

**ARANSAS COUNTY
NAVIGATION DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2021

ARANSAS COUNTY NAVIGATION DISTRICT

DIRECTORY OF OFFICIALS

December 31, 2021

		<u>Precinct</u>	<u>Term Expires</u>
Malcolm Dieckow	Chairman	3	December 31, 2024
Judith H. Vlasek	Vice-Chairman	1-1A	December 31, 2024
Thomas W. Moore, Jr.	Secretary	At Large	December 31, 2022
Michael "Mickey" Casterline	Commissioner	4-4A	December 31, 2022
Martin De Leon	Commissioner	2	December 31, 2022

Gerald L. Benadum, P.C. Attorney

Keith Barrett Harbor Master

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FINANCIAL SECTION

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BRENDA P. McELWEE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Aransas County Navigation District

Report of the Financial Statements

We have audited the accompanying financial statements of the Aransas County Navigation District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statement, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 statement in order to design audit procedures that are appropriate in the circumstance, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Aransas Co. Navigation District, as of December 31, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 10 and schedules of changes in net pension liability and employer contributions on pages 27 through 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Brenda P. McElwee, P.C.
June 15, 2022

ARANSAS COUNTY NAVIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2021

As management of the Aransas County Navigation District. (The District), we offer readers as an introduction to the District's financial statements, this narrative overview and analysis of the District's activities and financial performance for the years ended December 31, 2021 and 2020. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the District's financial statements taken as a whole. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The total net position of the District at December 31, 2021 was \$25,152,135 increasing by \$725,507 from the prior year.
- The net investment in capital assets (net of accumulated depreciation and related debt) was \$15,049,733, an increase of \$390,649 from the prior year.
- Operating revenue increased from \$3,749,640 in 2020 to \$4,357,804 in 2021, an increase of \$608,164. Of this increase, \$502,870 was an increase in beach park admissions while \$38,406 was from an increase in tenant leases and \$48,888 was the increase in ad valorem taxes..
- Operating expenses decreased from \$3,775,930 in 2020 to \$3,596,276 in 2021, a decrease of \$179,654. This decrease can be attributed to the extensive repairs recently done after Hurricane Harvey.

USING THIS ANNUAL REPORT

This District's basic financial statements are comprised of the financial statements and the notes to the financial statements. The basic financial statements can be found on pages 12 through 35 of this report. Since the District is comprised of a single enterprise fund, no fund level financial statements are shown. This report also contains other supplementary information in addition to the basic financial statements themselves.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements offer short and long-term financial information about its activities.

The Statement of Net Position includes all of the District's assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The assets and liabilities are presented in a format, which distinguishes between current and long-term assets and liabilities. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net Position increase when revenues exceed expenses. An

ARANSAS COUNTY NAVIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2021

BASIC FINANCIAL STATEMENTS

-continued-

increase in assets without a corresponding increase to liabilities, results in increased Net Position, which indicates an improved financial position.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for all of the District's current year's revenues and expenses. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, as well as its profitability, and credit worthiness. All changes in Net Position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. income received but not yet earned.)

The Statement of Cash Flows provides information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS .

The fundamental question that is most asked of business is, as a whole "Are you better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the Net Position of the District and changes in them. You can think of the District's Net Position—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increase or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, global market trends, population growth, regulations and new or changed government legislation.

STATEMENT OF NET POSITION .

The Statement of Net Position serves over time as a useful indicator of the District's financial health or position. It distinguishes assets and liabilities as to their expected use for operations, restricted purposes and capital investment. The following condensed Statement of Net Position provides an overview of the District's Net Position as of December 31, 2021 and 2020:

ARANSAS COUNTY NAVIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2021

STATEMENT OF NET POSITION

-continued-

TABLE 1

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets	\$ 10,733,574	\$ 10,416,658
Capital assets (net)	17,579,733	17,544,084
Deferred outflows of resources	154,657	154,657
	<u>28,467,964</u>	<u>28,115,399</u>
LIABILITIES		
Current Liabilities	762,413	807,211
Long-term liabilities	2,454,226	2,795,741
Deferred inflows of resources	99,190	85,819
	<u>3,315,829</u>	<u>3,688,771</u>
NET POSITION		
Invested in capital assets	15,049,733	14,659,084
Unrestricted	10,102,402	9,767,544
	<u>\$ 25,152,135</u>	<u>\$ 24,426,628</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Change in Net Position serves as a measure to determine how successful the District was during the past year in recovering its costs through its user fees and other charges, as well as to its profitability and credit worthiness. The following Condensed Statements of Revenues, Expenses, and Change in Net Position summarize the operations of the District for the years ended December 31, 2021 and 2020:

TABLE 2

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES (EXPENSES)		
Operating revenues	\$ 4,357,804	\$ 3,749,640
Operating expenses	(3,596,276)	(3,775,930)
	<u>761,528</u>	<u>(26,290)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	25,586	80,689
Miscellaneous income	83,288	20,507
Insurance proceeds	-	355,787
Proceeds from sale of assets	-	63,229
Interest expense	(128,116)	(144,269)
Penalties	(16,779)	-
	<u>(36,021)</u>	<u>375,943</u>
Capital grants & contributions (repayment)	-	(27,673)
CHANGES IN NET POSITION	<u>725,507</u>	<u>321,980</u>
Net position, beginning of year	24,426,628	24,104,648
Net position, end of year	<u>\$ 25,152,135</u>	<u>\$ 24,426,628</u>

ARANSAS COUNTY NAVIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of December 31, 2021 and 2020 totaled \$17,544,084 and \$17,544,084 (net of accumulated depreciation). This investment in capital assets includes the harbor facilities, machinery and equipment, property and buildings, and furniture and equipment.

Long-term Debt

The Aransas County Navigation District Unlimited Tax Bonds, Series 2007 retired \$355,000 of debt during the year leaving the unpaid balance of \$2,530,000.

ECONOMIC OUTLOOK

Outlook for 2021 looks to be favorable as the Navigation District and its properties continues to gain momentum from the aftermath as a result of damages by Hurricane Harvey. Many projects related to FEMA will continue for several years to come replacing or repairing damaged structures.

COVID 19 restrictions on the public places and events has or will continue for the foreseeable future. However, the Navigation District and its outdoor venues are and have been a huge draw for people from around the state as an escape from the more metropolitan areas. Thus increasing our numbers at many locations like Rockport Beach, harbors and boat ramps.

Tourists and visitors are a driver of economic in our region and to the many businesses that lease District property. The business in and around the three harbors are influenced by their numbers. The Navigation District remains to be the primary reason for this influx of business and tourism to our area as a whole. The harbors and boat launching facilities make access to the bays possible and are the main driver of this segment of business. The District's assets of Rockport Beach and its pavilions/convention centers and the #1 draw to our community. Our economic gains seem to be on a steady course into the future although the unknown effects of a global pandemic bring some uncertainty.

CONTACTING THE NAVIGATION DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. If you have any questions about the report or need additional financial information, contact the Office Manager at the Aransas County Navigation District, 911 Navigation Circle, Rockport, Texas 78382

BASIC FINANCIAL STATEMENTS

ARANSAS CO. NAVIGATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2021

ASSETS:

CURRENT ASSETS:

Cash and cash equivalents	\$ 9,501,923
Ad valorem taxes receivable (net)	985,806
Accounts receivable (net)	106,986
Prepaid insurance	138,859
Total Current Assets	10,733,574

NON-CURRENT ASSETS:

CAPITAL ASSETS:

Property, plant and equipment	23,999,628
Less accumulated depreciation	(6,998,101)
Construction in progress	578,206
Capital Assets, Net	17,579,733

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows related to pensions	154,657
Total deferred outflows of resources	154,657

TOTAL ASSETS

28,467,964

LIABILITIES AND NET POSITION:

CURRENT LIABILITIES:

Accounts payable	254,992
Accrued bond interest payable	47,316
Customer deposits	5,800
Prepaid dockage	65,948
Compensated absences, current	18,357
Current portion of Bonds Payable	370,000
Total Current Liabilities	762,413

LONG-TERM LIABILITIES:

Compensated absences, net of current amount	165,216
Net Pension liability	100,080
Other postemployment benefit liability	28,930
Bonds payable, net of current portion	2,160,000
Total Long-term Liabilities	2,454,226

TOTAL LIABILITIES

3,216,639

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows related to pensions	85,819
Deferred Inflows related to OPEB	13,371
Total deferred inflows of resources	99,190

NET POSITION:

Net Investment in capital assets	15,049,733
Unrestricted	10,102,402
TOTAL NET POSITION	\$ 25,152,135

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

ARANSAS CO. NAVIGATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended December 31, 2021

OPERATING REVENUE:

Harbor wharfage, dockage and lease revenue	\$ 1,330,934
Beach park admissions	1,128,911
Ad valorem taxes	1,897,959
Total Operating Revenues	<u>4,357,804</u>

OPERATING EXPENSES:

Maintenance and operations	1,828,425
General and administrative	1,164,246
Depreciation	603,605
Total Operating Expenses	<u>3,596,276</u>
Operating Income	<u>761,528</u>

NON-OPERATING REVENUES (EXPENSES):

Interest income	25,586
Other income	83,288
Interest expense	(128,116)
Penalties	(16,779)
Total Non-Operating Revenue (Expenses)	<u>(36,021)</u>

Change in Net Position	725,507
Total Net Position, beginning of year	<u>24,426,628</u>
Total Net Position, end of year	<u>\$ 25,152,135</u>

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

ARANSAS CO. NAVIGATION DISTRICT

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 4,504,180
Cash payments to supplies for goods and services	(1,749,192)
Cash payments to employees for services	(1,317,281)
Net Cash (Used) Provided by Operating Activities	<u>1,437,707</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of fixed assets	(639,254)
Payments on bonds	(355,000)
Interest on bonds payable	(128,116)
Other income	14,109
Grant proceeds	69,181
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(1,039,080)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	25,583
Penalties	(16,779)
Net Cash Provided by Investing Activities	<u>8,804</u>

Net Increase (Decrease) in Cash and Cash Equivalents 407,431

Cash and Cash Equivalents, beginning of year	9,094,492
Cash and Cash Equivalents, end of year	<u>\$ 9,501,923</u>

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 761,528
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	603,605
Changes in assets and liabilities:	
Accounts receivable	110,221
Prepaid expenses	(19,706)
Accounts payable	(91,807)
Prepaid dockage	35,103
Tenant deposits	1,053
Compensated absences	1,233
OPEB liability	28,930
Deferred OPEB related inflows	13,371
Accrued expenses	(5,824)
Total Adjustments	<u>676,179</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,437,707</u>

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

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Aransas County Navigation District (the District) conform to generally accepted accounting principles (GAAP) applicable to governmental enterprise units. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

The financial statements are prepared on the basis of Governmental Accounting Standards Board (GASB), Statement Number 34, Basic Financial Statements, Management Discussion and Analysis for State and Local Governments and related standards. This new statement provides for significant changes in terminology and includes recognition of capital grants in the Statement of Revenues, Expenses and Changes in Net Assets; a presentation of net assets; as well as an inclusion of a management discussion and analysis; supplementary information; and other changes.

General History of the Aransas County Navigation District

Aransas County Navigation District (The District) was created under General Law (Chapter 9, Title 128, R.C.S. 1925) and was converted to a navigation district under provisions of Article XVI, Section 59, of the Constitution of Texas, May 14, 1949.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

In evaluating how to define the entity for financial reporting purposes, management considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based on the application of the criteria, management has determined the District should not be considered a part of any unit of local government for reporting purposes nor are there any entities or funds for which the District has reporting responsibilities.

Basis of Accounting

The District operates a single enterprise proprietary fund and uses the accrual basis of accounting to report on its financial position and the results of its operations. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (-continued-)

appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Under this method, revenues are recorded when earned, and expenses are recognized as soon as they result in liabilities for the benefits provided.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. All enterprise funds are accounted for on a flow of economic resources measurement focus, whereby all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity is classified as net assets. Enterprise fund operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the District are charges to customers for the use of facilities. Operating expenses include the cost of providing the facilities, administrative expenses and depreciation on capital assets.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the District applies all Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The District has elected not to follow FASB pronouncements issued after November 30, 1989.

Cash and Investments

The District's cash and cash equivalents consist of cash-on-hand, cash held on deposit with financial institutions in demand deposit accounts, and short-term investments with original maturities of three months or less from the date of acquisition

State statute authorizes the District to invest in obligations of the United States Treasury, certificates of deposits, repurchase agreements, savings accounts, other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds, and public funds investment pools. Investments for the District are reported at fair value.

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (-continued-)

Property, Plant and Equipment

Capital assets, which include property, facilities and equipment are capitalized at total acquisition cost, provided such cost exceed \$5,000 and the expected useful life of the asset is more than two years. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following useful lives:

<u>Asset</u>	<u>Years</u>
Equipment	5-20
Buildings	10-40
Land improvements	5-40

Impairment of Long-Lived Assets

The District evaluates its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than their carrying amounts, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2021.

Deferred Income

Revenue received for fees collected in advance is deferred and is shown as a liability in the accompanying balance sheet.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Revenues

The District's operating revenues are subject to risk, because of their concentration in the marine and coastal tourism industry.

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 2—CASH AND CASH EQUIVALENTS

All investments made and held by the District were in compliance with the District's investment policy.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Any portion of a deposit not covered by FDIC insurance is exposed to custodial credit risk in any of the following ways:

1. Deposits are not collateralized
2. Collateral for deposits is held by the pledging financial institution and/or
3. Collateral for deposits is held by the pledging institution's trust department or agent, but not in the name of the District

At December 31, 2021, the District's deposits held at financial institutions of \$9,541,325 were entirely covered by FDIC insurance or were secured by collateral held by the District's agent in the District's name. In addition to deposits with financial institutions, the District maintains \$3,800 in petty cash.

Investments held by the District at December 31, 2021 are categorized to indicate the risk assumed at year-end.

Similar to cash deposits, investments held at financial institutions are categorized according to three levels of risk.

Category 1—includes investments that are insured, registered, or held by the District or its agent in the District's name.

Category 2—includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the District's name.

Category 3—includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the District's name.

Pooled investments are not categorized because they are not evidenced by certificates that exist in physical or book form. The District's investments which are included as cash equivalents at December 31, 2021 and 2020 are as follows:

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 2—CASH AND CASH EQUIVALENTS

(-continued-)

	2021		2020		Category
	Carrying Value	Fair Value	Carrying Value	Fair Value	
Temporary investments shown					
as cash equivalents:					
Texpool	\$337,285	\$337,285	\$415,883	\$415,883	Pooled
Texas Class	\$344,841	\$344,841	\$343,725	\$343,725	Pooled
DWS Government Cash	\$240,484	\$240,484	\$240,458	\$240,458	Pooled
Total temporary investments					
shown as cash equivalents	\$922,610	\$922,610	\$1,000,066	\$1,000,066	

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report non-participating interest-earning investment contracts using a cost-based measure. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of non-participating interest-earning investment contracts.

Public funds investment pools in Texas ("Pools") are established under the District of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act designed to promote liquidity and safety of principal. The Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

NOTE 3—ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2021 is as follows:

	2021	2020
Ad Valorem Taxes Receivable:		
Property taxes receivable	\$ 1,095,340	\$ 1,325,344
Less: Allowance for uncollectible accounts	(109,534)	(129,689)
Net Ad Valorem Taxes Receivable	985,806	1,195,655
Accounts Receivable:		
Tenants leases receivable	\$ 133,732	\$ 27,849
Less: Allowance for uncollectible accounts	(26,746)	(20,491)
Net Tenant Accounts Receivable	\$ 106,986	\$ 7,358

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 4—CAPITAL ASSETS

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

	Beginning Balance 1/1/2021	Additions	Retirements	Ending Balance 12/31/2021
Capital assets, not being depreciated:				
Land	\$ 94,674	\$ -	\$ -	\$ 94,674
Construction in progress	-	-	\$ -	-
Total capital assets, not being depreciated	94,674	-	-	94,674
Capital assets, being depreciated:				
Buildings and harbor improvements	23,215,832	-	-	23,215,832
Vehicles	368,548	26,235	-	394,783
Machinery and equipment	259,527	34,813	-	294,340
Total capital assets, being depreciated	23,843,907	61,048	-	23,904,955
Less: accumulated depreciation for				
Harbor improvements and buildings	6,010,888	580,396	-	6,591,284
Vehicles	275,374	17,938	-	293,312
Machinery and equipment	108,235	5,272	-	113,507
Total accumulated depreciation	6,394,497	603,606	-	6,998,103
Total capital assets, being depreciated, net	17,449,410	(542,558)	-	16,906,852
Total capital assets, net	\$ 17,544,084	\$ (542,558)	\$ -	\$ 17,001,526

NOTE 5—INSURANCE

The District carries the following insurance policies:

		Period Covered		Annual	Amount of
		From	To	Premium	Coverage
General Liability					
Texas Municipal League	Intergovernmental Risk Pool	10/1/2020	10/1/2021	\$ 10,161	\$ 1,000,000
Texas Municipal League	Intergovernmental Risk Pool	10/1/2021	10/1/2022	\$ 10,085	\$ 1,000,000
Real Property & Windstorm					
Texas Municipal League	Intergovernmental Risk Pool	10/1/2020	10/1/2021	\$ 122,315	\$ 2,167,248
Texas Municipal League	Intergovernmental Risk Pool	10/1/2021	10/1/2022	\$ 122,315	\$ 2,167,248
GSM Insurers	Regional Pool Alliance	10/15/2020	10/15/2021	\$ 115,156	\$ 13,400,405
GSM Insurers	Regional Pool Alliance	10/15/2021	10/15/2022	\$ 134,326	\$ 13,400,405
Flood Insurance					
Fidelity National Insurance	Wright National Insurance	6/16/2020	6/16/2021	\$ 1,316	APD Value
Fidelity National Insurance		6/16/2021	6/16/2022	\$ 1,325	APD Value
Worker's Compensation					
Texas Municipal League	Intergovernmental Risk Pool	10/1/2020	10/1/2021	\$ 18,469	Statutory
Texas Municipal League	Intergovernmental Risk Pool	10/1/2021	10/1/2022	\$ 22,216	Statutory
Errors & Omissions					
Texas Municipal League	Intergovernmental Risk Pool	10/1/2020	10/1/2021	\$ 1,377	\$ 1,000,000
Texas Municipal League	Intergovernmental Risk Pool	10/1/2021	10/1/2022	\$ 1,808	\$ 1,000,000

There were no reductions of insurance coverage during 2021. Where commercial insurance was used to manage the risk of loss, no settlements exceeded such insurance coverage during any of the past two years.

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 6—LONG-TERM LIABILITIES

The District issued Unlimited Tax Bonds, Series 2007, for the purpose of improving waterways, to construct, repair, enlarge and develop facilities and aids incidental to or useful in the navigation, operation and development of the District's ports and other navigation facilities. Changes in long-term obligations for the year are as follows:

	Beginning Balance 1/1/2021	Additions	Retirements	Ending Balance 12/31/2021
Unlimited Tax Bonds, Series 2007	\$ 2,885,000	\$ -	\$ 355,000	\$ 2,530,000
Total Long-Term Liabilities	\$ 2,885,000	\$ -	\$ 355,000	\$ 2,530,000

NOTE 7—PENSION PLAN

Plan Description

Aransas County Navigation District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 817 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The most recent comprehensive annual financial report for TCDRS can be found at the following link: [Error! Hyperlink reference not valid.](#)

Description of benefit terms:

All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

The plan provides retirement, disability and survivor benefits.

TCDRS is a savings-based plan. For the district's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.

There are no automatic cost of living adjustments (COLA). Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.

Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 7—PENSION PLAN

-continued-

The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Aransas County Navigation District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 7%. Contributions to the pension plan from the district for 2021 are shown in the Schedule of Employer Contributions.

Membership information is shown in the table below:

	<u>12/31/2019</u>	<u>12/31/2020</u>
Number of inactive employees entitled to but not yet receiving benefits	4	6
Number of active employees	17	16
Average monthly salary	\$ 3,672	\$ 4,246
Average age	52	52
Average length of service in years	12	13
Number of inactive employees (or their beneficiaries) receiving benefits	5	6
Average monthly benefit	\$ 595	\$ 681

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer.

	<u>12/31/2019</u>	<u>12/31/2020</u>
Total pension liability	\$2,266,194	\$2,671,598
Fiduciary net position	2,223,590	2,571,517
Net pension liability/ (asset)	42,604	100,080
Fiduciary net position as a % of total pension liability	98.12%	96.25%
Pensionable covered payroll	737,482	825,956
Net pension liability as a % of covered payroll	5.78%	12.12%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Discount rate	8.10%	7.60%
Long-term expected rate of return, net of investment expense	8.10%	7.60%
Municipal bond rate	n/a	n/a

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 7—PENSION PLAN

-continued-

The latest actuarial valuation for the District employees was completed as of December 31, 2021. The actuarial calculations are as follows:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Basis	SAF: 10-yr smoothed value ESF: Fund value
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	4.60%
Investment Rate of Return	7.60% (Gross of administrative expenses)
Cost-of-Living Adjustments (COLA)	COLAs for ACND are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future COLAs is included in the GASB calculations. No assumption for future COLAs is included in the funding valuation.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2022 information for a 10-year time horizon.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 7—PENSION PLAN

-continued-

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.5%	4.25%
Global Equities	MSCI World (net) Index	2.5%	4.55%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	6.0%	4.25%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.0%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.0%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.0%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.0%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.0%	5.70%
REIT Equities	67% FTSE NAREIT All Equity REITs Index +33% S&P Global REIT (net) Index	2.0%	3.45%
Master Limited Partnerships	Alerian MLP Index	2.0%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.0%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.0%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.0%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.0%	-7.00%

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2019	\$ 2,266,194	\$ 2,223,590	\$ 42,604
Changes for the year:			
Service Cost	109,833	-	109,833
Interest (on the Total Pension Liability)	190,969	-	190,969
Effect of economic/demographic gains or losses	16,763	-	16,763
Effect of assumption changes or inputs	125,349	-	125,349
Refund of contributions	(1,810)	(1,810)	-
Benefit payments	(35,700)	(35,700)	-
Administrative expense	-	(1,882)	1,882
Member contributions	-	57,817	(57,817)
Net investment income	-	229,949	(229,949)
Contributions - employer	-	95,894	(95,894)
Other changes	-	3,659	(3,659)
Net changes	405,404	347,927	57,477
Balance at 12/31/2020	\$ 2,671,598	\$ 2,571,517	\$ 100,081

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the total pension liability, the fiduciary net position and the net pension liability of the district, calculated using the discount rate of 7.6%, as well as what the Aransas County Navigation District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.6%) or 1 percentage point higher (8.60%) than the current rate.

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 7—PENSION PLAN

-continued-

	1% Decrease in Discount Rate 6.60%	Current Single Rate Assumption 7.60%	1% Increase in Discount Rate 8.60%
Total pension liability	\$2,962,786	\$2,671,598	\$2,418,748
Fiduciary net position	\$2,571,517	\$2,571,517	\$2,571,517
Net pension liability/(asset)	\$391,269	\$100,081	(\$152,769)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended December 31, 2021, the district recognized pension expense of \$59,771.

At December 31, 2021, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$14,561	\$39,411
Changes of assumptions	\$0	\$115,246
Net difference between projected and actual earnings	\$71,258	\$0
Contributions made subsequent to measurement date	n/a	\$0

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense are as follows:

	Net deferred outflows/ (inflows) of resources
2021	\$ 1,067
2022	19,618
2023	(17,432)
2024	11,936
2025	18,438
Thereafter	35,211

ARANSAS COUNTY NAVIGATION DISTRICT

Notes to Financial Statements

December 31, 2021

NOTE 8—COMMITMENTS AND CONTINGENCIES

The District is exposed to various risks of loss related to torts; theft or, damage to and destruction of assets; errors and omission; and natural disasters for which the District carries commercial insurance. From time to time, the District is subject to routine litigation incidental to its operation. Management believes that the results of any claims or litigation will not materially affect the District's financial position. During the year the District did not incur any losses, which were not covered by insurance.

NOTE 9—SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes.

REQUIRED SUPPLEMENTARY INFORMATION

Aransas County Navigation District
Schedule of Changes in Net Pension Liability and Related Ratios
Texas County & District Retirement System
Last 10 Fiscal Years (will ultimately be displayed)

	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
Total Pension Liability							
Service Cost	\$ 109,833	\$ 103,700	\$ 89,246	\$ 92,138	\$ 89,898	\$ 92,835	\$ 85,725
Interest on total pension liability	190,969	170,409	153,618	136,500	118,119	106,638	90,291
Effect of plan changes	-	-	-	-	-	(13,437)	-
Effect of assumption changes or Effect of economic/demographics (gains) or losses	125,349	-	-	8,590	-	10,817	-
Benefit payments, including refunds of employee contributions	16,763	8,624	(9,935)	13,871	6,487	(30,427)	27,816
Net change in total pension liability	(37,510)	(32,661)	(47,248)	(26,889)	(44,071)	(5,715)	(2,792)
Total pension liability, beginning	405,404	250,072	185,681	224,210	170,433	160,711	201,040
Total pension liability, ending (a)	<u>2,266,194</u>	<u>2,016,122</u>	<u>1,830,441</u>	<u>1,606,231</u>	<u>1,435,798</u>	<u>1,275,087</u>	<u>1,074,047</u>
	<u>\$ 2,671,598</u>	<u>\$ 2,266,194</u>	<u>\$ 2,016,122</u>	<u>\$ 1,830,441</u>	<u>\$ 1,606,231</u>	<u>\$ 1,435,798</u>	<u>\$ 1,275,087</u>
Fiduciary Net Position							
Employer contributions	\$ 95,894	\$ 86,802	\$ 76,151	\$ 74,572	\$ 67,396	\$ 67,850	\$ 67,737
Member contributions	57,817	51,624	47,048	47,028	44,381	43,454	42,110
Investment income net of investment Administrative expenses	229,949	298,324	(32,173)	215,025	95,922	(31,268)	70,154
Benefit payments, including refunds	(37,510)	(32,661)	(47,248)	(26,888)	(44,073)	(5,715)	(2,792)
Other	(1,882)	(1,694)	(1,460)	(1,179)	(1,043)	(908)	(876)
Net change in plan fiduciary net position	3,659	3,930	2,441	1,258	13,644	(8,065)	(109)
Plan fiduciary net position -- beginning	347,927	406,325	44,759	309,816	176,227	65,348	176,224
Plan fiduciary net position -- ending (b)	<u>2,223,590</u>	<u>1,817,265</u>	<u>1,772,506</u>	<u>1,462,690</u>	<u>1,286,463</u>	<u>1,221,115</u>	<u>1,044,891</u>
	<u>\$ 2,571,517</u>	<u>\$ 2,223,590</u>	<u>\$ 1,817,265</u>	<u>\$ 1,772,506</u>	<u>\$ 1,462,690</u>	<u>\$ 1,286,463</u>	<u>\$ 1,221,115</u>
Net pension liability, ending (a) - (b)	<u>\$ 100,081</u>	<u>\$ 42,604</u>	<u>\$ 198,857</u>	<u>\$ 57,935</u>	<u>\$ 143,541</u>	<u>\$ 149,335</u>	<u>\$ 53,972</u>
Fiduciary net position as a percentage of the total pension liability (b) / (a)	96.25%	98.12%	90.14%	96.83%	91.06%	89.60%	95.77%
Pensionable covered payroll	\$ 825,956	\$ 737,482	\$ 672,116	\$ 671,823	\$ 634,017	\$ 620,764	\$ 601,570
Net pension liability as a percentage of covered payroll	12.12%	5.78%	29.59%	8.62%	22.64%	24.06%	8.97%

This schedule is presented to fulfill the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown.

Aransas County Navigation District

Schedule of Employer Contributions

Texas County & District Retirement System

Last 10 Fiscal Years (will ultimately be displayed)

Year Ending December 31,	Actuarially Determined Contribution	Actul Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contributions as a percentage of Covered Payroll
2011	\$ 51,899	\$ 51,899	\$ -	\$ 470,525	11.03%
2012	56,590	56,590	-	507,537	11.15%
2013	62,601	62,601	-	553,501	11.31%
2014	67,737	67,737	-	601,570	11.26%
2015	67,850	67,850	-	620,764	10.93%
2016	67,396	67,396	-	634,017	10.63%
2017	74,572	74,572	-	671,823	11.10%
2018	76,151	76,151	-	672,116	11.33%
2019	86,802	86,802	-	737,482	11.77%
2020	95,894	95,894	-	825,956	11.61%

Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5 Year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2019: New inflation, mortality and other assumptions were reflected. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule.

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SUPPLEMENTAL INFORMATION

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ARANSAS CO. NAVIGATION DISTRICT

SCHEDULES OF MAINTENANCE AND OPERATIONS AND GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended December 31, 2021

MAINTENANCE AND OPERATIONS

Employee services	\$ 650,254
Maintenance and repairs	449,995
Rentals	84,114
Professional fees	173,829
Signage	2,957
Advertising	22,962
Utilities	318,781
Insurance	125,533
Total Maintenance and Operations	<u>\$ 1,828,425</u>

GENERAL AND ADMINISTRATIVE

Commissioner services	\$ 65,112
Employee services	650,254
Maintenance and repairs	79,411
Merchant credit card fees	16,753
Professional fees	173,829
Signage	522
Advertising	22,962
Office expense	43,213
Utilities	56,255
Insurance	41,844
COVID-19 related expenses	14,091
Total General and Administrative	<u>\$ 1,164,246</u>

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BRENDA P. McELWEE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

**REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

Aransas County Navigation District
Board of Commissioners

We have audited, 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, the financial statements of the Aransas County Navigation District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement to the entity's financial statements will not be prevented or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Brenda P. McElwee, P.C.

June 16, 2022

ARANSAS COUNTY NAVIGATION DISTRICT
1040000
ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS
COUNTY OF ARANSAS

I, Malcolm Dieckow, of the Aransas Co. Navigation District hereby swear or affirm that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 5th day of July, 2022 its annual audit report for the fiscal year ended December 31, 2021 and that copies of the annual audit report have been filed in the district office, located at:

911 Navigation Circle
Rockport, Texas 78382

This annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements of the Texas Water Code Section 49.194.

Date: 07/08, 2022

By:
(Signature of District Official)

Malcolm Dieckow

Sworn to and subscribed before me this 7th day of August, 2022.

Brianna Hoffmann

My Commission Expires On: 10/14, 2025
Notary Public in the State of Texas.

(Signature of Notary)



