



City of Morgan's Point Resort

Agenda

City Council Special Session

Monday, November 18, 2024

5:00 PM

MPR EVENT CENTER – 60
Morgan's Point Blvd

To View the meeting go to: www.MorgansPointResortTX.com/YouTube

1. **Call to Order**

2. **Announcement and Citizen Comments**

This is an opportunity for members of the public to suggest the addition of topics for the discussion, or to address topics of interest, with the presentation limited to three (3) minutes. All speakers will conduct themselves in an orderly and lawful manner. All speakers will be recognized prior to speaking and will announce their name and address to be included in the minutes. State law prohibits the Mayor and Members of the City Council from commenting on any statement or engaging in dialogue without an appropriate agenda item being posted in accordance with the Texas Open Meetings Law.

3. **Presentations**

- a. **PR-24-006** FY 24/25 Grants

4. **Agenda**

- b. **RS-24-040** Consider resolution/memorandum accepting Fiscal Year Ending September 30, 2022, audit report
- c. **DS-24-041** Discuss Administrative Policies and Procedures Fiscal Impact
- d. **OR-24-013** Consider approving ordinance repealing Ordinance 2013-2 - Article 9.04 Personnel Policies Manual and directing the City Manager to create and implement an Administrative Policies and Procedures Manual to manage City personnel and operations

5. **Executive Session**

The City Council will adjourn into an Executive Session for a discussion of personnel matters pursuant to Section 551.074 of the Texas Government Code

City Manager, Dennis Baldwin, performance review

6. **Discussion and possible action resulting from Executive Session**

7. **Adjourn**

I certify that a copy of the __11-18-2024__ agenda of items to be considered by the Morgan's Point Resort was posted and could be seen on the City Hall bulletin board on the __11-15-24_ at 5:00PM and remained posted continuously for at least 72 hours proceeding the scheduled time of the meeting. I further certify that the following news media were properly notified of the above stated meeting: Belton Journal. The meeting facility is wheelchair accessible and accessible parking spaces are available. Request for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's office at 254-742-3206 for further information.

Camille Bowser, City Secretary

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN'S POINT RESORT, TEXAS, ACCEPTING THE AUDIT REPORT FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2022, AS PRESENTED BY BROOKSWATSON & CO.

WHEREAS, the City of Morgan's Point Resort is required to conduct an annual audit of its financial statements to ensure compliance with generally accepted accounting principles (GAAP) and applicable laws; and

WHEREAS, the certified public accounting firm BrooksWatson & Co. has completed the audit for the Fiscal Year Ending September 30, 2022, and presented the audit report to the City Council; and

WHEREAS, the City Council of Morgan's Point Resort has reviewed the audit report and finds it to be complete and in compliance with applicable requirements;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN'S POINT RESORT, TEXAS:

SECTION 1: ACCEPTANCE OF AUDIT REPORT

The City Council hereby accepts the audit report for the Fiscal Year Ending September 30, 2022, as presented by BrooksWatson & Co.

SECTION 2: RECORDING AND AVAILABILITY

The City Secretary is directed to record this Resolution in the official records of the City and to make the audit report available to the public in accordance with city policies and applicable law.

SECTION 3: EFFECTIVE DATE

This Resolution shall take effect immediately upon its adoption.

PASSED AND APPROVED this the _____ day of _____, 2024 by ____ (ayes) to ____ (nays) to ____ (abstentions) vote of the City Council of the City of Morgan's Point Resort, Texas.

DENNIS GREEN, Mayor

ATTEST:

CAMILLE BOWSER, City Secretary

ANNUAL FINANCIAL REPORT

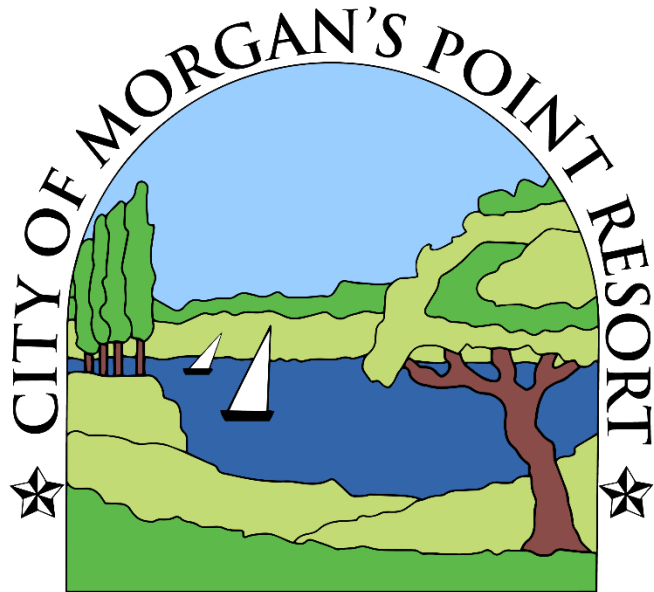
FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2022

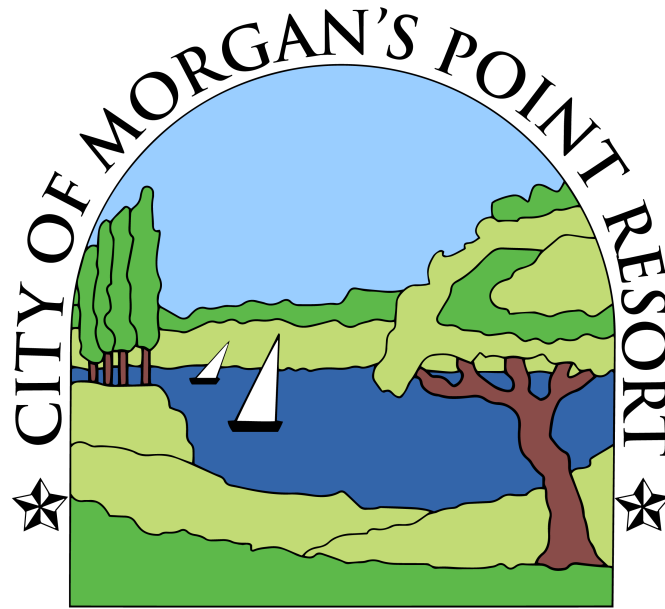
Item b.

CITY OF **MORGAN'S POINT RESORT, TX**

8 MORGAN'S POINT BLVD.
MORGAN'S POINT RESORT, TX 76513

WWW.MORGANSPONTRRESORTTX.COM
254.780.1334



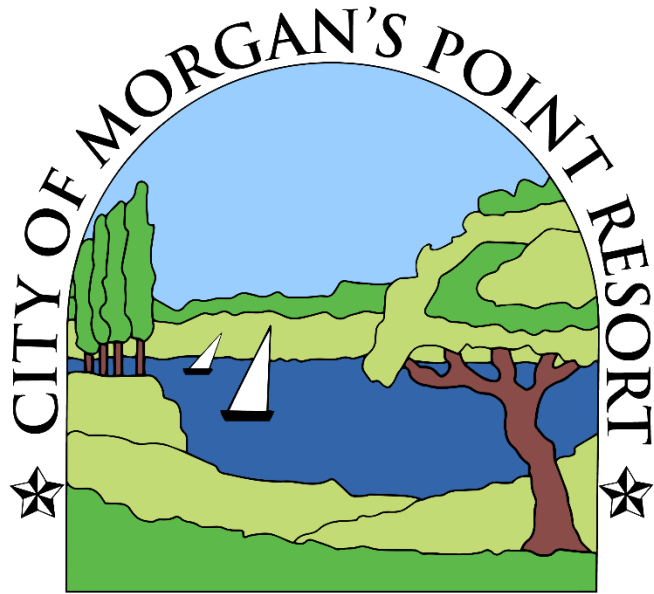


Annual Financial Report

For the Year Ended September 30, 2022

Prepared by

Finance Department



City of Morgan's Point Resort, Texas

TABLE OF CONTENTS

September 30, 2022

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	7

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	20
Statement of Activities	23

Fund Financial Statements

Governmental Funds:

Balance Sheet	24
Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental funds	25
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29

Proprietary Funds:

Statement of Net Position	30
Statement of Revenues, Expenses, and Changes in Fund Net Position	33
Statement of Cash Flows	34

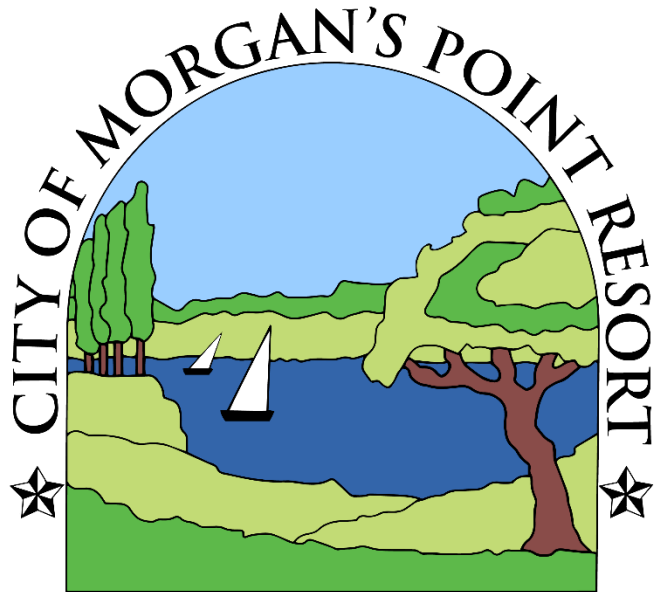
Notes to Financial Statements	37
--------------------------------------	----

Required Supplementary Information

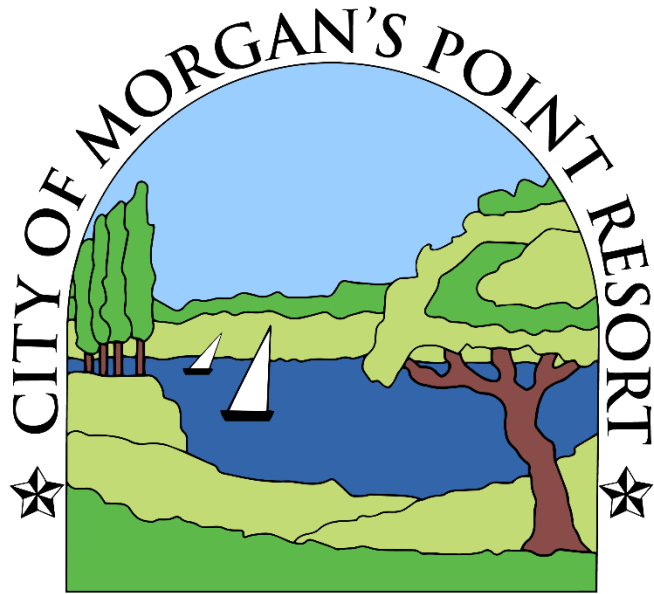
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual:	
General Fund	70
Schedule of Changes in Net Pension Liability and Related Ratios	72
Schedule of Employer Contributions to Pension Plan	74
Schedule of Changes in OPEB Liability and Related Ratios	76

Other Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	83



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Morgan's Point Resort, Texas:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Morgan's Point Resort Economic Development Corporation, component unit of the City. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Economic Development Corporation, is based solely on the report of the other auditors. 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 opinion.

Opinions

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

Emphasis of Matter

As discussed in Note V.D. to the financial statements, the City restated beginning net position within governmental activities to correct old reconciling items. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

provide us with sufficient evidence to express an opinion or provide any assurance.

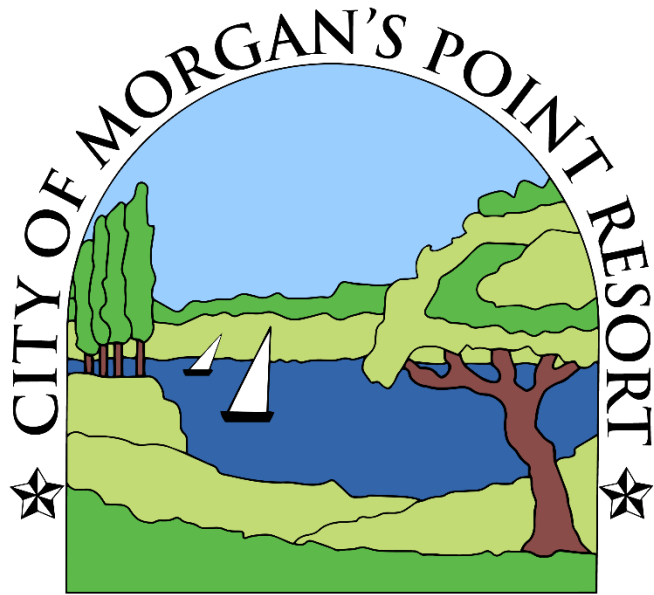
Other Information

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

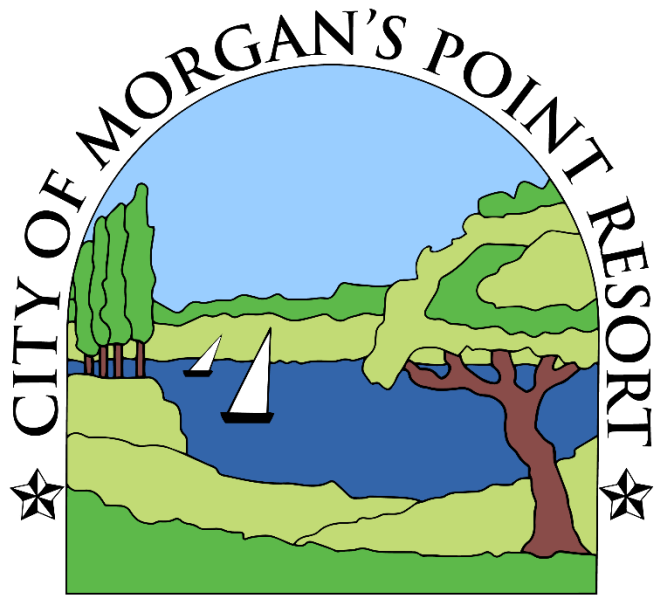
This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
November 14, 2024



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



City of Morgan's Point Resort, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2022

As management of the City of Morgan's Point Resort, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2022 by \$12,450,370. Of this amount, \$4,303,031 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The majority of the City's net position is invested in capital assets and restricted for specific purposes.
- The City's total net position increased by \$1,204,259.
- The City's governmental funds reported combined ending fund balances of \$3,220,319 at September 30, 2022, an increase of \$435,899 from the prior fiscal year; this includes an increase of \$128,867 in the general fund, an increase of \$582,733 in the grant fund, and a decrease of \$275,701 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$2,236,191 or 81% of total general fund expenditures.
- The City's total long-term bonds reflected a net decrease of \$322,937. Self-supporting debt of the proprietary fund was \$2,947,063.

Overview of the Financial Statements

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

Government-Wide Statements

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

City of Morgan's Point Resort, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

City of Morgan's Point Resort, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and federal grant fund which are considered to be major funds. The City's capital projects, debt service, and hotel occupancy tax are considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

Proprietary Funds

The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, and marina operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

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

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund.

City of Morgan's Point Resort, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Morgan's Point Resort, assets and deferred outflows exceeded liabilities and deferred inflows by \$12,450,370 as of September 30, 2022 in the primary government.

The largest portion of the City's net position, \$6,880,274, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Total current assets as of September 30, 2022 and September 30, 2021 were \$8,336,778 and \$7,162,919, respectively. The increase of \$1,173,859 was primarily due to greater cash on hand as a result of the issuance of American Rescue Plan Act (ARPA) grant funds received in the current year.

Total capital assets as of September 30, 2022 and September 30, 2021 were \$7,859,813 and \$7,974,534, respectively. The decrease of \$114,721 was primarily attributable to depreciation expenses exceeding capital additions during in the current year.

Total other liabilities as of September 30, 2022 and September 30, 2021 were \$872,453 and \$581,182, respectively. The increase of \$291,271 was primarily due to the timing of payables at the end of the current year.

Total long-term liabilities as of September 30, 2022 and September 30, 2021 were \$2,837,233 and \$3,408,868, respectively. The decrease of \$571,635 was primarily due to principal payments made in the current year. In addition, there was a decrease in net pension liability in the current year.

City of Morgan's Point Resort, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 3,541,419	\$ 4,795,359	\$ 8,336,778	\$ 2,972,025	\$ 4,190,894	\$ 7,162,919
Capital assets, net	2,470,696	5,389,117	7,859,813	2,473,988	5,500,546	7,974,534
Total Assets	6,012,115	10,184,476	16,196,591	5,446,013	9,691,440	15,137,453
Total Deferred						
Outflows	187,552	65,043	252,595	157,395	54,585	211,980
Other liabilities	261,830	610,623	872,453	122,781	458,401	581,182
Long-term liabilities	193,768	2,643,465	2,837,233	338,673	3,070,195	3,408,868
Total Liabilities	455,598	3,254,088	3,709,686	461,454	3,528,596	3,990,050
Total Deferred						
Inflows	214,680	74,450	289,130	84,105	29,167	113,272
Net Position:						
Net investment						
in capital assets	2,363,219	4,517,055	6,880,274	2,453,013	4,305,546	6,758,559
Restricted	1,267,065	-	1,267,065	677,096	-	677,096
Unrestricted	1,899,105	2,403,926	4,303,031	1,927,740	1,882,716	3,810,456
Total Net Position	\$ 5,529,389	\$ 6,920,981	\$ 12,450,370	\$ 5,057,849	\$ 6,188,262	\$ 11,246,111

City of Morgan's Point Resort, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

Statement of Activities:

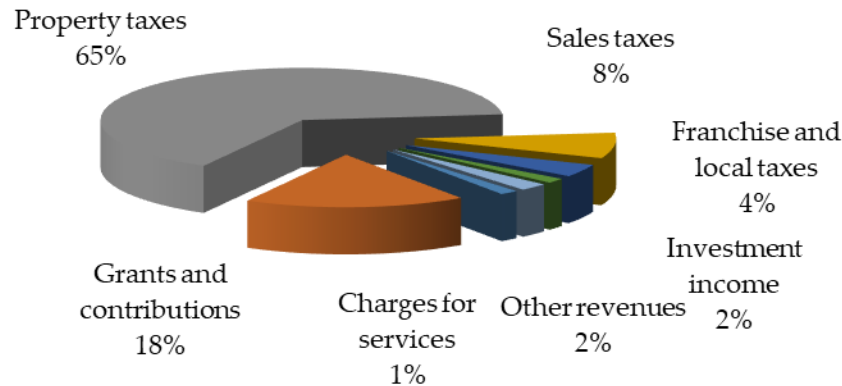
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2022			For the Year Ended September 30, 2021		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 54,275	\$ 2,828,109	\$ 2,882,384	\$ 56,226	\$ 2,509,449	\$ 2,565,675
Operating grants and contributions	653,997	-	653,997	871,663		871,663
General revenues:						
Property taxes	2,401,419	-	2,401,419	2,058,267	-	2,058,267
Sales taxes	291,609	-	291,609	272,716	-	272,716
Franchise and local taxes	145,234	-	145,234	155,685	-	155,685
Investment income	55,371	-	55,371	9,518	-	9,518
Other revenues	84,860	380	85,240	142,285	19,513	161,798
Total Revenues	3,686,765	2,828,489	6,515,254	3,566,360	2,528,962	6,095,322
Expenses						
General government	991,485	-	991,485	732,768	-	732,768
Public safety	1,290,954	-	1,290,954	1,250,168	-	1,250,168
Public works	571,896	-	571,896	477,806	-	477,806
Culture and recreation	143,687	-	143,687	118,483	-	118,483
Interest and fiscal charges	-	114,951	114,951	-	109,794	109,794
Water & Sewer	-	1,974,665	1,974,665	-	1,660,903	1,660,903
Marina	-	223,357	223,357	-	252,132	252,132
Total Expenses	2,998,022	2,312,973	5,310,995	2,579,225	2,022,829	4,602,054
Change in Net Position						
Before Transfers	688,743	515,516	1,204,259	987,135	506,133	1,493,268
Transfers	(217,203)	217,203	-	(38,730)	38,730	-
Total	(217,203)	217,203	-	(38,730)	38,730	-
Change in Net Position	471,540	732,719	1,204,259	948,405	544,863	1,493,268
Beginning Net Position	5,057,849	6,188,262	11,246,111	4,109,444	5,643,399	9,752,843
Ending Net Position	\$ 5,529,389	\$ 6,920,981	\$ 12,450,370	\$ 5,057,849	\$ 6,188,262	\$ 11,246,111

City of Morgan's Point Resort, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

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

Governmental Activities - Revenues

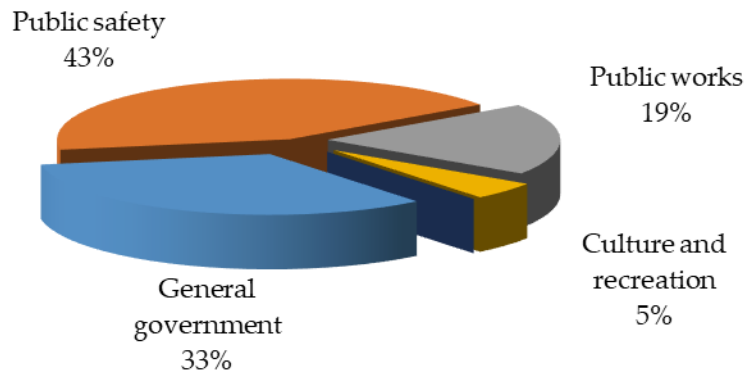


For the year ended September 30, 2022, revenues from governmental activities totaled \$3,686,765. Property taxes are the City's largest general revenue sources. Overall revenue increased \$120,405 or 3%. Operating grants and contributions decreased by \$217,666 or 25% primarily due to nonrecurring ARPA grant funding received in the prior year to reimburse expenditures relating to COVID-19. Property tax revenue increased \$343,152 or 17% due to an increase in appraised property values. Investment income increased by \$45,853 or over 100% due primarily to greater utilization of interest bearing accounts and higher interest rates in the current year. Other revenues decreased by \$57,425 or 40% primarily due to nonrecurring insurance recoveries and sale of capital assets in the prior year. All other revenues remained relatively consistent with the prior year.

City of Morgan's Point Resort, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

This graph shows the governmental function expenses of the City:

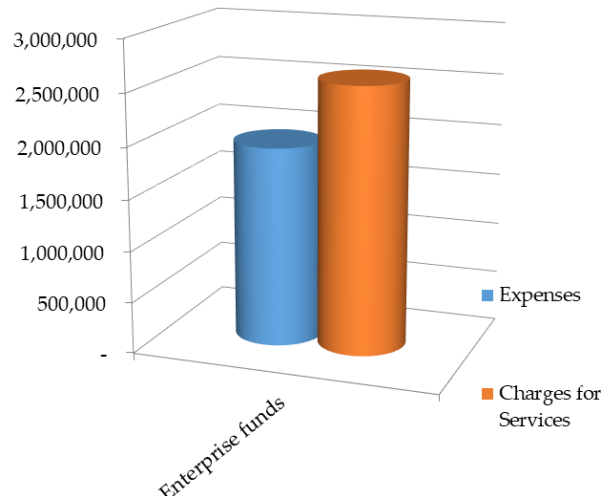
Governmental Activities - Expenses



For the year ended September 30, 2022, expenses for governmental activities totaled \$2,998,022. This represents an increase of \$418,797 from the prior year. The City's largest functional expense is public safety which remained relatively consistent when compared to the prior year. General government expenses increased by \$258,717 or 35% primarily due to an increase in personnel costs relating to a general wage increase in the current year. In addition, the City incurred nonrecurring IT expenses relating to software and tech support in the current year. Public works increased by \$94,090 or 20% due to greater repairs and maintenance costs and personnel costs. Culture and recreation expenses increased by \$25,204 or 21% primarily due to greater community activities costs in the current year. All other expenses remained relatively consistent with the previous year.

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

Business-Type Activities - Revenues and Expenses



City of Morgan's Point Resort, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

For the year ended September 30, 2022, charges for services by business-type activities totaled \$2,828,109 which increased by \$318,660 or 13% primarily due to a significant increase in water revenue relating to a 17% increase in usage in the current year.

Total expenses increased \$290,144 to a total of \$2,312,973, due primarily to an increase in bulk water purchases and garbage collection costs which is consistent with the increase in the usage in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At September 30, 2022, the City's governmental funds reported combined fund balances of \$3,220,319, an increase of \$435,899 in comparison with the prior year. Approximately 61% of this amount, \$1,953,254, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *restricted* to indicate that it is restricted for particular purposes, \$1,267,065.

As of the end of the year the general fund reflected a total fund balance of \$2,236,191. Of this, \$2,236,191 is unassigned. The general fund balance increased by \$128,867 compared to the budgeted decrease of \$33,071. The fund's increase was primarily due to greater than anticipated revenues and less than anticipated expenditures.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total fund balance of general fund is 81% of total general fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$2,236,191 is 81% of total general fund expenditures.

The grant fund had a total fund balance of \$1,237,147, an increase of \$582,733. This increase is primarily due to the City receiving nonrecurring ARPA grant funds in the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position for proprietary funds totaled \$6,920,981. Unrestricted net position of the proprietary fund at the close of the fiscal year amounted to \$2,403,926. Total net position increased \$732,719. The funds had a total net investment in capital assets of \$4,517,055.

City of Morgan's Point Resort, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive variance of \$73,148 in budgeted revenues. Property tax, sales tax, intergovernmental, investment income, grants and donations, and other revenue had positive revenue variances in the current year. There was a total positive expenditure variance of \$303,845. Police, fire and ambulance, and community services were the only departments with a negative variance in the current year. In addition, other financing sources had a negative budget variance of \$215,055. Overall, the City had a positive net change in fund balance variance of \$161,938.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$2,470,696 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$5,389,117 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure. The City's total investment in capital assets increased by \$121,715, net of depreciation.

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

- Purchased public safety training software for \$19,255.
- Purchased IT and phone hardware for \$15,995.
- Purchased a radio set for \$17,159.
- Purchased equipment for Morgan's Point Resort Master Plan for \$14,743.
- Continued construction on multiple projects for the City totaling \$204,226.
- Purchased a Chevrolet vehicle for \$32,839.
- Purchased rotating equipment replacements for \$31,420.
- Purchased cable and anchors for the marina totaling \$14,231.

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

LONG-TERM DEBT

At the end of the current fiscal year, the City had total bonded debt obligations of \$2,947,063. The entire amount is self-supporting through revenues collected from the rates of the City's utility fund. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions. More detailed information about the City's long-term liabilities is presented in note IV. D and E to the financial statements.

City of Morgan's Point Resort, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Morgan's Point Resort and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

CONTACTING THE CITY'S FINANCIAL DEPARTMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 8 Morgan's Point Boulevard Morgan's Point Resort, TX 76513.



FINANCIAL STATEMENTS

City of Morgan's Point Resort, Texas

STATEMENT OF NET POSITION

September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Morgan's Point Resort EDC
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 3,385,864	\$ 4,234,850	\$ 7,620,714	\$ 58,921
Receivables, net	144,151	571,913	716,064	-
Internal balances	11,404	(11,404)	-	-
Total Current Assets	3,541,419	4,795,359	8,336,778	58,921
Capital assets:				
Non-depreciable	433,937	40,154	474,091	-
Net depreciable capital assets	2,036,759	5,348,963	7,385,722	-
Noncurrent Assets	2,470,696	5,389,117	7,859,813	-
Total Assets	6,012,115	10,184,476	16,196,591	58,921
<u>Deferred Outflows of Resources</u>				
Pension deferred outflows	170,198	59,024	229,222	-
OPEB deferred outflows	17,354	6,019	23,373	-
Total Deferred Outflows of Resources	\$ 187,552	\$ 65,043	\$ 252,595	\$ -

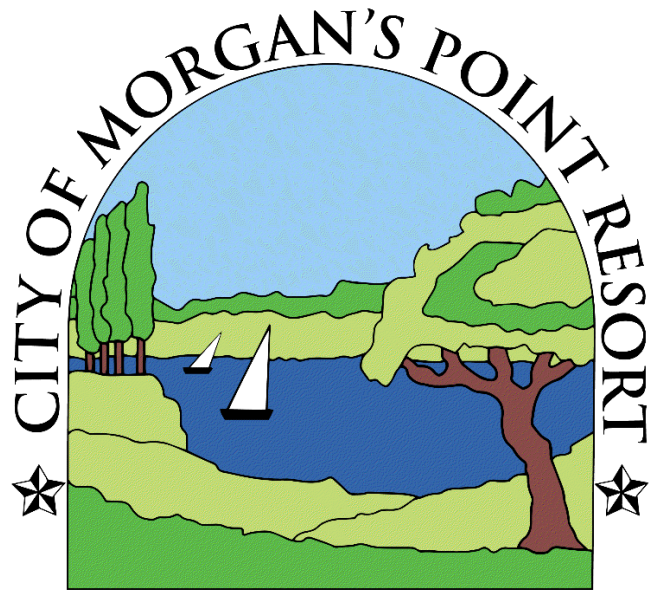
City of Morgan's Point Resort, Texas

STATEMENT OF NET POSITION (Continued)

September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Morgan's Point Resort EDC
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 236,920	\$ 151,455	\$ 388,375	\$ -
Accrued interest payable	-	12,183	12,183	-
Customer deposits	3,950	68,161	72,111	-
Compensated absences, current	20,960	7,952	28,912	-
Long term debt due within one year	-	370,872	370,872	-
Current Liabilities	261,830	610,623	872,453	-
Noncurrent liabilities:				
Compensated absences, noncurrent	2,329	884	3,213	-
Long-term debt due in more than one year	-	2,576,191	2,576,191	-
OPEB liability	101,869	35,328	137,197	-
Net pension liability	89,570	31,062	120,632	-
Noncurrent Liabilities	193,768	2,643,465	2,837,233	-
Total Liabilities	455,598	3,254,088	3,709,686	-
Deferred Inflows of Resources				
Pension deferred inflows	214,680	74,450	289,130	-
Total Deferred Inflows of Resources	214,680	74,450	289,130	-
Net Position				
Net investment in capital assets	2,363,219	4,517,055	6,880,274	-
Restricted for:				
Debt service	20,156	-	20,156	-
Municipal court	9,762	-	9,762	-
Grants	1,237,147	-	1,237,147	-
Economic development	-	-	-	58,921
Unrestricted	1,899,105	2,403,926	4,303,031	-
Total Net Position	\$ 5,529,389	\$ 6,920,981	\$ 12,450,370	\$ 58,921

See Notes to Financial Statements.



City of Morgan's Point Resort, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Units	
				Governmental Activities	Business-Type Activities	Total	Morgan's Point Resort EDC
Primary Government							
Governmental Activities							
General government	\$ 991,485	\$ -	\$ 41,311	\$ (950,174)	\$ -	\$ (950,174)	\$ -
Public safety	1,290,954	15,991	16,265	(1,258,698)	-	(1,258,698)	-
Public works	571,896	38,284	-	(533,612)	-	(533,612)	-
Culture and recreation	143,687	-	596,421	452,734	-	452,734	-
Community development	-	-	-	-	-	-	-
Total Governmental Activities	2,998,022	54,275	653,997	(2,289,750)	-	(2,289,750)	-
Business-Type Activities							
Water	2,040,534	2,417,938	-	-	377,404	377,404	-
Sewer	49,082	76,538	-	-	27,456	27,456	-
Marina	223,357	333,633	-	-	110,276	110,276	-
Total Business-Type Activities	2,312,973	2,828,109	-	-	515,136	515,136	-
Total Primary Government	\$ 5,310,995	\$ 2,882,384	\$ 653,997	(2,289,750)	515,136	(1,774,614)	-
Component Unit							
Morgan's Point Resort EDC	\$ 31,318	\$ -	\$ -	-	-	-	(31,318)
Total Component Units	\$ 31,318	\$ -	\$ -	-	-	-	(31,318)
General Revenues:							
Taxes							
Property taxes				2,401,419	-	2,401,419	-
Sales taxes				291,609	-	291,609	-
Franchise and local taxes				145,234	-	145,234	-
Investment income				55,371	-	55,371	86
Other revenues				84,860	380	85,240	93,234
Transfers				(217,203)	217,203	-	-
Total General Revenues and Transfers				2,761,290	217,583	2,978,873	93,320
Change in Net Position				471,540	732,719	1,204,259	62,002
Beginning Net Position				5,057,849	6,188,262	11,246,111	(3,081)
Ending Net Position				\$ 5,529,389	\$ 6,920,981	\$ 12,450,370	\$ 58,921

See Notes to Financial Statements.

City of Morgan's Point Resort, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2022

	General	Grant	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 2,118,799	\$ 1,237,147	\$ 29,918	\$ 3,385,864
Receivables, net	144,151	-	-	144,151
Due from other funds	224,291	-	-	224,291
Total Assets	\$ 2,487,241	\$ 1,237,147	\$ 29,918	\$ 3,754,306
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 166,870	\$ -	\$ 70,050	\$ 236,920
Due to other funds	-	-	212,887	212,887
Customer deposits	3,950	-	-	3,950
Total Liabilities	170,820	-	282,937	453,757
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - Property taxes	80,230	-	-	80,230
Total Deferred Inflows	80,230	-	-	80,230
<u>Fund Balances</u>				
Restricted for:				
Debt service	-	-	20,156	20,156
Hotel occupancy	-	-	9,762	9,762
Grants	-	1,237,147	-	1,237,147
Unassigned	2,236,191	-	(282,937)	1,953,254
Total Fund Balances	2,236,191	1,237,147	(253,019)	3,220,319
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 2,487,241	\$ 1,237,147	\$ 29,918	\$ 3,754,306

See Notes to Financial Statements.

City of Morgan's Point Resort, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS September 30, 2022

Fund Balances - Total Governmental Funds	\$ 3,220,319
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	433,937
Capital assets - net depreciable	2,036,759
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	80,230
Deferred outflows (inflows) of resources represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflows) of resources (expense/expenditure)/(revenue) until then.	
Pension deferred outflows	170,198
Pension deferred intflows	(214,680)
OPEB deferred outflows	17,354
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Compensated absences	(23,289)
Net pension liability	(89,570)
OPEB liability	(101,869)
	\$ 5,529,389
	\$ 5,529,389

See Notes to Financial Statements.

City of Morgan's Point Resort, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 1 of 2)

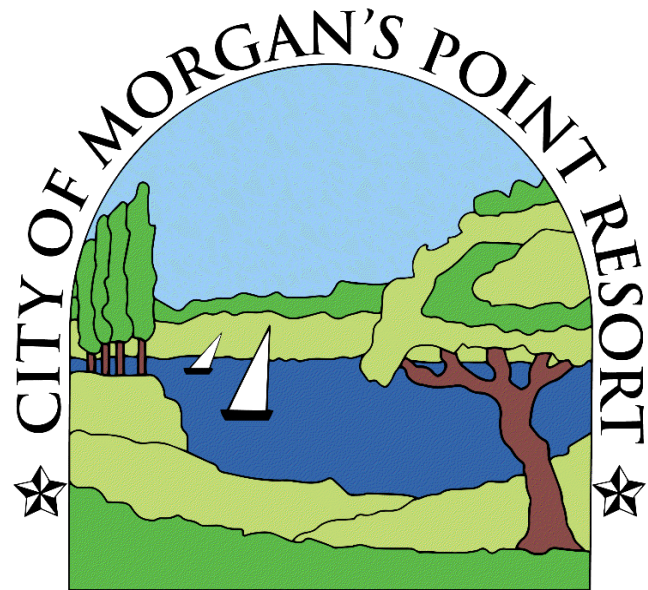
For the Year Ended September 30, 2022

	General	Grant	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Property tax	\$ 2,401,688	\$ -	\$ -	\$ 2,401,688
Sales tax	291,609	-	-	291,609
Franchise and local taxes	145,245	-	7,095	152,340
License, permits and fees	31,178	-	-	31,178
Intergovernmental	41,311	-	-	41,311
Grants and donations	29,953	582,733	-	612,686
Fines and forfeitures	23,097	-	-	23,097
Investment income	55,230	-	141	55,371
Other revenue	82,712	-	-	82,712
Total Revenues	3,102,023	582,733	7,236	3,691,992
<u>Expenditures</u>				
Current:				
General government	832,146	-	-	832,146
Public safety	1,218,753	-	-	1,218,753
Public works	458,671	-	-	458,671
Culture and recreation	130,821	-	-	130,821
Capital outlay	117,710	-	282,937	400,647
Total Expenditures	2,758,101	-	282,937	3,041,038

City of Morgan's Point Resort, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 2 of 2) For the Year Ended September 30, 2022

	General	Grant	Nonmajor Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 343,922	\$ 582,733	\$ (275,701)	\$ 650,954
Other Financing Sources (Uses)				
Transfers (out)	(217,203)	-	-	(217,203)
Insurance recoveries	2,148	-	-	2,148
Total Other Financing Sources (Uses)	(215,055)	-	-	(215,055)
Net Change in Fund Balances	128,867	582,733	(275,701)	435,899
Beginning fund balances	2,107,324	654,414	22,682	2,784,420
Ending Fund Balances	<u>\$ 2,236,191</u>	<u>\$ 1,237,147</u>	<u>\$ (253,019)</u>	<u>\$ 3,220,319</u>
See Notes to Financial Statements.				



City of Morgan's Point Resort, Texas

Item b.

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

For the Year Ended September 30, 2022

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

Net changes in fund balances - total governmental funds	\$	435,899
---	----	---------

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

Capital outlay	355,945
Depreciation expense	(359,237)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,375)
--	---------

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

Compensated absences	2,023
Pension expense	52,710
OPEB expense	(8,425)

Change in Net Position of Governmental Activities	\$	471,540
--	-----------	----------------

See Notes to Financial Statements.

City of Morgan's Point Resort, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2022

<u>Assets</u>	<u>Water</u>	<u>Wastewater</u>	<u>Marina</u>	<u>Total Business-Type Activities</u>
<u>Current Assets</u>				
Cash and cash equivalents	\$ 3,455,043	\$ 302,876	\$ 476,931	\$ 4,234,850
Receivables, net	530,808	19,127	21,978	571,913
Total Current Assets	3,985,851	322,003	498,909	4,806,763
<u>Noncurrent Assets</u>				
Capital assets:				
Non-depreciable	-	40,154	-	40,154
Net depreciable capital assets	4,052,375	491,921	804,667	5,348,963
Total Noncurrent Assets	4,052,375	532,075	804,667	5,389,117
Total Assets	8,038,226	854,078	1,303,576	10,195,880
<u>Deferred Outflows of Resources</u>				
Pension deferred outflows	59,024	-	-	59,024
OPEB deferred outflows	6,019	-	-	6,019
Total Deferred Outflows	\$ 65,043	\$ -	\$ -	\$ 65,043

City of Morgan's Point Resort, Texas

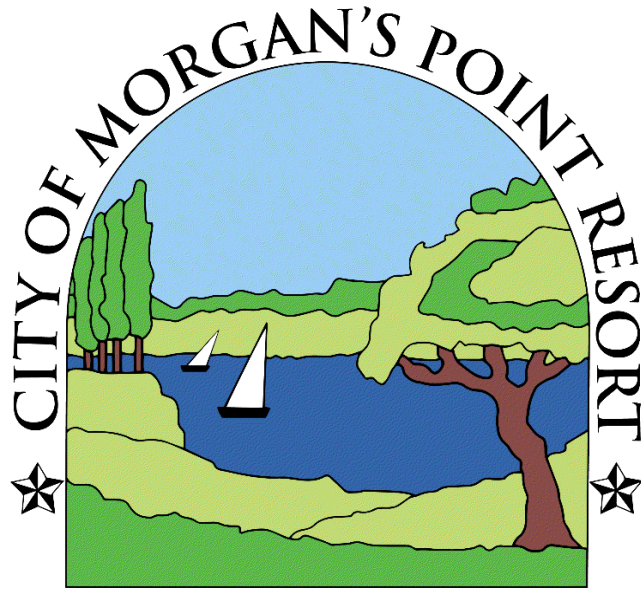
STATEMENT OF NET POSITION (Continued)

PROPRIETARY FUNDS

September 30, 2022

	Water	Wastewater	Marina	Total Business-Type Activities
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 109,471	\$ 14,007	\$ 27,977	\$ 151,455
Accrued interest	10,837	1,346	-	12,183
Due to other funds	11,404	-	-	11,404
Customer deposits	45,925	-	22,236	68,161
Compensated absences - current	7,119	-	833	7,952
Bonds payable - current	311,872	59,000	-	370,872
Total Current Liabilities	496,628	74,353	51,046	622,027
Noncurrent Liabilities				
Compensated absences, noncurrent	791	-	93	884
Bonds payable - noncurrent	2,452,191	124,000	-	2,576,191
OPEB liability	35,328	-	-	35,328
Net pension liability	31,062	-	-	31,062
Total Noncurrent Liabilities	2,519,372	124,000	93	2,643,465
Total Liabilities	3,016,000	198,353	51,139	3,265,492
Deferred Inflows of Resources				
Pension deferred inflows	74,450	-	-	74,450
Total Deferred Inflows	74,450	-	-	74,450
Net Position				
Net investment in capital assets	3,363,313	349,075	804,667	4,517,055
Unrestricted	1,649,506	306,650	447,770	2,403,926
Total Net Position	\$ 5,012,819	\$ 655,725	\$ 1,252,437	\$ 6,920,981

See Notes to Financial Statements.



City of Morgan's Point Resort, Texas

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

For the Year Ended September 30, 2022

	Water	Wastewater	Marina	Total Business-Type Activities
<u>Operating Revenues</u>				
Water services	\$ 2,017,515	\$ -	\$ -	\$ 2,017,515
Tap and connection fees	59,370	-	-	59,370
Garbage services	341,053	-	-	341,053
Sewer services	-	76,538	-	76,538
Marina services	-	-	333,633	333,633
Other revenue	380	-	-	380
Total Operating Revenues	2,418,318	76,538	333,633	2,828,489
<u>Operating Expenses</u>				
Administration	138,122	-	-	138,122
Personnel	406,561	-	-	406,561
Cost of water operations	1,259,784	-	-	1,259,784
Cost of sewer operations	-	18,747	-	18,747
Cost of marina operations	-	-	184,889	184,889
Depreciation	131,957	19,494	38,468	189,919
Total Operating Expenses	1,936,424	38,241	223,357	2,198,022
Operating Income	481,894	38,297	110,276	630,467
<u>Nonoperating Revenues (Expenses)</u>				
Interest expense	(104,110)	(10,841)	-	(114,951)
Total Nonoperating Revenues (Expenses)	(104,110)	(10,841)	-	(114,951)
Income Before Capital Contributions and Transfers	377,784	27,456	110,276	515,516
Transfers in	164,114	53,089	-	217,203
Change in Net Position	541,898	80,545	110,276	732,719
Beginning net position	4,470,921	575,180	1,142,161	6,188,262
Ending Net Position	\$ 5,012,819	\$ 655,725	\$ 1,252,437	\$ 6,920,981

See Notes to Financial Statements.

City of Morgan's Point Resort, Texas

Item b.

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

	Water & Sewer	Sewer	Marina	Total
<u>Cash Flows from Operating Activities</u>				
Receipts from customers	\$ 2,398,216	\$ 76,466	\$ 337,083	\$ 2,811,765
Payments to suppliers	(1,170,555)	(8,103)	(189,264)	(1,367,922)
Payments to employees	(558,437)	-	-	(558,437)
Net Cash Provided (Used) by Operating Activities	669,224	68,363	147,819	885,406
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers in	164,114	53,089	-	217,203
Net Cash Provided by Noncapital Financing Activities	164,114	53,089	-	217,203
<u>Cash Flows from Capital and Related Financing Activities</u>				
Capital purchases	(64,259)	-	(14,231)	(78,490)
Principal paid on debt	(266,937)	(56,000)	-	(322,937)
Interest paid on debt	(102,161)	(10,374)	-	(112,535)
Net Cash (Used for) Capital and Related Financing Activities	(433,357)	(66,374)	(14,231)	(513,962)
Net (Decrease) Increase in Cash and Cash Equivalents	399,981	55,078	133,588	588,647
Beginning cash and cash equivalents	3,055,062	247,798	343,343	3,646,203
Ending Cash and Cash Equivalents	\$ 3,455,043	\$ 302,876	\$ 476,931	\$ 4,234,850

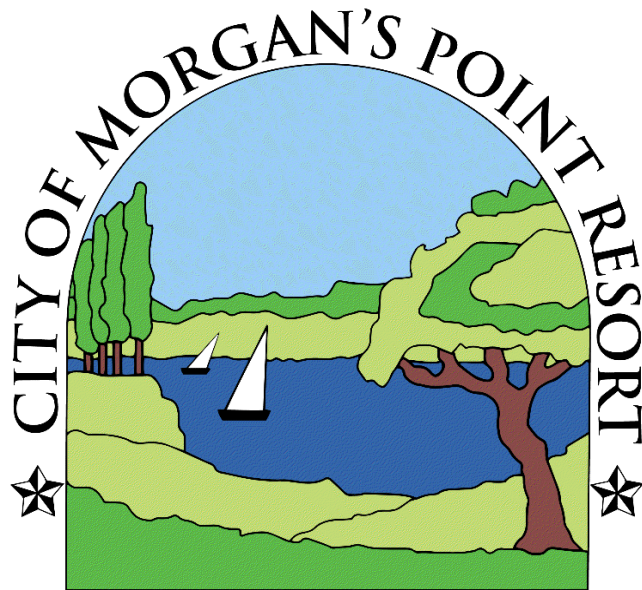
See Notes to Financial Statements.

City of Morgan's Point Resort, Texas

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

	Water & Sewer	Sewer	Marina	Total
<u>Reconciliation of Operating Income (Loss)</u>				
<u>to Net Cash Provided (Used) by Operating Activities</u>				
Operating Income	\$ 481,894	\$ 38,297	\$ 110,276	\$ 630,467
Adjustments to reconcile operating income to net cash provided:				
Depreciation	131,957	19,494	38,468	189,919
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	(18,445)	(72)	2,699	(15,818)
Increase (Decrease) in:				
Accounts payable and accrued liabilities	89,229	10,644	(2,428)	97,445
Compensated absences	1,604	-	(1,947)	(343)
Customer deposits	(1,657)	-	751	(906)
Deferred outflows - pension	(10,856)	-	-	(10,856)
Deferred outflows - OPEB	398	-	-	398
Deferred inflows - pension	46,150	-	-	46,150
Deferred inflows - OPEB	(867)	-	-	(867)
OPEB liability	3,391	-	-	3,391
Net pension liability	(53,574)	-	-	(53,574)
Net Cash Provided (Used) by Operating Activities	\$ 669,224	\$ 68,363	\$ 147,819	\$ 885,406

See Notes to Financial Statements.



City of Morgan's Point Resort, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Morgan's Point Resort, Texas (the "City") was incorporated in 1970 under the provisions of the Constitution of the State of Texas. The City operates under the provisions of the Texas Civil Statutes. The City has a council-manager form of government. Policymaking and supervisory functions are the responsibility of and vested in the Mayor and City Council. The City provides the following services: public safety (police and fire), highways and streets, sanitation and health, public improvements, planning and zoning, recreation, general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Morgan's Point Resort Economic Development Corporation (the "EDC") is a legally separate entity for which the primary government is financially responsible. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Units

Morgan's Point Resort Economic Development Corporation

The Morgan's Point Resort Economic Development Corporation (the "EDC") serves all citizens of the City and is governed by a board elected by the Mayor and City Council. The EDC was created exclusively for the purpose of benefiting the City by promoting, assisting, and enhancing economic development activities.

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

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

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

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

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

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

The government reports the following governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, culture and recreation, community development, and nondepartmental. This fund is considered to be a major fund.

Grant Fund

The grant fund is used to account for all awarded grant funds received and related expenditures. This fund is considered to be a major fund.

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Debt Service Fund

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

Capital Projects Fund

The capital projects fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds. This fund is considered to be a nonmajor fund.

Special Revenue Fund

The special revenue fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Revenue sources for this fund include donations, fines and fees, and grants. The hotel tax fund and federal grant fund are considered to be special revenue funds. The hotel tax fund is considered nonmajor for reporting purposes, and the federal grant fund is considered to be major for reporting purposes.

The government reports the following major enterprise fund:

Water

This fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system. The fund also accounts for the accumulation of resources for and the payment of long-term debt.

Wastewater Fund

This fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt.

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

Marina Fund

This fund is used to account for boat slip leases, locker rentals, and oil and gas sales to residents of the City and the surrounding communities.

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

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

C. Measurement focus and basis of accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

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

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

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

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

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

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code.

In summary, the City is authorized to invest in the following:

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

2. Fair Value Measurement

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

3. Receivables and Interfund Transactions

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

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

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

4. Inventories and Prepaid Items

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

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets received in a service concession arrangement are reported at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

Asset Description	Estimated Useful Life
Vehicles	8 years
Machinery and equipment	7 to 10 years
Furniture and fixtures	7 years
Buildings and improvements	40 to 50 years
Improvements	20 years

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance).

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

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

8. Fund Balance Policies

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

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

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

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

9. Long-Term Obligations

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

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

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

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

10. Estimates

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

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

13. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, fines and forfeitures and ambulance fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

E. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

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

3. Compensated Absences

City employees earn vacation time at various rates, up to a maximum of 40 hours per year to be taken the following year. All vacation not taken in the year that it is supposed to be taken will be forfeited. This forfeit rule does not apply to the City Manager.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, wastewater fund, and marina fund are charges to customers for sales and services. The proprietary funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise fund includes the cost of sales

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general and federal grant funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

A. Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control and as follows:

General Fund:

Police	\$ 25,686
Fire and ambulance	29,407
Community services	38,364
Transfers (out)	217,203

The City has implemented procedures to ensure budgetary compliance. No expenditure can be made unless there is a budget available or an approved budget amendment has been submitted. Department head and management will review the budget variances on a regular basis and the budget will be amended, if necessary.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As stated in I.D.1., the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. The City's investments in 2a7-like pools such as TexPool are included in this category. Although the City's investments in TexPool are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond rating are required.

The City had the following deposits considered to be cash and cash equivalents at year end:

<u>Cash Equivalent</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating</u>
External investment pools			
TexPool	\$ 208,764	0.04	AAAm
Total fair value	<u>\$ 208,764</u>		

Interest rate risk Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Except for the general fund and capital project funds, the allowed maturity of any individual investment owned by the City shall not exceed one year from the time of purchase. The general fund has a maximum dollar weighted average maturity that shall not exceed 360 days. Limiting investment maturities and purchasing government securities are the City's means for limiting its exposure to fair value losses arising from interest rate increases.

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAAM, or equivalent, by at least one nationally recognized rating service. As of September 30, 2022, the City's investment in TexPool was rated AAAM by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2022, the market values of pledged securities and FDIC exceeded bank balances.

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

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. The City's fair value position is stated at the value of the position upon withdrawal. There were no limitations or restrictions on withdrawals.

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

B. Receivables

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

	General	Water	Sewer	Marina	Total
Property taxes	\$ 80,230	\$ -	\$ -	\$ -	\$ 80,230
Sales tax	57,015	-	-	-	57,015
Franchise taxes	6,287	-	-	-	6,287
Accounts	-	527,356	19,127	21,978	568,461
Other	94	3,452	-	-	3,546
Maintenance fees *	337,297	-	-	-	337,297
Allowance	(336,772)	-	-	-	(336,772)
	<u>\$ 144,151</u>	<u>\$ 530,808</u>	<u>\$ 19,127</u>	<u>\$ 21,978</u>	<u>\$ 716,064</u>

* The majority of the subdivisions of the City include certain covenants, which allow for the assessment of maintenance fees. The fees range from \$20 to \$75 a year and are due by December 31. In addition, the covenants allow the City to file liens on the properties for unpaid maintenance fees.

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

C. Capital Assets

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 104,932	\$ -	\$ -	\$ 104,932
Construction in progress	54,679	274,326	-	329,005
Total capital assets not being depreciated	<u>159,611</u>	<u>274,326</u>	<u>-</u>	<u>433,937</u>
Capital assets, being depreciated:				
Buildings and improvements	1,173,915	-	-	1,173,915
Machinery and equipment	3,448,581	-	-	3,448,581
Land improvements	1,380,556	81,619	-	1,462,175
Total capital assets being depreciated	<u>6,003,052</u>	<u>81,619</u>	<u>-</u>	<u>6,084,671</u>
Less accumulated depreciation				
Buildings and improvements	1,393,098	91,470	-	1,484,568
Machinery and equipment	2,282,153	267,417	-	2,549,570
Land improvements	13,424	350	-	13,774
Total accumulated depreciation	<u>3,688,675</u>	<u>359,237</u>	<u>-</u>	<u>4,047,912</u>
Net capital assets being depreciated	2,314,377	(277,618)	-	2,036,759
Total Capital Assets	<u><u>\$ 2,473,988</u></u>	<u><u>\$ (3,292)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,470,696</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 176,975
Public safety	110,476
Public works	58,920
Culture and recreation	12,866
Total Governmental Activities Depreciation Expense	<u><u>\$ 359,237</u></u>

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 40,154	\$ -	\$ -	\$ 40,154
Total capital assets not being depreciated	<u>40,154</u>	<u>-</u>	<u>-</u>	<u>40,154</u>
Capital assets, being depreciated:				
Buildings and improvements	8,335,317	-	-	8,335,317
Machinery and equipment	559,855	78,490	-	638,345
Furniture and fixtures	38,738	-	-	38,738
Total capital assets being depreciated	<u>8,933,910</u>	<u>78,490</u>	<u>-</u>	<u>9,012,400</u>
Less accumulated depreciation				
Buildings and improvements	2,973,303	167,808	-	3,141,111
Machinery and equipment	461,477	22,111	-	483,588
Furniture and fixtures	38,738	-	-	38,738
Total accumulated depreciation	<u>3,473,518</u>	<u>189,919</u>	<u>-</u>	<u>3,663,437</u>
Net capital assets being depreciated	<u>5,460,392</u>	<u>(111,429)</u>	<u>-</u>	<u>5,348,963</u>
Total Capital Assets	<u><u>\$ 5,500,546</u></u>	<u><u>\$ (111,429)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,389,117</u></u>

Depreciation was charged to business-type activities as follows:

Water	\$ 131,957
Sewer	19,494
Marina	38,468
Total Business-Type Activities Depreciation Expense	<u><u>\$ 189,919</u></u>

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

D. Other Long-term Liabilities

The following summarizes the changes in the City's other long-term liabilities for the year ended. In general, the City uses the general fund and water and marina funds to liquidate compensated absences.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 25,312	\$ 23,290	\$ (25,313)	\$ 23,289	\$ 20,960
Total Governmental Activities	<u>\$ 25,312</u>	<u>\$ 23,290</u>	<u>\$ (25,313)</u>	<u>\$ 23,289</u>	<u>\$ 20,960</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 2,329</u>	
Business-Type Activities:					
Compensated Absences	\$ 9,178	\$ 8,835	\$ (9,177)	\$ 8,836	\$ 7,952
Total Business-Type Activities	<u>\$ 9,178</u>	<u>\$ 8,835</u>	<u>\$ (9,177)</u>	<u>\$ 8,836</u>	<u>\$ 7,952</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 884</u>	

E. Long-term Debt

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Business-Type Activities:					
Bonds, notes and other payables:					
Certificates of Obligation	\$ 3,270,000	\$ -	\$ (322,937)	\$ 2,947,063	\$ 370,872
Total Business-Type Activities	<u>\$ 3,270,000</u>	<u>\$ -</u>	<u>\$ (322,937)</u>	<u>\$ 2,947,063</u>	<u>\$ 370,872</u>
Long-term liabilities due in more than one year				<u>\$ 2,576,191</u>	

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

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

debt will be repaid, plus accrued interest, from operating revenues of the water and wastewater funds.

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

Description	Interest Rates	Original Balance	Current Balance
Business-type Activities:			
2005 Certificate of obligation	3.94%	\$ 3,305,000	\$ 915,000
2021 Certificate of obligation	3.25%	2,075,000	2,032,063
Total Business-Type Activities		\$ 5,380,000	\$ 2,947,063

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

Year ending September 30,	Certificates of Obligation	
	Principal	Interest
2023	\$ 370,872	\$ 96,458
2024	393,228	82,085
2025	386,013	366,078
2026	83,715	58,375
2027	86,508	43,404
2028-2032	477,531	232,923
2033-2037	562,882	147,572
2038-2042	586,314	53,094
Total	\$ 2,947,063	\$ 1,079,989

F. Interfund Transactions

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

Transfer Out:	Transfer In:		
	Water	Wastewater	Total
General	\$ 164,114	\$ 53,089	\$ 217,203
Total	\$ 164,114	\$ 53,089	\$ 217,203

Amounts transferred between funds relate to amounts collected by the governmental and enterprise funds for various operational and capital expenditures and principal and interest payments.

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

The compositions of interfund balances as of year end were as follows:

Receivable Fund Due from:	Payable Fund Due to:		
	Capital Projects	Water	Total Payable
General fund	\$ 212,887	\$ 11,404	\$ 224,291
Total Receivable	<u>\$ 212,887</u>	<u>\$ 11,404</u>	<u>\$ 224,291</u>

The purpose of interfund receivables and payables is to loan cash between funds. All balances are expected to be settled with issuance of new debt or the collection of property taxes.

G. Restricted Net Position

The City records restricted net position to indicate that a portion is legally restricted for a specific future use.

The following is a list of restricted net position of the City:

Restricted for:	Governmental Activities
Debt service	\$ 20,156
Municipal court	9,762
Grants	1,237,147
Total	<u>\$ 1,267,065</u>

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

V. OTHER INFORMATION

A. Risk Management

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

B. Contingent Liabilities

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

GASB 62 defines probability of loss contingencies as the following:

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

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

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

Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City of Morgan's Point Resort participates as one of 920 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

(the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

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

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

Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2021</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	18
Active employees	30
Total	76

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Morgan's Point Resort were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Morgan's Point Resort were 11.85% and 11.83% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$186,511, and were equal to the required contributions.

4. Net Pension Liability

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

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.5 to 11.50% per year including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	7.55%
Core Fixed Income	10.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Real Return	10.0%	7.22%
Real Estate	10.0%	6.85%
Absolute Return	10.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate:

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

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 945,024	\$ 120,632	\$ (544,082)

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/20	\$ 4,662,162	\$ 4,333,477	\$ 328,685
Changes for the year:			
Service Cost	241,484	-	241,484
Interest	317,960	-	317,960
Difference between expected and actual experience	70,251	-	70,251
Changes of assumptions	-	-	-
Contributions – employer	-	172,696	(172,696)
Contributions – employee	-	102,015	(102,015)
Net investment income	-	565,633	(565,633)
Benefit payments, including refunds of emp. contributions	(144,785)	(144,785)	-
Administrative expense	-	(2,614)	2,614
Other changes	-	18	(18)
Net changes	484,910	692,963	(208,053)
Balance at 12/31/21	<u>\$ 5,147,072</u>	<u>\$ 5,026,440</u>	<u>\$ 120,632</u>

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2022, the City recognized pension expense of \$115,519.

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ 80,186	\$ -
Changes in actuarial assumptions	6,009	-
Difference between projected and investment earnings	-	(289,130)
Contributions subsequent to the measurement date	143,027	-
Total	\$ 229,222	\$ (289,130)

The City reported \$143,027 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2022	\$ (11,968)
2023	(87,438)
2024	(48,905)
2025	(54,623)
2025	-
Thereafter	-
Total	\$ (202,934)

Other Postemployment Benefits

The City also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500;

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

this coverage is an “other postemployment benefit,” or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn’t meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer’s yearly contributions for retirees.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City offers supplemental death to:	Plan Year 2021	Plan Year 2020
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2022 and 2021 were \$3,078 and \$2,148, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates (RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2020	0.06%	0.06%	100.0%
2021	0.18%	0.18%	100.0%
2022	0.20%	0.20%	100.0%

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	7
Active employees	30
Total	52

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2021, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 1.84%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

1% Decrease (0.84%)	Current Single Rate Assumption 1.84%	1% Increase (2.84%)
\$ 166,781	\$ 137,197	\$ 114,308

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/20	\$ 124,030
Changes for the year:	
Service Cost	5,392
Interest	2,508
Difference between expected and actual experience	3,810
Changes of assumptions	4,080
Benefit payments	(2,623)
Net changes	13,167
Balance at 12/31/21	<u>\$ 137,197</u>

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$14,428.

Morgan's Point Resort

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

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

	Deferred Outflows of Resources
Changes in actuarial assumption changes	\$ 20,295
Difference between expected and actual experience	659
Contributions subsequent to measurement date	2,419
Total	\$ 23,373

The City reported \$2,419 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended December 31:	
2022	\$ 6,339
2023	5,640
2024	5,640
2025	2,569
2026	766
Thereafter	-
	\$ 20,954

Morgan's Point Resort
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

D. Restatements

The City restated beginning net position and fund balances for the general fund and governmental activities to correct old reconciling items. The below is a summary of the restatements:

	<u>Governmental Activities</u>	<u>General Fund</u>
Beginning net position/fund balance, as reported	\$ 5,070,298	\$ 2,119,773
Correction to reconciling items	<u>(12,449)</u>	<u>(12,449)</u>
Restated beginning net position/fund balance	<u><u>\$ 5,057,849</u></u>	<u><u>\$ 2,107,324</u></u>

E. Subsequent Events

There were no material subsequent events through November 14, 2024, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Morgan's Point Resort, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 1 of 2)
For the Year Ended September 30, 2022

Item b.

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 2,375,880	\$ 2,401,688	\$ 25,808
Sales tax	260,000	291,609	31,609
Franchise and local taxes	224,210	145,245	(78,965)
License, permits and fees	125,400	31,178	(94,222)
Intergovernmental	-	41,311	41,311
Fines and forfeitures	26,335	23,097	(3,238)
Investment income	6,800	55,230	48,430
Grants and donations	-	29,953	29,953
Other revenue	10,250	82,712	72,462
Total Revenues	3,028,875	3,102,023	73,148
<u>Expenditures</u>			
Current:			
General government			
Administration	950,919	799,880	151,039
Municipal court	54,167	32,266	21,901
Public safety			
Police	765,752	791,438	(25,686) *
Fire and ambulance	397,908	427,315	(29,407) *
Other	29,083	-	29,083
Public works			
Code enforcement	76,631	72,779	3,852
Facility maintenance	422,999	385,892	37,107
Culture and recreation			
Parks and recreation	64,700	46,135	18,565
Community services	40,872	79,236	(38,364) *
Library services	8,960	5,450	3,510
Capital outlay	249,955	117,710	132,245
Total Expenditures	3,061,946	2,758,101	303,845
Revenues Over (Under) Expenditures	\$ (33,071)	\$ 343,922	\$ 376,993

City of Morgan's Point Resort, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2022

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	-	(217,203)	(217,203) *
Insurance recoveries	-	2,148	2,148
Total Other Financing Sources (Uses)	-	(215,055)	(215,055)
Net Change in Fund Balance	\$ (33,071)	128,867	\$ 161,938
Beginning fund balance		2,107,324	
Ending Fund Balance		\$ 2,236,191	

Notes to Required Supplementary Information

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

* 2. Expenditures exceeded appropriations at the legal level of control.

City of Morgan's Point Resort, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Total pension liability				
Service cost	\$ 241,484	\$ 226,460	\$ 231,734	\$ 205,439
Interest	317,960	288,023	260,172	237,444
Differences between expected and actual experience	70,251	57,211	12,576	(14,676)
Changes of assumptions	-	-	27,996	-
Benefit payments, including refunds of participant contributions	(144,785)	(126,608)	(107,859)	(101,435)
Net change in total pension liability	484,910	445,086	424,619	326,772
Total pension liability - beginning	\$ 4,662,162	\$ 4,217,076	\$ 3,792,457	\$ 3,465,685
Total pension liability - ending (a)	\$ 5,147,072	\$ 4,662,162	\$ 4,217,076	\$ 3,792,457
Plan fiduciary net position				
Contributions - employer	\$ 172,696	\$ 157,550	\$ 174,408	\$ 152,662
Contributions - members	102,015	93,303	96,902	84,829
Net investment income	565,633	297,350	502,794	(96,230)
Benefit payments, including refunds of participant contributions	(144,785)	(126,608)	(107,859)	(101,435)
Administrative expenses	(2,614)	(1,922)	(2,840)	(1,860)
Other	18	(76)	(85)	(97)
Net change in plan fiduciary net position	692,963	419,597	663,320	37,869
Plan fiduciary net position - beginning	4,333,477	3,913,880	3,250,560	3,212,691
Plan fiduciary net position - ending (b)	\$ 5,026,440	\$ 4,333,477	\$ 3,913,880	\$ 3,250,560
Fund's net pension liability - ending (a) - (b)	\$ 120,632	\$ 328,685	\$ 303,196	\$ 541,897
Plan fiduciary net position as a percentage of the total pension	97.66%	92.95%	92.81%	85.71%
Covered payroll	\$ 1,457,355	\$ 1,332,904	\$ 1,384,313	\$ 1,212,029
Fund's net position as a percentage of covered payroll	8.28%	24.66%	21.90%	44.71%

Notes to schedule:

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

12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013 ¹
\$ 183,537	\$ 178,810	\$ 174,082	\$ 164,416	\$ 141,458
216,126	206,146	197,977	185,481	166,406
(2,733)	(10,302)	(15,386)	(22,237)	37,397
-	-	-	46,692	-
(82,688)	(120,351)	(102,370)	(89,478)	(78,997)
314,242	254,303	254,303	284,874	266,264
\$ 3,151,443	\$ 2,897,140	\$ 2,897,140	\$ 2,612,266	\$ 2,346,002
\$ 3,465,685	\$ 3,151,443	\$ 3,151,443	\$ 2,897,140	\$ 2,612,266
\$ 137,416	\$ 119,890	\$ 102,364	\$ 95,505	\$ 78,183
74,782	72,712	70,642	68,958	65,269
375,792	137,860	167,270	3,538	126,331
(82,688)	(92,528)	(102,370)	(89,478)	(78,997)
(1,946)	(1,917)	(1,888)	(2,155)	(1,319)
(99)	(101)	(102)	(106)	(108)
503,257	235,916	235,916	76,262	189,359
2,709,434	2,473,518	2,473,518	2,397,256	2,207,897
\$ 3,212,691	\$ 2,709,434	\$ 2,709,434	\$ 2,473,518	\$ 2,397,256
\$ 252,994	\$ 442,009	\$ 442,009	\$ 423,622	\$ 215,010
92.70%	85.97%	85.97%	85.38%	91.77%
\$ 1,068,318	\$ 1,009,170	\$ 1,009,170	\$ 985,117	\$ 932,420
23.68%	43.80%	43.80%	43.00%	23.06%

City of Morgan's Point Resort, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Actuarially determined employer contributions	\$ 186,511	\$ 165,745	\$ 167,701	\$ 170,297
Contributions in relation to				
the actuarially determined contribution	\$ 186,511	\$ 165,745	\$ 167,701	\$ 170,297
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 1,575,970	\$ 1,399,477	\$ 1,407,435	\$ 1,282,279
Employer contributions as				
a percentage of covered payroll	11.83%	11.84%	11.92%	13.28%

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

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 145,163	\$ 122,395	\$ 117,674	\$ 102,080
<u>\$ 124,942</u>	<u>\$ 120,119</u>	<u>\$ 104,149</u>	<u>\$ 104,149</u>
\$ (20,221)	\$ (2,276)	\$ (13,525)	\$ 2,069
\$ 1,157,122	\$ 1,130,624	\$ 1,085,679	\$ 942,702
10.80%	10.62%	9.59%	11.05%

City of Morgan's Point Resort, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended December 31,

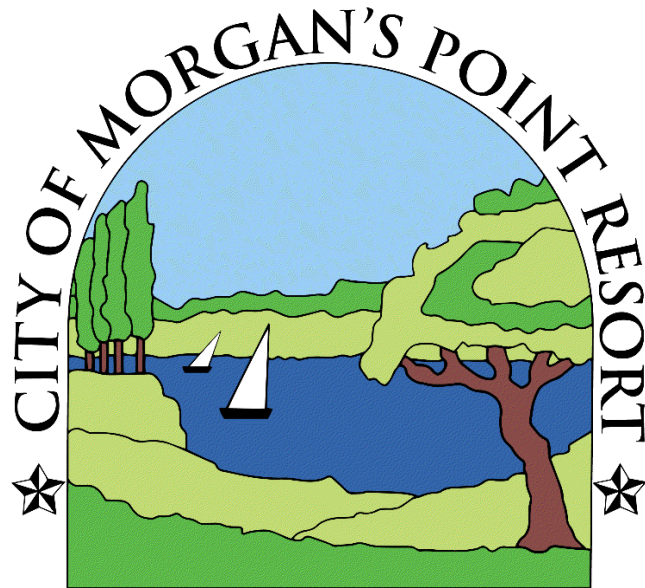
	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 5,392	\$ 4,132	\$ 3,184	\$ 3,151
Interest	2,508	2,926	3,101	2,863
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	3,810	(2,718)	81	(2,468)
Changes of assumptions	4,080	15,752	16,806	(5,770)
Benefit payments, including refunds of participant contributions	(2,623)	(800)	(831)	(606)
Net change in total OPEB liability	13,167	19,292	22,341	(2,830)
Total OPEB liability - beginning	\$ 124,030	\$ 104,738	\$ 82,397	\$ 85,227
Total OPEB liability - ending	\$ 137,197	\$ 124,030	\$ 104,738	\$ 82,397
 Covered-employee payroll	 \$ 1,457,355	 \$ 1,332,904	 \$ 1,384,313	 \$ 1,212,029
Fund's net position as a percentage of covered payroll	9.41%	9.31%	7.57%	6.80%

Notes to schedule:

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

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

2017	
<hr/>	
\$	2,457
	2,830
	-
	-
	6,579
	(534)
	<hr/>
	11,332
\$	<hr/>
	73,895
\$	<hr/>
	85,227
	<hr/>
\$	1,068,318
	7.98%



OTHER SUPPLEMENTARY INFORMATION



NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUND

The capital projects fund is used to account for funds restricted for ongoing capital projects within the City.

DEBT SERVICE FUND

The debt service fund is used to account for property tax revenue sources that are legally restricted for the servicing of debt.

HOTEL OCCUPANCY TAX FUND

The hotel occupancy tax fund is used to account for the special use purposes in accordance with the state statute to enhance tourism.

City of Morgan's Point Resort, Texas

COMBINING BALANCE SHEET

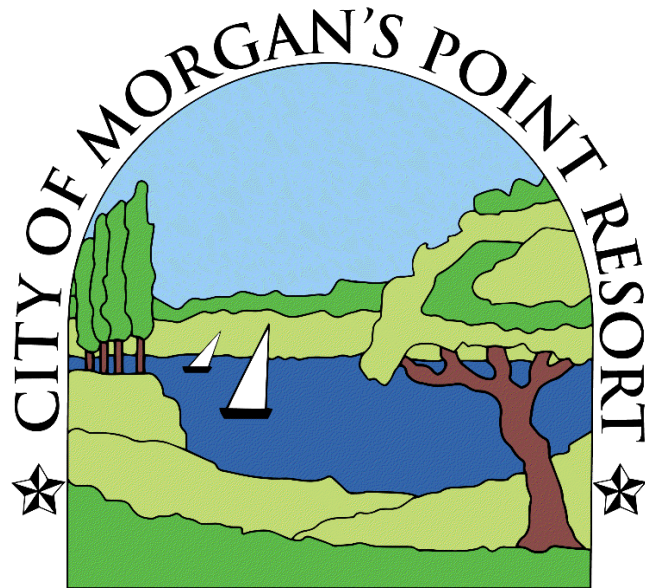
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2022

			Special Revenue	
	Capital Projects	Debt Service Fund	Hotel Occupancy Tax	Total Nonmajor Governmental
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 20,156	\$ 9,762	\$ 29,918
Total Assets	<u>\$ -</u>	<u>\$ 20,156</u>	<u>\$ 9,762</u>	<u>\$ 29,918</u>
<u>Liabilities</u>				
Accounts payable	\$ 70,050	\$ -	\$ -	\$ 70,050
Due to other funds	212,887	-	-	212,887
Total Liabilities	<u>282,937</u>	<u>-</u>	<u>-</u>	<u>282,937</u>
<u>Fund Balances</u>				
Restricted for:				
Debt service	-	20,156	-	20,156
Hotel Occupancy	-	-	9,762	9,762
Unassigned	(282,937)	-	-	(282,937)
Total Fund Balances	<u>(282,937)</u>	<u>20,156</u>	<u>9,762</u>	<u>(253,019)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 20,156</u>	<u>\$ 9,762</u>	<u>\$ 29,918</u>

City of Morgan's Point Resort, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	Capital Projects	Debt Service Fund	Special Revenue Hotel Occupancy Tax	Total Nonmajor Governmental
<u>Revenues</u>				
Franchise and local taxes	\$ -	\$ -	\$ 7,095	\$ 7,095
Investment income	-	141	-	141
Total Revenues	-	141	7,095	7,236
<u>Expenditures</u>				
Capital outlay	282,937	-	-	282,937
Total Expenditures	282,937	-	-	282,937
Revenues Over (Under) Expenditures	(282,937)	141	7,095	(275,701)
Beginning fund balances	-	20,015	2,667	22,682
Ending Fund Balances	\$ (282,937)	\$ 20,156	\$ 9,762	\$ (253,019)



ORDINANCE NO. 24-013

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN'S POINT RESORT, TX, REPEALING ORDINANCE NO. 2013-2 IN ITS ENTIRETY

WHEREAS, on March 12, 2013, the City Council of the City of City of Morgan's Point Resort adopted Ordinance No. 2013-2, entitled "Adopting Personnel Policies"; and

WHEREAS, the City Council has determined that Ordinance No. 2013-2 is no longer necessary or in the best interest of the City; and

WHEREAS, the City Council desires to repeal Ordinance No. 2013-2 in its entirety.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MORGAN'S POINT RESORT, TX:

SECTION 1: REPEAL OF ORDINANCE NO. 2013-2

Ordinance No. 2013.-2, adopted on March 12, 2013, and entitled Adopting Personnel Polices, is hereby repealed in its entirety.

SECTION 2: SEVERABILITY

Should any section, clause, or provision of this ordinance be declared by a court of competent jurisdiction to be invalid, such decision shall not affect the validity of the ordinance as a whole or any part thereof other than the part declared to be invalid.

SECTION 3: EFFECTIVE DATE

This ordinance shall take effect immediately upon its adoption.

PASSED AND APPROVED by the City Council of the City of Morgan's Point Resort, Tx, on this 18th day of November 2024.

Dennis Green, Mayor: _____

Camille Bowser, City Secretary: _____