001 | 2,095,001 |
| 2029 | 1,440,000 | 244,765 | 1,684,765 |
| 2030 | 1,460,000 | 213,415 | 1,673,415 |
| 2031 | 1,480,000 | 181,545 | 1,661,545 |
| 2032 | 1,500,000 | 149,015 | 1,649,015 |
| 2033 | 1,230,000 | 115,965 | 1,345,965 |
| 2034 | 1,270,000 | 76,110 | 1,346,110 |
| 2035 | 1,310,000 | 38,645 | 1,348,645 |
| Total | \$ 20,585,000 | \$ 3,370,895 | \$ 21,261,140 |

F. Interfund Transactions

Transfers between the primary government funds during the 2022 year were as follows:

| Transfers In | Transfers Out | | | | | Total |
|-----------------------|-------------------|----------------------|-------------------|--------------------|-------------------|---------------------|
| | General | Capital Improvements | Water & Sewer | Port Security Fund | Sanitation | |
| General | \$ - | \$ - | \$ 263,000 | \$ - | \$ 100,000 | \$ 363,000 |
| Water and sewer | - | 955,378 | - | 203,000 | - | 1,158,378 |
| Sick leave fund (ISF) | 132,500 | - | 60,000 | - | - | 192,500 |
| Total | \$ 132,500 | \$ 955,378 | \$ 323,000 | \$ 203,000 | \$ 100,000 | \$ 1,713,878 |

Transfers between funds were primarily to support debt service requirements, capital outlay, and operation of funds.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

The compositions of interfund balances as of yearend were as follows:

| Due to: | Due from: | |
|-----------------|------------|----------|
| | Sanitation | SLFRF |
| General fund | \$ - | \$ 1,192 |
| Water and sewer | 203,437 | - |
| | \$ 203,437 | \$ 1,192 |

H. Restricted Net Position

The City records restricted net position to indicate that a portion is legally restricted for a specific future use. Total restricted net position for the primary government was \$1,377,537. \$304,622 of which was restricted by enabling legislation.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

GASB 62 defines probability of loss contingencies as the following:

Probable. The future event or events are likely to occur.

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation,

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the City does not expect them to have a materially adverse effect on its Basic Financial Statements.

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the International City Management Association Retirement Corporation (ICMARC). All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries; therefore, the plan activities are not reported in the financial statements of the City. Assets and liabilities are not included in the City's basic financial statements.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City provides a 50% match to this elective deferral not to exceed 4% of total gross wages.

D. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City of Port Neches participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

2. Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Plan provisions for the City were as follows:

| | <u>Plan Year 2021</u> | <u>Plan Year 2020</u> |
|--|--------------------------|--------------------------|
| Employee deposit rate | 7.0% | 7.0% |
| Matching ratio (City to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 10 | 10 |
| Service retirement eligibility (expressed as age / years of service) | 60/10, 0/20 | 60/10, 0/20 |
| Updated service credit | 100% Repeating Transfers | 100% Repeating Transfers |
| Annuity increase (to retirees) | 30% of CPI | 30% of CPI |

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 89 |
| Inactive employees entitled to but not yet receiving benefits | 25 |
| Active employees | 95 |
| Total | 209 |

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

Employees for the City of Port Neches were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Port Neches were 14.18% and 14.76% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$1,220,571, and were not equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.5% per year |
| Overall payroll growth | 2.75% per year, including inflation |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------------|-------------------|---|
| Global Public Equity | 35.0% | 7.55% |
| Core Fixed Income | 6.0% | 2.00% |
| Non-Core Fixed Income | 20.0% | 5.68% |
| Other Public/Private Markets | 12.0% | 7.22% |
| Real Estate | 12.0% | 6.85% |
| Hedge Funds | 5.0% | 5.35% |
| Private Equity | 10.0% | 10.00% |
| Total | 100.0% | |

Discount Rate:

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

| 1% Decrease | Current Single Rate | 1% Increase |
|---------------|---------------------|----------------|
| 5.75% | Assumption 6.75% | 7.75% |
| \$ 13,037,206 | \$ 5,066,798 | \$ (1,539,991) |

Changes in the Net Pension Liability:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|--|--------------------------------|------------------------------------|------------------------------------|
| Balance at 12/31/20 | \$ 57,516,873 | \$ 50,030,365 | \$ 7,486,508 |
| Changes for the year: | | | |
| Service Cost | 1,337,990 | - | 1,337,990 |
| Interest | 3,841,440 | - | 3,841,440 |
| Difference between expected and actual experience | 520,914 | - | 520,914 |
| Changes of assumptions | - | - | - |
| Contributions – employer | - | 1,092,268 | (1,092,268) |
| Contributions – employee | - | 539,202 | (539,202) |
| Net investment income | - | 6,518,555 | (6,518,555) |
| Benefit payments, including refunds of emp. contributions | (2,551,302) | (2,551,302) | - |
| Administrative expense | - | (30,178) | 30,178 |
| Other changes | - | 207 | (207) |
| Net changes | 3,149,042 | 5,568,752 | (2,419,710) |
| Balance at 12/31/21 | \$ 60,665,915 | \$ 55,599,117 | \$ 5,066,798 |

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2022, the City recognized pension expense of \$554,797. In general, the City uses the general fund and enterprise funds to liquidate pension liabilities.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

At September 30, 2022, the City reported 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 economic experience | \$ 1,014,826 | \$ - |
| Changes in actuarial assumptions | 45,214 | - |
| Difference between projected and investment earnings | - | (3,335,947) |
| Contributions subsequent to the measurement date | 913,349 | - |
| Total | \$ 1,973,389 | \$ (3,335,947) |

The City reported \$913,349 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended | |
|---------------------|--------------------|
| December 31: | |
| 2022 | \$ (200,645) |
| 2023 | (1,130,415) |
| 2024 | (477,622) |
| 2025 | (494,846) |
| 2026 | 27,621 |
| Thereafter | - |
| Total | (2,275,907) |

Other Postemployment Benefits

Plan Description

For the plan year beginning July 1, 2021, eligible Port Neches retirees could participate in the medical plan, dental plan, and life insurance plan. To be eligible to continue in the plans, the new retiree must have been hired by the City prior to October 10, 2011, completed a minimum of five years of service with Port Neches and be eligible for retirement under the provisions of the Texas Municipal Retirement System (TMRS). TMRS requires either ten years of service and an attained age of 60 or above at retirement, or twenty years of service at any age. This plan is considered a single-employer defined benefit plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and the fund is considered to be unfunded.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

The requirement that a new retiree must have been hired by Port Neches prior to October 10, 2011 to be eligible for retiree health and life insurance benefits is the result of an amendment to the City’s employee policy that was adopted on October 6, 2011.

The effect of the amendment was to eliminate the City’s long standing practice that extended retiree insurance benefits to all employees who completed a minimum of five years of service and met the TMRS retirement eligibility criteria. In the short term, the effect of the amended policy on the City’s GASB 75 liability is limited since the liability is based on future obligations to existing employees and retirees. At the time of this analysis, forty-nine employees in the census provided were hired after October 10, 2011. In the long term, the effect should be significant under the current GASB 75 requirements as the number of eligible employees and retirees reduces due to attrition.

Medical coverage for eligible retirees under the age of 65 is the same coverage as provided to active employees. For the plan year beginning July 1, 2021, the City pays up to \$1,029.81 monthly toward this coverage. Retirees age 65 and older are provided with a choice of Medicare Supplement policies for which the City currently pays up to \$237.25 monthly. Spouses under 65 and qualified dependents of retirees may participate in the medical plan by paying the entire dependent premium as long as the retiree participates.

Dental coverage for eligible retirees is the same coverage as provided to active employees. The City currently pays \$25.72 monthly toward this coverage. Spouses and qualified dependents of retirees may participate in the dental plan by paying the entire dependent premium as long as the retiree participates.

The City pays for retiree life insurance in the amount of their final annual base salary up to a maximum of \$50,000. Benefits under the current life insurance policy reduce to 65% of the original benefit at age 70 and 50% of the original benefit at age 75. Dependents cannot participate in the life insurance plan. The current monthly rate for retirees is \$.90 per \$1000 of coverage.

Port Neches has separate rates for active employees and retirees.

Employees covered by benefit terms

At the July 1, 2022 measurement date, the following employees were covered by the benefit terms:

| | |
|------------------|-----|
| Retirees | 69 |
| Active employees | 43 |
| Total | 112 |

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of July 1, 2022 and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the July 1, 2021 actuarial valuation, rolled forward to July 1, 2022, was determined using the following actuarial assumptions:

| | |
|--|---|
| Inflation | 2.3% per year |
| Overall payroll growth | 3.0%, including inflation per year |
| Discount rate | 4.06% |
| Retirees' share of benefit-related costs | \$0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68 |

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.06%. The discount rate was based on the Bond Buyer 20-Bond GO Index as of June 30, 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.06%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.06%) or 1-percentage-point higher (5.06%) than the current rate:

| 1% Decrease (3.06%) | Current Single Rate Assumption 4.06% | 1% Increase (5.06%) |
|--------------------------------|---|--------------------------------|
| \$ 15,174,886 | \$ 13,197,844 | \$ 11,592,511 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate

| 1% Decrease (5.5%) | Current Single Rate Assumption 6.5% | 1% Increase (7.5%) |
|-------------------------------|--|-------------------------------|
| \$ 11,506,725 | \$ 13,197,844 | \$ 15,312,607 |

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Changes in the Total OPEB Liability:

| | Total OPEB Liability |
|--|---------------------------------|
| Balance at 7/1/2021 | \$ 17,154,345 |
| Changes for the year: | |
| Service Cost | 449,076 |
| Interest | 375,323 |
| Difference between expected and actual experience | - |
| Changes of assumptions | (4,323,885) |
| Benefit payments | (457,015) |
| Net changes | (3,956,501) |
| Balance at 7/1/2022 | \$ 13,197,844 |

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$431,970. In general, the City uses the general fund to liquidate OPEB liabilities.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|--|
| Changes in actuarial assumption changes | \$ - | (1,979,077) |
| Total | \$ - | \$ (1,979,077) |

The City reported \$0 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2023.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

| Year ended September 30: | |
|---------------------------------|----------------|
| 2023 | \$ (441,641) |
| 2024 | (948,413) |
| 2025 | (589,023) |
| 2026 | |
| 2027 | - |
| Thereafter | - |
| | \$ (1,979,077) |

E. Restatement

The City has restated beginning fund balance/net position within governmental activities, general fund, business-type activities and the water/sewer fund due to the implementation of GASB No. 87 Leases and a correction to the reporting of fiduciary activities. The lease standard affected lease receivables and deferred inflows. The restatement of beginning fund balance/net position is as follows:

| | Governmental Activities | General |
|--|------------------------------------|----------------|
| Prior year ending net position/fund balance, as reported | \$ 20,229,773 | \$ 9,210,303 |
| Correction to fiduciary activities | 72,222 | 72,222 |
| Restated beginning net position/fund balance | \$ 20,301,995 | \$ 9,282,525 |

| | Business-Type Activities | Water & Sewer |
|--|-------------------------------------|------------------------------|
| Prior year ending net position/fund balance, as reported | \$ 29,111,285 | \$ 28,482,922 |
| Lease receivable | 808,063 | 808,063 |
| Deferred inflow - leases | (808,063) | (808,063) |
| Restated beginning net position/fund balance | \$ 29,111,285 | \$ 28,482,922 |

F. Subsequent Events

There were no material subsequent events through April 3, 2023, the date the financial statements were issued.

City of Port Neches, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

G. New Accounting Pronouncements

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 87, entitled Leases. Due to the implementation of GASB 87 in the current year, the City recorded right to use assets and lease liabilities.

REQUIRED SUPPLEMENTARY INFORMATION



City of Port Neches, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|-----------------------|---------------------|---|
| Revenues | | | | |
| Property tax | \$ 5,690,000 | \$ 5,630,000 | \$ 5,426,404 | \$ (203,596) |
| Sales tax | 1,230,000 | 1,550,000 | 1,686,244 | 136,244 |
| In lieu of tax contracts | 2,500,000 | 2,500,000 | 2,550,005 | 50,005 |
| Gross receipts business tax | 745,000 | 710,000 | 770,395 | 60,395 |
| License, permits and fees | 145,900 | 271,900 | 299,355 | 27,455 |
| Grant revenue | - | - | 47,995 | 47,995 |
| Fines and forfeitures | 164,250 | 129,250 | 111,053 | (18,197) |
| Contributions and donations | 95,000 | 95,000 | - | (95,000) |
| Investment income | 30,000 | 5,000 | 35,256 | 30,256 |
| Other revenue | 177,500 | 169,500 | 276,539 | 107,039 |
| Total Revenues | <u>10,777,650</u> | <u>11,060,650</u> | <u>11,203,246</u> | <u>142,596</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,248,600 | 1,261,600 | 1,209,148 | 52,452 |
| Public safety | 5,689,200 | 5,857,700 | 5,813,906 | 43,794 |
| Public works | 1,648,900 | 1,673,900 | 1,593,037 | 80,863 |
| Community enrichment | 993,950 | 1,004,150 | 949,325 | 54,825 |
| Contingent | 2,129,500 | 2,669,500 | 2,191,134 | 478,366 |
| Total Expenditures | <u>11,710,150</u> | <u>12,466,850</u> | <u>11,756,550</u> | <u>710,300</u> |
| Revenues Over (Under) Expenditures | <u>(932,500)</u> | <u>(1,406,200)</u> | <u>(553,304)</u> | <u>852,896</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 363,000 | 363,000 | 363,000 | - |
| Transfers (out) | (132,500) | (132,500) | (132,500) | - |
| Proceeds from sale of assets | 2,000 | 2,000 | - | (2,000) |
| Total Other Financing Sources | <u>232,500</u> | <u>232,500</u> | <u>230,500</u> | <u>(2,000)</u> |
| Net Change in Fund Balance | <u>\$ (700,000)</u> | <u>\$ (1,173,700)</u> | <u>(322,804)</u> | <u>\$ 850,896</u> |
| Beginning fund balance | | | 9,282,525 | |
| Ending Fund Balance | | | <u>\$ 8,959,721</u> | |

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Port Neches, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

| | <u>12/31/2021</u> | <u>12/31/2020</u> | <u>12/31/2019</u> |
|--|----------------------|----------------------|----------------------|
| Total pension liability | | | |
| Service cost | \$ 1,337,990 | \$ 1,336,328 | \$ 1,220,322 |
| Interest | 3,841,440 | 3,644,898 | 3,462,869 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | 520,914 | 561,992 | 425,283 |
| Changes of assumptions | - | - | 105,233 |
| Benefit payments, including refunds of participant contributions | (2,551,302) | (2,713,326) | (2,436,649) |
| Net change in total pension liability | <u>3,149,042</u> | <u>2,829,892</u> | <u>2,777,058</u> |
| Total pension liability - beginning | <u>\$ 57,516,873</u> | <u>\$ 54,686,981</u> | <u>\$ 51,909,923</u> |
| Total pension liability - ending (a) | <u>\$ 60,665,915</u> | <u>\$ 57,516,873</u> | <u>\$ 54,686,981</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 1,092,268 | \$ 1,034,128 | \$ 904,710 |
| Contributions - members | 539,202 | 541,023 | 499,839 |
| Net investment income | 6,518,555 | 3,610,060 | 6,509,242 |
| Benefit payments, including refunds of participant contributions | (2,551,302) | (2,713,326) | (2,436,649) |
| Administrative expenses | (30,178) | (23,371) | (36,816) |
| Other | 207 | (912) | (1,106) |
| Net change in plan fiduciary net position | <u>5,568,752</u> | <u>2,447,602</u> | <u>5,439,220</u> |
| Plan fiduciary net position - beginning | <u>50,030,363</u> | <u>47,582,761</u> | <u>42,143,541</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 55,599,115</u> | <u>\$ 50,030,363</u> | <u>\$ 47,582,761</u> |
| Fund's net pension liability - ending (a) - (b) | <u>\$ 5,066,800</u> | <u>\$ 7,486,510</u> | <u>\$ 7,104,220</u> |
| Plan fiduciary net position | | | |
| as a percentage of the total pension liability | 91.65% | 86.98% | 87.01% |
| Covered payroll | \$ 7,702,880 | \$ 7,728,905 | \$ 7,140,564 |
| Fund's net position | | | |
| as a percentage of covered payroll | 65.78% | 96.86% | 99.49% |

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

| | <u>12/31/2018</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|----|--------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | 1,184,133 | \$ 1,126,503 | \$ 1,095,238 | \$ 1,087,175 | \$ 885,371 |
| | 3,333,960 | 3,187,853 | 3,084,774 | 3,018,432 | 2,889,986 |
| | - | - | - | - | - |
| | 124,690 | 503,684 | (331,636) | (146,949) | (145,737) |
| | - | - | - | 816,516 | - |
| | (3,065,595) | (2,299,015) | (2,374,807) | (2,023,800) | (1,767,363) |
| | <u>1,577,188</u> | <u>2,519,025</u> | <u>1,473,569</u> | <u>2,751,374</u> | <u>1,862,257</u> |
| \$ | <u>50,332,735</u> | <u>\$ 47,813,710</u> | <u>\$ 46,340,141</u> | <u>\$ 43,588,767</u> | <u>\$ 41,726,510</u> |
| \$ | <u>51,909,923</u> | <u>\$ 50,332,735</u> | <u>\$ 47,813,710</u> | <u>\$ 46,340,141</u> | <u>\$ 43,588,767</u> |
| \$ | 844,113 | \$ 813,361 | \$ 755,336 | \$ 769,087 | \$ 699,240 |
| | 488,734 | 469,376 | 455,807 | 451,645 | 401,203 |
| | (1,355,081) | 5,635,399 | 2,649,764 | 59,016 | 2,201,443 |
| | (3,065,595) | (2,299,015) | (2,374,807) | (2,023,800) | (1,767,363) |
| | (26,202) | (29,212) | (29,932) | (35,949) | (22,987) |
| | (1,369) | (1,481) | (1,613) | (1,774) | (1,890) |
| | <u>(3,115,400)</u> | <u>4,588,428</u> | <u>1,454,555</u> | <u>(781,775)</u> | <u>1,509,646</u> |
| | <u>45,258,941</u> | <u>40,670,513</u> | <u>39,215,958</u> | <u>39,997,733</u> | <u>34,488,087</u> |
| \$ | <u>42,143,541</u> | <u>\$ 45,258,941</u> | <u>\$ 40,670,513</u> | <u>\$ 39,215,958</u> | <u>\$ 39,997,733</u> |
| \$ | <u>9,766,382</u> | <u>\$ 5,073,794</u> | <u>\$ 7,143,197</u> | <u>\$ 7,124,183</u> | <u>\$ 3,591,034</u> |
| | 81.19% | 89.92% | 85.06% | 84.63% | 91.76% |
| \$ | 6,981,915 | \$ 6,705,369 | \$ 6,511,515 | \$ 6,452,074 | \$ 5,726,888 |
| | 139.88% | 75.67% | 109.70% | 110.42% | 62.70% |

City of Port Neches, Texas
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

| | <u>9/30/2022</u> | <u>9/30/2021</u> | <u>9/30/2020</u> | <u>9/30/2019</u> |
|---|---------------------|---------------------|---------------------|-------------------|
| Actuarially determined employer contributions | \$ 1,220,571 | \$ 1,071,957 | \$ 1,017,449 | \$ 863,791 |
| Contributions in relation to the actuarially determined contribution | <u>\$ 1,220,571</u> | <u>\$ 1,071,957</u> | <u>\$ 1,017,449</u> | <u>\$ 863,791</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Annual covered payroll | \$ 8,422,406 | \$ 7,680,616 | \$ 7,717,434 | \$ 6,904,430 |
| Employer contributions as a percentage of covered payroll | 14.49% | 13.96% | 13.18% | 12.51% |

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 24 years |
| Asset Valuation Method | 10 Year smoothed fair value; 12% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.50% to 11.50% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018 |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

Other Information:

Notes Granted 30% ad hoc COLA.

| <u>9/30/2018</u> | <u>9/30/2017</u> | <u>9/30/2016</u> | <u>9/30/2015</u> |
|-------------------|-------------------|-------------------|-------------------|
| \$ 837,930 | \$ 755,336 | \$ 758,935 | \$ 725,619 |
| <u>\$ 837,930</u> | <u>\$ 755,336</u> | <u>\$ 758,935</u> | <u>\$ 730,209</u> |
| \$ - | \$ - | \$ - | \$ (4,590) |
| \$ 6,924,680 | \$ 6,664,519 | \$ 6,493,423 | \$ 6,092,535 |
| 12.10% | 11.33% | 11.69% | 11.99% |

City of Port Neches, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS HEALTHCARE BENEFITS

Years Ended July 1,

| | ¹ <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--|-----------------------------|-----------------------------|-----------------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 449,076 | \$ 293,614 | \$ 293,614 | \$ 293,614 |
| Interest | 375,324 | 377,180 | 473,095 | 487,554 |
| Differences between expected and actual experience | - | - | - | - |
| Changes of assumptions | (4,323,885) | (22,006) | 3,306,131 | 640,165 |
| Benefit payments, including refunds of participant contributions | (457,016) | (532,656) | (511,634) | (493,316) |
| Net change in total OPEB liability | <u>(3,956,501)</u> | <u>116,132</u> | <u>3,561,206</u> | <u>928,017</u> |
| Total OPEB liability - beginning | <u>\$ 17,154,345</u> | <u>\$ 17,038,213</u> | <u>\$ 13,477,007</u> | <u>\$ 12,548,990</u> |
| Total OPEB liability - ending | ² <u><u>\$ 13,197,844</u></u> | <u><u>\$ 17,154,345</u></u> | <u><u>\$ 17,038,213</u></u> | <u><u>\$ 13,477,007</u></u> |
| Covered-employee payroll | \$ 8,422,406 | \$ 7,680,616 | \$ 7,116,233 | \$ 6,904,430 |
| Fund's net position as a percentage of covered-employee payroll | 156.70% | 223.35% | 239.43% | 195.19% |

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

2018

\$ 305,892
457,049

-
(423,069)

(499,064)

(159,192)

\$ 12,708,182

\$ 12,548,990

\$ 6,924,680

181.22%



OTHER SUPPLEMENTARY INFORMATION



NONMAJOR GOVERNMENTAL FUNDS

LIBRARY IMPROVEMENT FUND

This fund is used to account for the improvements of the Hebert Municipal Library. A grant from the Hebert Foundation is used to finance these projects.

STREET MAINTENANCE FUND

The Texas Tax code authorizes all cities to establish a special sales tax for the repair and maintenance of existing city streets. Establishment, or continuation, of the tax must be approved by a city's voters. Currently, a one quarter-cent sales tax is collected from all sales transactions occurring within the City of Port Neches are subject to sales tax. The funds collected provide cost-effective rehabilitation and preventive maintenance of public streets within the city limits of Port Neches. The goal is to improve mobility and maintain roadways to prevent deterioration and costly rebuilds.

HAZARD MITIGATION FUND

This fund accounts for insurance proceeds and grants for the purpose of removing debris and replacing and/or repairing items damaged or destroyed during hurricanes and to provide for mitigation improvements to protect and preserve the assets of the City from future natural disasters of this type.

ASSET FORFEITURE FUNDS

These funds are used to account for the City's share of proceeds from assets seized in drug-related actions by the Police Department. These funds are legally restricted to expenses for the purchase of assets by the Police Department related to drug enforcement activities.

SENIOR CITIZENS ASSOCIATION

The fund accounts for funding that supports the Senior Citizens Center programs from grants and donations.

City of Port Neches, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2022

| | <u>Library Improvement</u> | <u>Street Maintenance</u> | <u>Hazard Mitigation</u> | <u>State Forfeiture</u> |
|--|--------------------------------|-------------------------------|------------------------------|-----------------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 42,136 | \$ 530,521 | \$ 330,755 | \$ 83,763 |
| Receivables, net | - | 80,067 | 126,793 | - |
| Due from other funds | - | - | - | - |
| Total Assets | \$ 42,136 | \$ 610,588 | \$ 457,548 | \$ 83,763 |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 5,873 | \$ 397,786 | \$ - | \$ - |
| Total Liabilities | 5,873 | 397,786 | - | - |
| <u>Deferred Inflows of Resources</u> | | | | |
| Intergovernmental revenue | - | - | 126,793 | - |
| Total Deferred Inflows of Resources | - | - | 126,793 | - |
| <u>Fund Balances</u> | | | | |
| Restricted for: | | | | |
| Street maintenance | - | 212,802 | - | - |
| Law enforcement | - | - | - | 83,763 |
| Grants | - | - | 330,755 | - |
| Community enrichment | 36,263 | - | - | - |
| Total Fund Balances | 36,263 | 212,802 | 330,755 | 83,763 |
| Total Liabilities, Deferred Inflows and Fund Balances | \$ 42,136 | \$ 610,588 | \$ 330,755 | \$ 83,763 |

| <u>Federal Forfeiture</u> | <u>Senior Citizens Association</u> | <u>Total Nonmajor Governmental</u> |
|-------------------------------|--|--|
| \$ 8,057 | \$ 36,002 | \$ 1,031,234 |
| - | - | 206,860 |
| - | - | - |
| <u>\$ 8,057</u> | <u>\$ 36,002</u> | <u>\$ 1,238,094</u> |
| | | |
| \$ - | \$ 717 | \$ 404,376 |
| - | 717 | 404,376 |
| | | |
| - | - | 126,793 |
| - | - | 126,793 |
| | | |
| - | - | 212,802 |
| 8,057 | - | 91,820 |
| - | - | 330,755 |
| - | 35,285 | 71,548 |
| <u>8,057</u> | <u>35,285</u> | <u>706,925</u> |
| | | |
| <u>\$ 8,057</u> | <u>\$ 36,002</u> | <u>\$ 1,238,094</u> |

City of Port Neches, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

| | <u>Library Improvement</u> | <u>Street Maintenance</u> | <u>Hazard Mitigation</u> | <u>State Forfeiture</u> |
|------------------------------------|--------------------------------|-------------------------------|------------------------------|-----------------------------|
| <u>Revenues</u> | | | | |
| Fines and forfeitures | \$ - | \$ - | \$ - | \$ 4,700 |
| Sales taxes | - | 411,644 | - | - |
| Contributions and donations | - | - | - | - |
| Other revenue | 13,000 | 114,620 | - | - |
| Total Revenues | <u>13,000</u> | <u>526,264</u> | <u>-</u> | <u>4,700</u> |
| <u>Expenditures</u> | | | | |
| General government | - | - | - | - |
| Public works | - | 489,767 | - | - |
| Community enrichment | 23,608 | - | - | - |
| Contingent | - | - | 16,422 | - |
| Total Expenditures | <u>23,608</u> | <u>489,767</u> | <u>16,422</u> | <u>-</u> |
| Net Change in Fund Balances | (10,608) | 36,497 | (16,422) | 4,700 |
| Beginning fund balances | 46,871 | 176,305 | 347,177 | 79,063 |
| Ending Fund Balances | <u>\$ 36,263</u> | <u>\$ 212,802</u> | <u>\$ 330,755</u> | <u>\$ 83,763</u> |

| <u>Federal Forfeiture</u> | <u>Senior Citizens Association</u> | <u>Total Nonmajor Governmental</u> |
|-------------------------------|--|--|
| \$ - | \$ - | \$ 4,700 |
| - | - | 411,644 |
| - | 12,716 | 12,716 |
| - | - | 127,620 |
| <u>-</u> | <u>12,716</u> | <u>556,680</u> |
| - | 9,154 | 9,154 |
| - | - | 489,767 |
| - | - | 23,608 |
| - | - | 16,422 |
| <u>-</u> | <u>9,154</u> | <u>538,951</u> |
| - | 3,562 | 17,729 |
| 8,057 | 31,723 | 689,196 |
| <u>\$ 8,057</u> | <u>35,285</u> | <u>\$ 706,925</u> |



City of Port Neches, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL DEBT SERVICE FUND

For the Year Ended September 30, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|--------------------|--------------|--------------|---|
| Revenues | | | | |
| Property tax | \$ 1,930,000 | \$ 1,930,000 | \$ 1,842,586 | \$ (87,414) |
| Investment income | 1,000 | 1,000 | 4,250 | 3,250 |
| Total Revenues | 1,931,000 | 1,931,000 | 1,846,836 | (84,164) |
| Expenditures | | | | |
| General government | 880 | 800 | 850 | (50) |
| Debt service: | | | | |
| Principal | 1,590,000 | 1,810,000 | 1,810,000 | - |
| Interest | 330,146 | 385,000 | 384,618 | 382 |
| Total Expenditures | 1,921,026 | 2,195,800 | 2,195,468 | 332 |
| Revenues Over (Under) | 9,974 | (264,800) | (348,632) | (84,496) |
| Net Change in Fund Balance | \$ 9,974 | \$ (264,800) | (348,632) | \$ (83,832) |
| Beginning fund balance | | | 1,019,244 | |
| Ending Fund Balance | | | \$ 670,612 | |

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Port Neches, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET MAINTENANCE FUND
For the Year Ended September 30, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------------|---------------------|-------------------|---|
| Revenues | | | | |
| Sales taxes | \$ 300,000 | \$ 380,000 | \$ 411,644 | \$ 31,644 |
| Other revenue | - | 115,000 | 114,620 | (380) |
| Total Revenues | 300,000 | 495,000 | 526,264 | 31,264 |
| Expenditures | | | | |
| Public works | 300,000 | 551,000 | 489,767 | 61,233 |
| Total Expenditures | 300,000 | 551,000 | 489,767 | 61,233 |
| Revenues Over (Under) Expenditures | - | (56,000) | 36,497 | 92,497 |
| Net Change in Fund Balance | \$ - | \$ (56,000) | 36,497 | \$ 92,497 |
| Beginning fund balance | | | 176,305 | |
| Ending Fund Balance | | | \$ 212,802 | |

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

| Contents | Page |
|-----------------|-------------|
|-----------------|-------------|

| | |
|------------------|----|
| Financial Trends | 94 |
|------------------|----|

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

| | |
|------------------|-----|
| Revenue Capacity | 104 |
|------------------|-----|

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

| | |
|---------------|-----|
| Debt Capacity | 112 |
|---------------|-----|

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

| | |
|--------------------------------------|-----|
| Demographic and Economic Information | 119 |
|--------------------------------------|-----|

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

| | |
|-----------------------|-----|
| Operating Information | 122 |
|-----------------------|-----|

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Port Neches, Texas

NET POSITION BY COMPONENT LAST TEN FISCAL YEARS (Unaudited) (ACCRUAL BASIS OF ACCOUNTING)

| Governmental Activities | 2013 | 2014 | 2015 | 2016 |
|--|----------------------|----------------------|----------------------|----------------------|
| Net investment in capital assets | \$ 23,455,477 | \$ 25,017,840 | \$ 26,780,838 | \$ 28,572,151 |
| Restricted | 2,949,653 | 1,907,366 | 1,443,433 | 1,077,141 |
| Unrestricted | 2,255,383 | 2,054,999 | 965,736 | 319,689 |
| Total governmental activities net position | \$ 28,660,513 | \$ 28,980,205 | \$ 29,190,007 | \$ 29,968,981 |
| Business-Type Activities | | | | |
| Net investment in capital assets | \$ 36,420,288 | \$ 37,457,481 | \$ 36,388,841 | \$ 35,940,340 |
| Unrestricted | 338,364 | (65,412) | (691,215) | (837,462) |
| Total Business-Type activities net position | \$ 36,758,652 | \$ 37,392,069 | \$ 35,697,626 | \$ 35,102,878 |
| Primary Government | | | | |
| Net investment in capital assets | \$ 59,875,765 | \$ 62,475,321 | \$ 63,169,679 | \$ 64,512,491 |
| Restricted | 2,949,653 | 1,907,366 | 1,443,433 | 1,077,141 |
| Unrestricted | 2,593,747 | 1,989,587 | 274,521 | (517,773) |
| Total primary government net position | \$ 65,419,165 | \$ 66,372,274 | \$ 64,887,633 | \$ 65,071,859 |

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 21,767,601 | \$ 25,044,575 | \$ 25,150,382 | \$ 20,478,536 | \$ 21,370,820 | \$ 20,611,718 |
| 1,038,193 | 1,015,798 | 1,027,164 | 1,903,636 | 1,708,439 | 1,377,537 |
| 6,437,187 | (2,508,233) | (3,135,763) | (4,648,706) | (2,777,264) | (972,590) |
| \$ 29,242,981 | \$ 23,552,140 | \$ 23,041,783 | \$ 17,733,466 | \$ 20,301,995 | \$ 21,016,665 |
| \$ 34,971,920 | \$ 33,867,134 | 32,922,120 | 32,369,097 | 34,348,782 | 35,509,618 |
| (1,404,655) | (4,117,720) | (4,303,737) | (4,266,880) | (5,237,497) | (4,878,566) |
| \$ 33,567,265 | \$ 29,749,414 | \$ 28,618,383 | \$ 28,102,217 | \$ 29,111,285 | \$ 30,631,052 |
| \$ 56,739,521 | \$ 58,911,709 | \$ 58,072,502 | \$ 52,847,633 | \$ 55,719,602 | \$ 56,121,336 |
| 1,038,193 | 1,015,798 | 1,027,164 | 1,903,636 | 1,708,439 | 1,377,537 |
| 5,032,532 | (6,625,953) | (7,439,500) | (8,915,586) | (8,014,761) | (5,851,156) |
| \$ 62,810,246 | \$ 53,301,554 | \$ 51,660,166 | \$ 45,835,683 | \$ 49,413,280 | \$ 51,647,717 |

City of Port Neches, Texas

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS (Unaudited)

(ACCRUAL BASIS OF ACCOUNTING)

| | 2013 | 2014 | 2015 | 2016 |
|---------------------------------------|----------------|----------------|-----------------|-----------------|
| Governmental activities | | | | |
| General government | \$ 1,520,748 | \$ 1,981,365 | \$ 2,052,064 | \$ 2,145,283 |
| Public safety | 4,447,626 | 4,672,996 | 4,878,058 | 5,171,748 |
| Public works | 1,941,432 | 1,978,676 | 1,902,831 | 1,194,321 |
| Community enrichment | 912,008 | 868,606 | 887,927 | 848,890 |
| Contingent | 1,373,985 | 1,611,930 | 1,210,884 | 1,502,093 |
| Miscellaneous | 55,060 | - | - | - |
| Interest on long-term debt | 500,275 | 452,366 | 354,477 | 344,019 |
| Total governmental activities | 10,751,134 | 11,565,939 | 11,286,241 | 11,206,354 |
| Business-type activities | | | | |
| Water and sewer | 3,959,295 | 4,256,651 | 4,547,064 | 4,841,234 |
| Sanitation | 1,188,839 | 1,257,330 | 1,164,471 | 1,171,180 |
| Total business-type activities | \$ 5,148,134 | \$ 5,513,981 | \$ 5,711,535 | \$ 6,012,414 |
| Program Revenues | | | | |
| Governmental activities | | | | |
| Charges for services | | | | |
| Public safety | \$ 152,343 | \$ 154,385 | \$ 190,497 | \$ 152,647 |
| Community enrichment/general govt. | 37,500 | 28,791 | - | 9,752 |
| Public works | 99,451 | 105,758 | 107,145 | 101,584 |
| Grants and Contributions | 1,583,324 | 2,087,261 | 617,651 | 342,273 |
| Total governmental activities | \$ 1,872,618 | \$ 2,376,195 | \$ 915,293 | \$ 606,256 |
| Business activities | | | | |
| Charges for services | | | | |
| Water and sewer | \$ 3,135,207 | \$ 3,303,623 | \$ 3,161,004 | \$ 3,187,710 |
| Sanitation | 1,338,454 | 1,402,127 | 1,380,327 | 1,375,299 |
| Leased building | - | - | - | - |
| Capital Grants and Contributions | - | - | - | 208,717 |
| Total business-type activities | \$ 4,473,661 | \$ 4,705,750 | \$ 4,541,331 | \$ 4,771,726 |
| Total program revenues | 6,346,279 | 7,081,945 | 5,456,624 | 5,377,982 |
| Net (expense) revenue | | | | |
| Governmental activities | \$ (8,878,516) | \$ (9,189,744) | \$ (10,370,948) | \$ (10,600,098) |
| Business-type activities | (674,473) | (808,231) | (1,170,204) | (1,240,688) |
| Total net expense | \$ (9,552,989) | \$ (9,997,975) | \$ (11,541,152) | \$ (11,840,786) |

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----|---------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|
| \$ | 2,894,365 | \$ 2,762,191 | \$ 3,070,576 | \$ 2,750,811 | \$ 1,905,533 | \$ 1,771,362 |
| | 5,592,646 | 5,912,107 | 6,313,651 | 6,425,710 | 6,990,035 | 6,050,884 |
| | 1,708,675 | 1,768,054 | 1,836,131 | 1,863,626 | 2,212,857 | 2,232,151 |
| | 782,868 | 885,855 | 1,009,362 | 1,080,172 | 1,126,027 | 1,001,270 |
| | 1,438,099 | 1,344,876 | 1,880,658 | 3,189,832 | 1,771,616 | 2,256,680 |
| | - | - | - | - | - | - |
| | 461,025 | 432,506 | 403,402 | 432,949 | 379,200 | 447,843 |
| | <u>12,877,678</u> | <u>13,105,589</u> | <u>14,513,780</u> | <u>15,743,100</u> | <u>14,385,268</u> | <u>13,760,190</u> |
| | 3,979,632 | 4,556,214 | 4,921,381 | 4,699,086 | 4,965,626 | 4,760,544 |
| | 1,934,125 | 1,227,937 | 1,212,994 | 1,333,544 | 1,318,760 | 1,324,567 |
| \$ | <u>5,913,757</u> | <u>\$ 5,784,151</u> | <u>\$ 6,134,375</u> | <u>\$ 6,032,630</u> | <u>\$ 6,284,386</u> | <u>\$ 6,085,111</u> |
| \$ | 142,660 | \$ 167,268 | \$ 169,811 | \$ 114,615 | \$ 103,395 | \$ 115,753 |
| | 16,917 | - | - | - | - | - |
| | 173,382 | 121,652 | 217,229 | 222,781 | 271,383 | 299,355 |
| | 301,241 | 133,441 | 184,424 | 759,299 | 4,472,407 | 1,494,538 |
| \$ | <u>634,200</u> | <u>\$ 422,361</u> | <u>\$ 571,464</u> | <u>\$ 1,096,695</u> | <u>\$ 4,847,185</u> | <u>\$ 1,909,646</u> |
| \$ | 3,209,824 | \$ 3,535,917 | \$ 3,407,713 | \$ 3,449,188 | \$ 3,579,279 | \$ 3,694,394 |
| | 1,352,781 | 1,361,605 | 1,439,692 | 1,465,621 | 1,467,093 | 1,545,628 |
| | - | - | - | - | - | - |
| | - | - | - | - | 1,126,456 | 1,508,619 |
| \$ | <u>4,562,605</u> | <u>\$ 4,897,522</u> | <u>\$ 4,847,405</u> | <u>\$ 4,914,809</u> | <u>\$ 6,172,828</u> | <u>\$ 6,748,641</u> |
| | 5,196,805 | 5,319,883 | 5,418,869 | 6,011,504 | 11,020,013 | 8,658,287 |
| \$ | (12,243,478) | \$ (12,683,228) | \$ (13,942,316) | \$ (14,646,405) | \$ (9,538,083) | \$ (11,850,544) |
| | (1,351,152) | (886,629) | (1,286,970) | (1,117,821) | (111,558) | 663,530 |
| \$ | <u>(13,594,630)</u> | <u>\$ (13,569,857)</u> | <u>\$ (15,229,286)</u> | <u>\$ (15,764,226)</u> | <u>\$ (9,649,641)</u> | <u>\$ (11,187,014)</u> |

City of Port Neches, Texas
CHANGES IN NET POSITION (Continued)
LAST TEN FISCAL YEARS (Unaudited)
(ACCRUAL BASIS OF ACCOUNTING)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| General Revenues | | | | |
| Governmental Activities | | | | |
| Property taxes, penalties and interest | \$ 5,897,654 | \$ 5,974,272 | \$ 5,957,457 | \$ 6,169,180 |
| Sales tax | 850,551 | 1,023,058 | 1,050,724 | 1,025,774 |
| In lieu of tax contracts | 2,314,665 | 2,786,202 | 3,102,815 | 3,444,217 |
| Gross receipts tax | 766,777 | 777,635 | 729,162 | 699,852 |
| Miscellaneous | - | (201,563) | - | - |
| Interest | 17,201 | 74,932 | 13,293 | 36,170 |
| Other/(Loss) on Sale of Assets | 273,114 | 580,855 | 836,222 | 158,879 |
| Transfers | 850,738 | (1,446,215) | (11,744) | (155,000) |
| Total general revs,transfers, and special | <u>\$ 10,970,700</u> | <u>\$ 9,569,176</u> | <u>\$ 11,677,929</u> | <u>\$ 11,379,072</u> |
| Business-type activities | | | | |
| Interest | \$ 2,729 | \$ 1,059 | \$ - | \$ 4,940 |
| Capital Contribution /Other | - | - | - | 486,000 |
| Transfers | (850,738) | 1,446,215 | 11,744 | 155,000 |
| Total business-type activities | <u>\$ (848,009)</u> | <u>\$ 1,447,274</u> | <u>\$ 11,744</u> | <u>\$ 645,940</u> |
| Total primary government | <u>\$ 10,122,691</u> | <u>\$ 11,016,450</u> | <u>\$ 11,689,673</u> | <u>\$ 12,025,012</u> |
| Change in Net Position | | | | |
| Governmental activities | \$ 2,092,184 | \$ 379,432 | \$ 1,306,981 | \$ 778,974 |
| Business-type activities | (1,522,482) | 639,043 | (1,158,460) | (594,748) |
| Total Change in Net Position | <u>\$ 569,702</u> | <u>\$ 1,018,475</u> | <u>\$ 148,521</u> | <u>\$ 184,226</u> |

| <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| \$ 6,284,273 | \$ 6,568,215 | \$ 6,704,371 | \$ 7,038,279 | \$ 7,174,173 | \$ 7,280,015 |
| 1,038,840 | 1,159,192 | 1,120,965 | 1,689,425 | 1,807,842 | 2,097,888 |
| 2,590,503 | 2,692,809 | 3,280,077 | 3,330,732 | 3,164,147 | 2,730,607 |
| 724,889 | 742,476 | 746,479 | 708,221 | 628,202 | 770,395 |
| - | - | - | 877,648 | 271,938 | 404,159 |
| 133,288 | 197,096 | 199,717 | 225,425 | 108,714 | 77,528 |
| 382,685 | 705,561 | 603,401 | (4,141,760) | - | - |
| 363,000 | 413,000 | 686,197 | (23,828) | (1,120,626) | (759,378) |
| <u>\$ 11,517,478</u> | <u>\$ 12,478,349</u> | <u>\$ 13,341,207</u> | <u>\$ 9,704,142</u> | <u>\$ 12,034,390</u> | <u>\$ 12,601,214</u> |
| \$ 79,250 | \$ 99,376 | \$ 31,316 | \$ - | \$ - | \$ 20,894 |
| 99,289 | 84,393 | 537,624 | 231,930 | - | 39,965 |
| (363,000) | (413,000) | (413,000) | 23,828 | 1,120,626 | 759,378 |
| <u>\$ (184,461)</u> | <u>\$ (229,231)</u> | <u>155,940</u> | <u>255,758</u> | <u>1,120,626</u> | <u>820,237</u> |
| <u>\$ 11,333,017</u> | <u>\$ 12,249,118</u> | <u>\$ 13,497,147</u> | <u>\$ 9,959,900</u> | <u>\$ 13,155,016</u> | <u>\$ 13,421,451</u> |
| \$ (726,000) | \$ (204,879) | \$ (601,109) | \$ (4,942,263) | \$ 2,496,307 | \$ 750,670 |
| (1,535,613) | (1,115,860) | (1,131,030) | (862,063) | 1,009,068 | 1,483,767 |
| <u>\$ (2,261,613)</u> | <u>\$ (1,320,739)</u> | <u>\$ (1,732,139)</u> | <u>\$ (5,804,326)</u> | <u>\$ 3,505,375</u> | <u>\$ 2,234,437</u> |

City of Port Neches, Texas
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (Unaudited)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|-----------------|-----------------|-----------------|------------------|-----------------|
| General Fund | | | | | |
| Restricted | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | - | - | - | - | - |
| Nonspendable | 49 | 43 | 45 | 81 | 77 |
| Unassigned | 4,874 | 5,240 | 6,236 | 6,136 | 6,165 |
| Total general fund | <u>\$ 4,923</u> | <u>\$ 5,283</u> | <u>\$ 6,281</u> | <u>\$ 6,217</u> | <u>\$ 6,242</u> |
| All other governmental funds | | | | | |
| Committed | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 1621 | 1526 | 1515 | 1149 | 1207 |
| Assigned | 5,670 | 2,603 | 2,236 | 9,113 | 7,240 |
| Unassigned | 95 | - | - | - | - |
| Total all other governmental funds | <u>\$ 7,386</u> | <u>\$ 4,129</u> | <u>\$ 3,751</u> | <u>\$ 10,262</u> | <u>\$ 8,447</u> |

Source: City financials.

| <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|-----------------|-----------------|-----------------|-----------------|------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| 54 | 54 | 54 | 66 | 63 |
| <u>6,842</u> | <u>7,595</u> | <u>8,560</u> | <u>9,144</u> | <u>8,897</u> |
| <u>\$ 6,896</u> | <u>\$ 7,649</u> | <u>\$ 8,614</u> | <u>\$ 9,210</u> | <u>\$ 8,960</u> |
| | | | | |
| \$ - | \$ - | \$ - | \$ 4,168 | \$ 2,382 |
| 1149 | 1,147 | 1,190 | 3,879 | 12,534 |
| 3,690 | 3,354 | 6,683 | - | - |
| - | - | - | - | - |
| <u>\$ 4,839</u> | <u>\$ 4,501</u> | <u>\$ 7,873</u> | <u>\$ 8,047</u> | <u>\$ 14,916</u> |

City of Port Neches, Texas
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (Unaudited)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| Revenues | 2013 | 2014 | 2015 | 2016 |
|--|---------------------|-----------------------|-------------------|---------------------|
| Property taxes | \$ 5,883,619 | \$ 6,001,891 | \$ 5,923,310 | \$ 6,172,284 |
| Sales tax | 850,551 | 1,023,058 | 1,050,724 | 1,025,774 |
| In lieu of tax contracts | 2,314,665 | 2,786,202 | 3,102,815 | 3,444,217 |
| Gross receipts tax | 766,777 | 777,635 | 729,162 | 699,852 |
| Permits, licenses and fees | 99,452 | 105,758 | 107,146 | 101,584 |
| Grants contributions | 1,620,824 | 2,116,052 | 617,651 | 352,025 |
| Fines | 152,343 | 154,385 | 190,496 | 152,646 |
| Contributions and donations | - | - | - | - |
| Interest | 17,201 | 74,932 | 13,293 | 36,170 |
| Other miscellaneous | 300,474 | 580,855 | 836,222 | 259,661 |
| Total Revenues | <u>12,005,906</u> | <u>13,620,768</u> | <u>12,570,819</u> | <u>12,244,213</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 938,405 | 1,039,096 | 994,318 | 1,045,880 |
| Public safety | 3,843,133 | 4,068,698 | 4,367,165 | 4,598,833 |
| Public works | 1,786,893 | 1,376,300 | 1,287,093 | 1,380,331 |
| Community enrichment | 789,944 | 818,538 | 837,860 | 966,904 |
| Contingent | 1,258,035 | 1,622,690 | 1,185,700 | 1,477,704 |
| Capital Outlay | 2,750,268 | 4,918,490 | 1,199,450 | 665,739 |
| Debt Service: | | | | |
| Principal retirement | 1,700,000 | 1,800,000 | 1,810,000 | 1,890,000 |
| Interest and fiscal charges | 502,600 | 469,993 | 421,879 | 402,123 |
| Issuance costs | 71,018 | - | - | 65,050 |
| Total Expenditures | <u>13,640,296</u> | <u>16,113,805</u> | <u>12,103,465</u> | <u>12,492,564</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | (1,634,390) | (2,493,037) | 467,354 | (248,351) |
| Other Financing Sources (Uses) | | | | |
| Bonds issued | 4,300,000 | - | - | 7,250,000 |
| Payment of bond issuance costs | - | - | - | - |
| Proceeds from Sale of Property | - | - | - | - |
| Transfers in | 1,463,410 | 642,998 | 257,645 | 300,000 |
| Transfers out | (782,672) | (1,047,983) | (281,645) | (855,000) |
| Total Other Financing Sources and Uses | <u>4,980,738</u> | <u>(404,985)</u> | <u>(24,000)</u> | <u>6,695,000</u> |
| Net Change in Fund Balance | <u>\$ 3,346,348</u> | <u>\$ (2,898,022)</u> | <u>\$ 443,354</u> | <u>\$ 6,446,649</u> |
| Debt service as a % of noncapital expenditures | 18.3% | 16.2% | 18.0% | 18.7% |

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----|--------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
| \$ | 6,273,437 | \$ 6,575,651 | \$ 6,688,788 | \$ 7,036,460 | \$ 7,174,173 | \$ 7,268,990 |
| | 1,038,840 | 1,159,192 | 1,120,965 | 1,637,877 | 1,807,842 | 2,097,888 |
| | 2,590,503 | 2,692,809 | 3,280,077 | 3,330,732 | 3,164,147 | 2,550,005 |
| | 724,889 | 742,476 | 746,479 | 708,221 | 628,202 | 770,395 |
| | 173,382 | 121,652 | 217,229 | 222,781 | 271,383 | 299,355 |
| | 318,158 | 133,441 | 184,424 | 199,047 | 2,186,028 | 1,622,058 |
| | 142,660 | 167,268 | 169,811 | 114,615 | 103,395 | 115,753 |
| | - | - | - | - | 1,477,152 | 23,596 |
| | 133,288 | 197,096 | 199,717 | 225,425 | 108,714 | 77,528 |
| | 382,685 | 705,561 | 605,363 | 877,648 | 349,645 | 404,159 |
| | <u>11,777,842</u> | <u>12,495,146</u> | <u>13,212,853</u> | <u>14,352,806</u> | <u>17,270,681</u> | <u>15,229,727</u> |
| | 1,035,449 | 1,033,517 | 1,058,278 | 1,130,763 | 1,030,227 | 1,219,152 |
| | 4,966,980 | 5,214,844 | 5,469,270 | 5,948,850 | 5,663,050 | 5,813,906 |
| | 1,478,268 | 1,532,035 | 1,765,723 | 1,756,758 | 1,130,590 | 2,092,704 |
| | 958,686 | 768,457 | 699,217 | 954,428 | 985,816 | 972,933 |
| | 1,171,896 | 1,138,649 | 1,429,141 | 3,231,606 | 1,431,443 | 2,256,680 |
| | 2,266,626 | 4,059,125 | 704,567 | 2,445,873 | 3,059,362 | 142,458 |
| | 1,430,000 | 1,470,000 | 1,545,000 | 1,600,000 | 1,730,000 | 1,810,000 |
| | 472,096 | 443,578 | 414,473 | 387,374 | 379,200 | 384,618 |
| | - | - | - | - | - | 63,225 |
| | <u>13,780,001</u> | <u>15,660,205</u> | <u>13,085,669</u> | <u>17,455,652</u> | <u>15,409,688</u> | <u>14,755,676</u> |
| | (2,002,159) | (3,165,059) | 127,184 | (2,623,660) | 1,860,993 | 474,051 |
| | - | - | - | 5,200,000 | - | 7,000,000 |
| | - | - | - | (56,645) | - | - |
| | - | - | - | 1,799,693 | 162,727 | - |
| | 763,000 | 413,000 | 486,197 | 363,000 | 363,000 | 363,000 |
| | (550,000) | (200,000) | (200,000) | (519,358) | (1,616,156) | (1,290,878) |
| | <u>213,000</u> | <u>213,000</u> | <u>286,197</u> | <u>6,786,690</u> | <u>(1,090,429)</u> | <u>6,072,122</u> |
| \$ | <u>(1,789,159)</u> | <u>(2,952,059)</u> | <u>413,381</u> | <u>4,163,030</u> | <u>770,564</u> | <u>6,546,173</u> |
| | 14.0% | 12.9% | 15.2% | 13.2% | 17.1% | 15.6% |

City of Port Neches, Texas
ASSESED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS (Unaudited)

| TAX YEAR | ESTIMATED MARKET VALUE | | LESS EXEMPTIONS | TAXABLE VALUE |
|-------------|------------------------|-------------------|--------------------|------------------|
| | REAL PROPERTY | PERSONAL PROPERTY | | |
| 2013-14 | \$ 995,920,698 | \$ 64,447,330 | \$ 205,287,533 | \$ 855,080,495 |
| 2014-15 | 986,561,998 | 70,430,780 | 206,468,807 | 850,523,971 |
| 2015-16 | 995,708,816 | 87,254,530 | 195,332,110 | 887,631,236 |
| 2016-17 | 999,757,130 | 81,754,360 | 195,174,472 | 886,337,018 |
| 2017-18 | 1,040,536,977 | 64,419,780 | 199,772,709 | 905,184,048 |
| 2018-19 | 1,036,813,908 | 79,167,430 | 202,060,123 | 913,921,215 |
| 2019-20 | 1,094,330,670 | 90,522,210 | 212,539,115 | 972,313,765 |
| 2020-21 | 1,120,748,744 | 77,136,060 | 222,822,777 | 975,062,027 |
| 2021-22 | 1,314,436,820 | 77,864,535 | 237,291,990 | 1,101,423,195 |
| 2022-23 | 1,429,592,362 | 101,295,359 | 253,960,239 | 1,229,635,461 |

Exemptions are primarily on homestead property and for disabled persons or persons 65 years of age or older. The homestead exemptions is 20% of appraised value and the exemption for disabled persons or for those 65 years of age or older is \$16,600.

Source: Jefferson County Tax Reports

(a) Taxable Valuation of Industrial Property - In Lieu of Tax Agreements 75% of Assessed Value

| INDUSTRIAL CONTRACTS (a) | ALL TAXABLE PROPERTY | TOTAL DIRECT TAX RATE |
|-------------------------------------|-------------------------------------|--------------------------------------|
| \$ 400,616,770 | \$ 1,255,697,265 | \$ 0.695478 |
| 446,252,981 | 1,296,776,952 | 0.695478 |
| 358,890,157 | 1,246,521,393 | 0.695000 |
| 367,447,180 | 1,253,784,198 | 0.705000 |
| 371,395,988 | 1,276,580,036 | 0.725000 |
| 447,747,699 | 1,361,668,914 | 0.735000 |
| 455,879,590 | 1,428,193,355 | 0.727993 |
| 430,630,540 | 1,405,692,567 | 0.735000 |
| 367,199,803 | 1,468,622,998 | 0.685000 |
| 449,390,766 | 1,679,026,227 | 0.685000 |

City of Port Neches, Texas

**PROPERTY TAX RATES- DIRECT AND OVERLAPPING GOVERNMENTS (Per \$100
Assessed Value)
LAST TEN FISCAL YEARS (Unaudited)**

| Fiscal Year | City Direct Rates | | | Overlapping Rates | | |
|-------------|-------------------|-------------------|---------------------|-------------------|-------------------------|------------|
| | General Fund | Debt Service Fund | Total City Tax Rate | Jefferson County | Drainage District No. 7 | PNGISD |
| 2012 | \$ 0.413855 | \$ 0.305645 | \$ 0.7195 | \$ 0.3650 | \$ 0.1389 | \$ 1.43650 |
| 2013 | 0.400000 | 0.272455 | 0.672455 | 0.3650 | 0.1409 | 1.43650 |
| 2014 | 0.422774 | 0.255292 | 0.678066 | 0.3650 | 0.1409 | 1.38807 |
| 2015 | 0.443000 | 0.252478 | 0.695478 | 0.3650 | 0.1499 | 1.43400 |
| 2016 | 0.443000 | 0.252478 | 0.695478 | 0.3650 | 0.1499 | 1.44441 |
| 2017 | 0.491259 | 0.213741 | 0.705000 | 0.3650 | 0.1605 | 1.44410 |
| 2018 | 0.518937 | 0.206063 | 0.725000 | 0.364977 | 0.199875 | 1.44441 |
| 2019 | 0.520774 | 0.214226 | 0.735000 | 0.364977 | 0.239850 | 1.44441 |
| 2020 | 0.525753 | 0.202240 | 0.727993 | 0.364977 | 0.311805 | 1.34275 |
| 2021 | 0.518600 | 0.216400 | 0.735000 | 0.364977 | 0.294990 | 1.34270 |
| 2022 | 0.510994 | 0.174006 | 0.685000 | 0.363184 | 0.284775 | 1.37590 |

Source:Jefferson County

Total

\$ 2.6599
2.6149
2.5721
2.6444
2.6548
2.6746
2.734262
2.784237
2.747525
2.737667
2.708859

City of Port Neches, Texas
PRINCIPAL PROPERTY TAXPAYERS
Current and Nine Years Ago (Unaudited)

| Taxpayer | Nature of Property | TAX YEAR 2012 | | |
|--------------------------------|---------------------------|------------------------------|-------------|--|
| | | Assessed Valuation | Rank | Percent of Estimated Actual Value |
| Huntsman | Chemical Plant | \$ 228,174,790 | 1 | 26.91% |
| Indorama Ventures Propylene | Chemical Plant | - | n/a | n/a |
| RBF Port Neches | BioFuel | 14,991,300 | 2 | 1.77% |
| Indorama Venture Oxides | Chemical Plant | - | n/a | n/a |
| Entergy Gulf States | Utilities | 6,564,950 | 3 | 0.77% |
| Neches Federal Credit Union | Credit Union | 3,534,370 | 5 | 0.42% |
| INEOS/Calabrian Corporation | Chemical Plant | 5,930,630 | 4 | 0.70% |
| Aron Housing Group LLC | Multi Family | 2,725,040 | 8 | 0.32% |
| 2DS Development | Subdivision | - | n/a | n/a |
| Matterhorn Real Estate | Multi Family | - | n/a | n/a |
| Spectrum Gulf Coast | Cable | 2,634,370 | 10 | 0.31% |
| Total | | <u>\$ 264,555,450</u> | | <u>31.20%</u> |
| Total Assessed Property Values | | <u><u>\$ 847,980,654</u></u> | | <u><u>100.0%</u></u> |

Source: Jefferson County Appraisal District: (a) represents 2022 Taxable Values for FY23
Financial Cycle
City of Port Neches, Financial Data

TAX YEAR 2022

| Taxable Assessed Valuation | Rank | Percent of Estimated Actual Value |
|---|-------------|--|
| \$ - | n/a | n/a |
| 166,078,553 | 1 | 15.06% |
| 50,194,306 | 2 | 4.55% |
| 16,530,114 | 3 | 1.50% |
| 13,680,890 | 4 | 1.24% |
| 11,401,806 | 5 | 1.03% |
| 8,607,130 | 6 | 0.78% |
| 6,653,995 | 7 | 0.60% |
| 6,372,528 | 8 | 0.58% |
| 5,052,402 | 9 | 0.46% |
| 4,656,419 | 10 | 0.42% |
| <hr/> \$ 289,228,143 <hr/> | | <hr/> 26.22% <hr/> |
| <hr/> \$ 1,103,104,052 <hr/> | | <hr/> 100.0% <hr/> |

City of Port Neches, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS (Unaudited)

| TAX YEAR | TAX LEVY WITHIN THE FISCAL YEAR OF THE LEVY | TOTAL LEVY YEAR COLLECTIONS | | SUBSEQUENT DELINQUENT TAX COLLECTIONS |
|-----------|--|--------------------------------|--------------|--|
| | | \$ AMOUNT COLLECTED | % OF LEVY | |
| 2012-2013 | \$ 5,858,386 | \$ 5,772,220 | 98.53% | \$ 77,344 |
| 2013-2014 | 5,928,013 | 5,850,581 | 98.69% | 69,141 |
| 2014-2015 | 5,899,599 | 5,808,822 | 98.46% | 80,135 |
| 2015-2016 | 6,129,729 | 6,045,593 | 98.63% | 70,328 |
| 2016-2017 | 6,241,155 | 6,143,009 | 98.43% | 80,226 |
| 2017-2018 | 6,541,446 | 6,457,479 | 98.72% | 61,488 |
| 2018-2019 | 6,684,524 | 6,590,156 | 98.59% | 67,759 |
| 2019-2020 | 6,994,124 | 6,907,116 | 98.76% | 53,182 |
| 2020-2021 | 7,143,158 | 7,050,293 | 98.70% | 43,943 |
| 2021-2022 | 7,471,078 | 7,372,625 | 98.68% | - |

(1) Source: City's detailed accounting records - based on original levy

Does not include penalties and interest.

| | TOTAL COLLECTIONS @9.30.21 | PERCENT OF TOTAL TAX COLLECTIONS AT TOTAL TAX LEVY | OUTSTANDING TAX LEVY @ 9.30.21 |
|----|---|---|---|
| \$ | 5,849,564 | 99.85% | \$ 8,822 |
| | 5,919,722 | 99.86% | 8,291 |
| | 5,888,957 | 99.82% | 10,642 |
| | 6,115,921 | 99.77% | 13,808 |
| | 6,223,235 | 99.71% | 17,920 |
| | 6,518,967 | 99.66% | 22,479 |
| | 6,657,915 | 99.60% | 26,609 |
| | 6,960,298 | 99.52% | 33,826 |
| | 7,050,293 | 98.70% | 48,922 |
| | 7,372,625 | 98.68% | 98,453 |

City of Port Neches, Texas
RATIOS FOR OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (Unaudited)

| Fiscal Year | Governmental Activities | | | Business-type Activities | |
|----------------|------------------------------------|-------------------------------|-------------------|--------------------------|--------------------------------|
| | General Obligation Bonds (1) | Special Assesment Bonds | Capital Leases | Sewer Bonds | General Obligation Bonds |
| 2012-13 | \$ 16,135,000 | - | - | - | - |
| 2013-14 | 14,420,000 | - | - | - | - |
| 2014-15 | 12,610,000 | - | - | - | - |
| 2015-16 | 17,970,000 | - | - | - | - |
| 2016-17 | 16,540,000 | - | - | - | - |
| 2017-18 | 15,070,000 | - | - | - | - |
| 2018-19 | 13,525,000 | - | - | - | - |
| 2019-20 | 17,125,000 | - | - | - | - |
| 2020-21 | 15,395,000 | - | - | - | - |
| 2021-22 | 20,585,000 | - | - | - | - |

(1) Includes Certificates of Obligation

| | Total Primary Government | Percentage of Personal Income | Per Capita |
|----|---|--|-------------------|
| \$ | 16,135,000 | 5.50% | \$ 1,237 |
| | 14,420,000 | 4.91% | 1,106 |
| | 12,610,000 | 4.27% | 967 |
| | 17,970,000 | 6.09% | 1,378 |
| | 16,540,000 | 5.46% | 1,291 |
| | 15,070,000 | 4.97% | 1,177 |
| | 13,525,000 | 4.46% | 1,056 |
| | 17,125,000 | 5.65% | 1,337 |
| | 15,395,000 | 5.08% | 1,202 |
| | 20,585,000 | 6.79% | 1,607 |

City of Port Neches, Texas
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (Unaudited)

| Fiscal Year | General Obligation Bonds (1) | Less: Amounts Available in Debt Service Fund (2) | Total | Percentage of Estimated Actual Taxable Value of Property (3) | Per Capita (4) |
|------------------------|---|---|---------------|---|---------------------------|
| 2012-13 | \$ 16,135,000 | \$ 1,436,968 | \$ 14,698,032 | 1.72% | \$ 1,127 |
| 2013-14 | 14,420,000 | 1,362,167 | 13,057,833 | 1.54% | 1,001 |
| 2014-15 | 12,610,000 | 1,283,070 | 11,326,930 | 1.28% | 869 |
| 2015-16 | 17,970,000 | 1,016,743 | 16,953,257 | 1.91% | 1,300 |
| 2016-17 | 16,540,000 | 1,204,520 | 15,335,480 | 1.69% | 1,291 |
| 2017-18 | 15,070,000 | 1,015,798 | 14,054,202 | 1.54% | 1,177 |
| 2018-19 | 13,525,000 | 1,027,164 | 12,497,836 | 1.29% | 1,056 |
| 2019-20 | 17,125,000 | 1,016,402 | 16,108,598 | 1.65% | 1,337 |
| 2020-21 | 15,395,000 | 1,019,244 | 14,375,756 | 1.31% | 1,202 |
| 2021-22 | 15,395,000 | 1,019,244 | 14,375,756 | 1.17% | 1,607 |

(1) Includes Certificates of Obligation

(2) Amount restricted for debt service payments

(3) See Schedule V for property value data - excluding industrial values

(4) See Schedule XV for population data

City of Port Neches, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2022 (Unaudited)

| Jurisdiction | Reference | Bonded Debt Outstanding | Estimated (a) Percentage Applicable to the City | Amount Applicable to The City |
|---|-----------|----------------------------|--|-------------------------------------|
| Overlapping | | | | |
| Jefferson County, Texas | (1) | \$ 26,780,000 | 4.29% | \$ 1,148,862 |
| Jefferson County - Drainage District #7 | (1) | 13,630,000 | 8.59% | 1,170,817 |
| Nederland Independent School District | (1) | 146,920,000 | 3.07% | 4,510,444 |
| Sabine Neches Navigation District | -1 | 200,065,000 | 4.29% | 8,582,789 |
| Port Neches-Groves - ISD | (1) | 187,315,000 | 27.13% | 50,818,560 |
| Total Overlapping | | | | <u>66,231,471</u> |
| City of Port Neches | (2) | 20,585,000 | 100.00% | <u>20,585,000</u> |
| Total | | | | <u><u>\$ 86,816,471</u></u> |

(1) Jefferson County Texas Auditor/MAC

(2) City of Port Neches

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayer of the City of Port Neches. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(a) The percentage of overlapping debt applicable is estimated using taxable assessed property values.

Applicable percentages were estimated by determining the portion of taxing entity that is within the City's boundaries and dividing it by the taxing entity's total taxable assessed value.

City of Port Neches, Texas
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Debt limit | \$ 105,455 | \$ 106,037 | \$ 105,699 | \$ 108,296 | \$ 108,151 |
| Total net debt applicable to limit | 14,698 | 13,058 | 11,328 | 16,953 | 17,744 |
| Legal debt margin | <u>\$ 90,757</u> | <u>\$ 92,979</u> | <u>\$ 94,371</u> | <u>\$ 91,343</u> | <u>\$ 90,407</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 13.9% | 12.3% | 10.7% | 15.7% | 16.4% |

Legal Debt Margin Calculation for Fiscal Year 2022:

| | |
|---|-------------------|
| Total assessed value | \$ 1,229,635 |
| Debt limit (10% of total assessed value) | 122,964 |
| Debt applicable to limit: | |
| Outstanding Debt (CO's) | 20,585 |
| Less: Amount set aside for repayment of debt | <u>671</u> |
| Total net debt applicable to limit | 19,914 |
| Legal debt margin | <u>\$ 103,050</u> |

Note: Considering guidelines set forth by the Attorney General of Texas, this presentation applies a measurement tool whereby outstanding debt should not exceed 10% of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general

The City of Port Neches has no GO Debt outstanding, and has elected to use Certificates of Obligation for this presentation.

| 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------|------------------|-------------------|------------------|-------------------|
| \$ 110,495 | \$ 111,598 | \$ 118,485 | \$ 110,142 | \$ 122,964 |
| 16,086 | 12,498 | 16,086 | 14,376 | 19,914 |
| <u>\$ 94,409</u> | <u>\$ 99,100</u> | <u>\$ 102,399</u> | <u>\$ 95,766</u> | <u>\$ 103,050</u> |

14.6% 11.2% 13.6% 13.1% 16.2%

City of Port Neches, Texas

PLEDGED-REVENUE COVERAGE

LAST TEN YEARS (Unaudited)

| TAX YEAR | GROSS REVENUE (1) | EXPENSES EXCLUDING DEPRECIATION (1) | NET REVENUE AVAILABLE FOR DEBT SERVICE * |
|---------------------|------------------------------|--|---|
| 2012-13 | \$ 3,135,207 | \$ 2,784,383 | \$ 350,824 |
| 2013-14 | 3,303,623 | 2,985,721 | 317,902 |
| 2014-15 | 3,161,004 | 3,228,395 | (67,391) |
| 2015-16 | 3,396,427 | 3,621,376 | (224,949) |
| 2016-17 | 3,353,875 | 3,414,568 | (60,693) |
| 2017-18 | 3,645,431 | 3,226,112 | 419,319 |
| 2018-19 | 3,496,169 | 3,648,585 | (152,416) |
| 2019-20 | 3,650,490 | 3,786,415 | (135,925) |
| 2020-21 | 3,579,279 | 3,283,501 | 295,778 |
| 2021-22 | 3,694,394 | 3,463,715 | 230,679 |

SOURCE: (1) Statement of Revenue, Expenditures and Changes in Fund Net Position, Water and Sewer Fund. Includes interest income and other nonoperating revenue, but excludes tax revenue and industrial contracts dedicated to sewer renovations.

* The City held no debt in business-type activities during the fiscal year presented

City of Port Neches, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS (Unaudited)

| Fiscal Year | Population | Personal Income (in thousands \$) | Per Capita Personal Income | Median Age | Education Level in Years of Formal Schooling | School Enrollment | Unemployment Rate (1) |
|--------------------|-------------------|--|-----------------------------------|-------------------|---|--------------------------|------------------------------|
| 2013 | 13,040 | \$ 293,506 | \$ 26,284 | 34 | 14.5 | 4,850 | 7.50% |
| 2014 | 13,040 | 293,506 | 26,284 | 34 | 14.5 | 4,900 | 6.50% |
| 2015 | 13,040 | 295,000 | 26,284 | 36 | 14.5 | 4,950 | 6.00% |
| 2016 | 13,040 | 295,000 | 26,284 | 36 | 14.5 | 4,950 | 5.25% |
| 2017 | 12,809 | 303,000 | 26,284 | 36 | 14.5 | 4,950 | 5.25% |
| 2018 | 12,809 | 303,000 | 26,284 | 36 | 14.5 | 4,950 | 5.25% |
| 2019 | 12,809 | 303,000 | 26,284 | 36 | 14.5 | 4,950 | 5.25% |
| 2020 | 12,809 | 303,000 | 26,284 | 36 | 14.5 | 4,950 | 5.25% |
| 2021 | 12,809 | 303,000 | 26,284 | 36 | 14.5 | 4,950 | 5.25% |
| 2022 | 13,416 | 303,000 | 26,284 | 36 | 14.5 | 4,950 | 5.25% |

(1) Represents regional data; Port Neches unemployment is estimated at 6% or less

Data Sources: Southeast Texas Workforce Development Board...LMI Report
 Bureau of Census, Port Neches Groves ISD

City of Port Neches, Texas
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS PRIOR (Unaudited)

| Employer | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PNGISD | 652 | 680 | 655 | 712 | 712 | 712 |
| Huntsman/Indorama | 596 | 610 | 610 | 625 | 625 | 625 |
| Lion Elastomers (Ashland/ISP) | 240 | 240 | 201 | 199 | 199 | 199 |
| Texas Petrochemical | n/a | n/a | n/a | 168 | 168 | 168 |
| City of Port Neches | 90 | 92 | 94 | 93 | 93 | 94 |
| Neches FCU | 85 | 85 | 85 | 90 | 90 | 90 |
| M&E Food Mart (Market Basket) | 76 | 75 | 72 | 80 | 80 | 80 |
| Calabrian Corp. | 64 | 72 | 75 | 65 | 65 | 65 |
| Dunn Pallet (Groves Pallet) | 50 | 70 | 35 | 43 | 43 | 43 |

Source: Port Neches Economic Development Corporation Estimates

| 2019 | 2020 | 2021 | 2022 | Rank | % of Total City Employment |
|-------------|-------------|-------------|-------------|-------------|---------------------------------------|
| 712 | 750 | 812 | 820 | 1 | 18.7% |
| 625 | 587 | 604 | 490 | 2 | 13.9% |
| 199 | 206 | 205 | 196 | 3 | 4.7% |
| 168 | 72 | 78 | 72 | 6 | 1.8% |
| 96 | 96 | 95 | 95 | 5 | 2.2% |
| 90 | 115 | 124 | 125 | 4 | 2.9% |
| 80 | 66 | 70 | 70 | 7 | 1.6% |
| 65 | 61 | 71 | 70 | 8 | 1.6% |
| 43 | 45 | 49 | 48 | 9 | 1.1% |

City of Port Neches, Texas
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Calendar Years (Unaudited)

| Function/Program | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|--------------|--------------|-------------|-------------|-------------|
| Public Safety | | | | | |
| Police | | | | | |
| Traffic citations | 1,867 | 2,000 | 1,776 | 1,538 | 1,384 |
| Dispatch calls for service (Central Dispatch) | 12,301 | 12,746 | 12,148 | 11,128 | 11,063 |
| Fire | | | | | |
| Total runs | 1,126 | 1,185 | 1,310 | 1,338 | 1,446 |
| Library | | | | | |
| Circulation recorded | 61,930 | 63,140 | 60,734 | 62,403 | 62,663 |
| Visiting patrons recorded | 93,498 | 104,925 | 100,903 | 118,358 | 96,530 |
| Utilities | | | | | |
| Gallons purchased (in millions) | 565 | 575 | 599 | 569 | 588 |
| Gallons sold (in millions) | 491 | 477 | 455 | 454 | 457 |
| Number of connections | 5,353 | 5,353 | 5,352 | 5,385 | 5,441 |
| Solid waste | | | | | |
| City disposal (in cubic yards) | 25,834 | 25,961 | 25,923 | 26,716 | 30,626 |
| Green waste disposal (cubic yards) | 14,546 | 13,796 | 15,194 | 16,362 | 19,402 |
| Inspections | | | | | |
| Total value of permits issued | \$12,588,000 | \$10,347,000 | \$9,776,000 | \$9,409,660 | \$8,096,000 |

| 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------|---------------|---------------|---------------|---------------|
| 1,340 | 1,877 | 530 | 1,236 | 695 |
| 10,869 | 11,072 | 7,614 | 9,404 | 9,492 |
| 1,400 | 1,387 | 1,494 | 1,311 | 1,537 |
| 57,671 | 51,109 | 18,934 | 40,551 | 47,048 |
| 136,471 | 107,030 | 55,881 | 102,906 | 137,514 |
| 663 | 597 | 634 | 573 | 578 |
| 505 | 463 | 447 | 476 | 450 |
| 5,472 | 5,533 | 5,538 | 5,564 | 5,685 |
| 31,086 | 30,735 | 38,840 | 29,090 | 27,195 |
| 17,835 | 20,390 | 24,395 | 19,920 | 18,565 |
| \$ 9,563,000 | \$ 27,788,000 | \$ 12,372,000 | \$ 38,665,000 | \$ 49,132,000 |

City of Port Neches, Texas
FULL-TIME CITY GOVERNMENT EMPLOYEES BY DEPARTMENT
Last Ten Fiscal Years (Unaudited)

| Department | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Municipal Administration | 6 | 6 | 6 | 6 | 6 | 6 |
| Library | 5 | 5 | 5 | 5 | 5 | 5 |
| Police | 21 | 23 | 23 | 23 | 23 | 23 |
| Fire/Emergency Management | 13 | 13 | 15 | 15 | 15 | 15 |
| Inspections | 1 | 1 | 1 | 1 | 1 | 1 |
| Garage and Warehouse | 2 | 2 | 2 | 2 | 2 | 2 |
| Streets/Drainage | 10 | 10 | 10 | 10 | 10 | 10 |
| Solid Waste | 10 | 10 | 10 | 10 | 10 | 10 |
| Water Plant | 4.5 | 5 | 5 | 5 | 5 | 5 |
| Waste Water Plant | 4 | 4 | 4 | 4 | 4 | 4 |
| Customer Svc/Billing & Coll. | 2 | 2 | 2 | 2 | 2 | 2 |
| Water Dist/Water Coll. | 8 | 8 | 8 | 8 | 8 | 8 |
| Parks | 2.5 | 2 | 2 | 2 | 2 | 2 |
| Other Recreation | 1 | 1 | 1 | 1 | 1 | 1 |
| | 90 | 92 | 94 | 94 | 94 | 94 |

| 2019 | 2020 | 2021 | 2022 |
|------|------|------|------|
| 6 | 6 | 6 | 5 |
| 5 | 5 | 5 | 5 |
| 24 | 24 | 24 | 25 |
| 15 | 15 | 15 | 15 |
| 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 |
| 10 | 10 | 10 | 10 |
| 11 | 11 | 11 | 11 |
| 5 | 5 | 5 | 5 |
| 4 | 4 | 4 | 4 |
| 2 | 2 | 2 | 2 |
| 8 | 8 | 8 | 8 |
| 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 |
| 96 | 96 | 96 | 96 |

City of Port Neches, Texas
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years (Unaudited)

| <u>Function/Program</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Public Safety | | | | | |
| Police Station | 1 | 1 | 1 | 1 | 1 |
| Fire Station | 1 | 1 | 1 | 1 | 1 |
| Public Works | | | | | |
| Streets-Paved (miles) | 56 | 56 | 56 | 57 | 57 |
| Roads (miles) | 7 | 7 | 7 | 7 | 7 |
| Cultural & Recreation | | | | | |
| Parks (acres) | 50 | 50 | 50 | 50 | 50 |
| Swimming Pools | 0 | 0 | 0 | 0 | 0 |
| Library | 1 | 1 | 1 | 1 | 1 |
| Splash Park | 1 | 1 | 1 | 1 | 1 |
| Water & Sewer | | | | | |
| Water Main (miles) | 84 | 84 | 84 | 85 | 85 |
| Sanitary Sewer (miles) | 84 | 84 | 84 | 84 | 84 |

Source: City Departments

| <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|-------------|-------------|-------------|-------------|-------------|
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 57 | 57 | 57 | 57 | 58 |
| 7 | 7 | 7 | 7 | 7 |
| 50 | 50 | 50 | 50 | 50 |
| 0 | 0 | 0 | 0 | 0 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 85 | 85 | 85 | 85 | 86 |
| 84 | 84 | 84 | 84 | 85 |

City of Port Neches, Texas

INDUSTRIAL CONTRACT REVENUE

Year Ended September 30, 2022 and 2021 (Unaudited)

| | 2022 Adjusted Assessed Valuation (a) | 2022 Assessed Discounts |
|------------------------------|---|--|
| Huntsman Petrochemical Corp. | \$ 8,259,861 | 25% |
| MOTIVA Refinery | 34,420,064 | 25% |
| Texas PetroChemical LP | 11,018,441 | 25% |
| Air Liquide Large Industries | 98,462,676 | 25% |
| Lion Elastomers | 39,971,443 | 25% |
| Indorama Ventures Propylene | 26,336,076 | 25% |
| ExxonMobil Corp. | 4,195,890 | 25% |
| Motiva Chemical LLC | 12,366,500 | 25% |
| Indorama Ventures Oxides LLC | 357,420,538 | 25% |
| Entergy Gulf States, Inc. | 5,558,132 | 25% |
| Ameripol Synpol Company | 83,799 | 25% |
| Centana | 2,660 | 25% |
| DirectTV Inc. | 47,094 | 25% |
| Zydeco Pipeline Company LLC | 1,044,514 | 25% |
| Total | \$ 599,187,688 | |

| | 2021 Adjusted Assessed Valuation (a) | 2021 Assessed Discounts |
|------------------------------|---|--|
| Huntsman Petrochemical Corp. | \$ 8,189,339 | 25% |
| MOTIVA Refinery | 34,889,821 | 25% |
| Texas PetroChemical LP | 6,461,287 | 25% |
| Air Liquide Large Industries | 99,043,736 | 25% |
| Lion Elastomers | 35,369,967 | 25% |
| Indorama Ventures Propylene | 9,201,100 | 25% |
| ExxonMobil Corp. | 4,195,890 | 25% |
| Motiva Chemical LLC | 12,086,600 | 25% |
| Indorama Ventures Oxides LLC | 275,035,803 | 25% |
| Entergy Gulf States, Inc. | 3,840,508 | 25% |
| Ameripol Synpol Company | 97,530 | 25% |
| Centana | 2,691 | 25% |
| DirectTV Inc. | 104,785 | 25% |
| Zydeco Pipeline Company LLC | 1,080,680 | 25% |
| Total | \$ 489,599,737 | |

| of Tax Contract | |
|------------------------|---------------------|
| Valuation | Payments |
| \$ 6,194,896 | \$ 42,435 |
| 25,815,048 | \$ 176,833 |
| 8,263,831 | \$ 56,607 |
| 73,847,007 | \$ 505,852 |
| 29,978,582 | \$ 205,353 |
| 19,752,057 | \$ 135,302 |
| 3,146,918 | \$ 21,556 |
| 9,274,875 | \$ 63,533 |
| 268,065,404 | \$ 1,836,248 |
| 4,168,599 | \$ 28,555 |
| 62,849 | \$ 431 |
| 1,995 | \$ 14 |
| 35,321 | \$ 242 |
| 783,386 | \$ 5,366 |
| <u>\$ 449,390,766</u> | <u>\$ 3,078,327</u> |

| of Tax Contract | |
|------------------------|---------------------|
| Valuation | Payments |
| \$ 6,142,004 | \$ 42,073 |
| 26,167,366 | \$ 179,246 |
| 4,845,965 | \$ 33,195 |
| 74,282,802 | \$ 508,837 |
| 26,527,475 | \$ 181,713 |
| 6,900,825 | \$ 47,271 |
| 3,146,918 | \$ 21,556 |
| 9,064,950 | \$ 62,095 |
| 206,276,852 | \$ 1,412,996 |
| 2,880,381 | \$ 19,731 |
| 73,148 | \$ 501 |
| 2,018 | \$ 14 |
| 78,589 | \$ 538 |
| 810,510 | \$ 5,552 |
| <u>\$ 367,199,803</u> | <u>\$ 2,515,319</u> |