

**MATAGORDA COUNTY  
NAVIGATION DISTRICT #1**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2021



**8 WEST WAY COURT  
LAKE JACKSON, TEXAS**

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# MATAGORDA COUNTY NAVIGATION DISTRICT #1

*Annual Financial Report  
Year Ended December 31, 2021*

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## **FINANCIAL SECTION**

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## Independent Auditor's Report

To the Board of Directors  
Matagorda County Navigation District #1  
Palacios, TX 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 Matagorda County Navigation District #1 (the "District"), as of and for the year ended December 31, 2021, 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 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.

**Lake Jackson**  
8 W Way Ct.  
Lake Jackson, TX 77566  
979-297-4075

**El Campo**  
201 W. Webb St.  
El Campo, TX 77437  
979-543-6836

**Angleton**  
2801 N. Velasco, Suite C  
Angleton, TX 77515  
979-849-8297

**Bay City**  
2245 Avenue G  
Bay City, TX 77414  
979-245-9236



***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 the District, as of December 31, 2021, 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, required pension schedules and required OPEB schedules on pages 9 through 13 and pages 55 through 60, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

***KM&L, LLC***

Lake Jackson, Texas  
April 28, 2022



# MATAGORDA COUNTY NAVIGATION DISTRICT #1

*Management's Discussion and Analysis*  
*Year Ended December 31, 2021*

As directors of the Matagorda County Navigation District #1 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021. We encourage readers to consider this information presented here in conjunction with the District's financial statements, which follow this section.

## Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 31,251,335 (net position). Of this total amount, \$ 19,864,735 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors within the District's fund designation.
- The District's total net position increased by \$ 2,709,829.
- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of \$ 20,189,150. The amount of \$ 9,396,805 (unassigned fund balance) is available for use within the District's fund designation.

## 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four 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 District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when 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 the future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the District as being principally supported by taxes (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no business-type activities and no component units for which it is financially accountable. The *governmental activities* of the District include navigation and marine facilities, promotion and development and interest and fiscal charges.

The government-wide financial statements can be found on pages 16 and 17 of this report.

## **MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*Management's Discussion and Analysis  
Year Ended December 31, 2021*

**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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two major funds, which is the general fund and debt service fund, and both are reported as governmental 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 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 fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The fund financial statements can be found on pages 20 through 23 of this report.

**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. The notes to the financial statements can be found on pages 26 through 51 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget and actual schedule for the general fund and the required pension and OPEB schedules. Required supplementary information can be found on pages 55 through 60 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 31,251,335 as of December 31, 2021. Net position of the District's governmental activities increased by \$ 2,709,829 from \$ 28,541,506 to \$ 31,251,335.

**MATAGORDA COUNTY NAVIGATION DISTRICT #1***Management's Discussion and Analysis**Year Ended December 31, 2021***The District's Net Position**

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 20,414,466	\$ 17,503,249
Capital assets (net of accumulated depreciation)	<u>11,373,149</u>	<u>12,350,886</u>
Total assets	<u>31,787,615</u>	<u>29,854,135</u>
Total deferred outflows of resources	<u>126,432</u>	<u>105,972</u>
Current and other liabilities	54,450	43,769
Long-term liabilities	<u>426,566</u>	<u>809,213</u>
Total liabilities	<u>481,016</u>	<u>852,982</u>
Total deferred inflows of resources	<u>181,696</u>	<u>565,619</u>
Net Position:		
Net investment in capital assets	11,373,149	11,950,886
Restricted	13,451	9,037
Unrestricted	<u>19,864,735</u>	<u>16,581,583</u>
Total net position	<u>\$ 31,251,335</u>	<u>\$ 28,541,506</u>

**Governmental activities.** Governmental activities increased the District's net position by \$ 2,709,829. Total revenues for governmental activities amounted to \$ 4,272,462, of which operating grants and contributions amounted to 7.70%. The following table provides a summary of the District's operations for the years ended December 31, 2021 and 2020.

**Changes in the District's Net Position**

	<u>2021</u>	<u>2020</u>
Program Revenues:		
Charges for services	\$ 766,336	\$ 682,457
Operating grants and contributions	329,090	1,363,488
General Revenues:		
Tax revenues	520,092	513,072
Investment income	( 153,650)	684,794
Gain on sale of capital assets	2,798,739	-
Miscellaneous	<u>11,855</u>	<u>15,352</u>
Total revenues	<u>4,272,462</u>	<u>3,259,163</u>
Expenses:		
Navigation and marine facilities	1,536,594	1,412,025
Promotion and development	15,539	42,544
Interest and fiscal charges	<u>10,500</u>	<u>23,508</u>
Total expenses	<u>1,562,633</u>	<u>1,478,077</u>
Change in net position	2,709,829	1,781,086
Net position - beginning	<u>28,541,506</u>	<u>26,760,420</u>
Net position - ending	<u>\$ 31,251,335</u>	<u>\$ 28,541,506</u>

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

Management's Discussion and Analysis

Year Ended December 31, 2021

## 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.

**Governmental funds.** The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing 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.

As of the end of the current fiscal year, the District's governmental fund reported a fund balance of \$ 20,189,150. 46.54% of this total amount constitutes unassigned fund balance and 53.46% of this amount constitutes committed fund balance for designated and contingency items, restricted fund balance for debt service and nonspendable fund balance for prepaid expenditures.

The general fund balance increased by \$ 3,316,259 primarily due to sale of capital assets and decreased capital outlay expenditures from the original expectation. The debt service fund balance decreased \$ 1,748 primarily due to weaker than anticipated collections on tax revenue.

## General Fund Budgetary Highlights

The District did not amend the budget in the year ending December 31, 2021. Actual revenues were less than budgeted revenues by \$ 111,457, due to more than anticipated investment loss. Budgeted expenditures exceeded actual expenditures by \$ 302,572, primarily due to a reduction of capital outlay expected from the budget.

**Capital Assets.** The District's investment in capital assets for its governmental activities as of December 31, 2021, amounts to \$ 11,373,149 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, docks and wharves, infrastructure, equipment and other property.

### Capital Assets Net of Accumulated Depreciation

	<u>2021</u>	<u>2020</u>
Land	\$ 1,812,943	\$ 1,875,192
Construction in progress	64,800	-
Buildings and improvements	1,874,738	2,389,749
Docks and wharves	5,739,957	6,129,801
Infrastructure	1,006,515	1,029,290
Equipment	15,953	19,462
Other property	<u>858,243</u>	<u>907,392</u>
Total	<u>\$ 11,373,149</u>	<u>\$ 12,350,886</u>

Additional information on the District's capital assets can be found in Note 5 on page 38.

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

Management's Discussion and Analysis

Year Ended December 31, 2021

**Debt Administration.** At the end of the current year, the District had total long-term debt of \$ 426,566. The District's long-term debt included bonds payable, total OPEB liability and compensated absences.

## Debt Administration

	<u>2021</u>	<u>2020</u>
Bonds payable	\$ -	\$ 400,000
Total OPEB liability	421,214	404,308
Compensated absences	<u>5,352</u>	<u>4,905</u>
Total	<u>\$ 426,566</u>	<u>\$ 809,213</u>

Additional information on the District's debt administration can be found in Note 6 on page 39.

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

The District's 2022 budget was adopted at \$ 1,318,148, a decrease of \$ 76,567 from the 2021 budget. The tax rate of 0.01031 for each \$ 100 was set for 2022 operations.

## 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 requests for additional financial information should be addressed to the Board of Directors, 1602 Main, Palacios, Texas, 77465.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MATAGORDA COUNTY NAVIGATION DISTRICT #1***STATEMENT OF NET POSITION*

December 31, 2021

	<u>Total Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,556,487
Investments	14,643,096
Prepaid items	9,187
Receivables, Net:	
Taxes	125,461
Rentals	8,309
Accrued interest	40,377
Noncurrent Assets:	
Net pension asset	31,549
Capital Assets (Net of Accumulated Depreciation):	
Land	1,812,943
Construction in progress	64,800
Building and improvements	1,874,738
Docks and wharves	5,739,957
Infrastructure	1,006,515
Equipment	15,953
Other property	<u>858,243</u>
Total assets	<u>31,787,615</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources	<u>126,432</u>
Total deferred outflows of resources	<u>126,432</u>
<b>LIABILITIES</b>	
Accounts payable	43,801
Accrued wages payable	6,648
Customer deposits payable	4,001
Noncurrent Liabilities:	
Due within one year	5,352
Due in more than one year:	
Total OPEB liability	<u>421,214</u>
Total liabilities	<u>481,016</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources	<u>181,696</u>
Total deferred inflows of resources	<u>181,696</u>
<b>NET POSITION</b>	
Net investment in capital assets	11,373,149
Restricted For:	
Debt service	13,451
Unrestricted	<u>19,864,735</u>
Total net position	<u>\$ 31,251,335</u>

The notes to the financial statements are an integral part of this statement.



**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

**STATEMENT OF ACTIVITIES**

*Year Ended December 31, 2021*

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position Primary Government Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Navigation and marine facilities	\$ 1,536,594	\$ 766,336	\$ 329,090	\$( 441,168)
Promotion and development	15,539	-	-	( 15,539)
Interest and fiscal charges	<u>10,500</u>	-	-	<u>( 10,500)</u>
Total governmental activities	<u>\$ 1,562,633</u>	<u>\$ 766,336</u>	<u>\$ 329,090</u>	<u>( 467,207)</u>
<b>GENERAL REVENUES</b>				
Tax revenue				520,092
Investment income				( 153,650)
Gain on sale of capital assets				2,798,739
Miscellaneous				<u>11,855</u>
Total general revenues				<u>3,177,036</u>
Change in net position				2,709,829
Net position - beginning				<u>28,541,506</u>
Net position - ending				<u>\$ 31,251,335</u>

The notes to the financial statements are an integral part of this statement.

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## **FUND FINANCIAL STATEMENTS**

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
December 31, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,552,708	\$ 3,779	\$ 5,556,487
Investments	14,643,096	-	14,643,096
Receivables, net:			
Taxes	115,789	9,672	125,461
Rentals	8,309	-	8,309
Accrued interest	40,377	-	40,377
Prepaid items	<u>9,187</u>	<u>-</u>	<u>9,187</u>
Total assets	<u>\$ 20,369,466</u>	<u>\$ 13,451</u>	<u>\$ 20,382,917</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 43,801	\$ -	\$ 43,801
Accrued wages payable	6,648	-	6,648
Customer deposits payable	<u>4,001</u>	<u>-</u>	<u>4,001</u>
Total liabilities	<u>54,450</u>	<u>-</u>	<u>54,450</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources	<u>129,645</u>	<u>9,672</u>	<u>139,317</u>
Total deferred inflows of resources	<u>129,645</u>	<u>9,672</u>	<u>139,317</u>
<b>FUND BALANCE</b>			
Nonspendable	9,187	-	9,187
Committed	10,779,379	-	10,779,379
Restricted	-	3,779	3,779
Unassigned	<u>9,396,805</u>	<u>-</u>	<u>9,396,805</u>
Total fund balance	<u>20,185,371</u>	<u>3,779</u>	<u>20,189,150</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 20,369,466</u>	<u>\$ 13,451</u>	<u>\$ 20,382,917</u>

The notes to the financial statements are an integral part of this statement.

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION**  
*December 31, 2021*

Total fund balance - governmental funds balance sheet	\$ 20,189,150
<b>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 26,018,793 in assets less \$ 14,645,644 in accumulated depreciation.	11,373,149
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and debt service fund amounted to \$ 3,065 and \$ 9,672, respectively.	12,737
Pension deferred outflows and inflows of resources of \$ 58,520, less deferred inflows of resources of \$ 33,645.	24,875
OPEB deferred outflows and inflows of resources of \$ 67,912, less deferred inflows of resources of \$ 21,471.	46,441
Payables for compensated absences are not reported in the funds.	( 5,352)
Payables for total OPEB liability are not reported in the funds.	( 421,214)
Net pension asset are not reported in the funds.	<u>31,549</u>
Net position of governmental activities - statement of net position	<u>\$ 31,251,335</u>

The notes to the financial statements are an integral part of this statement.

**MATAGORDA COUNTY NAVIGATION DISTRICT #1****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
GOVERNMENTAL FUNDS**

Year Ended December 31, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 127,154	\$ 392,696	\$ 519,850
Intergovernmental	329,090	-	329,090
Rental	766,336	-	766,336
Investment income	( 154,828)	1,178	( 153,650)
Miscellaneous	<u>11,855</u>	<u>-</u>	<u>11,855</u>
Total revenues	<u>1,079,607</u>	<u>393,874</u>	<u>1,473,481</u>
<b>EXPENDITURES</b>			
Current:			
Navigation and Marine Facilities:			
Personnel	263,302	-	263,302
Operating costs	137,899	-	137,899
Repairs and maintenance	187,352	-	187,352
Professional fees	164,687	-	164,687
Marketing and staff development	41,897	-	41,897
Promotion and development	15,539	-	15,539
Capital outlay	275,436	-	275,436
Debt Service:			
Principal	-	400,000	400,000
Interest and fiscal charges	<u>-</u>	<u>16,500</u>	<u>16,500</u>
Total expenditures	<u>1,086,112</u>	<u>416,500</u>	<u>1,502,612</u>
Excess (deficiency) of revenues over expenditures	<u>( 6,505)</u>	<u>( 22,626)</u>	<u>( 29,131)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of capital assets	3,343,642	-	3,343,642
Transfers in	-	20,878	20,878
Transfers out	<u>( 20,878)</u>	<u>-</u>	<u>( 20,878)</u>
Total other financing sources (uses)	<u>3,322,764</u>	<u>20,878</u>	<u>3,343,642</u>
Change in fund balance	3,316,259	( 1,748)	3,314,511
Fund balance - beginning	<u>16,869,112</u>	<u>5,527</u>	<u>16,874,639</u>
Fund balance - ending	<u>\$ 20,185,371</u>	<u>\$ 3,779</u>	<u>\$ 20,189,150</u>

The notes to the financial statements are an integral part of this statement.

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES*  
Year Ended December 31, 2021

Change in fund balance - total governmental funds	\$ 3,314,511
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
Governmental funds report capital outlay as expenditures. However, in the governmental activities statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The amount by which depreciation of \$ 708,270 exceeded capital outlay of \$ 275,436 in the current period.	( 432,834)
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of assets disposed were \$ 544,903.	( 544,903)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the fund. Deferred property tax revenues for the general fund and debt service increased by \$ 242.	242
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. The funds statements reported \$ 400,000 in bond principal payments.	400,000
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount of accrued interest on long-term debt	6,000
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount of change in compensated absences	( 447)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount of change in the total OPEB liability.	( 27,023)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount of change in the net pension asset.	( 5,717)
Change in net position of governmental activities	<u>\$ 2,709,829</u>

The notes to the financial statements are an integral part of this statement.

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**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*NOTES TO THE FINANCIAL STATEMENTS*

*Year Ended December 31, 2021*

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# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The accounting and reporting policies of the District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

#### **Reporting Entity**

The Board of the District is elected by the public; has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 61, "The Financial Reporting Entity." There are no component units included within the reporting entity.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenue. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program. The District had program revenues related to charges for services and capital grants and contributions during the tax year ended December 31, 2021. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. The District does not have any fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District 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.

Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The District reports the following major governmental fund:

The *General Fund* is the District's only fund. It accounts for all financial resources of the District. The major revenue source includes local property taxes and interest earnings. Expenditures include all costs associated with the daily operations of the District.

The *Debt Service Fund* is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations of governmental funds.

#### **Budgetary data**

The original annual appropriated budget is adopted by the Board of Directors in September of the preceding year. Expenses are budgeted substantially on the modified accrual basis of accounting. Tax collections are budgeted based upon 100% of the tax levied in October of the year preceding the budget year (i.e. 2021 budgeted tax revenue is based upon the October, 2020 tax levy). Accordingly, there is no material difference between the financial reporting and budget basis of accounting.

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

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### **Encumbrance Accounting**

The District does not employ a complete purchase order system for all expenditures and therefore does not utilize encumbrance accounting. Appropriations generally lapse at the end of the year.

#### **Cash and Investments**

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

#### **Property Taxes**

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

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

The assessed value of the property tax roll on October 1, 2021, upon which the levy for the 2022 year was based, was \$ 1,229,048,290. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20 % delinquent collection fees for attorney costs

The tax rates assessed for the year ended December 31, 2021, to finance general fund operations was \$ 0.01031 per \$ 100 valuation.

As of December 31, 2021, the District had collected \$ 13,856 of the 2021 levy (levied October 1, 2021), which is deferred and set aside for 2022 operations. Additionally, property taxes receivable of \$ 112,724 and \$ 14,896 from the 2021 levy and prior year levies, respectively, are recorded as deferred inflows of resources, net of allowance for uncollectible taxes of \$ 2,158. Allowances for uncollectible taxes are based on historical experience in collecting 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.

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### **Inventories and Prepaid Items**

The District utilizes the consumption method to account for inventory. Under this method, inventory is considered an expenditure when used rather than when purchased. Significant inventories are reported on the balance sheet at cost, using the first-in, first-out method, with an offsetting reservation of fund balance in the governmental fund financial statements since they do not constitute "available spendable resources" even though they are a component of current assets.

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

#### **Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, docks and wharves, infrastructure, equipment and other property, are reported in the governmental activities columns in the government-wide financial statement. The District started capitalizing expenditures beginning during the year ended December 31, 2004. Capital assets acquired prior to January 1, 2004 have not been reported. The District chose not to capitalize any assets before that time period. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are being depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	25-40
Docks and wharves	25
Infrastructure	50
Equipment	15-20
Other property	20-40

#### **Compensated Absences**

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

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### **Deferred Outflows and Inflows of Resources**

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

#### **Pension Plans**

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **Other Post-Employment Benefits**

The fiduciary net position of the Matagorda County Navigation District #1 Plan (the "Plan") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the Plan's total OPEB liability. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no assets as this is a pay-as-you-go plan.

#### **Fund Balance**

The Board of Directors meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board. Fund Balance of the District may be committed for a specific source by formal action of the Board of Directors. Amendments or modifications of the committed fund balance must also be approved by formal action by the Board. When it is appropriate for fund balance to be assigned, the Board has delegated authority to the Directors. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, followed by assigned fund balance, and lastly, unassigned fund balance.

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*Nonspendable Fund Balance* - Includes amounts that cannot be spent because they are either not spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

*Restricted Fund Balance* - Constraints placed on the use of these resources are either externally imposed by creditors (such as through covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions enabling legislation).

*Committed Fund Balance* - Amounts that can only be used for specific purposes because of a formal resolution by the government's highest level of decision-making authority.

*Assigned Fund Balance* - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by the Port Director if authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all government funds with positive balances.

*Unassigned Fund Balance* - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

As of December 31, 2021, nonspendable fund balance related to prepaid items includes \$ 9,187 in the general fund, restricted fund balance of \$ 3,779 in the debt service fund, and unassigned fund balance includes \$ 9,396,805 in the general fund.

During the year ended December 31, 2021, the Board of Directors committed funds for the following purposes:

Emergency Contingency Fund - District policy provides that 10% of the replacement cost of property is set aside in a contingency fund to handle the cleanup and repair from a major storm or other natural disaster. \$ 1,556,862

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. 312,106

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. 1,310,411

(continued)

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*NOTES TO THE FINANCIAL STATEMENTS*

*Year Ended December 31, 2021*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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 funds.	2,000,000
Development of Additional Recreational Dock & Amenities - The District has committed amounts for development of marine-related industry, business or amenities on District property.	2,000,000
Promotion and Development of others interest	50,000
Bonded debt payments	<u>50,000</u>
	<u>\$ 10,779,379</u>

**Net Position**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Restricted net position, as presented in the government-wide statement of net position, is reported when constraints placed on the use of net position are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation. The District had restricted net position for debt service of \$ 13,451 for the year ended December 31, 2021.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**NOTE 2. NEW PRONOUNCEMENTS**

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:



# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

*Year Ended December 31, 2021*

### **NOTE 2. NEW PRONOUNCEMENTS** - Continued

GASB No. 87 “Leases” was issued in June 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2021.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB No. 91 “Conduit Debt Obligations” was issued in May 2019. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB No. 92 “Omnibus 2020” was issued in January 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB No. 93 “Replacement of Interbank Offered Rates” was issued in March 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statement of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” was issued in March 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance” was issued in May 2020. The statement was implemented and did not have a material effect on the District’s financial statements. The requirements of this statement are effective immediately.

GASB No. 96 “Subscription-Based Information Technology Arrangements” was issued in May 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans” was issued in June 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 3. DEPOSITS AND INVESTMENTS

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net position at December 31, 2021 are as follows:

	<u>Total</u>
Cash and Cash Equivalents:	
Financial Institution Deposits:	
Demand deposits	\$ <u>5,650,048</u>
Total cash	<u>5,650,048</u>
Investments:	
Certificates of deposit	667,245
Agency securities	<u>13,882,290</u>
Total investment	<u>14,549,535</u>
Total	<u>\$ 20,199,583</u>

#### Deposits

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the District's depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At December 31, 2021, the carrying amount of the District's cash, savings, and time deposits was \$ 6,317,293. The financial institutions balances were \$ 6,403,678 at December 31, 2021. Bank balances of \$ 500,000 were covered by federal depository insurance, \$ 4,867,552 were covered by securities pledges in the District's name, and \$ 1,036,126 was uninsured.

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 3. DEPOSITS AND INVESTMENTS - Continued

#### Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds in areas that primarily emphasizes the safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. The District's investment compliance requirements and types of investments are governed by the Public Funds Investment Act (PFIA) and the Texas Commission on Environmental Quality (TCEQ). The District believes it has complied with the requirements of the PFIA and the TCEQ.

Weighted Average - As of December 31, 2021, the District held certificates of deposit and agency securities totaling \$ 14,549,535 with a weighted average maturity of 947 days.

Credit Risk - As of December 31, 2021, the agency securities (which represent 95.41% of the investment portfolio) are rated Aaa, are fully insured, registered, or the District's agent holds securities in the District's name; therefore, the District is not exposed to credit risk. The certificates of deposit (which represent 4.59% of the investment portfolio) are fully covered by the FDIC.

Interest Rate Risk - The District limits its exposure to interest rate risk by diversifying its investments by security type and institution. District policy will be that the maximum allowable stated maturity of an individual investment for operating funds shall not exceed five years, unless a temporary extension of maturities is approved by the Board of Directors.

#### Fair Value Measures

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurements and Application*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*NOTES TO THE FINANCIAL STATEMENTS*

*Year Ended December 31, 2021*

**NOTE 3. DEPOSITS AND INVESTMENTS - Continued**

**Fair Value Measures** - Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Agency securities	\$ <u>13,882,290</u>	\$ _____ -	\$ _____ -	\$ <u>13,882,290</u>
Total assets at fair value	\$ <u>13,882,290</u>	\$ _____ -	\$ _____ -	\$ <u>13,882,290</u>

**NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND UNEARNED REVENUES**

**Receivables and Allowances**

Receivables as of December 31, 2021, for the District's general fund, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Receivables:			
Taxes	\$ 116,503	\$ 11,116	\$ 127,619
Rentals	8,309	-	8,309
Accrued interest	<u>40,377</u>	<u>-</u>	<u>40,377</u>
Gross receivables	165,189	11,116	176,305
Less: Allowance for uncollectible	<u>714</u>	<u>1,444</u>	<u>2,158</u>
Net total receivables	\$ <u>164,475</u>	\$ <u>9,672</u>	\$ <u>174,147</u>

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*NOTES TO THE FINANCIAL STATEMENTS*

*Year Ended December 31, 2021*

**NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND UNEARNED REVENUES - Continued**

**Deferred Inflows of Resources and Unearned Revenues**

Governmental funds defer the recognition of revenue in connection with receivables for revenues that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of December 31, 2021, the deferred inflows of resources reported in the governmental funds were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Current property taxes collected (October 1, 2021 Levy)	\$ 13,856	\$ -	\$ 13,856
Current property taxes receivable (October 1, 2021 Levy)	112,724	-	112,724
Delinquent property taxes receivable (October 1, 2020 and prior)	<u>3,065</u>	<u>9,672</u>	<u>12,737</u>
Total deferred inflows of resources	<u>\$ 129,645</u>	<u>\$ 9,672</u>	<u>\$ 139,317</u>

Governmental activities defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Governmental activities defer the recognition of certain expenses and report these amounts as a deferred outflow of resources. As of December 31, 2021, deferred outflows and inflows of resources reported on the governmental activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Current property taxes collected (October 1, 2021 Levy)	\$ -	\$ 13,856
Current property taxes receivable (October 1, 2021 Levy)	-	112,724
Differences between expected and actual experience	6,961	26,914
Changes in assumptions	85,726	-
Net difference between projected and actual earnings	-	22,195
Contributions made subsequent to measurement	<u>13,285</u>	<u>-</u>
Total deferred outflows/inflows of resources from governmental activities	<u>\$ 105,972</u>	<u>\$ 175,689</u>

As of December 31, 2021, there was no unearned revenues reported for rental revenue.

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*NOTES TO THE FINANCIAL STATEMENTS*

*Year Ended December 31, 2021*

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance January 1, 2021	Additions	Retirements/ Transfers	Balance December 31, 2021
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,875,192	\$ -	\$( 62,249)	\$ 1,812,943
Construction in progress	<u>-</u>	<u>64,800</u>	<u>-</u>	<u>64,800</u>
Total capital assets not being depreciated	<u>1,875,192</u>	<u>64,800</u>	<u>( 62,249)</u>	<u>1,877,743</u>
Capital Assets Being Depreciated:				
Buildings and improvements	4,233,911	82,561	( 1,866,017)	2,450,455
Docks and wharves	18,531,544	122,176	-	18,653,720
Infrastructure	1,138,751	-	-	1,138,751
Equipment	59,318	5,899	( 5,200)	60,017
Other property	<u>1,838,107</u>	<u>-</u>	<u>-</u>	<u>1,838,107</u>
Total capital assets being depreciated, net	<u>25,801,631</u>	<u>210,636</u>	<u>( 1,871,217)</u>	<u>24,141,050</u>
Accumulated Depreciation:				
Buildings and improvements	1,844,162	119,066	( 1,387,511)	575,717
Docks and wharves	12,401,743	512,020	-	12,913,763
Infrastructure	109,461	22,775	-	132,236
Equipment	39,856	5,260	( 1,052)	44,064
Other property	<u>930,715</u>	<u>49,149</u>	<u>-</u>	<u>979,864</u>
Total accumulated depreciation	<u>15,325,937</u>	<u>708,270</u>	<u>( 1,388,563)</u>	<u>14,645,644</u>
Total capital assets being depreciated, net	<u>10,475,694</u>	<u>( 497,634)</u>	<u>( 482,654)</u>	<u>9,495,406</u>
Governmental activities capital assets, net	<u>\$ 12,350,886</u>	<u>\$( 432,834)</u>	<u>\$( 544,903)</u>	<u>\$ 11,373,149</u>

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

Governmental Activities:	
Navigation and marine facilities	\$ <u>708,270</u>
Total depreciation expense-governmental activities	\$ <u>708,270</u>

See Note 1 for additional information regarding capital assets.

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*NOTES TO THE FINANCIAL STATEMENTS*

*Year Ended December 31, 2021*

**NOTE 6. LONG-TERM LIABILITIES**

General Long-Term Debt

In September 2011, the District issued \$ 3,475,000 of Series 2011 general obligation refunding bonds to refund outstanding obligations related to the Series 2001 issuance. General long-term debt was paid off as of December 31, 2021.

General obligation bond transactions for the year ended December 31, 2021 are as follows:

Bonds outstanding, December 31, 2020	\$ 400,000
Matured	<u>( 400,000)</u>
 Bonds outstanding, December 31, 2021	 \$ <u><u>          -</u></u>

Long-term liabilities from which general funds will be used to liquidate include compensated absences and post-employment health insurance benefits as follows:

	<u>Balance</u> <u>01-01-21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12-31-21</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General obligation bonds	\$ 400,000	\$ -	\$ 400,000	\$ -	\$ -
Total OPEB liability	404,308	26,506	9,600	421,214	-
Compensated absences	<u>4,905</u>	<u>8,216</u>	<u>7,769</u>	<u>5,352</u>	<u>5,352</u>
 Total governmental activities	 <u>\$ 809,213</u>	 <u>\$ 34,722</u>	 <u>\$ 417,369</u>	 <u>\$ 426,566</u>	 <u>\$ 5,352</u>

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 7. LEASING OPERATIONS

#### Operating Leases - Lessor

The District is involved in various operating leases as lessor. These leases are for turning basins, boat slips, the Marine Education Center, and various other properties. These leases expire from 2022 through 2034.

Minimum future rentals to be received on noncancelable leases, as of December 30, 2021, for each of the next five years and in the aggregate are as follows:

<u>Year Ended December 31, _____</u>	
2022	\$ 507,754
2023	351,423
2024	255,293
2025	38,124
2026	38,080
2027-2031	106,275
2032-2034	<u>28,093</u>
Total	<u>\$ 1,325,042</u>

Gross rental income for operating leases, including month-to-month, for the year ended December 31, 2021 was \$ 776,336.

### NOTE 8. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN

*Plan Description* - The District provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 799 non-traditional defined benefit plans. 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, TX 79768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

All eligible employees of the County are required to participate in TCDRS.



**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*NOTES TO THE FINANCIAL STATEMENTS*

*Year Ended December 31, 2021*

**NOTE 8. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued**

The plan provisions are adopted by the Board of Directors of the District, within the options available in the state statutes governing TCDRS. Plan provisions for the District were as follows:

	<u>Plan Year 2021</u>	<u>Plan Year 2020</u>
Employee deposit rate	7.00%	7.00%
Employer deposit rate	8.28%	8.28%
Matching ratio (District to employee)	2 to 1	2 to 1
Years required for vesting	8	8
Service retirement eligibility (expressed as age/years of service)	60/8, 0/30	60/8, 0/30

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	3
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>3</u>
	<u><u>11</u></u>

*Contributions* - The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee compensation, and the employer matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the employer. Under the state laws governing TCDRS, the contribution rate for each employer is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. Participating employers are required to contribute at the 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.

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.

Employees of the District were required to contribute 7% of their annual compensation during the fiscal year. The District's required contribution rates of 8.28% and 8.28% in calendar years 2021 and 2020, respectively. The District's contributions to TCDRS for the year ended December 31, 2021 were \$ 14,043.

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

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 8. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

#### Actuarial Assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

Except where indicated in the section of this GASB 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31, 2020 financial reporting metrics are the same as those used in the December 31, 2020 actuarial valuation analysis for the District.

Following is a description of the assumptions used in the December 31, 2020 actuarial valuation analysis for the District. This information may also be found in the District December 31, 2020 Summary Valuation Report.

#### Economic Assumptions:

##### TCDRS System-Wide Economic Assumptions

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

The assumed long-term investment return of 7.5% is net after investment and administrative expenses and is expected to enable the system to credit each employer's Subdivision Accumulation Fund (SAF) with a nominal annual rate of 7.5% on the combined ESF and SAF funds, less the amount credited to the employer's ESF. Under the TCDRS Act, the ESF is credited with a nominal annual rate of 7%. It is assumed interest will be credited at the nominal annual rate of 7.5% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

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 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

##### Employer Specific Economic Assumptions

Growth in membership	0.00%
Payroll growth	3.00%

The payroll growth assumption is for the aggregate covered payroll of an employer.

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 8. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. 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 TCDRS.

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 the January 2021 for a 10 year horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in the assessment.

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return (Expected minus Inflation) <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) index	2.50%	4.55%
International Equities - Developed	MSCI World Ex USA (net)	5.00%	4.25%
International Equities - Emerging	MSCI Emerging Markets Standard (net) index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	( 0.85% )
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(4)</sup>	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	4.90%
Private Equities	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund Of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-day U.S. Treasury	<u>2.00%</u>	( 0.70% )
<b>Total</b>		<u><u>100.00%</u></u>	

<sup>(1)</sup> Target asset allocation adopted at the March 2021 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.00% per Cliffwater's 2021 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 8. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

*Discount Rate* – The discount rate is the single rate of return that, when applied to all projected benefit payment 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 investments.
2. The actuarial present value of projected benefit payments not include in (1), calculated using the municipal bond rate.

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 payments for those years.

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 value, 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 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.

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 8. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

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 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance as of December 31, 2019	\$ 848,618	\$ 910,454	\$( 61,836)
Changes for the Year:			
Service cost	26,219	-	26,219
Interest on total pension liability <sup>(1)</sup>	69,220	-	69,220
Effect of plan changes <sup>(2)</sup>	-	-	-
Effect of economic/demographic gains or losses	4,564	-	4,564
Effect of assumptions changes or inputs	47,936	-	47,936
Refunds of contributions	-	-	-
Benefit payment,	( 41,333)	( 41,333)	-
Administrative expense	-	( 722)	722
Member contributions	-	11,467	( 11,467)
Net investment income	-	94,022	( 94,022)
Employer contributions	-	13,285	( 13,285)
Other <sup>(3)</sup>	-	( 400)	400
	\$ <u>955,224</u>	\$ <u>986,773</u>	\$( <u>31,549</u> )
Balance as of December 31, 2020	\$ <u>955,224</u>	\$ <u>986,773</u>	\$( <u>31,549</u> )

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

**Sensitivity Analysis** - The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate of 1 percentage-point lower (6.60%) or 1 percentage-point higher (8.60%) than the current rate:

	1% Decrease In Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase In Discount Rate (8.60%)
Total pension liability	\$ 1,063,873	\$ 955,225	\$ 862,354
Fiduciary net position	<u>986,774</u>	<u>986,774</u>	<u>986,774</u>
Net pension liability/(asset)	\$ <u>77,099</u>	\$( <u>31,549</u> )	\$( <u>124,420</u> )

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*NOTES TO THE FINANCIAL STATEMENTS*

*Year Ended December 31, 2021*

**NOTE 8. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued**

<i>Pension Expense:</i>	<u>Year Ended 12-31-20</u>
Service cost	\$ 26,219
Interest on total pension liability <sup>(1)</sup>	69,220
Effect of plan changes	-
Administrative expenses	722
Member contributions	( 11,467)
Expected investment return net of investment expenses	( 73,044)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	3,744
Recognition of assumption changes or inputs	13,495
Recognition of investment gains or losses	( 9,528)
Other <sup>(2)</sup>	<u>400</u>
<b>Pension expense</b>	<b><u>\$ 19,761</u></b>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> Related to allocation of system-wide items.

**Deferred Inflows and Outflows** - At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 7,016	\$ -
Net difference between projected and actual investment earnings	-	33,645
Changes in assumptions	37,461	-
Contributions subsequent to the measurement date <sup>(3)</sup>	<u>14,043</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 58,520</u></b>	<b><u>\$ 33,645</u></b>

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

<u>Year Ended December 31,</u>	
2022	\$ 7,501
2023	12,078
2024	( 4,553)
2025	( 4,194)
2026	-
Thereafter <sup>(4)</sup>	-

<sup>(3)</sup> Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end.

<sup>(4)</sup> Total remaining balance to be recognized in future years, if any. Note that additional deferred inflows and outflows of resources may impact these numbers.

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 9. HEALTH CARE COVERAGE

The District's employees were covered by a health insurance plan by joining together with Matagorda County in their self-insurance pool under an interlocal agreement. The pool is treated as an internal service fund of Matagorda County and is administered by Texas Association of Health Employee Benefits, a third party administrator acting on behalf of the self-funded pool. The plan is authorized by Chapter 172 of the Local Government Code and is documented by contractual agreement between Matagorda County and TAX HEBP. The District contributed \$ 23,345 for active employees and \$ 9,600 for retirees to Matagorda County for the year ended December 31, 2021.

The agreement between the County and HEBP renews automatically annually for an additional one-year term without the necessity of any action by the parties other than payment of the appropriate premium or contribution. Either party may elect not to renew the agreement by giving written notice at least thirty days prior to the end of the original term or any renewal term. HEBP purchased specific stop-loss coverage of \$ 100,000, 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, 2021, and terms of coverage and contribution costs are included in the contractual provisions. Each member, to the extent its benefit plan is self-insured, remains responsible for the payment of benefits under the benefit plan in the event HEBP fails to make such payments. The pool has claims that are probable but not reasonably estimable for the District 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.

### NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

*Plan Description* - The District's defined benefit OPEB plan provides medical and prescription drug benefits to plan members of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to the Board of Directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

# MATAGORDA COUNTY NAVIGATION DISTRICT #1

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

### NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

The following table provides a summary of the number of participants in the plan as of December 31, 2021:

Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>2</u>
	<u><u>3</u></u>

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

The plan is funded on a pay-as-you-go basis. For the year ended December 31, 2021, the total benefit payments made to the plan was \$ 9,600. The total benefit payments made include explicit benefit payments made by the District of \$ 9,600.

*Total OPEB Liability* - The District's total OPEB liability of \$ 421,214 was measured as of December 31, 2021, and was determined by an actuarial valuation as of December 31, 2021.

*Actuarial assumptions and other inputs* - The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Individual Entry-Age
Discount rate	2.12%
Inflation	3.00%
Salary increases	3.50%
Health care trend rates	Level 4.50%

Mortality rates were based on the RPH-2014 Total Table with projection MP-2020.

The actuarial assumption used on December 31, 2021 valuation was rolled forward from December 31, 2020 valuation.

The actuarial assumptions used in the December 31, 2020 valuation were based on the experience study covering the four-year period ending December 31, 2017, as conducted for the Texas County and District Retirement System.



**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*NOTES TO THE FINANCIAL STATEMENTS*

*Year Ended December 31, 2021*

**NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued**

*Discount Rate* - For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of a 20-year general obligation bond with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 4.10% (based on the daily rate closest to but not later than the measurement date of the “Bond Buyer GO-20 bond index”).

*Changes in Total OPEB Liability* - The changes in the total OPEB liability as of December 31, 2021 are as follows:

	<u>Total OPEB Liability</u>
Service cost	\$ 17,662
Interest cost	8,844
Benefit payments	<u>( 9,600)</u>
Net change in total OPEB liability	16,906
Total OPEB liability, December 31, 2020	<u>404,308</u>
Total OPEB liability, December 31, 2021	<u>\$ 421,214</u>

*Sensitivity of the total OPEB liability to changes in the discount rate* - The following presents the total OPEB liability of the District, calculated using the discount rate of 2.12%, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate of 1 percentage-point lower (1.12%) or 1 percentage-point higher (3.12%) than the current rate:

	<u>1% Decrease In Discount Rate (1.12%)</u>	<u>Discount Rate (2.12%)</u>	<u>1% Increase In Discount Rate (3.12%)</u>
Total OPEB liability	\$ 518,224	\$ 421,214	\$ 347,383

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates* - The following presents the total OPEB liability of the District, calculated using the healthcare cost trend rate of 4.50%, as well as what the District’s total OPEB liability would be if it were calculated using a healthcare cost trend rate of 1 percentage-point lower (3.50%) or 1 percentage-point higher (5.50%) than the current rate:

	<u>1% Decrease In Healthcare Cost Trend Rate (3.50%)</u>	<u>Healthcare Cost Trend Rate (4.50%)</u>	<u>1% Increase In Healthcare Cost Trend Rate (5.50%)</u>
Total OPEB liability	\$ 334,599	\$ 421,214	\$ 542,943

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*NOTES TO THE FINANCIAL STATEMENTS*

*Year Ended December 31, 2021*

**NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued**

<i>Total OPEB Expense:</i>	<u>Year Ended 12-31-21</u>
Service cost	\$ 17,662
Interest cost	8,844
Difference between expected and actual experience	( 4,678)
Change in assumptions or other inputs	<u>14,795</u>
Total OPEB expense	\$ <u><u>36,623</u></u>

*Deferred Inflows and Outflows* - At December 31, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

<u>Schedule of Deferred Outflows/(Inflows)</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 21,471
Changes of assumption/inputs	<u>67,912</u>	<u>-</u>
Total	\$ <u><u>67,912</u></u>	\$ <u><u>21,471</u></u>

<u>Year Ended December 31,</u>	<u>Net Outflows/ (Inflows)</u>
2022	\$ 10,117
2023	10,117
2024	10,117
2025	10,117
2026	5,973
2027	-

**NOTE 11. RISK MANAGEMENT**

The District is exposed to all the normally expected risks of a public entity of its size and nature. Management is unaware of any unusual or unexpected types of risk. There has been no significant reduction in bond coverage during the year ended December 31, 2021. As of December 31, 2021 management is unaware of any material liability for unpaid claims or unasserted claims.

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**

*NOTES TO THE FINANCIAL STATEMENTS*

*Year Ended December 31, 2021*

**NOTE 12. 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, including districts organized under Article 16, Section 59 of the Constitution, to issue on behalf of users, negotiable bonds to pay cost 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, setting forth the authority and procedures for certain governmental entities, including districts created under Article 16, Section 59, of the Constitution, 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 solid waste disposal facilities. These bonds do not constitute indebtedness of the Port and are not reported in the Port's financial statements. These bonds are secured solely by the revenues of the commercial enterprise on whose behalf they are issued.

Pollution Control Revenue Bond series issued by the District on behalf of others with principal still outstanding at December 31, 2021 are as follows:

<u>Name of Receiving Entity</u>	<u>Issue Date</u>	<u>Original Issue</u>	<u>Balance Outstanding 12-31-21</u>
Centerpoint	1997	\$ 68,000,000	\$ 68,000,000
American Electric Power Co.	2005	111,700,000	111,700,000
American Electric Power Co.	2005	50,000,000	50,000,000
Central Power and Light Co.	1996	60,000,000	60,000,000
Central Power and Light Co.	2001	100,635,000	100,635,000
American Electric Power Co.	2008	<u>120,265,000</u>	<u>120,265,000</u>
Total		\$ <u>510,600,000</u>	\$ <u>510,600,000</u>

**NOTE 13. EVALUATION OF SUBSEQUENT EVENTS**

The District has evaluated subsequent events through April 28, 2022, the date which the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**MATAGORDA COUNTY NAVIGATION DISTRICT #1****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND**

Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 126,253	\$ 126,253	\$ 127,154	\$ 901
Intergovernmental	-	-	329,090	329,090
Rental	731,095	731,095	766,336	35,241
Investment Income	294,351	294,351	( 154,828)	( 449,179)
Miscellaneous	39,365	39,365	11,855	( 27,510)
Total revenues	<u>1,191,064</u>	<u>1,191,064</u>	<u>1,079,607</u>	<u>( 111,457)</u>
<b>EXPENDITURES</b>				
Current:				
Navigation and Marine Facilities:				
Personnel	263,781	263,781	263,302	479
Operating costs	150,600	150,600	137,899	12,701
Repairs and maintenance	191,500	191,500	187,352	4,148
Professional fees	158,553	158,553	164,687	( 6,134)
Marketing and staff development	44,200	44,200	41,897	2,303
Promotion and development	16,500	16,500	15,539	961
Capital outlay	<u>675,007</u>	<u>675,007</u>	<u>275,436</u>	<u>399,571</u>
Total expenditures	<u>1,500,141</u>	<u>1,500,141</u>	<u>1,086,112</u>	<u>414,029</u>
Excess (deficiency) of revenues over expenditures	<u>( 309,077)</u>	<u>( 309,077)</u>	<u>( 6,505)</u>	<u>302,572</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	-	-	3,343,642	3,343,642
Transfers out	<u>( 16,010)</u>	<u>( 16,010)</u>	<u>( 20,878)</u>	<u>( 4,868)</u>
Total other financing uses	<u>( 16,010)</u>	<u>( 16,010)</u>	<u>3,322,764</u>	<u>3,338,774</u>
Change in fund balance	<u>( 325,087)</u>	<u>( 325,087)</u>	<u>3,316,259</u>	<u>3,641,346</u>
Fund balance - beginning	<u>16,869,112</u>	<u>16,869,112</u>	<u>16,869,112</u>	<u>-</u>
Fund balance - ending	<u>\$ 16,544,025</u>	<u>\$ 16,544,025</u>	<u>\$ 20,185,371</u>	<u>\$ 3,641,346</u>

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS  
With a Measurement Date of December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total Pension Liability</b>				
Service cost	\$ 26,219	\$ 24,191	\$ 18,850	\$ 27,604
Interest on the total pension liability	69,220	65,059	60,396	55,293
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	47,936	-	-	7,549
Effect of economic/demographic (gains) or losses	4,564	897	9,642	3,667
Benefit payments/refunds of contributions	<u>( 41,333)</u>	<u>( 40,273)</u>	<u>( 33,190)</u>	<u>( 11,943)</u>
Net change in total pension liability	106,606	49,874	55,698	82,170
Total pension liability - beginning	<u>848,618</u>	<u>798,744</u>	<u>743,046</u>	<u>660,876</u>
Total pension liability - ending (a)	<u>\$ 955,224</u>	<u>\$ 848,618</u>	<u>\$ 798,744</u>	<u>\$ 743,046</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 13,285	\$ 9,467	\$ 11,534	\$ 9,780
Member contributions	11,467	11,289	11,151	11,487
Investment Income net of investment expense	94,022	131,369	( 15,519)	104,302
Benefit payments/refunds of contributions	( 41,333)	( 40,273)	( 33,190)	( 11,943)
Administrative expenses	( 722)	( 694)	( 642)	( 550)
Other	<u>( 400)</u>	<u>( 541)</u>	<u>( 230)</u>	<u>120</u>
Net Change in fiduciary net position	76,319	110,617	( 26,896)	113,196
Fiduciary net position - beginning	<u>910,454</u>	<u>799,837</u>	<u>826,733</u>	<u>713,537</u>
Fiduciary net position - ending (b)	<u>\$ 986,773</u>	<u>\$ 910,454</u>	<u>\$ 799,837</u>	<u>\$ 826,733</u>
Net pension asset, ending = (a)-(b)	<u>\$( 31,549)</u>	<u>\$( 61,836)</u>	<u>\$( 1,093)</u>	<u>\$( 83,687)</u>
Fiduciary net position as a percentage of total pension liability	<u>103.30%</u>	<u>107.29%</u>	<u>100.14%</u>	<u>111.26%</u>
Pensionable covered payroll	<u>\$ 161,275</u>	<u>\$ 161,275</u>	<u>\$ 159,305</u>	<u>\$ 164,097</u>
Net pension asset as a percentage of covered payroll	<u>( 19.56%)</u>	<u>( 38.34%)</u>	<u>( 0.69%)</u>	<u>( 51.00%)</u>

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 68, they should not be shown. Therefore, we have shown only years for which the new GASB statements have been implemented.



<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 27,902	\$ 50,747	\$ 49,900
48,853	46,060	39,866
-	( 1,737)	-
-	8,886	-
914	( 43,482)	( 5,359)
<u>( 12,230)</u>	<u>( 10,387)</u>	<u>( 13,264)</u>
65,439	50,087	71,143
<u>595,437</u>	<u>545,350</u>	<u>474,207</u>
<u>\$ 660,876</u>	<u>\$ 595,437</u>	<u>\$ 545,350</u>

\$ 12,520	\$ 15,756	\$ 21,672
10,780	13,083	19,754
48,475	( 18,638)	38,399
( 12,230)	( 10,387)	( 13,264)
( 526)	( 471)	( 479)
<u>2,340</u>	<u>1,272</u>	<u>( 2,859)</u>
61,359	615	63,223
<u>652,178</u>	<u>651,563</u>	<u>588,340</u>
<u>\$ 713,537</u>	<u>\$ 652,178</u>	<u>\$ 651,563</u>
<u>\$( 52,661)</u>	<u>\$( 56,741)</u>	<u>\$( 106,213)</u>

<u>107.97%</u>	<u>109.53%</u>	<u>119.48%</u>
<u>\$ 153,994</u>	<u>\$ 186,901</u>	<u>\$ 282,195</u>
<u>( 34.20%)</u>	<u>( 30.36%)</u>	<u>( 37.64%)</u>

**MATAGORDA COUNTY NAVIGATION DISTRICT #1**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
For the Ten Years Ended December 31,

	<u>Actuarially Determined Contribution<sup>(1)</sup></u>	<u>Actual Employer Contribution<sup>(1)</sup></u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll<sup>(2)</sup></u>	<u>Actual Contribution as a % of Covered Payroll</u>
2012	\$ 18,374	\$ 18,374	\$ -	\$ 220,845	8.3%
2013	18,642	18,642	-	248,885	7.5%
2014	21,672	21,672	-	282,195	7.7%
2015	15,756	15,756	-	186,901	8.4%
2016	12,520	12,520	-	153,994	8.1%
2017	9,780	9,780	-	164,097	6.0%
2018	11,534	11,534	-	159,305	7.2%
2019	9,467	9,467	-	161,275	5.9%
2020	13,285	13,285	-	163,814	8.1%
2021	14,043	14,043	-	169,605	8.3%

<sup>(1)</sup> TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

<sup>(2)</sup> Payroll is calculated based on contributions as reported to TCDRS.

**MATAGORDA COUNTY NAVIGATION DISTRICT #1***REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS*

For the Ten Years Ended December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 17,662	\$ 11,382	\$ 11,382	\$ 10,934
Interest	8,844	13,487	12,437	12,325
Experience gain	-	( 30,827)	-	-
Assumption changes	-	97,502	-	-
Benefit payments	<u>( 9,600)</u>	<u>( 9,600)</u>	<u>( 9,600)</u>	<u>( 9,600)</u>
Change in total OPEB liability	16,906	81,944	14,219	13,659
Total OPEB liability - beginning	<u>404,308</u>	<u>322,364</u>	<u>308,145</u>	<u>294,486</u>
Total OPEB liability - ending	<u>\$ 421,214</u>	<u>\$ 404,308</u>	<u>\$ 322,364</u>	<u>\$ 308,145</u>
Covered employee payroll	<u>\$ 85,110</u>	<u>\$ 85,110</u>	<u>\$ 73,203</u>	<u>\$ 73,203</u>
Total OPEB liability as a percentage of covered employee payroll	<u>494.91%</u>	<u>475.04%</u>	<u>440.37%</u>	<u>420.95%</u>

## 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, governments should present information for those years for which information is available.

## MATAGORDA COUNTY NAVIGATION DISTRICT #1

Notes to the Required Supplementary Information

For The Year Ended December 31, 2021

### NOTE 1 - SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS

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

#### Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumption were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the schedule. 2016: No changes in plan provisions were reflected in the schedule. 2017: New Annuity purchase rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the schedule. 2019: No changes in plan provisions were reflected in the schedule.

\* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to the Schedule.