



# ANNUAL COMPREHENSIVE FINANCIAL REPORT 2021

FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2021

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, 2021**

Prepared by:

Finance Department



# City of Port Neches, Texas

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***INTRODUCTORY SECTION***

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March 18, 2022

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, 2021. 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 was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended September 30, 2021, 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 2021, the City continued to respond to the impacts of COVID-19. 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 also increased, despite the pandemic.

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. 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 was initiated in December 2021.

In May 2020, the City issued \$5.2 million in Certificates of Obligation to fund various improvements throughout the municipality. More specifically, these projects involve 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. Many of these projects have been completed and/or are nearing completion. The City intends to again issue Certificates of Obligation in late Spring 2022. 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.

All infrastructure improvements in the City's riverfront area were completed in 2021. It is anticipated that several commercial projects will begin construction in 2022 to include restaurants and entertainment venues. 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, 2021. 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, 2020. This is the thirty fifth 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 dark ink, consisting of a large, sweeping loop that starts on the left, goes up and over, then extends horizontally to the right before ending with a small downward tick.

Andre' Wimer  
City Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Port Neches  
Texas**

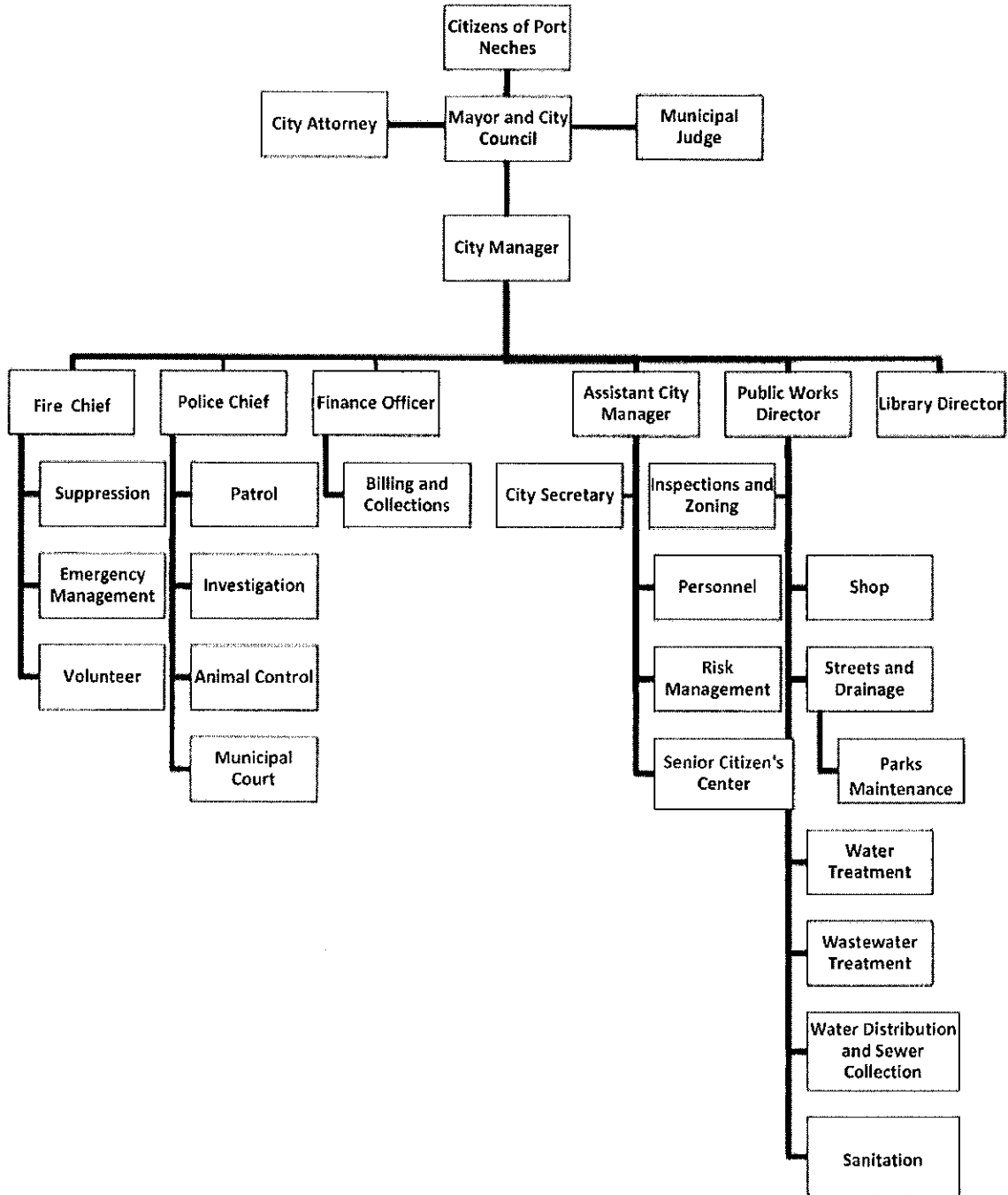
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2020

*Christopher P. Morill*

Executive Director/CEO

# CITY OF PORT NECHES ORGANIZATIONAL CHART



# City of Port Neches, Texas

## *ELECTED OFFICIALS AND STAFF*

September 30, 2021

<b>CITY OFFICIALS</b>	<b>ELECTED POSITIONS</b>
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

<b>KEY STAFF</b>	<b>POSITION</b>
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 Financial Statements**

We have audited the accompanying financial statements 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 (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

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

## **Emphasis of Matter**

As discussed in Note IV.E to the financial statements, the City restated its beginning net position/fund balance within governmental activities, business-type activities, the general fund, the sanitation fund, and the internal service fund to correct various accounting errors in the prior year. 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 and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, and budgetary comparison information for the general fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information is 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 March 18, 2022, 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.



Brooks Watson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
March 18, 2022

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

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# City of Port Neches, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### September 30, 2021

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, 2021. 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, 2021 by \$49,341,058.
- The City's total net position increased by \$3,505,375. 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 \$17,257,298 at September 30, 2021, an increase of \$770,564 from the prior fiscal year; this includes an increase of \$596,366 in the general fund, an increase of \$2,842 in the debt service fund, a decrease of \$1,322,987 in the capital improvement fund, and an increase of \$1,494,343 in the nonmajor funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$9,144,270 or 79% of total general fund operating expenditures.
- The City's net pension liability and OPEB liability totaled \$7,486,510 and \$17,154,345, 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, 2021

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 2 -23 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, 2021

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 2 - 9 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 3 -3 of this report.

# City of Port Neches, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one fiduciary fund. The *Employee Benefit Trust Fund* reports resources held by the City in a trust for individuals, private organizations and other governments.

### 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 39-73 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 \$49,341,058 as of September 30, 2021, in the primary government.

The largest portion of the City's net position, \$55,719,602, 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

**City of Port Neches, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2021**

resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 19,285,801	\$ 3,051,780	\$ 22,337,581	\$ 18,625,826	\$ 3,269,015	\$ 21,894,841
Capital assets, net	34,595,036	34,380,108	68,975,144	33,533,676	32,369,097	65,902,773
<b>Total Assets</b>	<b>53,880,837</b>	<b>37,431,888</b>	<b>91,312,725</b>	<b>52,159,502</b>	<b>35,638,112</b>	<b>87,797,614</b>
<b>Total Deferred Outflows</b>	<b>2,610,987</b>	<b>1,064,084</b>	<b>3,675,071</b>	<b>3,034,359</b>	<b>1,285,948</b>	<b>4,320,307</b>
Current Liabilities	4,130,293	1,510,050	5,640,343	2,639,313	803,073	3,442,386
Long-term liabilities	31,119,838	7,555,241	38,675,079	33,648,477	7,648,656	41,297,133
<b>Total Liabilities</b>	<b>35,250,131</b>	<b>9,065,291</b>	<b>44,315,422</b>	<b>36,287,790</b>	<b>8,451,729</b>	<b>44,739,519</b>
<b>Total Deferred Inflows</b>	<b>1,011,920</b>	<b>319,396</b>	<b>1,331,316</b>	<b>1,172,605</b>	<b>370,114</b>	<b>1,542,719</b>
Net Position:						
Net investment in capital assets	21,370,820	34,348,782	55,719,602	20,478,536	32,369,097	52,847,633
Restricted	1,708,439	-	1,708,439	1,903,636	-	1,903,636
Unrestricted	(2,849,486)	(5,237,497)	(8,086,983)	(4,648,706)	(4,266,880)	(8,915,586)
<b>Total Net Position</b>	<b>\$ 20,229,773</b>	<b>\$ 29,111,285</b>	<b>\$ 49,341,058</b>	<b>\$ 17,733,466</b>	<b>\$ 28,102,217</b>	<b>\$ 45,835,683</b>

Total current liabilities increased by \$2,197,957 primarily due to timing of payments to vendors subsequent to yearend, greater outstanding customer deposit balances, and an increase in the current portion of compensated absences. Total long-term liabilities decreased by \$2,622,054 due to current year principal payments on certificates of obligation.

**City of Port Neches, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2021**

**Statement of Activities:**

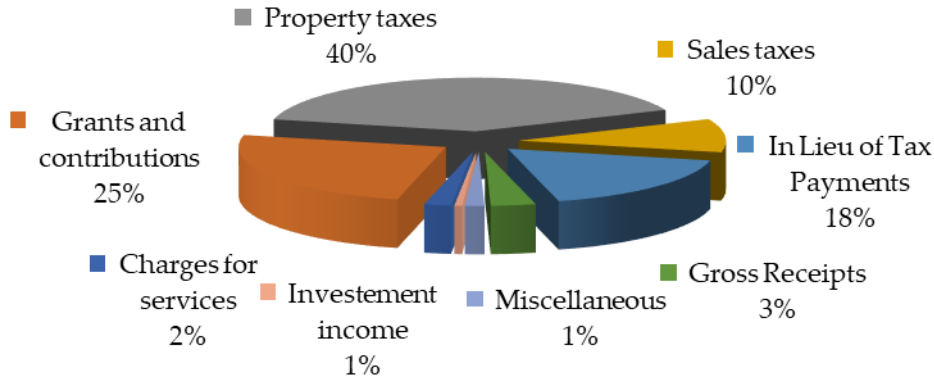
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2021			For the Year Ended September 30, 2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 374,778	\$ 5,046,372	\$ 5,421,150	\$ 337,396	\$ 4,914,809	\$ 5,252,205
Grants and contributions	4,472,407	1,126,456	5,598,863	759,299	-	759,299
General revenues:						
Property taxes	7,174,173	-	7,174,173	7,038,279	-	7,038,279
Sales taxes	1,807,842	-	1,807,842	1,689,425	-	1,689,425
In Lieu of Tax Payments	3,164,147	-	3,164,147	3,330,732	-	3,330,732
Gross Receipts	628,202	-	628,202	708,221	-	708,221
Miscellaneous	271,938	-	271,938	877,648	231,930	1,109,578
Investment income	108,714	-	108,714	225,425	-	225,425
<b>Total Revenues</b>	<u>18,002,201</u>	<u>6,172,828</u>	<u>24,175,029</u>	<u>14,966,425</u>	<u>5,146,739</u>	<u>20,113,164</u>
<b>Expenses</b>						
General government	1,905,533	-	1,905,533	2,363,983	-	2,363,983
Public safety	6,990,035	-	6,990,035	6,425,710	-	6,425,710
Public works	2,212,857	-	2,212,857	2,250,454	-	2,250,454
Community enrichment	1,126,027	-	1,126,027	1,080,172	-	1,080,172
Contingent	1,771,616	-	1,771,616	3,189,832	-	3,189,832
Interest on long term debt	379,200	-	379,200	432,949	-	432,949
Water & Sewer	-	4,965,626	4,965,626	-	4,699,086	4,699,086
Sanitation	-	1,318,760	1,318,760	-	1,333,544	1,333,544
<b>Total Expenses</b>	<u>14,385,268</u>	<u>6,284,386</u>	<u>20,669,654</u>	<u>15,743,100</u>	<u>6,032,630</u>	<u>21,775,730</u>
<b>Change in Net Position</b>						
<b>Before Transfers &amp; Other</b>	3,616,933	(111,558)	3,505,375	(776,675)	(885,891)	(1,662,566)
Transfers & other	(1,120,626)	1,120,626	-	(4,165,588)	23,828	(4,141,760)
<b>Total</b>	<u>(1,120,626)</u>	<u>1,120,626</u>	<u>-</u>	<u>(4,165,588)</u>	<u>23,828</u>	<u>(4,141,760)</u>
<b>Change in Net Position</b>	2,496,307	1,009,068	3,505,375	(4,942,263)	(862,063)	(5,804,326)
Beginning Net Position	17,733,466	28,102,217	45,835,683	22,675,729	28,964,280	51,640,009
<b>Ending Net Position</b>	<u>\$ 20,229,773</u>	<u>\$ 29,111,285</u>	<u>\$ 49,341,058</u>	<u>\$ 17,733,466</u>	<u>\$ 28,102,217</u>	<u>\$ 45,835,683</u>

**City of Port Neches, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2021**

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

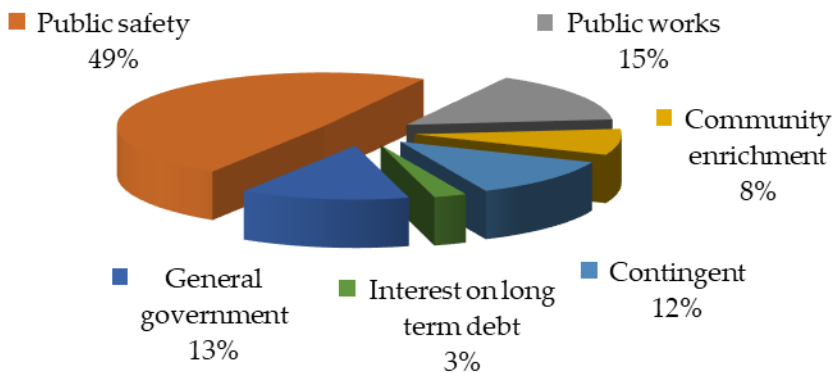
**Governmental Activities - Revenues**



For the year ended September 30, 2021, revenues from governmental activities totaled \$18,002,201. Property taxes and grants/contributions were the City's largest general revenue sources. Overall revenue increased \$3,035,776 or 20% from the prior year. This increase is primarily due to an overall increase in grants of \$3,713,108. Grants increased primarily due to nonrecurring federal and state grants received in the current 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 \$118,417 or 7% primarily due to economic growth fueled by local purchases. Investment income decreased by \$116,711 or 52% due primarily to the realization of lower rates over the course of the current year. Miscellaneous revenues decreased by \$605,710 or 69% primarily as a result of nonrecurring insurance reimbursements received in 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

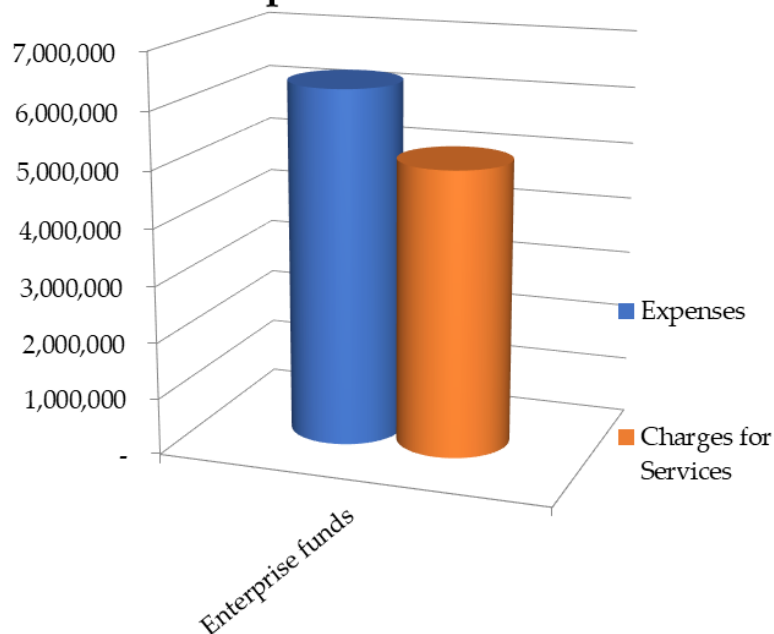
## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

For the year ended September 30, 2021, expenses for governmental activities totaled \$14,385,268. This represents a decrease of \$1,357,832 or 9% compared to the prior year. The City's largest functional expense is public safety totaling \$6,990,035. Public safety expenses increased by \$564,325 or 9% primarily due to greater employee salaries and benefit expenses, vehicle maintenance, and central dispatching related expenses in the current year. General government decreased by \$458,450 or 19% when compared to the prior year, which is primarily a result of grant expenditures and expense allocation in the prior year. Contingent expenses decreased by \$1,418,216 or 44% primarily as a result of nonrecurring contingent project expenses recognized in the prior 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, 2021, charges for services by business-type activities totaled \$5,046,372. This is an increase of \$131,563 or 3% from the previous year, which is considered consistent with the prior year.

Total expenses increased \$251,756 or 4% to a total of \$6,284,386. This change is primarily due to greater personnel costs and water supply purchases, as a direct result of increased water consumption over the course of the year.



**City of Port Neches, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2021**

**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, 2021, the City's governmental funds reported combined fund balances of \$17,257,298, an increase of \$770,564 in comparison with the prior year. Approximately 53% of this amount, \$9,144,270, 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 \$66,033, 2) restricted for particular purposes \$3,879,224, and 3) committed for other purposes \$4,167,771.

As of the end of the year the general fund reflected a total fund balance of \$9,210,303. Of this, \$66,033 is considered nonspendable and \$9,144,270 is unassigned. General fund balance increased by \$596,366. This increase can be attributed to less than anticipated expenditures incurred 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 \$9,144,270 is 79% of total general fund operating expenditures.

The debt service fund had an ending fund balance of \$1,019,244 as of year end. Total fund balance increased by \$2,842 from the prior year primarily due to greater than anticipated property tax revenues.

As of the end of the year the capital improvement fund reflected a fund balance of \$4,769,495, a decrease of \$1,322,987 from the prior year. This decrease was a direct result of transfers out to the water and sewer during the current year for utility capital purchases.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by \$339,500 and increasing total revenues by \$113,000. The primary reasons for the budget revision were due to greater than expected revenue from licenses and permits and other revenues. Budgeted expenditures were increased to account for actual operating results of the year.

# City of Port Neches, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

Total budgeted revenues of \$10,840,650 were less than actual revenues of \$11,784,815, resulting in a total positive revenue variance of \$944,165. The majority of this variance is a result of sales tax revenues being under budgeted. Total budgeted expenditures of \$11,611,120 were less than actual expenditures of \$11,581,646, resulting in a total positive expenditure variance of \$29,474. This positive variance is primarily a result of general government and community enrichment being under budget appropriations.

### CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$34,595,036 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$34,380,108 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:

- Riverfront 2020 project investments totaling \$577,091.
- HMAC street resurfacing improvements for \$343,273.
- Concrete pavement rehab improvements totaling \$528,082.
- Purchased 2020 fire truck equipment for \$55,541.
- Purchased Chevy Tahoe and Ford F750 for a total of \$136,793.
- Elevated storage tank #3 improvements for \$575,696.
- Water facility updates totaling \$166,478.
- Grigsby lift station improvements for \$362,377.
- Sanitary sewer project improvements for \$387,024.
- Main A lift rehab project investments for \$476,150.
- Water treatment plant rehab project investments for \$170,175

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 decreased by \$1,730,000 from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$15,395,000.

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

# City of Port Neches, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Jefferson County Appraisal District's certified tax roll indicates the 2021 property tax levy has increased by \$389,477 to \$7,556,263.

The property tax rate for the 2021 fiscal year is \$0.685 per \$100 assessed valuation. Overall property values remained at a stable level throughout the City.

For FY 2021, Industrial District values have decreased by \$84,574,316. Industrial contracts will produce approximately \$2,515,319 in revenue, which is a decrease of \$649,815. These items were considered in preparing the City of Port Neches budget for the 2021 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](http://www.ci.port-neches.tx.us).



## ***FINANCIAL STATEMENTS***

# City of Port Neches, Texas

## STATEMENT OF NET POSITION

September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 18,250,018	\$ 1,892,174	\$ 20,142,192
Investments	20,024	-	20,024
Receivables, net	869,496	993,885	1,863,381
Inventory	66,033	245,951	311,984
Internal balances	80,230	(80,230)	-
<b>Total Current Assets</b>	<b>19,285,801</b>	<b>3,051,780</b>	<b>22,337,581</b>
Capital assets:			
Non-depreciable	3,554,865	2,468,847	6,023,712
Net depreciable capital assets	31,040,171	31,911,261	62,951,432
<b>Noncurrent Assets</b>	<b>34,595,036</b>	<b>34,380,108</b>	<b>68,975,144</b>
<b>Total Assets</b>	<b>53,880,837</b>	<b>37,431,888</b>	<b>91,312,725</b>
<b>Deferred Outflows of Resources</b>			
Pension outflows	1,309,402	413,291	1,722,693
OPEB outflows	1,301,585	650,793	1,952,378
<b>Total Deferred Outflows of Resources</b>	<b>2,610,987</b>	<b>1,064,084</b>	<b>3,675,071</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 820,256	\$ 656,360	\$ 1,476,616
Accrued interest payable	26,366	-	26,366
Customer deposits	-	484,350	484,350
Compensated absences, current	1,693,671	369,340	2,063,011
Long term debt due within one year	1,590,000	-	1,590,000
<b>Current Liabilities</b>	<b>4,130,293</b>	<b>1,510,050</b>	<b>5,640,343</b>
Noncurrent liabilities:			
Compensated absences, noncurrent	188,186	41,038	229,224
Long-term debt due in more than one year	13,805,000	-	13,805,000
OPEB liability	11,436,231	5,718,114	17,154,345
Net pension liability	5,690,421	1,796,089	7,486,510
<b>Noncurrent Liabilities</b>	<b>31,119,838</b>	<b>7,555,241</b>	<b>38,675,079</b>
<b>Total Liabilities</b>	<b>35,250,131</b>	<b>9,065,291</b>	<b>44,315,422</b>
<b>Deferred Inflows of Resources</b>			
Pension inflows	1,011,920	319,396	1,331,316
<b>Total Deferred Inflows of Resources</b>	<b>1,011,920</b>	<b>319,396</b>	<b>1,331,316</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 21,370,820	\$ 34,348,782	\$ 55,719,602
Restricted for:			
Debt service	1,019,244	-	1,019,244
Street maintenance	176,305	-	176,305
Law enforcement	87,120	-	87,120
Grants	347,176	-	347,176
Community enrichment	78,594	-	78,594
Economic development	-	-	-
Unrestricted	(2,849,486)	(5,237,497)	(8,086,983)
<b>Total Net Position</b>	<b>\$ 20,229,773</b>	<b>\$ 29,111,285</b>	<b>\$ 49,341,058</b>

See Notes to Financial Statements.

Component Unit

PNEDC

\$ 1,137,288

66,725

-

-

1,204,013

-

-

-

1,204,013

-

-

-

\$ 66,239

-

-

-

-

66,239

-

-

-

-

66,239

-

-

\$ -

-

-

-

1,137,774

-

\$ 1,137,774

# City of Port Neches, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 1,905,533	\$ -	\$ 1,583,883	\$ 1,381,153
Public safety	6,990,035	103,395	137,892	-
Public works	2,212,857	271,383	-	1,369,479
Community enrichment	1,126,027	-	-	-
Contingent	1,771,616	-	-	-
Interest on long term debt	379,200	-	-	-
<b>Total Governmental Activities</b>	<b>14,385,268</b>	<b>374,778</b>	<b>1,721,775</b>	<b>2,750,632</b>
<b>Business-Type Activities</b>				
Water and sewer	4,965,626	3,579,279	-	1,126,456
Sanitation	1,318,760	1,467,093	-	-
<b>Total Business-Type Activities</b>	<b>6,284,386</b>	<b>5,046,372</b>	<b>-</b>	<b>1,126,456</b>
<b>Total Primary Government</b>	<b>\$ 20,669,654</b>	<b>\$ 5,421,150</b>	<b>\$ 1,721,775</b>	<b>3,877,088</b>
<b>Component Unit</b>				
Port Neches EDC	\$ 1,793,970	\$ -	\$ -	\$ -
<b>Total Component Unit</b>	<b>\$ 1,793,970</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

Taxes

Property taxes

Sales taxes

In Lieu of Tax Payments

Gross Receipts

Miscellaneous

Investment income

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning Net Position

**Ending Net Position**

See Notes to Financial Statements.



<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>PNEDC</b>
\$ 1,059,503	\$ -	\$ 1,059,503	\$ -
(6,748,748)	-	(6,748,748)	-
(571,995)	-	(571,995)	-
(1,126,027)	-	(1,126,027)	-
(1,771,616)	-	(1,771,616)	-
(379,200)	-	(379,200)	-
<u>(9,538,083)</u>	<u>-</u>	<u>(9,538,083)</u>	<u>-</u>
-	(259,891)	(259,891)	-
-	148,333	148,333	-
<u>-</u>	<u>(111,558)</u>	<u>(111,558)</u>	<u>-</u>
<u>(9,538,083)</u>	<u>(111,558)</u>	<u>(9,649,641)</u>	<u>-</u>
			<u>(1,793,970)</u>
			<u>(1,793,970)</u>
7,174,173	-	7,174,173	-
1,807,842	-	1,807,842	348,172
3,164,147	-	3,164,147	-
628,202	-	628,202	-
271,938	-	271,938	-
108,714	-	108,714	426
<u>(1,120,626)</u>	<u>1,120,626</u>	<u>-</u>	<u>-</u>
<u>12,034,390</u>	<u>1,120,626</u>	<u>13,155,016</u>	<u>348,598</u>
2,496,307	1,009,068	3,505,375	(1,445,372)
17,733,466	28,102,217	45,835,683	2,583,146
<u>\$ 20,229,773</u>	<u>\$ 29,111,285</u>	<u>\$ 49,341,058</u>	<u>\$ 1,137,774</u>

# City of Port Neches, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 9,232,014	\$ 1,019,244	\$ 5,022,354	\$ 2,218,223
Investments	-		-	20,024
Receivables, net	467,970	56,892	-	344,634
Due from other funds	79,038	-	-	1,192
Inventory	66,033	-	-	-
<b>Total Assets</b>	<b>\$ 9,845,055</b>	<b>\$ 1,076,136</b>	<b>\$ 5,022,354</b>	<b>\$ 2,584,073</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 519,489	\$ -	\$ 252,859	\$ 47,908
<b>Total Liabilities</b>	<b>519,489</b>	<b>-</b>	<b>252,859</b>	<b>47,908</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue -				
Property taxes	115,263	56,892	-	-
Grant receivable	-	-	-	277,909
<b>Total Deferred Inflows</b>	<b>115,263</b>	<b>56,892</b>	<b>-</b>	<b>277,909</b>
<b><u>Fund Balances</u></b>				
Nonspendable for:				
Inventory	66,033	-	-	-
Restricted for:				
Debt service	-	1,019,244	-	-
Street maintenance	-	-	-	176,305
Capital improvements	-	-	2,170,785	-
Law enforcement	-	-	-	87,120
Grants	-	-	-	347,176
Community enrichment Grants	-	-	-	78,594
Committed	-	-	2,598,710	1,569,061
Unassigned	9,144,270	-	-	-
<b>Total Fund Balances</b>	<b>9,210,303</b>	<b>1,019,244</b>	<b>4,769,495</b>	<b>2,258,256</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 9,845,055</b>	<b>\$ 1,076,136</b>	<b>\$ 5,022,354</b>	<b>\$ 2,584,073</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

\$ 17,491,835  
20,024  
869,496  
80,230  
66,033  
\$ 18,527,618

\$ 820,256  
820,256

172,155  
277,909  
450,064

66,033  
1,019,244  
176,305  
2,170,785  
87,120  
347,176  
78,594  
4,167,771  
9,144,270  
17,257,298

\$ 18,527,618



# City of Port Neches, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2021

**Fund Balances - Total Governmental Funds** \$ 17,257,298

### 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	3,554,865
Capital assets - net depreciable	31,040,171

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property tax receivable	172,155
Grant receivable	277,909

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	1,309,402
Pension inflows	(1,011,920)
OPEB outflows	1,301,585

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.

(1,123,674)

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest	(26,366)
Non-current liabilities due in one year	(1,590,000)
Non-current liabilities due in more than one year	(13,805,000)
Net pension liability	(5,690,421)
OPEB liability	(11,436,231)

**Net Position of Governmental Activities** \$ 20,229,773

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, 2021

	General	Debt Service	Capital Improvement	Nonmajor Governmental Funds
<b>Revenues</b>				
Property tax	\$ 5,064,380	\$ 2,109,793	\$ -	\$ -
Sales tax	1,459,670	-	-	348,172
In lieu of tax contracts	3,164,147	-	-	-
Gross receipts business tax	628,202	-	-	-
License, permits and fees	271,383	-	-	-
Grant revenue	618,162	-	-	1,567,866
Fines and forfeitures	101,545	-	-	1,850
Contributions and donations	95,999	-	1,381,153	-
Investment income	77,682	3,849	26,314	869
Other revenue	303,645	-	-	46,000
<b>Total Revenues</b>	<b>11,784,815</b>	<b>2,113,642</b>	<b>1,407,467</b>	<b>1,964,757</b>
<b>Expenditures</b>				
Current:				
General government	1,106,631	1,600	-	2,656
Public safety	6,124,147	-	-	-
Public works	1,750,436	-	-	343,273
Community enrichment	932,091	-	-	53,725
Contingent	1,668,341	-	32,515	70,760
Debt Service:				
Principal	-	1,730,000	-	-
Interest and fiscal charges	-	379,200	-	-
Capital outlay	-	-	1,214,313	-
<b>Total Expenditures</b>	<b>11,581,646</b>	<b>2,110,800</b>	<b>1,246,828</b>	<b>470,414</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>203,169</b>	<b>2,842</b>	<b>160,639</b>	<b>1,494,343</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	363,000	-	-	-
Transfers (out)	(132,530)	-	(1,483,626)	-
Sale of assets	162,727	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>393,197</b>	<b>-</b>	<b>(1,483,626)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>596,366</b>	<b>2,842</b>	<b>(1,322,987)</b>	<b>1,494,343</b>
Beginning fund balances	8,613,937	1,016,402	6,092,482	763,913
<b>Ending Fund Balances</b>	<b>\$ 9,210,303</b>	<b>\$ 1,019,244</b>	<b>\$ 4,769,495</b>	<b>\$ 2,258,256</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

---

\$ 7,174,173  
1,807,842  
3,164,147  
628,202  
271,383  
2,186,028  
103,395  
1,477,152  
108,714  
349,645

---

17,270,681

---

1,110,887  
6,124,147  
2,093,709  
985,816  
1,771,616

1,730,000  
379,200  
1,214,313

---

15,409,688

---

1,860,993

363,000  
(1,616,156)  
162,727

---

(1,090,429)

---

770,564

16,486,734

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\$ 17,257,298

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# 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, 2021**

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

Net changes in fund balances - total governmental funds	\$	770,564
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		3,059,362
Depreciation expense		(1,757,568)
Net effect of capital asset disposals		(240,434)

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

Grants receivable		(488,122)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest		(26,366)
Pension expense		418
OPEB expense		(574,310)

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.

Principal payments on long-term debt		1,730,000
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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.

22,763

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,496,307</b>
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See Notes to Financial Statements.

# City of Port Neches, Texas

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

September 30, 2021

	Business-type Activities			Governmental Activities
	Water & Sewer	Sanitation	Total Enterprise Funds	Internal Service Fund
<b><u>Assets</u></b>				
<b><u>Current Assets</u></b>				
Cash and cash equivalents	\$ 1,234,084	\$ 683,109	\$ 1,917,193	\$ 733,164
Receivables, net	800,963	192,922	993,885	-
Inventory	208,250	37,701	245,951	-
<b>Total Current Assets</b>	<b>2,243,297</b>	<b>913,732</b>	<b>3,157,029</b>	<b>733,164</b>
<b><u>Noncurrent Assets</u></b>				
Capital assets:				
Non-depreciable	2,468,847	-	2,468,847	-
Net depreciable capital assets	31,176,158	735,103	31,911,261	-
<b>Total Noncurrent Assets</b>	<b>33,645,005</b>	<b>735,103</b>	<b>34,380,108</b>	<b>-</b>
<b>Total Assets</b>	<b>35,888,302</b>	<b>1,648,835</b>	<b>37,537,137</b>	<b>733,164</b>
<b><u>Deferred Outflows of Resources</u></b>				
Pension outflows	304,010	109,281	413,291	-
OPEB outflows	650,793	-	650,793	-
<b>Total Deferred Outflows</b>	<b>\$ 954,803</b>	<b>\$ 109,281</b>	<b>\$ 1,064,084</b>	<b>\$ -</b>

**City of Port Neches, Texas**  
**STATEMENT OF NET POSITION (Continued)**  
**PROPRIETARY FUNDS**  
**September 30, 2021**

	Business-type Activities			Governmental Activities
	Water & Sewer	Sanitation	Total Enterprise Funds	Internal Service Fund
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 601,600	\$ 54,760	\$ 656,360	\$ -
Due to other funds	-	80,230	80,230	-
Customer deposits	484,350	-	484,350	-
Compensated absences - current	-	-	-	473,013
<b>Total Current Liabilities</b>	<b>1,085,950</b>	<b>134,990</b>	<b>1,220,940</b>	<b>473,013</b>
<b>Noncurrent Liabilities</b>				
Compensated absences, noncurrent	-	-	-	1,819,223
OPEB liability	5,718,114	-	5,718,114	-
Net pension liability	1,321,176	474,913	1,796,089	-
<b>Total Liabilities</b>	<b>8,125,240</b>	<b>609,903</b>	<b>8,735,143</b>	<b>2,292,236</b>
<b>Deferred Inflows of Resources</b>				
Pension inflows	234,943	84,453	319,396	-
<b>Total Deferred Inflows</b>	<b>234,943</b>	<b>84,453</b>	<b>319,396</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	33,613,679	735,103	34,348,782	-
Unrestricted	(5,130,757)	328,657	(4,802,100)	(1,559,072)
<b>Total Net Position</b>	<b>\$ 28,482,922</b>	<b>\$ 1,063,760</b>	<b>\$ 29,546,682</b>	<b>\$ (1,559,072)</b>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the proprietary funds			(435,397)	
Net position of business-type activities			<b>\$ 29,111,285</b>	

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, 2021

	Business-type Activities			Governmental Activities
	Water & Sewer	Sanitation	Total Enterprise Funds	Internal Service Fund
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 3,578,083	\$ 1,453,842	\$ 5,031,925	\$ -
Other revenue	1,196	13,251	14,447	-
<b>Total Operating Revenues</b>	3,579,279	1,467,093	5,046,372	-
<b><u>Operating Expenses</u></b>				
Supply and purification	1,307,380	-	1,307,380	-
Maintenance	1,007,340	-	1,007,340	-
Accounting and collections	311,385	-	311,385	-
Wastewater plant	1,015,892	-	1,015,892	-
Salaries and benefits	-	-	-	134,521
Sanitation	-	1,176,631	1,176,631	-
Depreciation	1,298,880	142,129	1,441,009	-
<b>Total Operating Expenses</b>	4,940,877	1,318,760	6,259,637	134,521
<b>Income (Loss) Before Transfers</b>				
<b>Capital Contributions</b>	(1,361,598)	148,333	(1,213,265)	(134,521)
<b><u>Transfers and Capital Contributions</u></b>				
Developer contributions	614,022	-	614,022	-
Capital grants	512,434	-	512,434	-
Transfers in	1,483,626	-	1,483,626	192,530
Transfers (out)	(323,000)	(100,000)	(423,000)	-
<b>Change in Net Position</b>	925,484	48,333	973,817	58,009
Beginning net position	27,557,438	1,015,427	28,572,865	(1,617,081)
<b>Ending Net Position</b>	\$ 28,482,922	\$ 1,063,760		\$ (1,559,072)
Adjustment for net effect of current year activity between the internal service fund and the proprietary funds			35,251	
Change in net position of business-type activities			\$ 1,009,068	

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, 2021

	Business-type Activities			Governmental Activities
	Water & Sewer	Sanitation	Total Enterprise Funds	Internal Service Fund
<b><u>Cash Flows from Operating Activities</u></b>				
Receipts from customers	\$ 3,586,524	\$ 1,374,340	\$ 4,960,864	\$ -
Payments to suppliers	(1,488,072)	(463,089)	(1,951,161)	-
Payments to employees	(1,934,385)	(695,622)	(2,630,007)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	164,067	215,629	379,696	-
<b><u>Cash Flows from Noncapital Financing Activities</u></b>				
Transfers in	1,483,626	-	1,483,626	192,530
Transfers (out)	(323,000)	(100,000)	(423,000)	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	1,160,626	(100,000)	1,060,626	192,530
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Capital purchases	(2,490,555)	(264,539)	(2,755,094)	-
Disposal of capital assets	1,500	22,020	23,520	-
Capital grants	512,434	-	512,434	-
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	(1,976,621)	(242,519)	(2,219,140)	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(651,928)	(126,890)	(778,818)	192,530
Beginning cash and cash equivalents	1,886,012	809,999	2,696,011	540,634
<b>Ending Cash and Cash Equivalents</b>	\$ 1,234,084	\$ 683,109	\$ 1,917,193	\$ 733,164

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, 2021

	Business-type Activities			Governmental Activities
	Water & Sewer	Sanitation	Total Enterprise Funds	Internal Service Fund
<b><u>Reconciliation of Operating Income (Loss)</u></b>				
<b><u>to Net Cash Provided (Used) by Operating Activities</u></b>				
Operating income (loss)	\$ (1,361,598)	\$ 148,333	\$ (1,213,265)	\$ (134,521)
Adjustments to reconcile operating income to net cash provided:				
Depreciation	1,298,880	142,129	1,441,009	-
<b>Changes in Operating Assets and Liabilities:</b>				
<b>(Increase) Decrease in:</b>				
Accounts receivable	(452,429)	(92,753)	(545,182)	-
Inventory	(30,340)	(6,291)	(36,631)	-
<b>Increase (Decrease) in:</b>				
Accounts payable and accrued liab.	(108,521)	(55,983)	(164,504)	-
Due to other funds	-	80,230	80,230	-
Compensated absences	-	-	-	134,521
Customer deposits	459,674	-	459,674	-
Deferred outflows - Pension	(67,561)	(10,876)	(78,437)	-
Deferred outflows - OPEB	(650,793)	-	(650,793)	-
Deferred inflows - Pension	-	(13,411)	(13,411)	-
OPEB liability	1,009,289	-	1,009,289	-
Net pension liability	67,466	24,251	91,717	-
<b>Net Cash Provided (Used) by</b>				
<b>Operating Activities</b>	\$ 164,067	\$ 215,629	\$ 379,696	\$ -

**Schedule of Noncash Investing and Financing Activities:**

Contributions of capital assets	\$ 614,022	\$ -	\$ -	\$ -	\$ -
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See Notes to Financial Statements.

**City of Port Neches, Texas**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**September 30, 2021**

	<b>Employee Benefit Trust Fund</b>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 72,222
<b>Total Assets</b>	\$ 72,222
 <b><u>Net Position</u></b>	
Restricted for:	
Employee benefits	72,222
<b>Total Fiduciary Net Position</b>	\$ 72,222

**City of Port Neches, Texas**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FIDUCIARY FUND**  
**For the Year Ended September 30, 2021**

	<b>Employee Benefit Trust Fund</b>
<b><u>Additions</u></b>	
City and current employee contributions	\$ 1,733,082
Retiree contributions	21,326
<b>Total Additions</b>	<b>1,754,408</b>
 <b><u>Deductions</u></b>	
Current employee insurance premiums	1,204,938
Retiree insurance premiums	512,095
<b>Total Deductions</b>	<b>1,717,033</b>
<b>Change in Fiduciary Net Position</b>	<b>37,375</b>
Beginning fiduciary net position	34,847
<b>Ending Fiduciary Net Position</b>	<b>\$ 72,222</b>



# City of Port Neches, Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2021

### 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, 2021

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, 2021

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 its 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, 2021

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).

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.

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

**City of Port Neches, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

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.

**Fiduciary Funds**

The Fiduciary fund accounts for amounts employees have placed in a trustee or agency capacity for certain activities and therefore cannot be used to support the general programs of the government. The City has established The Employee Benefits Trust to record contributions and related premium costs for medical, dental, and life insurance coverage for active employees and retirees.

**Special Revenue Funds**

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. The City maintains seven special revenue funds: library improvement, street maintenance, hazard mitigation, state forfeiture, federal forfeiture, senior citizens association, and the SLFRF 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, 2021**

**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 capital 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 and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

**City of Port Neches, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2021

**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

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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 are recorded at estimated fair market value at the date of donation. 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.



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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.

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**9. 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.

**10. 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

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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 capital 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, capital 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.

**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

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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.

**13. 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. The government only has three items that qualify for reporting in this category. 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.

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.

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**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 \$733,164. Eligible employees may be compensated for accrued sick leave in an amount which is 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, 2021, the liability for accumulated sick leave was approximately \$1,938,624 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, 2021, the liability for deferred vacation compensation was approximately \$353,612. The City has reviewed the policy related to Accrued Leave compensation for retirees and attempted

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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.

**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

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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.

**A. Expenditures Over Appropriations**

For the year ended, expenditures exceeded appropriations at the legal level of control in the debt service fund and the street maintenance fund by \$800, and \$118,273, respectively.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2021, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 20,024	0.55
Total fair value	\$ 20,024	
Portfolio weighted average maturity		0.55

*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.

*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, 2021, the fair values of pledged securities and FDIC exceeded bank balances.

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*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

**B. Receivables**

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 &amp; Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Property taxes	\$ 205,826	\$ 101,592	\$ -	\$ -	\$ -	\$ 307,418
Sales tax	352,707	-	66,725	-	-	419,432
Accounts	-	-	-	834,152	205,799	1,039,951
Intergovernmental	-	-	277,909	-	-	277,909
Allowance	(90,563)	(44,700)	-	(33,189)	(12,877)	(181,329)
	<u>\$ 467,970</u>	<u>\$ 56,892</u>	<u>\$ 344,634</u>	<u>\$ 800,963</u>	<u>\$ 192,922</u>	<u>\$ 1,863,381</u>

The following comprise receivable balances of the component units at year end:

	<u>Port Neches EDC</u>	<u>Total</u>
Sales tax	\$ 66,725	\$ 66,725
	<u>\$ 66,725</u>	<u>\$ 66,725</u>



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**B. Capital Assets**

A summary of changes in governmental 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:				
Land	\$ 3,366,967	\$ -	\$ (155,375)	\$ 3,211,592
Construction in progress	165,922	920,364	(743,013)	343,273
Total capital assets not being depreciated	<u>3,532,889</u>	<u>920,364</u>	<u>(898,388)</u>	<u>3,554,865</u>
Capital assets, being depreciated:				
Buildings and improvements	20,307,758	64,584	743,013	21,115,355
Machinery and equipment	10,177,165	56,648	-	10,233,813
Vehicles	2,922,952	192,335	(129,451)	2,985,836
Infrastructure	17,387,975	1,825,431	-	19,213,406
Total capital assets being depreciated	<u>50,795,850</u>	<u>2,138,998</u>	<u>613,562</u>	<u>53,548,410</u>
Less accumulated depreciation				
Buildings and improvements	(6,049,874)	(546,297)	-	(6,596,171)
Machinery and equipment	(5,264,329)	(503,289)	-	(5,767,618)
Vehicles	(1,541,989)	(224,717)	44,392	(1,722,314)
Infrastructure	(7,938,871)	(483,265)	-	(8,422,136)
Total accumulated depreciation	<u>(20,795,063)</u>	<u>(1,757,568)</u>	<u>44,392</u>	<u>(22,508,239)</u>
Net capital assets being depreciated	30,000,787	381,430	657,954	31,040,171
<b>Total Capital Assets</b>	<u>\$ 33,533,676</u>	<u>\$ 1,301,794</u>	<u>\$ (240,434)</u>	<u>\$ 34,595,036</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 484,697
Public safety	516,999
Public works	645,919
Parks	109,953
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 1,757,568</u>

**City of Port Neches, Texas**  
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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	\$ 284,463	\$ 2,184,384	\$ -	\$ 2,468,847
Total capital assets not being depreciated	<u>284,463</u>	<u>2,184,384</u>	<u>-</u>	<u>2,468,847</u>
Capital assets, being depreciated:				
Buildings and improvements	45,385,919	614,022	-	45,999,941
Machinery and equipment	14,485,183	570,710	(400,946)	14,654,947
Total capital assets being depreciated	<u>59,871,102</u>	<u>1,184,732</u>	<u>(400,946)</u>	<u>60,654,888</u>
Less accumulated depreciation				
Buildings and improvements	(19,619,655)	(918,678)	-	(20,538,333)
Vehicles and equipment	(8,060,389)	(522,331)	377,426	(8,205,294)
Total accumulated depreciation	<u>(27,680,044)</u>	<u>(1,441,009)</u>	<u>377,426</u>	<u>(28,743,627)</u>
Net capital assets being depreciated	<u>32,191,058</u>	<u>(256,277)</u>	<u>(23,520)</u>	<u>31,911,261</u>
<b>Total Capital Assets</b>	<u><u>\$ 32,475,521</u></u>	<u><u>\$ 1,928,107</u></u>	<u><u>\$ (23,520)</u></u>	<u><u>\$ 34,380,108</u></u>

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 1,298,880
Sanitation	142,129
<b>Total Business-Type Activities Depreciation Expense</b>	<u><u>\$ 1,441,009</u></u>

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**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>
<b>Governmental Activities:</b>					
Sick leave	\$ 1,496,636	\$ 183,519	\$ (56,902)	\$ 1,623,253	\$ 1,460,927
Compensated absences	275,449	532,833	(549,678)	258,604	232,744
<b>Total Governmental Activities</b>	<u>\$ 1,772,085</u>	<u>\$ 716,352</u>	<u>\$ (606,580)</u>	<u>\$ 1,881,857</u>	<u>\$ 1,693,671</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 188,186</u>	
<b>Business-Type Activities:</b>					
Sick leave	\$ 284,432	\$ 30,938	\$ -	\$ 315,370	\$ 283,833
Compensated Absences	101,197	176,581	(182,770)	95,008	85,507
<b>Total Business-Type Activities</b>	<u>\$ 385,629</u>	<u>\$ 207,519</u>	<u>\$ (182,770)</u>	<u>\$ 410,378</u>	<u>\$ 369,340</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 41,038</u>	

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**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>
<b>Governmental Activities:</b>					
Bonds Payable:					
Certificates of Obligation	\$ 17,125,000	\$ -	\$ (1,730,000)	\$ 15,395,000	\$ 1,590,000
<b>Total Governmental Activities</b>	<u>\$ 17,125,000</u>	<u>\$ -</u>	<u>\$ (1,730,000)</u>	<u>\$ 15,395,000</u>	<u>\$ 1,590,000</u>
 <b>Long-term liabilities due in more than one year</b>				<u>\$ 13,805,000</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.

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

	<u><b>Governmental Activities</b></u>
<b>Certificates of Obligation:</b>	
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.	\$ 3,320,000
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.	6,950,000
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.	5,125,000
<b>Total Certificates of Obligation</b>	<u><u>\$ 15,395,000</u></u>

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

Certificates of Obligation

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 1,590,000	\$ 330,146	\$ 1,920,146
2023	1,455,000	297,460	1,752,460
2024	1,490,000	256,032	1,746,032
2025	1,525,000	233,776	1,758,776
2026	1,555,000	199,444	1,754,444
2027	1,590,000	164,338	1,754,338
2028	1,330,000	128,356	1,458,356
2029	1,100,000	102,280	1,202,280
2030	1,120,000	80,960	1,200,960
2031	1,140,000	59,120	1,199,120
2032	1,160,000	36,620	1,196,620
2033	340,000	13,600	353,600
<b>Total</b>	<b>\$ 15,395,000</b>	<b>\$ 1,902,132</b>	<b>\$ 17,297,132</b>

**City of Port Neches, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**F. Interfund Transactions**

Transfers between the primary government funds during the 2021 year were as follows:

<b>Transfers In</b>	<b>Transfers Out</b>				<b>Total</b>
	<b>General</b>	<b>Capital Improvements</b>	<b>Water &amp; Sewer</b>	<b>Sanitation</b>	
General	\$ -	\$ -	\$ 263,000	\$ 100,000	\$ 363,000
Water and sewer	-	1,483,626	-	-	1,483,626
Sick leave fund (ISF)	132,530	-	60,000	-	192,530
<b>Total</b>	<b>\$ 132,530</b>	<b>\$ 1,483,626</b>	<b>\$ 323,000</b>	<b>\$ 100,000</b>	<b>\$ 2,039,156</b>

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

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

<b>Due from:</b>	<b>Due to: Sanitation</b>
General fund	\$ 79,038
Nonmajor govt	1,192
	<b>\$ 80,230</b>

**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 \$1,708,439. \$263,425 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.

**City of Port Neches, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2021

**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, 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.



**City of Port Neches, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2021

**D. Pension Plans**

**1. Texas Municipal Retirement Systems**

**Plan Description**

The City of Port Neches participates as one of 895 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](http://www.tmr.com).

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

**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.

**City of Port Neches, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</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, 2020 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	23
Active employees	96
Total	208

**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 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 13.38% and 14.18% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$1,071,957, and were equal to the required contributions.

**City of Port Neches, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2021

**4. Net Pension Liability**

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

**Actuarial assumptions:**

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

Inflation	2.5% per year
Overall payroll growth	3.5 to 11.50% 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 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

# City of Port Neches, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

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

### 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 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 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 15,091,054	\$ 7,486,510	\$ 1,189,570

**City of Port Neches, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**Changes in the Net Pension Liability:**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balance at 12/31/19</b>	\$ 54,686,981	\$ 47,582,761	\$ 7,104,220
Changes for the year:			
Service Cost	1,336,328	-	1,336,328
Interest	3,644,898	-	3,644,898
Difference between expected and actual experience	561,992	-	561,992
Changes of assumptions	-	-	-
Contributions – employer	-	1,034,128	(1,034,128)
Contributions – employee	-	541,023	(541,023)
Net investment income	-	3,610,060	(3,610,060)
Benefit payments, including refunds of emp. contributions	(2,713,326)	(2,713,326)	-
Administrative expense	-	(23,371)	23,371
Other changes	-	(912)	912
Net changes	2,829,892	2,447,602	382,290
<b>Balance at 12/31/20</b>	<b>\$ 57,516,873</b>	<b>\$ 50,030,363</b>	<b>\$ 7,486,510</b>

**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.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2021, the City recognized pension expense of \$1,071,403.

**City of Port Neches, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Differences between expected and actual economic experience	\$ 872,427	\$ -
Changes in actuarial assumptions	65,222	-
Difference between projected and investment earnings	-	(1,331,316)
Contributions subsequent to the measurement date	785,044	-
<b>Total</b>	<b>\$ 1,722,693</b>	<b>\$ (1,331,316)</b>

The City reported \$785,045 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:

<b>Year ended</b>	
<b>December 31:</b>	
2021	\$ (208,709)
2022	328,998
2023	(600,772)
2024	52,021
2025	34,795
Thereafter	-
<b>Total</b>	<b>(393,667)</b>

**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.

**City of Port Neches, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

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

Retirees	67
Active employees	49
Total	116

**City of Port Neches, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**Total OPEB Liability**

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of July 1, 2021 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 was determined using the following actuarial assumptions:

Inflation	2.3% per year
Overall payroll growth	3.0%, including inflation per year
Discount rate	2.16%
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 2.16%. The discount rate was based on the Bond Buyer 20-Bond GO Index as of June 30, 2021.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.16%, 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 (1.16%) or 1-percentage-point higher (3.16%) than the current rate:

<b>1% Decrease (4.5%)</b>	<b>Current Single Rate Assumption 6.5%</b>	<b>1% Increase (7.5%)</b>
<u>\$ 20,085,123</u>	<u>\$ 17,154,345</u>	<u>\$ 14,772,046</u>

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

<b>1% Decrease (1.16%)</b>	<b>Current Single Rate Assumption 2.16%</b>	<b>1% Increase (3.16%)</b>
<u>\$ 14,615,930</u>	<u>\$ 17,154,345</u>	<u>\$ 20,410,134</u>



**City of Port Neches, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance at 7/1/2020</b>	<b>\$ 17,038,213</b>
Changes for the year:	
Service Cost	293,614
Interest	377,180
Difference between expected and actual experience	-
Changes of assumptions	(22,006)
Benefit payments	(532,656)
Net changes	116,132
<b>Balance at 7/1/2021</b>	<b>\$ 17,154,345</b>

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$1,465,462.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Changes in actuarial assumption changes	\$ 1,952,378	-
<b>Total</b>	<b>\$ 1,952,378</b>	<b>\$ -</b>

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, 2022.

**City of Port Neches, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

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

<b>Year ended September 30:</b>		
2022	\$	852,524
2023		803,313
2024		296,541
2025		
2026		-
Thereafter		-
	<u>\$</u>	<u>1,952,378</u>

**E. Restatement**

The City has restated beginning net position/fund balance within governmental/business-type activities, the general fund, the water/sewer fund, the sanitation fund, and the internal service fund due to accounting corrections related to accrued liabilities, compensated absences, pension liability, and deferred grant inflows. The restatement of beginning net position/fund balance is as follows:

	<u>Governmental</u>	<u>General</u>	<u>Nonmajor</u>
	<u>Activities</u>		<u>Governmental</u>
Prior year ending net position/fund balance, as reported	\$ 17,160,742	\$ 8,235,407	\$ 969,692
Correction to accrued liabilities	326,982	326,982	
Corrections to pension liability and deferred balances	(639,251)	-	-
Correction to sales tax	51,548	51,548	-
Recognition of COVID relief funds	560,252	-	-
Correction to compensated absences	273,193	-	-
Correction deferred grant inflows	-	-	(205,779)
Restated beginning net position/fund balance	<u>\$ 17,733,466</u>	<u>\$ 8,613,937</u>	<u>\$ 763,913</u>

**City of Port Neches, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

	<u>Business-Type Activities</u>	<u>Water &amp; Sewer</u>	<u>Sanitation</u>
Prior year ending net position/fund balance, as reported	\$ 27,528,812	\$ 26,468,067	\$ 1,465,548
Correction to pension	639,250	1,089,371	(450,121)
Correction to compensated absences	(65,845)	-	-
Restated beginning net position/fund balance	<u>\$ 28,102,217</u>	<u>\$ 27,557,438</u>	<u>\$ 1,015,427</u>

	<u>Internal Service Fund</u>
Prior year ending net position, as reported	\$ (1,824,430)
Correction of compensated absences	207,349
Restated beginning net position	<u>\$ (1,617,081)</u>

**F. Subsequent Events**

There were no material subsequent events through March 18, 2022, the date the financial statements were issued.



***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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property tax	\$ 5,190,000	\$ 5,190,000	\$ 5,064,380	\$ (125,620)
Sales tax	980,000	980,000	1,459,670	479,670
In lieu of tax contracts	3,100,000	3,100,000	3,164,147	64,147
Gross receipts business tax	745,000	745,000	628,202	(116,798)
License, permits and fees	145,900	169,900	271,383	101,483
Grant revenue	15,000	57,000	618,162	561,162
Fines and forfeitures	164,250	132,250	101,545	(30,705)
Contributions and donations	95,000	95,000	95,999	999
Investment income	100,000	80,000	77,682	(2,318)
Other revenue	192,500	291,500	303,645	12,145
<b>Total Revenues</b>	<b>10,727,650</b>	<b>10,840,650</b>	<b>11,784,815</b>	<b>944,165</b>
<b>Expenditures</b>				
Current:				
General government	1,244,260	1,249,760	1,106,631	143,129
Public safety	5,965,460	6,159,360	6,124,147	35,213
Public works	1,593,400	1,661,300	1,750,436	(89,136)
Community enrichment	972,200	989,400	932,091	57,309
Contingent	1,496,300	1,551,300	1,668,341	(117,041)
<b>Total Expenditures</b>	<b>11,271,620</b>	<b>11,611,120</b>	<b>11,581,646</b>	<b>29,474</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(543,970)</b>	<b>(770,470)</b>	<b>203,169</b>	<b>973,639</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	363,000	363,000	363,000	-
Transfers (out)	(152,030)	(132,530)	(132,530)	-
Proceeds from sale of assets	2,000	164,700	162,727	(1,973)
<b>Total Other Financing Sources</b>	<b>210,970</b>	<b>395,170</b>	<b>393,197</b>	<b>(1,973)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (333,000)</b>	<b>\$ (375,300)</b>	<b>596,366</b>	<b>\$ 971,666</b>
Beginning fund balance			8,613,937	
<b>Ending Fund Balance</b>			<b>\$ 9,210,303</b>	

Notes to Required Supplementary Information

- 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>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Total pension liability			
Service cost	\$ 1,336,328	\$ 1,220,322	\$ 1,184,133
Interest	3,644,898	3,462,869	3,333,960
Changes in benefit terms	-	-	-
Differences between expected and actual experience	561,992	425,283	124,690
Changes of assumptions	-	105,233	-
Benefit payments, including refunds of participant contributions	(2,713,326)	(2,436,649)	(3,065,595)
<b>Net change in total pension liability</b>	<u>2,829,892</u>	<u>2,777,058</u>	<u>1,577,188</u>
<b>Total pension liability - beginning</b>	<u>\$ 54,686,981</u>	<u>\$ 51,909,923</u>	<u>\$ 50,332,735</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 57,516,873</u>	<u>\$ 54,686,981</u>	<u>\$ 51,909,923</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 1,034,128	\$ 904,710	\$ 844,113
Contributions - members	541,023	499,839	488,734
Net investment income	3,610,060	6,509,242	(1,355,081)
Benefit payments, including refunds of participant contributions	(2,713,326)	(2,436,649)	(3,065,595)
Administrative expenses	(23,371)	(36,816)	(26,202)
Other	(912)	(1,106)	(1,369)
<b>Net change in plan fiduciary net position</b>	<u>2,447,602</u>	<u>5,439,220</u>	<u>(3,115,400)</u>
<b>Plan fiduciary net position - beginning</b>	<u>47,582,761</u>	<u>42,143,541</u>	<u>45,258,941</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 50,030,363</u>	<u>\$ 47,582,761</u>	<u>\$ 42,143,541</u>
<b>Fund's net pension liability - ending (a) - (b)</b>	<u>\$ 7,486,510</u>	<u>\$ 7,104,220</u>	<u>\$ 9,766,382</u>
 <b>Plan fiduciary net position</b>			
<b>as a percentage of the total pension liability</b>	86.98%	87.01%	81.19%
<b>Covered payroll</b>	\$ 7,728,905	\$ 7,140,564	\$ 6,981,915
<b>Fund's net position</b>			
<b>as a percentage of covered payroll</b>	96.86%	99.49%	139.88%

**Notes to schedule:**

<sup>1</sup> 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>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	1
\$	1,126,503	\$ 1,095,238	\$ 1,087,175	\$ 885,371	
	3,187,853	3,084,774	3,018,432	2,889,986	
	-	-	-	-	
	503,684	(331,636)	(146,949)	(145,737)	
	-	-	816,516	-	
	(2,299,015)	(2,374,807)	(2,023,800)	(1,767,363)	
	<u>2,519,025</u>	<u>1,473,569</u>	<u>2,751,374</u>	<u>1,862,257</u>	
\$	<u>47,813,710</u>	<u>\$ 46,340,141</u>	<u>\$ 43,588,767</u>	<u>\$ 41,726,510</u>	
\$	<u>50,332,735</u>	<u>\$ 47,813,710</u>	<u>\$ 46,340,141</u>	<u>\$ 43,588,767</u>	
\$	813,361	\$ 755,336	\$ 769,087	\$ 699,240	
	469,376	455,807	451,645	401,203	
	5,635,399	2,649,764	59,016	2,201,443	
	(2,299,015)	(2,374,807)	(2,023,800)	(1,767,363)	
	(29,212)	(29,932)	(35,949)	(22,987)	
	(1,481)	(1,613)	(1,774)	(1,890)	
	<u>4,588,428</u>	<u>1,454,555</u>	<u>(781,775)</u>	<u>1,509,646</u>	
	<u>40,670,513</u>	<u>39,215,958</u>	<u>39,997,733</u>	<u>34,488,087</u>	
\$	<u>45,258,941</u>	<u>\$ 40,670,513</u>	<u>\$ 39,215,958</u>	<u>\$ 39,997,733</u>	
\$	<u>5,073,794</u>	<u>\$ 7,143,197</u>	<u>\$ 7,124,183</u>	<u>\$ 3,591,034</u>	
	89.92%	85.06%	84.63%	91.76%	
\$	6,705,369	\$ 6,511,515	\$ 6,452,074	\$ 5,726,888	
	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>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Actuarially determined employer contributions	\$ 1,071,957	\$ 1,017,449	\$ 863,791	\$ 837,930
Contributions in relation to the actuarially determined contribution	\$ 1,071,957	\$ 1,017,449	\$ 863,791	\$ 837,930
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 7,680,616	\$ 7,717,434	\$ 6,904,430	\$ 6,924,680
Employer contributions as a percentage of covered payroll	13.96%	13.18%	12.51%	12.10%

<sup>1</sup> 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	25 years
Asset Valuation Method	10 Year smoothed market; 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>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> <sup>1</sup>
\$ 755,336	\$ 758,935	\$ 725,619
<u>\$ 755,336</u>	<u>\$ 758,935</u>	<u>\$ 730,209</u>
\$ -	\$ -	\$ (4,590)
\$ 6,664,519	\$ 6,493,423	\$ 6,092,535
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,

	<sup>1</sup> 2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 293,614	\$ 293,614	\$ 293,614	\$ 305,892
Interest	377,180	473,095	487,554	457,049
Differences between expected and actual experience	-	-	-	-
Changes of assumptions	(22,006)	3,306,131	640,165	(423,069)
Benefit payments, including refunds of participant contributions	(532,656)	(511,634)	(493,316)	(499,064)
<b>Net change in total OPEB liability</b>	<b>116,132</b>	<b>3,561,206</b>	<b>928,017</b>	<b>(159,192)</b>
<b>Total OPEB liability - beginning</b>	<b>\$ 17,038,213</b>	<b>\$ 13,477,007</b>	<b>\$ 12,548,990</b>	<b>\$ 12,708,182</b>
<b>Total OPEB liability - ending</b>	<b><sup>2</sup> \$ 17,154,345</b>	<b>\$ 17,038,213</b>	<b>\$ 13,477,007</b>	<b>\$ 12,548,990</b>
<b>Covered-employee payroll</b>	<b>\$ 7,680,616</b>	<b>\$ 7,116,233</b>	<b>\$ 6,904,430</b>	<b>\$ 6,924,680</b>
<b>Fund's net position as a percentage of covered-employee payroll</b>	<b>223.35%</b>	<b>239.43%</b>	<b>195.19%</b>	<b>181.22%</b>

**Notes to schedule:**

<sup>1</sup> 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.

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

***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 association provides funding for expenditures that support the Senior Citizens Center programs.

## ***SLFRF FUND***

The SLFRF program provides vital resources for state and local governments to respond to the COVID-19 pandemic and its economic effects and to replace revenue lost due to the public health emergency, preventing cuts to government services.

**City of Port Neches, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2021**

	<u>Library Improvement</u>	<u>Street Maintenance</u>	<u>Hazard Mitigation</u>	<u>State Forfeiture</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 46,871	\$ 157,488	\$ 347,176	\$ 79,063
Investments	-	-	-	-
Receivables, net	-	66,725	277,909	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 46,871</b>	<b>\$ 224,213</b>	<b>\$ 625,085</b>	<b>\$ 79,063</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ -	\$ 47,908	\$ -	\$ -
<b>Total Liabilities</b>	<b>-</b>	<b>47,908</b>	<b>-</b>	<b>-</b>
<b><u>Deferred Inflows of Resources</u></b>				
Intergovernmental revenue	-	-	277,909	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>277,909</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Restricted for:				
Street maintenance	-	176,305	-	-
Law enforcement	-	-	-	79,063
Grants	-	-	347,176	-
Community enrichment	46,871	-	-	-
Committed				
<b>Total Fund Balances</b>	<b>46,871</b>	<b>176,305</b>	<b>347,176</b>	<b>79,063</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 46,871</b>	<b>\$ 224,213</b>	<b>\$ 347,176</b>	<b>\$ 79,063</b>



<b>Federal Forfeiture</b>	<b>Senior Citizens Association</b>	<b>SLFRF Fund</b>	<b>Total Nonmajor Governmental</b>
\$ 8,057	\$ 11,699	\$ 1,567,869	\$ 2,218,223
-	20,024	-	20,024
-	-	-	344,634
-	-	1,192	1,192
<u>\$ 8,057</u>	<u>\$ 31,723</u>	<u>\$ 1,569,061</u>	<u>\$ 2,584,073</u>
\$ -	\$ -	\$ -	\$ 47,908
<u>-</u>	<u>-</u>	<u>-</u>	<u>47,908</u>
-	-	-	277,909
<u>-</u>	<u>-</u>	<u>-</u>	<u>277,909</u>
-	-	-	176,305
8,057	-	-	87,120
-	-	-	347,176
-	31,723	-	78,594
		1,569,061	1,569,061
<u>8,057</u>	<u>31,723</u>	<u>1,569,061</u>	<u>2,258,256</u>
<u>\$ 8,057</u>	<u>\$ 31,723</u>	<u>\$ 1,569,061</u>	<u>\$ 2,584,073</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, 2021**

	<u>Library Improvement</u>	<u>Street Maintenance</u>	<u>Hazard Mitigation</u>	<u>State Forfeiture</u>
<b><u>Revenues</u></b>				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ 1,850
Sales taxes	-	348,172	-	-
Grant revenue	-	-	-	-
Investment income	-	-	-	-
Other revenue	46,000	-	-	-
<b>Total Revenues</b>	<u>46,000</u>	<u>348,172</u>	<u>-</u>	<u>1,850</u>
<b><u>Expenditures</u></b>				
General government	-	-	-	2,656
Public works	-	343,273	-	-
Community enrichment	53,725	-	-	-
Contingent	-	-	70,760	-
<b>Total Expenditures</b>	<u>53,725</u>	<u>343,273</u>	<u>70,760</u>	<u>2,656</u>
<b>Net Change in Fund Balances</b>	(7,725)	4,899	(70,760)	(806)
Beginning fund balances	54,596	171,406	417,936	79,869
<b>Ending Fund Balances</b>	<u>\$ 46,871</u>	<u>\$ 176,305</u>	<u>\$ 347,176</u>	<u>\$ 79,063</u>

<u>Federal Forfeiture</u>	<u>Senior Citizens Association</u>	<u>SLFRF Fund</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ -	\$ 1,850
-	-	-	348,172
-	-	1,567,866	1,567,866
-	-	869	869
-	-	-	46,000
<u>-</u>	<u>-</u>	<u>1,568,735</u>	<u>1,964,757</u>
-	-	-	2,656
-	-	-	343,273
-	-	-	53,725
-	-	-	70,760
<u>-</u>	<u>-</u>	<u>-</u>	<u>470,414</u>
-	-	1,568,735	1,494,343
8,057	31,723	326	763,913
<u>\$ 8,057</u>	<u>31,723</u>	<u>\$ 1,569,061</u>	<u>\$ 2,258,256</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, 2021**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>			
Property tax	\$ 2,044,000	\$ 2,109,793	\$ 65,793
Investment income	3,600	3,849	249
<b>Total Revenues</b>	2,047,600	2,113,642	66,042
<b><u>Expenditures</u></b>			
General government	800	1,600	(800)
Debt service:			
Principal	1,730,000	1,730,000	-
Interest	379,200	379,200	-
<b>Total Expenditures</b>	2,110,000	2,110,800	(800) *
<b>Revenues Over (Under) Expenditures</b>	(62,400)	2,842	66,842
<b>Net Change in Fund Balance</b>	\$ (62,400)	2,842	\$ 65,242
Beginning fund balance		1,016,402	
<b>Ending Fund Balance</b>		\$ 1,019,244	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- \* 2. Expenditures exceeded appropriations at the legal level of control.

**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, 2021**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>			
Sales taxes	\$ 225,000	\$ 348,172	\$ 123,172
<b>Total Revenues</b>	225,000	348,172	123,172
 <b><u>Expenditures</u></b>			
Public works	225,000	343,273	(118,273)
<b>Total Expenditures</b>	225,000	343,273	(118,273) *
<b>Revenues Over (Under) Expenditures</b>	-	4,899	4,899
<b>Net Change in Fund Balance</b>	\$ -	4,899	\$ 4,899
Beginning fund balance		171,406	
<b>Ending Fund Balance</b>		\$ 176,305	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles
- \* 2. Expenditures exceeded appropriations at the legal level of control.

## 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.

<b>Contents</b>	<b>Page</b>
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Financial Trends	94
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*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
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*These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.*

Debt Capacity	112
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*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
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*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
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*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)

<b>Governmental Activities</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Net investment in capital assets	\$ 18,745,470	\$ 23,455,477	\$ 25,017,840	\$ 26,780,838
Restricted	4,117,039	2,949,653	1,907,366	1,443,433
Unrestricted	3,884,433	2,255,383	2,054,999	965,736
<b>Total governmental activities net position</b>	<b>\$ 26,746,942</b>	<b>\$ 28,660,513</b>	<b>\$ 28,980,205</b>	<b>\$ 29,190,007</b>
 <b>Business-Type Activities</b>				
Net investment in capital assets	\$ 37,502,254	\$ 36,420,288	\$ 37,457,481	\$ 36,388,841
Restricted	-	-	-	-
Unrestricted	822,710	338,364	(65,412)	(691,215)
<b>Total Business-Type activities net position</b>	<b>\$ 38,324,964</b>	<b>\$ 36,758,652</b>	<b>\$ 37,392,069</b>	<b>\$ 35,697,626</b>
 <b>Primary Government</b>				
Net investment in capital assets	\$ 56,247,724	\$ 59,875,765	\$ 62,475,321	\$ 63,169,679
Restricted	4,117,039	2,949,653	1,907,366	1,443,433
Unrestricted	4,707,143	2,593,747	1,989,587	274,521
<b>Total primary government net position</b>	<b>\$ 65,071,906</b>	<b>\$ 65,419,165</b>	<b>\$ 66,372,274</b>	<b>\$ 64,887,633</b>



<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 28,572,151	\$ 21,767,601	\$ 25,044,575	\$ 25,150,382	\$ 20,478,536	\$ 21,370,820
1,077,141	1,038,193	1,015,798	1,027,164	1,903,636	1,708,439
319,689	6,437,187	(2,508,233)	(3,135,763)	(4,648,706)	(2,849,486)
<u>\$ 29,968,981</u>	<u>\$ 29,242,981</u>	<u>\$ 23,552,140</u>	<u>\$ 23,041,783</u>	<u>\$ 17,733,466</u>	<u>\$ 20,229,773</u>
\$ 35,940,340	\$ 34,971,920	\$ 33,867,134	32,922,120	32,369,097	34,348,782
-	-	-	-	-	-
(837,462)	(1,404,655)	(4,117,720)	(4,303,737)	(4,266,880)	(5,237,497)
<u>\$ 35,102,878</u>	<u>\$ 33,567,265</u>	<u>\$ 29,749,414</u>	<u>\$ 28,618,383</u>	<u>\$ 28,102,217</u>	<u>\$ 29,111,285</u>
\$ 64,512,491	\$ 56,739,521	\$ 58,911,709	\$ 58,072,502	\$ 52,847,633	\$ 55,719,602
1,077,141	1,038,193	1,015,798	1,027,164	1,903,636	1,708,439
(517,773)	5,032,532	(6,625,953)	(7,439,500)	(8,915,586)	(8,086,983)
<u>\$ 65,071,859</u>	<u>\$ 62,810,246</u>	<u>\$ 53,301,554</u>	<u>\$ 51,660,166</u>	<u>\$ 45,835,683</u>	<u>\$ 49,341,058</u>

# City of Port Neches, Texas

## CHANGES IN NET POSITION

LAST TEN FISCAL YEARS (Unaudited)

(ACCRUAL BASIS OF ACCOUNTING)

	2012	2013	2014	2015
<b>Governmental activities</b>				
General government	\$ 2,453,950	\$ 1,520,748	\$ 1,981,365	\$ 2,052,064
Public safety	4,550,839	4,447,626	4,672,996	4,878,058
Public works	1,524,926	1,941,432	1,978,676	1,902,831
Community enrichment	865,604	912,008	868,606	887,927
Contingent	-	1,373,985	1,611,930	1,210,884
Miscellaneous	-	55,060	-	-
Interest on long-term debt	572,575	500,275	452,366	354,477
<b>Total governmental activities</b>	9,967,894	10,751,134	11,565,939	11,286,241
<b>Business-type activities</b>				
Water and sewer	4,214,345	3,959,295	4,256,651	4,547,064
Sanitation	1,158,265	1,188,839	1,257,330	1,164,471
Leased building	166,482	-	-	-
<b>Total business-type activities</b>	\$ 5,539,092	\$ 5,148,134	\$ 5,513,981	\$ 5,711,535
<b>Program Revenues</b>				
Governmental activities				
Charges for services				
Public safety	\$ 141,724	\$ 152,343	\$ 154,385	\$ 190,497
Community enrichment/general govt.	18,517	37,500	28,791	-
Public works	113,565	99,451	105,758	107,145
Grants and Contributions	2,673,435	1,583,324	2,087,261	617,651
<b>Total governmental activities</b>	\$ 2,947,241	\$ 1,872,618	\$ 2,376,195	\$ 915,293
Business activities				
Charges for services				
Water and sewer	\$ 2,918,993	\$ 3,135,207	\$ 3,303,623	\$ 3,161,004
Sanitation	1,271,883	1,338,454	1,402,127	1,380,327
Leased building	-	-	-	-
Capital Grants and Contributions	-	-	-	-
<b>Total business-type activities</b>	\$ 4,190,876	\$ 4,473,661	\$ 4,705,750	\$ 4,541,331
<b>Total program revenues</b>	7,138,117	6,346,279	7,081,945	5,456,624
<b>Net (expense) revenue</b>				
Governmental activities	\$ (7,020,653)	\$ (8,878,516)	\$ (9,189,744)	\$ (10,370,948)
Business-type activities	(1,348,216)	(674,473)	(808,231)	(1,170,204)
<b>Total net expense</b>	\$ (8,368,869)	\$ (9,552,989)	\$ (9,997,975)	\$ (11,541,152)

	2016	2017	2018	2019	2020	2021
\$	2,145,283	\$ 2,894,365	\$ 2,762,191	\$ 3,070,576	\$ 2,750,811	\$ 1,905,533
	5,171,748	5,592,646	5,912,107	6,313,651	6,425,710	6,990,035
	1,194,321	1,708,675	1,768,054	1,836,131	1,863,626	2,212,857
	848,890	782,868	885,855	1,009,362	1,080,172	1,126,027
	1,502,093	1,438,099	1,344,876	1,880,658	3,189,832	1,771,616
	-	-	-	-	-	-
	344,019	461,025	432,506	403,402	432,949	379,200
	<u>11,206,354</u>	<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>
	4,841,234	3,979,632	4,556,214	4,921,381	4,699,086	4,965,626
	1,171,180	1,934,125	1,227,937	1,212,994	1,333,544	1,318,760
	-	-	-	-	-	-
\$	<u>6,012,414</u>	<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>
\$	152,647	\$ 142,660	\$ 167,268	\$ 169,811	\$ 114,615	\$ 103,395
	9,752	16,917	-	-	-	-
	101,584	173,382	121,652	217,229	222,781	271,383
	342,273	301,241	133,441	184,424	759,299	4,472,407
\$	<u>606,256</u>	<u>\$ 634,200</u>	<u>\$ 422,361</u>	<u>\$ 571,464</u>	<u>\$ 1,096,695</u>	<u>\$ 4,847,185</u>
\$	3,187,710	\$ 3,209,824	\$ 3,535,917	\$ 3,407,713	\$ 3,449,188	\$ 3,579,279
	1,375,299	1,352,781	1,361,605	1,439,692	1,465,621	1,467,093
	-	-	-	-	-	-
	208,717	-	-	-	-	1,126,456
\$	<u>4,771,726</u>	<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>
	5,377,982	5,196,805	5,319,883	5,418,869	6,011,504	11,020,013
\$	(10,600,098)	\$ (12,243,478)	\$ (12,683,228)	\$ (13,942,316)	\$ (14,646,405)	\$ (9,538,083)
	(1,240,688)	(1,351,152)	(886,629)	(1,286,970)	(1,117,821)	(111,558)
\$	<u>(11,840,786)</u>	<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>

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>General Revenues</b>				
Governmental Activities				
Property taxes, penalties and interest	\$ 5,766,604	\$ 5,897,654	\$ 5,974,272	\$ 5,957,457
In lieu of tax contracts	2,431,656	2,314,665	2,786,202	3,102,815
Sales tax	873,808	850,551	1,023,058	1,050,724
Gross receipts tax	773,545	766,777	777,635	729,162
Interest	22,781	17,201	74,932	13,293
Miscellaneous	-	-	(201,563)	-
Other/(Loss) on Sale of Assets	324,246	273,114	580,855	836,222
Transfers	(1,009,248)	850,738	(1,446,215)	(11,744)
<b>Total general revs,transfers, and special</b>	<u>\$ 9,183,392</u>	<u>\$ 10,970,700</u>	<u>\$ 9,569,176</u>	<u>\$ 11,677,929</u>
Business-type activities				
Interest	\$ 1,835	\$ 2,729	\$ 1,059	\$ -
Capital Contribution /Other	19,483	-	-	-
Transfers	1,009,248	(850,738)	1,446,215	11,744
<b>Total business-type activities</b>	<u>\$ 1,030,566</u>	<u>\$ (848,009)</u>	<u>\$ 1,447,274</u>	<u>\$ 11,744</u>
<b>Total primary government</b>	<u>\$ 10,213,958</u>	<u>\$ 10,122,691</u>	<u>\$ 11,016,450</u>	<u>\$ 11,689,673</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 2,162,739	\$ 2,092,184	\$ 379,432	\$ 1,306,981
Business-type activities	(317,650)	(1,522,482)	639,043	(1,158,460)
<b>Total Change in Net Position</b>	<u>\$ 1,845,089</u>	<u>\$ 569,702</u>	<u>\$ 1,018,475</u>	<u>\$ 148,521</u>

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 6,169,180	\$ 6,284,273	\$ 6,568,215	\$ 6,704,371	\$ 7,038,279	\$ 7,174,173
3,444,217	2,590,503	2,692,809	3,280,077	3,330,732	3,164,147
1,025,774	1,038,840	1,159,192	1,120,965	1,689,425	1,807,842
699,852	724,889	742,476	746,479	708,221	628,202
36,170	133,288	197,096	199,717	225,425	108,714
-	-	-	-	877,648	271,938
158,879	382,685	705,561	603,401	(4,141,760)	-
(155,000)	363,000	413,000	686,197	(23,828)	(1,120,626)
<u>\$ 11,379,072</u>	<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>
\$ 4,940	\$ 79,250	\$ 99,376	\$ 31,316	\$ -	\$ -
486,000	99,289	84,393	537,624	231,930	-
155,000	(363,000)	(413,000)	(413,000)	23,828	1,120,626
<u>\$ 645,940</u>	<u>\$ (184,461)</u>	<u>\$ (229,231)</u>	<u>\$ 155,940</u>	<u>\$ 255,758</u>	<u>\$ 1,120,626</u>
<u>\$ 12,025,012</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>
\$ 778,974	\$ (726,000)	\$ (204,879)	\$ (601,109)	\$ (4,942,263)	\$ 2,496,307
(594,748)	(1,535,613)	(1,115,860)	(1,131,030)	(862,063)	1,009,068
<u>\$ 184,226</u>	<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>

**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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General Fund</b>					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	83	49	43	45	81
Unassigned	4,624	4,874	5,240	6,236	6,136
<b>Total general fund</b>	<u>\$ 4,707</u>	<u>\$ 4,923</u>	<u>\$ 5,283</u>	<u>\$ 6,281</u>	<u>\$ 6,217</u>
<b>All other governmental funds</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Committed	-	-	-	-	-
Restricted					
Debt Service	1,597	1,437	1,362	1,283	1,017
Grants and Other	-	184	164	232	132
Assigned	2,711	5,670	2,603	2,236	9,113
Unassigned	-	95	-	-	-
<b>Total all other governmental funds</b>	<u>\$ 4,308</u>	<u>\$ 7,386</u>	<u>\$ 4,129</u>	<u>\$ 3,751</u>	<u>\$ 10,262</u>

(1) The City implemented GASB Statement No. 54 in fiscal year 2011.

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
77	54	54	54	66
6,165	6,842	7,595	8,560	9,144
<u>\$ 6,242</u>	<u>\$ 6,896</u>	<u>\$ 7,649</u>	<u>\$ 8,614</u>	<u>\$ 9,210</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	4,168
1,038	1,016	1,027	1,016	1,019
169	133	120	174	2,860
7,240	3,690	3,354	6,683	-
-	-	-	-	-
<u>\$ 8,447</u>	<u>\$ 4,839</u>	<u>\$ 4,501</u>	<u>\$ 7,873</u>	<u>\$ 8,047</u>

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

<b>Revenues</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Property taxes	\$ 5,786,571	\$ 5,883,619	\$ 6,001,891	\$ 5,923,310
In lieu of tax contracts	2,431,656	2,314,665	2,786,202	3,102,815
Sales tax	873,808	850,551	1,023,058	1,050,724
Gross receipts tax	773,545	766,777	777,635	729,162
Permits, licenses and fees	113,565	99,452	105,758	107,146
Fines	141,724	152,343	154,385	190,496
Insurance	-	-	-	-
Interest	11,114	17,201	74,932	13,293
Contributions and donations	15,735	-	-	-
Grants contributions	1,725,251	1,620,824	2,116,052	617,651
Other miscellaneous	320,178	300,474	580,855	836,222
Total Revenues	<u>12,193,147</u>	<u>12,005,906</u>	<u>13,620,768</u>	<u>12,570,819</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	874,549	938,405	1,039,096	994,318
Public safety	4,579,805	3,843,133	4,068,698	4,367,165
Public works	1,355,199	1,786,893	1,376,300	1,287,093
Community enrichment	769,261	789,944	818,538	837,860
Contingent	1,073,603	1,258,035	1,622,690	1,185,700
Capital Outlay	2,442,188	2,750,268	4,918,490	1,199,450
<b>Debt Service:</b>				
Principal retirement	1,805,000	1,700,000	1,800,000	1,810,000
Interest and fiscal charges	572,575	502,600	469,993	421,879
Issuance costs	-	71,018	-	-
Total Expenditures	<u>13,472,180</u>	<u>13,640,296</u>	<u>16,113,805</u>	<u>12,103,465</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	(1,279,033)	(1,634,390)	(2,493,037)	467,354
<b>Other Financing Sources (Uses)</b>				
Bonds issued	-	4,300,000	-	-
Payment of bond issuance costs	-	-	-	-
Proceeds from Sale of Property	-	-	-	-
Transfers in	1,490,898	1,463,410	642,998	257,645
Transfers out	(2,680,146)	(782,672)	(1,047,983)	(281,645)
Total Other Financing Sources and Uses	<u>(1,189,248)</u>	<u>4,980,738</u>	<u>(404,985)</u>	<u>(24,000)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (2,468,281)</u>	<u>\$ 3,346,348</u>	<u>\$ (2,898,022)</u>	<u>\$ 443,354</u>
Debt service as a % of noncapital expenditures	21.6%	18.3%	16.2%	18.0%



	2016	2017	2018	2019	2020	2021
\$	6,172,284	\$ 6,273,437	\$ 6,575,651	\$ 6,688,788	\$ 7,036,460	\$ 7,174,173
	3,444,217	2,590,503	2,692,809	3,280,077	3,330,732	3,164,147
	1,025,774	1,038,840	1,159,192	1,120,965	1,637,877	1,807,842
	699,852	724,889	742,476	746,479	708,221	628,202
	101,584	173,382	121,652	217,229	222,781	271,383
	152,646	142,660	167,268	169,811	114,615	103,395
	-	-	-	-	-	-
	36,170	133,288	197,096	199,717	225,425	108,714
	-	-	-	-	-	1,477,152
	352,025	318,158	133,441	184,424	199,047	2,186,028
	259,661	382,685	705,561	605,363	877,648	349,645
	<u>12,244,213</u>	<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>
	1,045,880	1,035,449	1,033,517	1,058,278	1,130,763	1,030,227
	4,598,833	4,966,980	5,214,844	5,469,270	5,948,850	5,663,050
	1,380,331	1,478,268	1,532,035	1,765,723	1,756,758	1,130,590
	966,904	958,686	768,457	699,217	954,428	985,816
	1,477,704	1,171,896	1,138,649	1,429,141	3,231,606	1,431,443
	665,739	2,266,626	4,059,125	704,567	2,445,873	3,059,362
	1,890,000	1,430,000	1,470,000	1,545,000	1,600,000	1,730,000
	402,123	472,096	443,578	414,473	387,374	379,200
	65,050	-	-	-	-	-
	<u>12,492,564</u>	<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>
	(248,351)	(2,002,159)	(3,165,059)	127,184	(2,623,660)	1,860,993
	7,250,000	-	-	-	5,200,000	-
	-	-	-	-	(56,645)	-
	-	-	-	-	1,799,693	162,727
	300,000	763,000	413,000	486,197	363,000	363,000
	(855,000)	(550,000)	(200,000)	(200,000)	(519,358)	(1,616,156)
	<u>6,695,000</u>	<u>213,000</u>	<u>213,000</u>	<u>286,197</u>	<u>6,786,690</u>	<u>(1,090,429)</u>
\$	<u>6,446,649</u>	<u>\$ (1,789,159)</u>	<u>\$ (2,952,059)</u>	<u>\$ 413,381</u>	<u>\$ 4,163,030</u>	<u>\$ 770,564</u>
	18.7%	14.0%	12.9%	15.2%	13.2%	16.3%

**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		
2012-13	\$ 987,035,260	\$ 67,516,150	\$ 189,278,135	\$ 865,273,275
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

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

<b>INDUSTRIAL CONTRACTS (a)</b>	<b>ALL TAXABLE PROPERTY</b>	<b>TOTAL DIRECT TAX RATE</b>
\$ 341,361,429	\$ 1,206,634,704	\$ 0.678066
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

# 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

Source:Jefferson County

**Total**

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

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

<b>Taxpayer</b>	<b>Nature of Property</b>	<b>TAX YEAR 2011</b>		
		<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percent of Estimated Actual Value</b>
Huntsman	Chemical Plant	\$ 134,415,790	1	15.85%
Indorama Venturs Propylene	Chemical Plant	-	n/a	n/a
RBF Port Neches	BioFuel	10,935,960	3	1.29%
Indorama Venture Oxides	Chemical Plant	-	n/a	n/a
Entergy Gulf States	Utilities	5,810,730	4	0.69%
Neches Federal Credit Union	Bank	2,992,430	6	0.35%
INEOS/Calabrian Corporation	Chemical Plant	6,400,870	2	0.75%
Aron Housing Group LLC	Apartments	2,993,570	10	0.35%
Salanor Investments Inc	Commercial	2,997,340	7	0.35%
M&E Food Mart, Inc. #2	Grocery Store	3,645,980	5	0.43%
Indorama Ventures LLC	Petrochemicals	2,919,660	8	0.34%
<b>Total</b>		<u>\$ 173,112,330</u>		<u>20.41%</u>
Total Assessed Property Values		<u>\$ 847,980,654</u>		<u>100.0%</u>

Source: Jefferson County Appraisal District: (a) represents 2021 Taxable Values for FY22  
Financial Cycle  
City of Port Neches, Financial Data

**TAX YEAR 2021 (a)**

<b>Taxable Assessed Valuation</b>	<b>Rank</b>	<b>Percent of Estimated Actual Value</b>
\$ -	n/a	n/a
147,446,022	1	13.37%
38,766,450	2	3.51%
16,530,114	3	1.50%
11,036,491	4	1.00%
9,343,210	5	0.85%
7,770,775	6	0.70%
5,135,789	7	0.47%
4,362,507	8	0.40%
4,026,237	9	0.36%
3,721,547	10	0.34%
<hr/> <hr/> \$ 248,139,142		<hr/> <hr/> 22.49%
<hr/> <hr/> \$ 1,103,104,052		<hr/> <hr/> 100.0%

**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	
2011-2012	\$ 5,818,573	\$ 5,679,728	97.61%	\$ 130,525
2012-2013	5,858,386	5,772,220	98.53%	77,327
2013-2014	5,928,013	5,850,581	98.69%	68,904
2014-2015	5,899,599	5,808,822	98.46%	79,269
2015-2016	6,129,729	6,045,593	98.63%	67,808
2016-2017	6,241,155	6,143,009	98.43%	76,435
2017-2018	6,541,446	6,457,479	98.72%	54,606
2018-2019	6,684,524	6,590,156	98.59%	57,198
2019-2020	6,994,124	6,907,116	98.76%	25,857
2020-2021	7,143,158	7,050,293	98.70%	-

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

Does not include penalties and interest.



	<b>TOTAL COLLECTIONS @9.30.21</b>	<b>PERCENT OF TOTAL TAX COLLECTIONS AT TOTAL TAX LEVY</b>	<b>OUTSTANDING TAX LEVY @ 9.30.21</b>
\$	5,810,253	99.86%	\$ 8,320
	5,849,547	99.85%	8,839
	5,919,485	99.86%	8,528
	5,888,091	99.80%	11,508
	6,113,401	99.73%	16,328
	6,219,444	99.65%	21,711
	6,512,085	99.55%	29,361
	6,647,354	99.44%	37,170
	6,942,988	99.27%	51,136
	7,050,293	98.70%	92,865

**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
2011-12	\$ 13,535,000	-	-	-	-
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	-	-	-	-

(1) Includes Certificates of Obligation

	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
\$	13,535,000	n/a	\$ 1,038
	16,135,000	n/a	1,237
	14,420,000	n/a	1,106
	12,610,000	n/a	967
	17,970,000	n/a	1,378
	16,540,000	n/a	1,291
	15,070,000	n/a	1,177
	13,525,000	n/a	1,056
	17,125,000	n/a	1,337
	15,395,000	n/a	1,202

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

<b>Fiscal Year</b>	<b>General Obligation Bonds (1)</b>	<b>Less: Amounts Available in Debt Service Fund (2)</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (3)</b>	<b>Per Capita (4)</b>
2011-12	\$ 13,535,000	\$ 1,406,173	\$ 12,128,827	1.40%	\$ 930
2012-13	16,135,000	1,436,968	14,698,032	1.70%	1,127
2013-14	14,420,000	1,362,167	13,057,833	1.53%	1,001
2014-15	12,610,000	1,283,070	11,326,930	1.33%	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	1.73%	1,291
2017-18	15,070,000	1,015,798	14,054,202	1.55%	1,177
2018-19	13,525,000	1,027,164	12,497,836	1.37%	1,056
2019-20	17,125,000	1,016,402	16,108,598	1.66%	1,337
2020-21	15,395,000	1,019,244	14,375,756	1.47%	1,202

(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, 2021 (Unaudited)

Jurisdiction	Reference	Bonded Debt Outstanding	Estimated (a) Percentage Applicable to the City	Amount Applicable to The City
Overlapping				
Jefferson County, Texas	(1)	\$ 31,295,000	3.79%	\$ 1,186,081
Jefferson County - Drainage District #7	(1)	14,515,000	8.59%	1,246,839
Nederland Independent School District	(1)	151,080,000	3.07%	4,638,156
Port Neches-Groves				
Independent School District	(1)	195,280,000	27.13%	<u>52,979,464</u>
Total Overlapping				<u>60,050,539</u>
City of Port Neches	(2)	15,395,000	100.00%	<u>15,395,000</u>
Total				<u><u>\$ 75,445,539</u></u>

- (1) Jefferson County Texas Auditor  
(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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$ 107,203	\$ 105,455	\$ 106,037	\$ 105,699
Total net debt applicable to limit	12,105	14,698	13,058	11,328
Legal debt margin	<u>\$ 95,098</u>	<u>\$ 90,757</u>	<u>\$ 92,979</u>	<u>\$ 94,371</u>
 Total net debt applicable to the limit as a percentage of debt limit	 11.3%	 13.9%	 12.3%	 10.7%

Legal Debt Margin Calculation for Fiscal Year 2021:

Total assessed value	\$ 1,101,423
 Debt limit (10% of total assessed value)	 110,142
Debt applicable to limit:	
Outstanding Debt ( CO's)	15,395
Less: Amount set aside for repayment of debt	<u>1,019</u>
Total net debt applicable to limit	14,376
Legal debt margin	<u>\$ 95,766</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 obligation bond

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

<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 108,296	\$ 108,151	\$ 110,495	\$ 111,598	\$ 118,485	\$ 110,142
16,953	17,744	16,086	12,498	16,086	14,376
<u>\$ 91,343</u>	<u>\$ 90,407</u>	<u>\$ 94,409</u>	<u>\$ 99,100</u>	<u>\$ 102,399</u>	<u>\$ 95,766</u>

15.7%      16.4%      14.6%      11.2%      13.6%      13.1%

# 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 *
2011-12	\$ 2,918,993	\$ 3,037,239	\$ (118,246)
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

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	School Enrollment	Unemployment Rate (1)
					Level in Years of Formal Schooling		
2012	13,040	\$ 293,506	\$ 26,284	34	14.5	4,807	9.00%
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%

(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)**

<b>Employer</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
PNGISD	652	652	680	655	712	712
Huntsman/Indorama	580	596	610	610	625	625
Lion Elastomers ( Ashland/ISP)	238	240	240	201	199	199
Texas Petrochemical	n/a	n/a	n/a	n/a	168	168
City of Port Neches	90	90	92	94	93	93
Neches FCU	85	85	85	85	90	90
M&E Food Mart (Market Basket)	76	76	75	72	80	80
Calabrian Corp.	64	64	72	75	65	65
Dunn Pallet (Groves Pallet)	51	50	70	35	43	43

Source: Port Neches Economic Development Corporation Estimates

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Rank</b>	<b>% of Total City Employment</b>
712	712	750	812	1	18.7%
625	625	587	604	2	13.9%
199	199	206	205	3	4.7%
168	168	72	78	6	1.8%
94	96	96	95	5	2.2%
90	90	115	124	4	2.9%
80	80	66	70	7	1.6%
65	65	61	71	8	1.6%
43	43	45	49	9	1.1%

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

Function/Program	2012	2013	2014	2015	2016
<b>Public Safety</b>					
Police					
Traffic citations	1,487	1,867	2,000	1,776	1,538
Dispatch calls for service (Central Dispatch)	10,341	12,301	12,746	12,148	11,128
<b>Fire</b>					
Total runs	1,220	1,126	1,185	1,310	1,338
<b>Library</b>					
Circulation recorded	68,361	61,930	63,140	60,734	62,403
Visiting patrons recorded	88,690	93,498	104,925	100,903	118,358
<b>Utilities</b>					
Gallons purchased (in millions)	628	565	575	599	569
Gallons sold (in millions)	494	491	477	455	454
Number of connections	5,341	5,353	5,353	5,352	5,385
<b>Solid waste</b>					
City disposal (in cubic yards)	25,204	25,834	25,961	25,923	26,716
Green waste disposal (cubic yards)	12,913	14,546	13,796	15,194	16,362
<b>Inspections</b>					
Total value of permits issued	\$18,920,000	\$12,588,000	\$10,347,000	\$9,776,000	\$9,409,660

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1,384	1,340	1,877	530	1,236
11,063	10,869	11,072	7,614	9,404
1,446	1,400	1,387	1,494	1,311
62,663	57,671	51,109	18,934	40,551
96,530	136,471	107,030	55,881	102,906
588	663	597	634	573
457	505	463	447	476
5,441	5,472	5,533	5,538	5,564
30,626	31,086	30,735	38,840	29,090
19,402	17,835	20,390	24,395	19,920
\$8,096,000	\$ 9,563,000	\$ 27,788,000	\$ 12,372,000	\$ 38,665,000

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

<b>Department</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Municipal Administration	6	6	6	6	6	6
Library	5	5	5	5	5	5
Police	21	21	23	23	23	23
Fire/Emergency Management	13	13	13	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	4.5	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	2.5	2	2	2	2
Other Recreation	1	1	1	1	1	1
	<b>90</b>	<b>90</b>	<b>92</b>	<b>94</b>	<b>94</b>	<b>94</b>

2018	2019	2020	2021
6	6	6	6
5	5	5	5
23	24	24	24
15	15	15	15
1	1	1	1
2	2	2	2
10	10	10	10
10	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
94	96	96	96

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

<u>Function/Program</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</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	56	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	84	85
Sanitary Sewer (miles)	84	84	84	84	84

Source: City Departments



<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1	1	1	1	1
1	1	1	1	1
57	57	57	57	57
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	85
84	84	84	84	84

# City of Port Neches, Texas

## INDUSTRIAL CONTRACT REVENUE

Year Ended September 30, 2021 and 2020 (Unaudited)

	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	<u>\$ 489,599,737</u>	

	2020 Adjusted Assessed Valuation (a)	2020 Assessed Discounts
Huntsman Petrochemical Corp.	\$ 250,090,235	25%
MOTIVA Refinery	120,232,254	25%
Texas PetroChemical LP	12,307,587	25%
Air Liquide Large Industries	119,723,824	25%
Lion Elastomers	35,544,996	25%
Indorama Ventures Oxides LLC	7,634,581	25%
ExxonMobil Corp.	4,195,890	25%
Huntsman Propylene Oxide	9,834,700	
Motiva Chemical LLC	11,214,844	25%
Entergy Gulf States, Inc.	2,243,299	25%
Ameripol Synpol Company	97,530	25%
Centana	4,039	25%
DirectTV Inc.	179,100	25%
Zydeco Pipeline Company LLC	871,174	25%
Total	<u>\$ 574,174,053</u>	

<b>of Tax Contract</b>	
<b>Valuation</b>	<b>Payments</b>
\$ 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>

<b>of Tax Contract</b>	
<b>Valuation</b>	<b>Payments</b>
\$ 187,567,676	\$ 1,378,622
90,174,191	\$ 662,780
9,230,690	\$ 67,846
89,792,868	\$ 659,978
26,658,747	\$ 195,942
5,725,936	\$ 42,086
3,146,918	\$ 23,130
7,376,025	\$ 54,214
8,411,133	\$ 61,822
1,682,474	\$ 12,366
73,148	\$ 538
3,029	\$ 22
134,325	\$ 987
653,381	\$ 4,802
<u>\$ 430,630,540</u>	<u>\$ 3,165,134</u>