

**MATAGORDA COUNTY
NAVIGATION DISTRICT #1**

*ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017*

Matagorda County Navigation District #1
Annual Financial Report
For The Year Ended December 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis (Required Supplementary Information).....	3
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position.....	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	10
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position.....	11
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	13
Notes to the Financial Statements	14
 <u>Required Supplementary Information</u>	
Budgetary Comparison Schedules:	
General Fund.....	28
Schedule of Funding Progress-Other Post Employment Benefit	
(Required Supplementary Information).....	29
Schedule of Changes in the District's Net Pension Liabilities	
And Related Ratios- Texas County District Retirement System.....	
	30
Schedule of District's Contributions - Texas County District Retirement System.....	
	31
Notes to Required Supplementary Information.....	
	32

Financial Section

Harry Afadapa & Associates, P.C.

Certified Public Accountants
11104 W. Airport Blvd., Suite 117
Stafford, Texas 77477
(346) 219-2665 ~ www.afadapa.com

Independent Auditor's Report

To the Board of Directors
Matagorda County Navigation District #1
PO Box 551
Palacios, Texas 77465

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Matagorda County Navigation District #1 ("the District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District'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 District'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, each major fund, and the aggregate remaining fund information of Matagorda County Navigation District #1 as of December 31, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents 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.

Respectfully submitted,

Harry Afadapa & Associates, PC

Stafford, Texas
April 13, 2018

MATAGORDA COUNTY NAVIGATION DISTRICT #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

This discussion and analysis of the Matagorda County Navigation District #1 (District) financial activities provides a narrative overview of the District's financial activities for the fiscal year ended December 31, 2017. The information presented here should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Matagorda County Navigation District #1's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the financial position of Matagorda County Navigation District #1 is improving or deteriorating.

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

The government-wide financial statements distinguish functions of Matagorda County Navigation District #1 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 activities). The District is a single purpose government and therefore has only one function and that is navigation and marine facilities.

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. Matagorda County Navigation District #1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 *current sources and uses 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 evaluating a government's near-term financing requirements.

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 funds 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*.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Financial Analysis

The District's net position at December 31, 2017 is summarized as follows:

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>Variance</u>
Assets:			
Current and other assets	\$ 16,581,691	\$ 18,503,516	\$ (1,921,825)
Capital assets	<u>12,942,087</u>	<u>11,664,824</u>	<u>1,277,263</u>
Total assets	<u>29,523,778</u>	<u>30,168,340</u>	<u>(644,562)</u>
Deferred outflow of resources	<u>66,372</u>	<u>83,551</u>	<u>(17,179)</u>
Liabilities:			
Current and other liabilities	402,096	48,998	353,098
Noncurrent Liabilities	<u>1,208,361</u>	<u>1,886,721</u>	<u>(678,360)</u>
Total liabilities	<u>1,610,457</u>	<u>1,935,719</u>	<u>(325,262)</u>
Deferred inflow of resources	<u>500,119</u>	<u>553,862</u>	<u>(53,743)</u>
Net position:			
Invested in capital assets	11,427,087	9,804,824	1,622,263
Restricted for:			
Debt service	20,243	20,502	(259)
Unrestricted	<u>16,012,955</u>	<u>17,936,984</u>	<u>(1,924,029)</u>
Total net position	<u>\$ 27,460,285</u>	<u>\$ 27,762,310</u>	<u>\$ (302,025)</u>

Some of the more significant variances in net position include:

- Decrease in cash and investment of \$1,957,361 was attributed to the investment in capital assets.
- A \$4,080 decrease in net pension assets and \$17,179 decrease in Deferred outflow of resources due to the implementation of GASB 68 "Accounting and Financial Reporting for Pensions in its third year of implementation.
- Increase in capital assets of \$1,277,263, net of depreciation, as a result of capital asset acquisition.
- \$353,098 increase in current and other liabilities as compare to prior year were result of change year current year classification of debt obligation.
- Noncurrent liabilities decreased by \$ \$678,360 due to principal debt payment of \$345,000, and current year debt obligation reclassification.
- Deferred inflow of resources decreased by \$53,743 which consist of a \$15,260 reduction deferred inflow related to pension, and a \$38,483 reduction in unearned revenue (current taxes).

Net position may serve over time as a useful indicator of a government's financial position. In the case of Matagorda County Navigation District #1, assets exceeded liabilities by \$27,460,285 at the close of the most recent fiscal year, December 31, 2017.

MATAGORDA COUNTY NAVIGATION DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Forty-two percent (42%) of the District's net position, \$11,427,087, reflects its investment in capital assets, net of related debt. The District uses capital assets to provide marine-related facilities and services; consequently these assets are not available for future spending.

The following table provides a summary of the District's operations for the year ended December 31, 2017.

	12/31/2017	12/31/2016	Variance
Program revenues:			
Charges for services	\$ 618,932	\$ 685,793	\$ (66,861)
Capital grants & contributions	-	-	-
General revenues:			
Property taxes	535,592	540,083	(4,491)
Other revenue	3,290	2,557	733
Unrestricted investment earnings	143,011	275,046	(132,035)
Net increase (decrease) in fair value	-	(105,812)	105,812
Gain (Loss) on sale of Capital Assets	4,901	242,493	(237,592)
Total revenues	<u>1,305,726</u>	<u>1,640,160</u>	<u>(334,434)</u>
Expenses:			
Navigation and marine facilities	1,510,798	1,708,965	(198,167)
Bonded debt interest and fees	66,336	77,611	(11,275)
Promotion and development	30,616	62,832	(32,216)
Total governmental activities	<u>1,607,750</u>	<u>1,849,408</u>	<u>(241,658)</u>
Increase (decrease) in net position	(302,024)	(209,248)	(92,776)
Net position - beginning	27,762,310	27,971,558	(209,248)
Net position - ending	<u>\$ 27,460,286</u>	<u>\$ 27,762,310</u>	<u>\$ (302,024)</u>

Overall, the District net position decreased by \$302,024 compared to a prior year decrease of \$209,248. Some of the more significant reasons for the overall decrease in net position over the prior year are as follows:

- A reduction in investment revenue amount of \$132,035.
- A net decrease in fair value of \$105,812
- A \$198,167 reduction in navigation and marine facilities costs, the bulk of which were due to significant dock repairs and engineering costs related to the CIAP Beneficial Use of Dredge Material project.
- A \$32,216 reduction promotion and developmental cost

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the District's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the general fund. The focus of the District's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

MATAGORDA COUNTY NAVIGATION DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$15,982,669 compared to a prior year balance of \$17,887,107. \$5,016,850 is unassigned or available for spending while \$10,948,108 is committed for specific purposes and \$ 17,711 is restricted for debt service.

The fund balance of the general fund was decreased by \$1,900,335 in contrast to a decrease in prior year of increase of \$582,304. Revenue decreased by \$74,742 and expenditures increased by \$1,683,496 due to the capital expenditures of \$ 2,085,596 as noted above during the government-wide analysis.

General Fund Budgetary Highlights

The Commissioners approved a budget of \$2,372,993 during the year. Of this amount, \$1,637,000 was for capital expenditures outlay.

Actual revenue was below budgetary estimates by \$174,259 and expenditures exceeded budgetary estimates by \$431,790 with the following significant areas noted:

- Capital outlay exceeded the budgetary amount by \$448,596.
- Personnel cost (\$7,304), and operation cost (\$5,402) exceeded their various budgetary amount.

Debt Administration

The District's compensated absences decreased slightly from \$3,717 to \$2,353 due to retirement of key personnel.

General long-term debt activity included the regular schedule principal payment of \$345,000 and interest of \$70,406.

Other post employment benefit obligations representing retiree health insurance benefits increased from \$23,004 to \$46,008 on its second year of implementation of GASB 45.

Capital Assets

The following table lists the District's investment in capital assets as of December 31, 2017.

	12/31/2016	Additions	Deletions	12/31/2017
Land	\$ 1,882,061	\$ -	\$ 6,869	\$ 1,875,192
Construction in progress	46,386	788,104	812,855	21,635
Buildings	2,780,483	33,124	-	2,813,607
Infrastructure	359,692	44,275	-	403,967
Equipment & vehicles	53,168	-	-	53,168
Docks and wharves	15,768,331	2,026,028	-	17,794,359
Other facilities	1,838,107	-	-	1,838,107
	<u>22,728,228</u>	<u>2,891,531</u>	<u>819,724</u>	<u>24,800,035</u>
Less Accumulated Depreciation	(11,063,404)	(794,588)	-	(11,857,992)
Totals	<u>\$ 11,664,824</u>	<u>\$ 2,096,943</u>	<u>\$ 819,724</u>	<u>\$ 12,942,043</u>

The District's investment in capital assets for its governmental activities as of December 31, 2017 amounts to \$11,427,087 (net of accumulated depreciation). This investment in capital assets includes land; buildings; docks and wharves; equipment and vehicles; infrastructure (admin roads/utilities); and other facilities (shipyards primarily).

MATAGORDA COUNTY NAVIGATION DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Major capital asset events during the current fiscal year included:

- Depreciation expense of \$794,588.
- Aggregate addition of \$2,026,028 to Docks and wharves facilities
- Net addition to building & improvement of \$33,124.
- \$44,275 addition to infrastructure.
- A sale of 3.4 acres of land for \$12,101

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective and controlled use of the District's resources. Factors affecting the FY2018 Budget were as follows:

- Capital improvement cost would decline in 2018 to \$535,000 from \$1,637,000 in 2017 fiscal year
- Though there was a slight increase of \$3,322 in labor compared to 2017, there is still a continuous reduction in labor force accounted for lower personnel costs.
- Contracting for property maintenance and mowing accounted for lower operational budget, however, there was a slight increase in cost of \$8,308 in 2018 budget.

These indicators were taken into account when adopting the general fund appropriations for 2018.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Matagorda County Navigation District #1, PO Box 551, Palacios, Texas 77465.

Basic Financial Statements

MATAGORDA COUNTY NAVIGATION DISTRICT #1

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Governmental Activities
ASSETS	
<i>Cash and cash equivalents</i>	\$ 1,309,730
<i>Investments</i>	14,649,221
Receivables (net of allowances for uncollectibles):	
<i>Taxes receivable</i>	477,796
<i>Other receivables</i>	22,083
<i>Accrued interest receivable</i>	49,974
<i>Prepaid expenses</i>	2,905
<i>Due from other governments</i>	16,521
<i>Utility deposit</i>	800
<i>Net pension assets</i>	52,661
Capital Assets (net of accumulated depreciation):	
<i>Land</i>	1,875,192
<i>Construction in progress</i>	21,679
<i>Buildings</i>	1,211,798
<i>Equipment</i>	26,346
<i>Docks and wharves</i>	8,432,534
<i>Other facilities</i>	1,054,838
<i>Infrastructure</i>	319,700
Total Assets	<u>29,523,778</u>
DEFERRED OUTFLOW OF RESOURCES	
<i>Deferred outflow related to pensions</i>	66,372
Total Deferred Outflow of Resources	<u>66,372</u>
LIABILITIES	
<i>Accounts payable</i>	20,569
<i>Accrued interest payable</i>	21,875
<i>Customer deposits payable</i>	4,652
Noncurrent Liabilities:	
<i>Due within one year - bonds payable</i>	355,000
<i>Due in more than one year - comp absences</i>	2,353
<i>Due in more than one year - OPEB</i>	46,008
<i>Due in more than one year - bonds payable</i>	1,160,000
Total Liabilities	<u>1,610,457</u>
DEFERRED INFLOW OF RESOURCES	
<i>Deferred inflow related to pensions</i>	17,556
<i>Unearned revenue - current taxes</i>	482,563
Total Deferred Inflow of Resources	<u>500,119</u>
NET POSITION:	
Net Investment in Capital Assets	11,427,087
Restricted For:	
Debt Service	20,243
Unrestricted	16,012,955
Total Net Position	<u>\$ 27,460,285</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Position
				Governmental Activities
Government Activities:				
<i>Navigation and marine facilities</i>	\$ 1,510,798	\$ 618,932		\$ (891,866)
<i>Bonded debt interest & fees</i>	66,336	--		(66,336)
<i>Promotion and development</i>	30,616	--		(30,616)
Total governmental activities	<u>1,607,750</u>	<u>618,932</u>		<u>(988,818)</u>
Total Primary Government	<u>\$ 1,607,750</u>	<u>\$ 618,932</u>		<u>(988,818)</u>
			General Revenues:	
			<i>Property taxes</i>	535,592
			<i>Miscellaneous revenue</i>	3,290
			<i>Investment earnings</i>	143,011
			<i>Gain on Sale of Capital Assets</i>	4,901
			Total General Revenues	<u>686,794</u>
			Change in Net Position	(302,024)
			Net Position - Beginning	27,762,309
			Net Position - Ending	<u>\$ 27,460,285</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY NAVIGATION DISTRICT #1
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	Debt Service	Total Governmental Funds
ASSETS			
<i>Cash and cash equivalents</i>	\$ 1,262,250	\$ 47,481	\$ 1,309,731
<i>Investments</i>	14,649,221	--	14,649,221
Receivables (net of allowances for uncollectibles):			
<i>Interest</i>	49,974	--	49,974
<i>Taxes</i>	122,707	355,089	477,796
<i>Rental accounts</i>	22,083	--	22,083
<i>Prepaid expenses</i>	2,905	--	2,905
<i>Due from other governments</i>	3,864	12,657	16,521
<i>Utility deposits</i>	800	--	800
 Total Assets	 <u>\$ 16,113,804</u>	 <u>\$ 415,227</u>	 <u>\$ 16,529,031</u>
LIABILITIES			
<i>Accounts payable</i>	\$ 20,569	\$ --	\$ 20,569
<i>Customer deposits payable</i>	4,652	--	4,652
Total Liabilities	<u>25,221</u>	<u>--</u>	<u>25,221</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - delinquent taxes	11,365	--	11,365
Unearned revenue - current taxes	112,260	370,303	482,563
Total Deferred Inflow of Resources	<u>123,625</u>	<u>370,303</u>	<u>493,928</u>
FUND BALANCES (DEFICITS)			
<i>Committed</i>	10,948,108	--	10,948,108
<i>Unassigned</i>	5,016,850	--	5,016,850
Total Fund Balances (Deficits)	<u>15,964,958</u>	<u>17,711</u>	<u>15,982,669</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances (Deficits)	<u>\$ 16,113,804</u>	<u>\$ 415,227</u>	<u>\$ 16,529,031</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY NAVIGATION DISTRICT #1
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2017*

Total fund balances - governmental funds balance sheet	\$ 15,982,669
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	12,942,087
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	19,289
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,515,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(21,875)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(2,353)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(46,008)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	52,661
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(17,556)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	66,372
Rounding difference	(1)
Net position of governmental activities - Statement of Net Position	<u>\$ 27,460,285</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY NAVIGATION DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Debt Service	Total Governmental Funds
Revenue:			
<i>Taxes</i>	\$ 121,566	\$ 408,696	\$ 530,262
<i>Rentals</i>	618,832	--	618,832
<i>Other revenue</i>	22,036	--	22,036
<i>Investment income</i>	142,014	2,067	144,081
Total revenues	<u>904,448</u>	<u>411,760</u>	<u>1,316,208</u>
Expenditures:			
<i>Navigation and marine facilities current:</i>			
<i>Personnel</i>	263,501	--	263,501
<i>Operating costs</i>	21,502	--	21,502
<i>Professional services</i>	99,266	--	99,266
<i>General costs</i>	52,734	--	52,734
<i>Utilities</i>	29,559	--	29,559
<i>Repairs and maintenance</i>	218,016	--	218,016
<i>Marketing and staff development</i>	3,993	--	3,993
<i>Promotion and development</i>	30,616	--	30,616
<i>Capital outlay</i>	2,085,596	--	2,085,596
<i>Debt service:</i>			
<i>Principal</i>	--	345,000	345,000
<i>Interest</i>	--	70,863	70,863
Total expenditures	<u>2,804,783</u>	<u>415,863</u>	<u>3,220,646</u>
Excess (deficiency) of revenues (under) expenditures	(1,900,335)	(4,103)	(1,904,438)
Other financing sources (uses):			
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,900,335)	(4,103)	(1,904,438)
Fund balances/equity, Beginning	17,865,293	21,814	17,887,107
Fund balances/equity, Ending	<u>\$15,964,958</u>	<u>\$ 17,711</u>	<u>\$15,982,669</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY NAVIGATION DISTRICT #1
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2017*

Net change in fund balances - total governmental funds	\$ (1,904,439)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,085,596
The depreciation of capital assets used in governmental activities is not reported in the funds.	(794,588)
The gain or loss on the sale of capital assets is not reported in the funds.	(13,745)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	3,264
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	345,000
(Increase) decrease in accrued interest from beginning of period to end of period.	4,527
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	1,364
Special termination benefits are reported as the amount earned in the SOA but as the amount paid in the funds.	(23,004)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(5,999)
Rounding difference	(1)
Change in net position of governmental activities - Statement of Activities	<u>\$ (302,026)</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

A. Summary of Significant Accounting Policies

Reporting Entity

Matagorda County Navigation District #1 (the District) was established and confirmed at an election held within the boundaries on May 11, 1940. The District is directed by a five member Board of Directors who are elected to six year staggered terms. The District is a political subdivision located in Matagorda County operating pursuant to the general laws of the state of Texas, including certain provisions of Chapters 60, 62 and 63 of the Texas Water Code.

Description and Basis of Presentation

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. The District is a single-purpose government with only one fund type and no component units thus the government-wide financial statements referred to above report all of the information of the District. While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

Fund financial statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The debt service fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

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.

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. Property taxes are recognized under the susceptible to accrual concept and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Budgetary Data

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

Assets, liabilities, deferred revenue/expenditures and net position/fund balance

Cash, cash equivalents and investments

The District'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. The Public Funds Investment Act and local policy authorizes the District to invest in obligations of the US Treasury, certificates of deposit, repurchase agreements, commercial paper, mutual funds and public funds investment pools. Investments for the District are reported at fair value. Public funds investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Threshold</u>
Infrastructure	50	\$ 25,000
Buildings	20-40	25,000
Docks & Wharves	25	25,000
Equipment	15-20	5,000
Building Improvements	25-40	5,000

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The district does not have any item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The items "unavailable" and "unearned" revenue are reported in the governmental funds balance sheet and only "unearned" in the government-wide statement of net position. The "unavailable" source represents the uncollected delinquent taxes receivable while the "unearned" represents the October 1 tax levy used to finance next years budget. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available and earned for governmental funds and earned for government-wide.

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 District's Employees Pension Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable accordance with the benefit terms. Investments are reported at fair value.

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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied, or other formal notification in special circumstances. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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.

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 board is the highest level of decision-making authority for the government that can, by board action 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 to remove or revise the limitation.

Revenues and expenditures/expenses

Program revenue

Amounts reported as program revenues include rentals of docks and wharfage. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st 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 1st of the year following the year in which imposed. On January 31st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible taxes at December 31, 2017 is \$3,270 and \$13,063.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Compensated absences

It is the District's policy to permit employees to accumulate earned but unused vacation, sick pay and comp time benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay these amounts when employees separate from service. All vacation and comp time pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

B. Deposits and Investments

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the District to require full collateralization of all District investments and funds on deposit with a depository bank, other than investments, which are obligations of the U.S. government and its agencies and instrumentalities. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. The District's cash deposits at December 31, 2017 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

All investments made by the District complied with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations.

The District's investments at December 31, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
US Agencies	1-3 years	Aaa	\$ 5,772,411
US Agencies	3-5 years	Aaa	7,828,909
Certificates of Deposit	1-3 years	FDIC	199,900
Certificates of Deposit	3-5 years	FDIC	848,000
Total Investments			<u>\$ 14,649,220</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District values its investments using Level 1 input

Analysis of specific deposit and investment risks:

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk as disclosed in the table above.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of a government's investment in a single issuer. It is the District's policy to diversify investments to avoid concentration in any specific instrument or financial institution. Such diversification does not apply to US Treasury securities. At year end, the District invested more than 5% in US agency bonds as noted in the table above.

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy addresses interest rate risk by limiting maturities to no more than five years unless specifically approved by the Board of Directors. The policy for debt service funds allows a maximum of ten years for maturity.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

C. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,882,061	\$ --	\$ 6,869	\$ 1,875,192
Construction in progress	46,385	788,104	812,855	21,634
Total capital assets not being depreciated	<u>1,928,446</u>	<u>788,104</u>	<u>819,724</u>	<u>1,896,826</u>
<i>Capital assets being depreciated:</i>				
Buildings	2,780,483	33,124	--	2,813,607
Docks & wharves	15,768,331	2,026,028	--	17,794,359
Infrastructure	359,692	44,275	--	403,967
Equipment	53,168	--	--	53,168
Other property	1,838,107	--	--	1,838,107
Total capital assets being depreciated	<u>20,799,781</u>	<u>2,103,427</u>	<u>--</u>	<u>22,903,208</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,528,980)	(72,829)	--	(1,601,809)
Docks & wharves	(8,698,584)	(663,241)	--	(9,361,825)
Infrastructure	(78,288)	(5,979)	--	(84,267)
Equipment	(23,432)	(3,390)	--	(26,822)
Other property	(734,120)	(49,149)	--	(783,269)
Total accumulated depreciation	<u>(11,063,404)</u>	<u>(794,588)</u>	<u>--</u>	<u>(11,857,992)</u>
Total capital assets being depreciated, net	<u>9,736,377</u>	<u>1,308,839</u>	<u>--</u>	<u>11,045,216</u>
Governmental activities capital assets, net	<u>\$ 11,664,823</u>	<u>\$ 2,096,943</u>	<u>\$ 819,724</u>	<u>\$ 12,942,042</u>

Annual depreciation expense was \$794,588.

D. Long-Term Obligations

Long-Term Obligation Activity

Long-term obligations include debt, compensated absences and post employment benefits. The outstanding refunding bonds bear interest between 2.0-4.0% and matures August 15, 2021. Changes in long-term obligations for the year ended December 31, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Refunding bonds	\$ 1,860,000	--	345,000	1,515,000	355,000
Compensated absences*	3,717	--	1,364	2,353	--
Other post employ benefits*	--	--	--	--	--
Total governmental activities	<u>\$ 1,863,717</u>	<u>\$ --</u>	<u>\$ 346,364</u>	<u>\$ 1,517,353</u>	<u>\$ 355,000</u>

*The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General
Other post employment benefits	Governmental	General

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Debt Service Requirements

Debt service requirements on long-term debt at December 31, 2017, are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2018	355,000	58,332	413,332
2019	375,000	45,462	420,462
2020	385,000	31,400	416,400
2021-2025	400,000	16,000	416,000
Totals	\$ 1,515,000	\$ 151,194	\$ 1,666,194

E. Commitments Under Noncapitalized Leases

The Navigation District leases turning basins, boat slips, the Marine Education Center and various other properties with an estimated cost of \$22,684,219, and a net book cost of \$11,762,294 through operating lease agreements. The following is a schedule by years of minimum future rentals, with no recognition for reductions, on noncancellable operating leases at December 31, 2017.

Year Ending December 31,	
2018	\$ 199,092
2019	49,770
2020	29,213
2021-2025	41,307
Total Minimum Rentals	\$ 319,382

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the District obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in Matagorda County as a member of the Matagorda County Risk Pool (the "pool"). The pool is a self-funded pool operating as a common risk management and insurance program. The District pays an annual premium to the pool for its above insurance coverage. The agreement for the formation of the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. Latest audited financial statements for the self-insured pool can be obtained by contacting PO Box 1744, Bay City, TX 77404-1744.

G. Pension Plan

General Information about the Pension Plan

Plan Description

TCDRS is a statewide, agent multiple-employer, public-employee retirement system. The system serves 677 actively participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCDRS Act. Because of that, employers have the flexibility and local control to select benefits and pay for those benefits based on their needs and budgets. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year Basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan.

Benefits

The Plan provides retirement and disability benefits. Employees with 8 years of continuous service are eligible to retire at age 60, at any age with 30 years of services or when age plus years of service total 75. The service or disability retirement benefit is calculated based on the employee's account balance and employer matching as selected by the employer, and may include other employer provided funds. Current deposits are matched at a ratio of 2:1, or \$2.00 for every \$1.00. The employee's account and employer provided funds are combined and converted to a lifetime annuity. The retiree receives a payment every month for the rest of his or her life by choosing from one of seven actuarially equivalent payment options. Disability retirement benefits are determined in the same manner as retirement benefits.

Employees covered by benefit terms

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	5
Active employees	3
	<hr/>
	10
	<hr/>

Contributions

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

The deposit rate for employees is 7% of compensation, as adopted by the Board of Directors.

Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The District contribution rate was 8.43% for 2015 and 8.77-% for 2016.

Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Net Pension Liability (Asset)

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation Rate	3.00%
Long-term expected Invest Rate of Return	8.00%

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Mortality rates were based on the following: (a) depositing members - the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA; (b) service retirees, beneficiaries and non-depositing members - the RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females; and (c) disabled retirees RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 - December 31, 2012 for more details.

Asset Class and Benchmark	Target Allocation	Geometric Real Rate of Return (expected minus Inflation)
U.S. Equities - Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity - Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.70%
Global Equities - MSCI World (net) Index	1.50%	5.00%
International Equities - Developed - 50% MSCI World ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	10.00%	4.70%
International Equities - Emerging - 50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	7.00%	5.70%
Investment Grade Bonds - Barclays Capital Agg Bond Index	3.00%	0.60%
High Yield Bonds - Citigroup High Yield Cash Pay Capped Index	3.00%	3.70%
Opportunistic Credit - Citigroup High Yield Cash Pay Capped Index	2.00%	3.83%
Direct Lending - S&P/LSTA Leverage Loan Index	10.00%	8.15%
Distressed Debt - Cambridge Associates Distressed Securities Index	3.00%	6.70%
REIT Equities - 67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs) - Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships - Cambridge Assoc Real Estate Index	6.00%	7.20%
Hedge Funds - Hedge Fund Research, Inc. (HFRI) Fund	20.00%	3.85%
	<u>100.00%</u>	<u>71.28%</u>

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investment.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position e compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Position Liability (Asset) (a) - (b)
Balances as of December 31, 2015	\$ 595,439	\$ 652,179	\$ (56,740)
Changes for the year:			
Service cost	27,902	--	27,902
Interest on total pension liability	48,853	--	48,853
Effect of plan changes	--	--	--
Effect of economic/demographic gains or losses	914	--	914
Effect of assumptions changes or inputs	--	--	--
Refund of contributions	(288)	(288)	--
Benefit of payment	(11,943)	(11,943)	--
Administrative expenses	--	(526)	526
Member contributions	--	10,780	(10,780)
Net investment income	--	48,475	(48,475)
Employer contributions	--	12,520	(12,520)
Other	--	2,341	(2,341)
Balances as of December 31, 2016	\$ <u>660,877</u>	\$ <u>713,538</u>	\$ <u>(52,661)</u>

Discount Rate Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease in Discount Rate (7.10%)	Current Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 739,739	\$ 660,877	\$ 594,526
Fiduciary net position	713,538	713,538	713,538
Net pension liability (asset)	\$ <u>26,201</u>	\$ <u>(52,661)</u>	\$ <u>(119,012)</u>

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

For the year ended December 31, 2017 the District recognized pension expense of \$23,829. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 610	\$ 17,556
Changes in actuarial assumptions	2,962	--
Difference between projected and actual earnings on pension plan investments	51,768	--
Contributions paid to TCDRS subsequent to the measurement date	11,032	--
Total	\$ <u>66,372</u>	\$ <u>17,556</u>

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Exp Amount
2017	\$ 5,654
2018	17,186
2019	14,737
2020	207
Thereafter	--

H. Health Care Coverage

Matagorda County Navigation District #1 employees were covered by a health insurance plan by joining together with Matagorda County in their self-insurance pool under an interlocal agreement. The pool is treated as an internal service fund of Matagorda County and is administered by Texas Association of Health Employee Benefits, a third party administrator acting on behalf of the self-funded pool. The plan is authorized by Chapter 172 of the Local Government Code and is documented by contractual agreement between Matagorda County and TAC HEBP. The District contributed \$31,380 for active employees for the year ended December 31, 2017.

The agreement between the County and HEBP renews automatically annually for an additional one-year term without the necessity of any action by the parties other than payment of the appropriate premium or contribution. Either party may elect not to renew this agreement by giving written notice at least thirty days prior to the end of the original term or any renewal term. HEBP purchased specific stop-loss coverage of \$100,000, with an aggregate attachment factor based on the number of employees, from Texas Association of Counties Health and Benefit Pool/Blue Cross Blue Shield of Texas. The contract is renewable October 1, 2018, and terms of coverage and contribution costs are included in the contractual provisions. Each member, to the extent its benefit plan is self-insured, remains responsible for the payment of benefits under the benefit plan in the event HEBP fails to make such payments. The pool has claims that are probable but not reasonably estimable for Matagorda County Navigation District #1 individually, therefore, no liability has been accrued.

Further information on estimated liabilities for unpaid claims can be obtained by contacting Matagorda County at 1700 Seventh Street, Room 326, Bay City, Tx 77414 or calling 979-244-7611.

I. Post Retirement Healthcare Benefits

Plan Description

The District, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to all retired employees who qualified under the Texas County District Retirement System and are currently receiving retirement (pension) income. Such benefits are not available to members' spouses or dependents; rather, only to former employees as previously described. Specific details of the Plan include the provision of certain hospitalization, major medical insurance and prescription drug coverage.

These benefits are provided through Texas Association of Counties Health & Employee Benefit Pool. The District is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the Plan consists solely of the District's firm commitment to provide OPEB through the payment of premiums on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy

The District pays the cost of the postemployment health care benefits for retirees during the life of the retiree. Retirees may elect to continue health care benefits for their spouse and family at their own expense. Substantially all of the government's employees may become eligible for these benefits if they reach normal retirement age while working for the government. The plan is financed on a pay as you go basis.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 23,004
Interest on prior year net OPEB obligation	--
Amortiation of prior year net OPEB obligation	--
Total annual OPEB cost	<u>23,004</u>
Contributions made	--
Increase in net OPEB obligation	<u>23,004</u>
Net OPEB obligation - beginning of year	23,004
Net OPEB obligation - end of year	<u><u>\$ 46,008</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016, 2015 and 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
12/31/17	\$ 23,004	--	--	\$ 46,008

Funding Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the Plan was not funded. The actuarial present value of accrued liability for past and future service benefits equaled \$288,531 and there were \$0 in actuarial valued assets, resulting in an unfunded actuarial accrued liability (UAAL) of the same.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the District maintains no Plan assets, information relative to Plan asset required disclosures is not applicable.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the District and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and Plan members to that Point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the Calculations.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

The annual required contribution rate for the plan was determined as part of the January 1, 2015 actuarial valuation using the following methods and assumptions:

Actuarial cost method	proj unit cost
Amortization method	level, open
Remaining amortization	30 years
Inflation rate	3.00%
Asset valuation method	None
Investment return	1.00%
Projected salary increases	None
Cost of living adjustments	None
Healthcare cost trend rate	8.00%

L. Revenue Bonds Issued on Behalf of Others

Pollution Control Revenue Bonds: In 1973, the Texas legislature enacted the Clean Air Financing Act, and among other provisions, the legislature authorized certain governmental entities to issue on behalf of users, negotiable bonds to pay costs related to the acquisition, construction, or improvement of air control facilities, such bonds to be retired by revenues received by the issuer from the user.

Further, in 1977, the Texas Legislature enacted the Regional Waste Disposal Act, which set forth the authority and procedures for certain governmental entities to issue revenue bonds to pay the costs to acquire, construct, improve, enlarge, extend, operate, and maintain disposal systems and such bonds to be secured by pledge of revenue derived from any contract between issuer and user, entered into under the provisions of the Act for financing such costs.

In accordance with the above authorization, the District has and continues to act as issuer for and on behalf of local industrial users of pollution control revenue bonds to finance the construction of air pollution control facilities, water quality facilities and/or solid waste disposal facilities. These bonds do not constitute indebtedness of the District and are not reported in the District's financial statements. These bonds are secured solely by the revenue of the commercial enterprises on whose behalf they are issued.

Pollution control revenue bonds series issued by the District on behalf of others with principal still outstanding at December 31, 2007 are as follows:

Name of Receiving Entity	Series Date	Original Issue	Interest Rate	Balance Outstanding 12/31/07
CenterPoint	1997	68,000,000	5.125%	68,000,000
American Electric Power Co	2005A	111,700,000	4.4%	111,700,000
American Electric Power Co	2005B	50,000,000	4.55%	50,000,000

K. Committed Fund Balances

During September 15, 2016 the Board of Directors recommitted funds for the following purposes:

Emergency Contingency Fund - District policy provides that 10% of the replacement cost of MCND#1 property is set aside in a contingency fund to handle the clean up and repair from a major storms or other natural disaster. \$ 1,721,923

Insurance Gap Contingency Fund - The District policy provides that 1% of the property value not covered by outside insurance, be set aside to assure reasonable repair funds for insurance gap. 478,526

MATAGORDA COUNTY NAVIGATION DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Property Replacement Contingency Fund - The District policy provides that 1% of the replacement value of all property be set aside to replace worn out property when it reaches the end of its ' useful life.	1,097,310
Emergency Dredging Contingency Fund - The critical nature of keeping our Channel open to maritime commerce and boat traffic make it necessary to include an emergency contingency fund for dredging of the Channel and, possibly, sections of the harbor.	2,000,000
Development of Commercial Center - The District has committed amounts for commercial center infrastructure for future development.	1,500,000
Development Incentive Fund - With future development and construction locating in our County and region, the District has committed amounts for incentive funding.	2,000,000
Development of Additional Recreational Dock & Amenities - The District has committed amounts for development of marine-related industry, business or amenities on MCND#1 properties.	2,000,000
Pomotion and Development of others Interest	50,349
Bonded debt payments	<u>100,000</u>
	<u>\$ 10,948,108</u>

Net assets and fund balance have been restricted and reserved for capital projects to be funded with unspent bond proceeds and for debt service.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

MATAGORDA COUNTY NAVIGATION DISTRICT #1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Taxes</i>	\$ 121,326	\$ 121,326	\$ 121,566	\$ 240
<i>Rentals</i>	669,920	669,920	618,832	(51,088)
<i>Other revenue</i>	55,305	55,305	22,036	(33,269)
<i>Investment income</i>	232,156	232,156	142,014	(90,142)
Total revenues	<u>1,078,707</u>	<u>1,078,707</u>	<u>904,448</u>	<u>(174,259)</u>
Expenditures:				
<i>Navigation and marine facilities current:</i>				
<i>Personnel</i>	256,197	256,197	263,501	(7,304)
<i>Operating costs</i>	16,100	16,100	21,502	(5,402)
<i>Professional services</i>	104,733	104,733	99,266	5,467
<i>General costs</i>	55,509	55,509	52,734	2,775
<i>Utilities</i>	36,080	36,080	29,559	6,521
<i>Repairs and maintenance</i>	218,784	218,784	218,016	768
<i>Marketing and staff development</i>	6,590	6,590	3,993	2,597
<i>Promotion and development</i>	42,000	42,000	30,616	11,384
<i>Capital outlay</i>	1,637,000	1,637,000	2,085,596	(448,596)
Total expenditures	<u>2,372,993</u>	<u>2,372,993</u>	<u>2,804,783</u>	<u>(431,790)</u>
Excess (deficiency) of revenues (under) expenditures	(1,294,286)	(1,294,286)	(1,900,335)	(606,049)
Other financing sources (uses):				
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,294,286)	(1,294,286)	(1,900,335)	(606,049)
Fund balances/equity, Beginning	17,865,293	17,865,293	17,865,293	--
Fund balances/equity, Ending	<u>\$ 16,571,007</u>	<u>\$ 16,571,007</u>	<u>\$ 15,964,958</u>	<u>\$ (606,049)</u>

MATAGORDA COUNTY NAVIGATION DISTRICT #1
REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 YEAR ENDED DECEMBER 31, 2016

OTHER POST EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/2016	\$ --	\$ 288,531	\$ 288,531	--	\$ 186,901	154.38%
01/01/2016	--	288,531	288,531	--	153,994	187.37%

MATAGORDA COUNTY NAVIGATION DISTRICT #1
SCHEDULE OF CHANGES IN THE DISTRICT'S
NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY DISTRICT RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability:	\$ 27,902	\$ 50,747	\$ 49,900	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Service cost	48,853	46,060	39,866	--	--	--	--	--	--	--
Interest	--	(1,737)	--	--	--	--	--	--	--	--
Changes of benefit terms										
Difference between expected and actual experience	914	(43,482)	(5,359)	--	--	--	--	--	--	--
Changes of assumptions	--	8,886	--	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(12,230)	(10,387)	(13,264)	--	--	--	--	--	--	--
Net change in total pension liability	65,438	50,088	71,143	--	--	--	--	--	--	--
Total pension liability - beginning	595,439	545,351	474,207	--	--	--	--	--	--	--
Total pension liability - ending (a)	\$ 660,877	\$ 595,439	\$ 545,351	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Plan fiduciary net position:										
Contributions - employer	\$ 12,520	\$ 15,756	\$ 21,672	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions - employee	10,760	13,083	19,754	--	--	--	--	--	--	--
Net investment income	48,475	(18,638)	38,399	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(12,230)	(10,387)	(13,264)	--	--	--	--	--	--	--
Administrative expense	(526)	(471)	(479)	--	--	--	--	--	--	--
Other	2,341	(1,273)	(2,859)	--	--	--	--	--	--	--
Net change in plan fiduciary net position	61,359	616	63,223	--	--	--	--	--	--	--
Plan fiduciary net position-beginning	652,179	651,563	588,340	--	--	--	--	--	--	--
Plan fiduciary net position-ending (b)	\$ 713,538	\$ 652,179	\$ 651,563	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's net pension liability - ending (a) - (b)	\$ (52,661)	\$ (56,741)	\$ (106,213)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Plan fiduciary net position as a percentage of the total pension liability	107.97%	109.53%	119.48%	--	--	--	--	--	--	--
Covered-employee payroll	\$ 153,994	\$ 186,901	\$ 282,195	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's net pension liability as a percentage of covered-employee payroll	-34.20%	-30.36%	-37.64%	--	--	--	--	--	--	--

Notes to Schedule:

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

MATAGORDA COUNTY NAVIGATION DISTRICT #1
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS COUNTY DISTRICT RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 12,520	\$ 15,756	\$ 21,672	\$ 18,642	\$ 18,374	\$ 17,533	\$ 22,602	\$ 21,085	\$ 24,851	\$ 22,664
Contributions in relation to the actuarially determined contribution	(12,520)	(15,756)	(21,672)	(18,642)	(18,374)	(17,533)	(22,602)	(21,085)	(24,851)	(22,664)
Contribution deficiency (excess)	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Covered-employee payroll	\$ 153,994	\$ 186,901	\$ 282,195	\$ 248,885	\$ 220,845	\$ 221,938	\$ 224,445	\$ 217,375	\$ 260,769	\$ 225,286
Contributions as a percentage of covered-employee payroll	8.10%	8.40%	7.68%	7.49%	8.32%	7.90%	10.07%	9.70%	9.53%	10.06%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	level-percentage-of-covered-payroll basis over a closed period with a layered approach
Remaining amortization period	20 year closed
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	8.93%, average, including inflation
Investment rate of return	8.0%, net of pension plan investment expense, including inflation
Retirement age	(Deferred members are assumed to retire (100% probability) at the later of: a) age 60 b) earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Mortality	((a) Depositing members the RP-2000 Active Employee Mortality Table; (b) Service retirees, beneficiaries and non-depositing members The RP-2000

MATAGORDA COUNTY NAVIGATION DISTRICT #1

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017*

Budgetary Basis of Accounting

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District adopted a budget for the General fund of the District using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

The District exceeded its budget in the category of capital outlay, personnel cost, and operating cost.

Defined Benefit Pension Plan

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.