



Port of Harlingen Authority

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

September 30, 2022

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| <u>Commissioners</u> | <u>Term End Date</u> |
|---------------------------|----------------------|
| Alan Johnson, Chairman | November 2025 |
| Bryan S. Duffy, Secretary | November 2023 |
| Neil Haman | November 2023 |
| Ryan Newman | November 2025 |
| Christopher Villarreal | November 2025 |

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF: CAMERON

I, _____ of the Port of Harlingen Authority hereby swear, or affirm, that the Port named above has reviewed and approved at a meeting of the Port's Board of Commissioners on the _____ day of _____, 2023 its annual audit report for the fiscal period ended September 30, 2022, and that copies of the annual audit report have been filed in the Port's office, located at 24633 E. Port Rd., Harlingen, Texas 78550.

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: _____, 2023. _____
Alan Johnson, Chairman

Sworn to and subscribed to before me this ___ day of _____, 2023.

(SEAL) _____
(Signature of Notary)

My Commission Expires on: _____
Notary Public in and for the State of Texas.



REPORT





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INDEPENDENT AUDITORS' REPORT

Board of Port Commissioners
Port of Harlingen Authority

Opinions

We have audited the accompanying financial statements of the business-type activities of the Port of Harlingen Authority (the "Port"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Port of Harlingen Authority, as of September 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis for Matter

As described in Note 2 to the financial statements, in fiscal year 2022, the Port adopted new accounting guidance, GASB Statement No. 87 *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Port's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port of Harlingen Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port of Harlingen Authority's basic financial statements. The other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the Texas Comptroller of Public Accounts, State of Texas Single Audit Circular, and is also not a required part of the basic financial statements. The 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 other supplementary information and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of the Port of Harlingen Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Harlingen, Texas
January 31, 2023

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Port of Harlingen Authority Management's Discussion and Analysis

As management of the Port of Harlingen Authority (the Port) of Cameron County, Texas, we offer readers of the Port's basic financial statements this narrative overview and analysis of the financial activities of the Port for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements following this section and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Port exceeded its liabilities at the close of the most recent fiscal year by \$36,123,870 (net position). Of this amount, \$10,093,627 (unrestricted net position) may be used to meet the Port's ongoing obligations to creditors.
- The Port's total net position increased by \$4,596,004.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Port's financial statements. The Port's basic financial statements consist of the following: (1) **Financial Statements**, and (2) **Notes to the Financial Statements**.

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 Port, like other state, local or quasi governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Port's only fund is a **Proprietary Fund**.

The Port's **Proprietary Fund** is comprised of a single enterprise fund whose activities are considered "business-type" because they are intended to recover all or a portion of their costs through fees and charges for service. Since the Port maintains its activities as a single enterprise fund, its Proprietary Fund financial statements provide information about the activities of the Port as a whole.

The Statement of Net Position presents information on the Port's overall financial position. The Statement of Net Position includes all of the Port's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators as to whether the Port's financial health is improving or not.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Port's net position changed during the 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.

Port of Harlingen Authority Management's Discussion and Analysis

The Statement of Cash Flows reports how the Port's cash and cash equivalents were used in and provided by its operating, non-capital financing, capital financing, and investing activities during the periods reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalent balances at September 30, 2022. These statements are prepared on a cash basis and only present cash receipts and cash disbursement information. The Port uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income.

Notes to the Financial Statements. The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the basic financial statements. Such disclosures are essential to a full understanding of the information provided in the financial statements. These disclosures are an integral part of the financial statements. These notes can be found on pages 15-27.

FINANCIAL ANALYSIS

The Port's financial health is reflected in the current year financial statements. The fiscal year ending September 30, 2022 showed total net position of \$36,123,870 which is summarized as follows:

Port of Harlingen Authority of Cameron County, Texas Net Position

| | 2022 | 2021 |
|---|---------------|---------------|
| Current and other assets | \$ 12,264,044 | \$ 10,770,146 |
| Capital assets, net | 38,388,043 | 23,022,012 |
| Total assets | 50,652,087 | 33,792,158 |
| Total assets and deferred outflows of resources | \$ 50,652,087 | \$ 33,792,158 |
| Other current liabilities | \$ 243,184 | \$ 766,868 |
| Unearned lease income | - | 126,276 |
| Non-current liabilities | 1,322,131 | 1,371,148 |
| Total liabilities | 1,565,315 | 2,264,292 |
| Deferred inflows of resources | | |
| Deferred amounts related to leases | 12,962,902 | - |
| Total deferred inflows of resources | 12,962,902 | - |
| Net position | | |
| Net investment in capital assets | 26,030,243 | 21,604,512 |
| Unrestricted | 10,093,627 | 9,923,354 |
| Total net position | 36,123,870 | 31,527,866 |
| Total liabilities, deferred inflows, and net position | \$ 50,652,087 | \$ 33,792,158 |

Port of Harlingen Authority Management's Discussion and Analysis

During the implementation of GASB 87, Leases, the Port recognized \$11,299,482 in lease receivables and \$12,962,902 in deferred inflows of resources, as of September 30, 2022 which increased total assets and liabilities.

Restricted net position are resources that are subject to external restriction. The Port has no restricted net position as of September 30, 2022.

Of the \$36,123,870 total net position, \$26,030,243 represents the Port's investment in capital assets. The remaining balance of unrestricted net position, \$10,093,627 may be used to meet the Port's ongoing obligations to creditors.

Changes in net position are summarized as follows:

Port of Harlingen Authority of Cameron County, Texas Changes in Net Position

| | 2022 | 2021 |
|------------------------------------|----------------------|---------------|
| Operating revenues | \$ 2,910,328 | \$ 2,535,289 |
| Operating expenses | 2,419,614 | 1,872,931 |
| Operating income | 490,714 | 662,358 |
| Nonoperating revenues | 4,105,290 | 4,898,273 |
| Changes in net position | 4,596,004 | 5,560,631 |
| Net position - beginning of period | 31,527,866 | 25,967,235 |
| Net position - end of period | \$ 36,123,870 | \$ 31,527,866 |

Key elements of the analysis of revenues and expenses reflect the following:

- Grant revenue of \$1,853,072 accounted for 45% of nonoperating revenues.
- Wharfage and lease rentals of \$2,690,988 accounted for 92% of operating revenues.
- Significant increases in operating expenses included increases in salary expense as well as expenses in professional fees expense.
- Other non-operating revenues decreased due the Port utilizing the remaining grant award from TXDOT .

**Port of Harlingen Authority
Management's Discussion and Analysis**

CAPITAL ASSETS AND DEBT ADMINISTRATION

**Port of Harlingen Authority of Cameron County, Texas
Capital Assets**

| | 2022 | 2021 |
|---------------------------|----------------------|----------------------|
| Channel and turning basin | \$ 882,064 | \$ 882,064 |
| Dredging asset | 1,837,342 | 1,837,342 |
| Land and right of way | 4,247,198 | 4,142,075 |
| Drainage | 1,881,936 | 797,451 |
| Docks | 4,372,772 | 4,355,632 |
| Sugar growers warehouse | 4,829,346 | 4,829,346 |
| Railroads | 797,734 | 797,734 |
| Roads | 14,725,308 | 8,659,622 |
| Buildings | 1,451,531 | 749,471 |
| Mobile equipment | 162,330 | 153,830 |
| Furniture and fixtures | 90,887 | 54,091 |
| Fencing | 40,258 | 40,258 |
| Surveillance cameras | 151,299 | 151,299 |
| Leasehold improvements | 1,921,368 | - |
| Construction in progress | 512,569 | 5,196,347 |
| | 37,903,942 | 32,646,562 |
| Accumulated depreciation | (10,503,329) | (9,624,550) |
| Net capital assets | \$ 27,400,613 | \$ 23,022,012 |

Major capital assets were placed into service during fiscal year 2022 included the following:

- Rider 38 \$ 7,136,101
- Office Building Expansion \$ 681,129

Additional information on the Port's capital assets can be found at Note 3 to the financial statements.

Long-term Debt

At the end of the current fiscal year, the Port of Harlingen Authority had total debt outstanding of \$1,370,370. This information can be found in Note 3 of this report.

| | Balance at October 1, 2021 | Additions | Reductions | Balance at September 30, 2022 | Amounts Due Within One Year |
|-------------------------|----------------------------------|-----------|-------------|-------------------------------------|-----------------------------------|
| General obligation debt | \$ 1,417,500 | \$ - | \$ (47,130) | \$ 1,370,370 | \$ 48,239 |
| | \$ 1,417,500 | \$ - | \$ (47,130) | \$ 1,370,370 | \$ 48,239 |

Port of Harlingen Authority Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In adopting the Port's budget for the fiscal year ending September 30, 2023, the Port took into consideration the local environment and related growth.

The Port proposes to continue railroad improvements, breasting structures in the channel and clearing for future development, purchasing lots for expansion and performing maintenance dredging of its docks and mooring structures.

REQUEST FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Port of Harlingen Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port of Harlingen Authority, 24633 E. Port Rd., Harlingen, Texas 78550.

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FINANCIAL STATEMENTS



Port of Harlingen Authority
Statement of Net Position

| <i>September 30,</i> | 2022 |
|---|---------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 2,146,229 |
| Investments | 9,440,782 |
| Accounts receivable: | |
| Leases | 312,052 |
| Other | 260,427 |
| Property taxes, net of allowance for uncollectibles of \$1,427 in 2022 | 68,726 |
| Prepaid expenses | 35,828 |
| Total current assets | 12,264,044 |
| Non-current assets | |
| Leases receivable, non-current | 10,987,430 |
| Capital assets | |
| Depreciable capital assets, net of accumulated depreciation | 21,758,782 |
| Non depreciable capital assets | 5,641,831 |
| Total non-current assets | 38,388,043 |
| Total assets | \$ 50,652,087 |
| Liabilities, deferred inflows of resources, and net position | |
| Current liabilities | |
| Accounts payable | \$ 194,945 |
| Current maturities of long term debt | 48,239 |
| Total current liabilities | 243,184 |
| Non-current liabilities | |
| Long term debt, net of current maturities | 1,322,131 |
| Total non-current liabilities | 1,322,131 |
| Total liabilities | 1,565,315 |
| Deferred inflows of resources | |
| Deferred amounts related to leases | 12,962,902 |
| Total deferred inflows of resources | 12,962,902 |
| Net position | |
| Net investment in capital assets | 26,030,243 |
| Unrestricted | 10,093,627 |
| Total net position | 36,123,870 |
| Total liabilities, deferred inflows of resources, and net position | \$ 50,652,087 |

The accompanying notes are an integral part of these financial statements.

Port of Harlingen Authority
Statements of Revenues, Expenses, and Changes in Net Position

| <i>For the years ended September 30,</i> | 2022 |
|--|---------------|
| <hr/> | |
| Operating revenues | |
| Wharfage fees | \$ 1,812,596 |
| Surface fees | 8,790 |
| Land lease | 567,192 |
| Harbor fees | 66,900 |
| Building lease | 311,200 |
| Dock rent | 143,650 |
| <hr/> | |
| Total operating revenues | 2,910,328 |
| | |
| Operating expenses | |
| Repairs and maintenance | 105,399 |
| Employee insurance | 43,367 |
| Utilities | 37,970 |
| Insurance | 45,782 |
| Salaries | 506,455 |
| Payroll taxes | 42,760 |
| Professional fees | 350,366 |
| Other administrative expenses | 339,160 |
| Interest expense | 54,576 |
| Car and phone allowance | 15,000 |
| Depreciation | 878,779 |
| <hr/> | |
| Total operating expenses | 2,419,614 |
| | |
| Operating income | 490,714 |
| | |
| Nonoperating revenues | |
| Investment income | 97,564 |
| Interest income - leases | 361,638 |
| Ad valorem taxes, including penalties and interest | 1,461,899 |
| Grant revenue | 1,853,072 |
| Other income | 331,117 |
| <hr/> | |
| Total nonoperating revenues | 4,105,290 |
| | |
| Changes in net position | 4,596,004 |
| | |
| Total net position, beginning of period | 31,527,866 |
| <hr/> | |
| Total net position, end of period | \$ 36,123,870 |
| <hr/> | |

The accompanying notes are an integral part of these financial statements.

Port of Harlingen Authority
Statement of Cash Flows

| <i>For the years ended September 30,</i> | 2022 |
|--|----------------------|
| <hr/> | |
| Cash flows from operating activities | |
| Cash received from customers and users | \$ 16,471,499 |
| Cash paid to suppliers for goods and services | (1,456,471) |
| Cash paid to employees for services | (564,215) |
| Interest paid | (54,576) |
| Net cash provided by operating activities | 14,396,237 |
| <hr/> | |
| Cash flows from noncapital financing activities | |
| Collection of ad valorem, including penalties and interest | 1,474,871 |
| Proceeds from miscellaneous nonoperating activities | 331,117 |
| Net cash provided by noncapital financing activities | 1,805,988 |
| <hr/> | |
| Cash flows to capital financing activities | |
| Purchase of fixed assets | (16,257,782) |
| Proceeds received on grants | 1,853,072 |
| Proceeds received on notes payable | (47,130) |
| Net cash used in capital and related financing activities | (14,451,840) |
| <hr/> | |
| Cash flows to investing activities | |
| Maturities of investments | (8,698,853) |
| Interest received on cash and investments | 459,202 |
| Net cash provided by investing activities | (8,239,651) |
| <hr/> | |
| Net increase in cash and cash equivalents | (6,489,266) |
| Cash and cash equivalents, beginning | 8,635,495 |
| <hr/> | |
| Cash and cash equivalents, ending | \$ 2,146,229 |
| <hr/> <hr/> | |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 490,714 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 878,779 |
| Changes in operating assets and liabilities: | |
| (Increase) decrease in accounts receivable | 724,998 |
| (Increase) decrease in due from other governments | - |
| (Increase) decrease in property tax receivables | (453) |
| (Increase) decrease in prepaid expenses | (8,856) |
| Increase (decrease) in accounts payable | (525,571) |
| Increase (decrease) in unearned lease income | 12,836,626 |
| Net cash provided by operating activities | \$ 14,396,237 |
| <hr/> <hr/> | |

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS



Port of Harlingen Authority Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Harlingen Authority was created in 1926 under the Texas Constitution Water Code, Chapter 62, Section 59. Although established by in name and concept, the Port was not operational until February 1952. User rates are established for services provided by the Port under a separate tariff; therefore, the Port considers itself a proprietary (enterprise) fund.

Reporting Entity

The Port of Harlingen Authority is a separately established Port, whose elected commissioners serve a four year term. The financial statements of the Port of Harlingen Authority (the Port) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The more significant accounting policies used by the Port are described below.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 Port's operations are presented as a single enterprise fund. Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of *economic resources measurement focus* and the *accrual basis of accounting*. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Revenues from providing services are reported as operating revenues. All expenses related to operating the Port are reported as operating expenses. Grants, taxes, interest, and investment income are reported as non-operating income. Interest expense, financing costs and grant expenses are reported as non-operating expenses. Capital contributions, special and extraordinary items are reported separately after non-operating revenues and expenses.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the enterprise fund. The appropriated budget is prepared by operations. The Director or Chief Financial Officer may make transfers of appropriations within operating expenses. Transfers of appropriations between operations require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the level for total appropriations.

Port of Harlingen Authority Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Excess of expenditures over appropriations

For the year ended September 30, 2022, expenditures exceeded appropriations in utilities, professional fees, other administrative expenses, and depreciation expenses by a total of \$11,300.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments, such as certificates of deposits with a maturity date of 90 days or less from the date of acquisition.

Investments

The Port holds certificates of deposit which are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. Investments in U.S Treasuries are carried at fair value. The fair value of these investments are estimated based on quoted market prices for those or similar investments.

Receivables and payables

Accounts receivable are amounts due for wharfage fees, lease billings, and property taxes that have not yet been collected. No allowance for doubtful accounts has been provided for wharfage fees and lease billings based upon historical collection experience. Property tax receivables are shown net of an allowance for uncollectible accounts. The estimated allowance for uncollectible taxes receivable is based on historical experience in collecting taxes.

Leases

The Port is a lessor for noncancellable leases of Port property. The Port recognizes a lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. Under the lease agreements, the Port may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The Port uses the stated rate in the lease or its estimated incremental borrowing rate as the discount rate for the leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee. As the Port operates as a landlord port, a significant portion of operating income is derived from the Port's leases; therefore, the Port recognizes lease interest income as operating income.

Port of Harlingen Authority Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Port monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than purchased.

Capital Assets

Capital assets, which include land and right of way, channel and basin, construction in progress, dredging, buildings, equipment, and improvements other than buildings (e.g. drainage, railroads, docks, roads, fencing and similar items) are reported in the in the Port's financial statements. Capital assets are defined by the Port as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

In the case of the initial capitalization of structures and improvements assets, the Port chose to include all such items regardless of their acquisition date or amount. As the Port constructs or acquires additional capital assets each period, including structures and improvements assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and right of way, channel and basin, and construction in progress are not depreciated. All other assets which include dredging, buildings, equipment, and improvements other than buildings are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Dredging | 5 |
| Buildings | 8-25 |
| Equipment | 5-10 |
| Improvements other than buildings | 10-30 |

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the business-type activities. Bond premiums and discounts, as well as bond insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, excluding bond insurance costs, are expensed.

Port of Harlingen Authority Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

Property taxes – Property taxes attach as an enforceable lien on real property and are levied as of October 1st. 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. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The tax rate assessed was .026897 and .027657 per \$100 of valuation for the years ended September 30, 2022 and 2021, respectively.

Operating and nonoperating revenues and expenses – The Port’s financial statements 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 the Port’s principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Port has one item that meet this criterion, deferred amounts related to leases.

Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 31, 2023. See Note 10 for relevant disclosures regarding subsequent events. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In fiscal year 2022, the Port implemented the following pronouncements:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for the lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency information about governments’ leasing activities.

Port of Harlingen Authority Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These Statements are as follows:

GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022*, The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. The requirement of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The Port is evaluating the requirements of the above statements and the impact on reporting.

Port of Harlingen Authority Notes to Financial Statements

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2022, the Port implemented GASB Statement No. 87, Leases. Under GASB 87, the Port as a lessor recognized a lease receivable and deferred inflows of resources in the amount of \$11,701,722 for certain leases previously classified as operating leases.

NOTE 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Government Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investment and External Investment Pools*, requires governmental entities to report certain investments at fair value in the Statement of Net Position and recognize the corresponding change in the fair value of investments in the year in which the change occurred. However, governmental entities other than external investment pools are permitted to report certain money market investments at amortized cost if remaining maturity is less than one year at the time of purchase. Money market investments include commercial paper, banker's acceptances and U.S. Treasury and agency obligations.

The Port is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the Port was in compliance with certain provisions of the Act. Additionally, investment practices of the Port were in accordance with local policies.

State statutes and the Port's investment policy authorize the Port to invest in obligations of the U.S. Treasury and U.S. agencies collateralized mortgage obligations, fully collateralized replacement agreements, external investment pools and certificates of deposit provided that approved securities are pledged to secure those funds.

Custodial Credit Risk - 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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Texas Public Funds Investment Act, the Port's investment policy, and Texas Government Code Chapter 2257 "Collateral For Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

**Port of Harlingen Authority
Notes to Financial Statements**

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The Port’s funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Port's agent bank approved pledged securities in an amount sufficient to protect Port funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

The Port’s deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2022. At year-end, the respective bank balance totaled \$1,788,847. Of the total bank balance, up to \$250,000 of the Port’s bank balances is covered by federal depository insurance (FDIC). The remainder was covered by collateral with a value of \$8,750,000. As of September 30, 2022, the Port had \$1,788,847 in cash in demand deposit at Texas Regional Bank, respectively.

The following is a reconciliation of the Port’s total cash and cash equivalents:

| | September 30, 2022 |
|------------------------------------|-----------------------|
| Deposits | \$ 541,950 |
| Investment pools | 1,604,279 |
| Total of cash and cash equivalents | \$ 2,146,229 |

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Port manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The investment policy allows the Port to earn the maximum rate of return on its investments as long as safety of principal and liquidity obligations are met. The maximum allowable stated maturity of any investment owned by the Port is two years.

Information about the sensitivity of the Port’s investment pools to market interest rate fluctuation is provided by the following table that shows the specific investments:

| Temporary Investment | Credit Rating | Fair Value | Percentage |
|-------------------------|------------------|-------------|------------|
| Texas Class | AAAm | \$1,604,279 | 100% |

Concentration of Credit Risk - The investment policy of the Port contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act.

Port of Harlingen Authority Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Public Funds Investment Pools – Texas CLASS is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard and Poor’s and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools.

Fair Value – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Port has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

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

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The following table sets forth by level, within the fair value hierarchy, the Port’s assets at fair value as of September 30, 2022:

| | Fair Value | Maturities (in years) | | | Level |
|---|--------------|-----------------------|-------------|----------------|-------|
| | | Less than 1 | 1 - 5 | More than 5 | |
| Investments by fair value level | | | | | |
| U.S. Treasuries | \$ 8,695,576 | \$ 8,695,576 | \$ - | \$ - | L1 |
| Total investments measured by fair value level | \$ 8,695,576 | <u>\$ 8,695,576</u> | <u>\$ -</u> | <u>\$ -</u> | |

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2022.

Port of Harlingen Authority
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

U.S. Treasuries – U.S. Treasuries are classified in Level 1 of the fair value hierarchy and are valued using quoted market prices for those investments.

As of September 30, 2022, the Port had certificates of deposits totaling \$745,206 as investments, and are recorded at cost.

Accounts Receivable

For the enterprise funds, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of unpaid services delivered for the period from the last billing date to September 30, 2022 is accrued at year end. The Port deems all amounts collectable, therefore an allowance for doubtful accounts is not necessary. If payments are not received from customers, services are discontinued and deposits are applied against negative balances.

All account receivables are shown net of allowances for uncollectable accounts for the Port. The accounts receivable and allowance for uncollectible accounts at September 30, 2022, are as follows:

| | 2022 |
|------------------------------------|---------------|
| Receivables: | |
| Leases | \$ 11,299,482 |
| Taxes | 70,153 |
| Interest | 49,862 |
| Accounts | 210,565 |
| Total receivables | 11,630,062 |
| Less: allowance for uncollectibles | (1,427) |
| Net total receivables | \$ 11,628,635 |

There are no other reserves for receivables recorded by the Port as of September 30, 2022.

Port of Harlingen Authority
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2022:

| | Balance 10/1/2021 | Additions | Deletions | Transfer/ Reclassification | Balance 9/30/2022 |
|---|----------------------|--------------|-----------|-------------------------------|----------------------|
| Capital assets, not being depreciated: | | | | | |
| Land and right of way | \$ 4,142,075 | \$ 105,445 | \$ (322) | \$ - | \$ 4,247,198 |
| Channel and basin | 882,064 | - | - | - | 882,064 |
| Construction in progress | 5,196,347 | 3,156,813 | - | (7,840,591) | 512,569 |
| Total capital assets not being depreciated | 10,220,486 | 3,262,258 | (322) | (7,840,591) | 5,641,831 |
| Capital assets, being depreciated: | | | | | |
| Drainage | 797,451 | 14,070 | - | 1,070,415 | 1,881,936 |
| Railroads | 797,734 | - | - | - | 797,734 |
| Buildings | 749,471 | - | - | 702,060 | 1,451,531 |
| Docks | 4,355,632 | 17,140 | - | - | 4,372,772 |
| Dredging asset | 1,837,342 | - | - | - | 1,837,342 |
| Roads | 8,659,622 | - | - | 6,065,686 | 14,725,308 |
| Furniture and fixtures | 54,091 | 34,366 | - | 2,430 | 90,887 |
| Mobile equipment | 153,830 | 8,500 | - | - | 162,330 |
| Fencing | 40,258 | - | - | - | 40,258 |
| Surveillance cameras | 151,299 | - | - | - | 151,299 |
| Sugar growers warehouse | 4,829,346 | - | - | - | 4,829,346 |
| Leasehold improvements | - | 1,921,368 | - | - | 1,921,368 |
| Total capital assets being depreciated | 22,426,076 | 1,995,444 | - | 7,840,591 | 32,262,111 |
| Less accumulated depreciation for: | | | | | |
| Drainage | (200,295) | (50,131) | - | - | (250,426) |
| Railroads | (437,200) | (15,793) | - | - | (452,993) |
| Buildings | (500,358) | (36,698) | - | - | (537,056) |
| Docks | (3,372,621) | (123,472) | - | - | (3,496,093) |
| Dredging asset | (1,359,048) | (110,684) | - | - | (1,469,732) |
| Roads | (1,406,821) | (278,980) | - | - | (1,685,801) |
| Furnitures and fixtures | (46,486) | (4,737) | - | - | (51,223) |
| Mobile equipment | (117,866) | (11,831) | - | - | (129,697) |
| Fencing | (33,306) | (2,343) | - | - | (35,649) |
| Surveillance cameras | (138,324) | (3,990) | - | - | (142,314) |
| Sugar growers warehouse | (2,012,225) | (160,978) | - | - | (2,173,203) |
| Leasehold improvements | - | (79,142) | - | - | (79,142) |
| Total accumulated depreciation | (9,624,550) | (878,779) | - | - | (10,503,329) |
| Total capital assets being depreciated, net | 12,801,526 | 1,116,665 | - | 7,840,591 | 21,758,782 |
| Business-type activities, capital assets, net | \$ 23,022,012 | \$ 4,378,923 | \$ (322) | \$ - | \$ 27,400,613 |

Total depreciation expense for the year ended September 30, 2022 was \$878,779.

**Port of Harlingen Authority
Notes to Financial Statements**

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt

In December 2020, The Port of Harlingen Authority entered into a note agreement in the amount of \$1,417,500 with an interest rate of 3.950%. Annual payments will be made through December 18, 2030, the date of maturity. The proceeds from the note were used for the purpose of purchasing a 350- acre property. As of September 30, 2022, the note agreement had an outstanding balance of \$1,370,370.

Annual debt service requirements to maturity are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 48,239 | \$ 54,913 | \$ 103,152 |
| 2024 | 50,139 | 52,982 | 103,121 |
| 2025 | 52,007 | 51,114 | 103,121 |
| 2026 | 54,230 | 48,891 | 103,121 |
| 2027 | 56,401 | 46,719 | 103,120 |
| Thereafter | 1,109,354 | 165,683 | 1,275,037 |
| | <u>\$ 1,370,370</u> | <u>\$ 420,302</u> | <u>\$ 1,790,672</u> |

Changes in Long-term Debt

Long-term liability activity for the year ended September 30, 2022, was as follows:

| | Balance at October 1, 2021 | Additions | Reductions | Balance at September 30, 2022 | Amounts Due Within One Year |
|-------------------------|----------------------------------|-------------|--------------------|-------------------------------------|-----------------------------------|
| General obligation debt | \$ 1,417,500 | \$ - | \$ (47,130) | \$ 1,370,370 | \$ 48,239 |
| | <u>\$ 1,417,500</u> | <u>\$ -</u> | <u>\$ (47,130)</u> | <u>\$ 1,370,370</u> | <u>\$ 48,239</u> |

NOTE 4: RETIREMENT PLAN

The Port has a retirement plan covering all full-time employees. The Port of Harlingen Authority has a 457(b) Plan set up as a defined contribution plan, which allows the Port to make contributions toward their employee's retirement. The Port contributes a percentage of all eligible employees' compensation monthly which is immediately vested with the employee. The Board approved the Port's contribution at 12%. Retirement plan expense for the year ended September 30, 2022 totaled \$55,824.

NOTE 5: RISK MANAGEMENT

The Port of Harlingen Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; health benefits to employees; and employee accidents and injuries for which the Port carries insurance. There have been no significant reductions in insurance coverage from the previous year; no settlements have exceeded insurance coverage in any of the past three years. The Port participates in the Texas Municipal League Intergovernmental Risk Pool and is not aware of any pending claims for which expected liability would exceed the limits of the present insurance coverage.

Port of Harlingen Authority Notes to Financial Statements

NOTE 6: LEASES

The Port of Harlingen Authority has a total of 30 leases. The agreements range from 2 years to 33 years. The interest rates range from 3.95% to 3.95%. The Port of Harlingen Authority recognized \$763,877 in total payments received in fiscal year 2022.

The Port leases to others substantially all of its land, and building under various lease agreements. The Port recognized \$799,250 in lease revenue and \$361,638 in interest revenue during the year ended September 30, 2022, related to these leases. As of September 30, 2022, the Port's receivable for lease payments was \$11,299,482. Also, the Port has a deferred inflow of resource associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2022, the balance of the deferred inflow of resources was \$12,962,902, which include \$1,921,368 for amounts deferred related to prepayments made by a tenant in the form of leasehold improvements.

Future payments included in the measurement of the lease receivable as of September 30, 2022 for each of the next five fiscal years and in five-year increments thereafter are as follows:

| Years ending September 30, | Principal | Interest | Total |
|-------------------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 312,052 | \$ 441,824 | \$ 753,874 |
| 2024 | 296,510 | 429,945 | 726,455 |
| 2025 | 296,760 | 418,195 | 714,955 |
| 2026 | 273,457 | 406,567 | 680,024 |
| 2027 | 284,420 | 395,604 | 680,024 |
| 2028-2032 | 2,343,692 | 1,732,974 | 4,076,666 |
| 2033 -2037 | 2,662,165 | 1,228,783 | 3,890,948 |
| 2038-2042 | 1,810,155 | 777,024 | 2,587,179 |
| 2043-2047 | 2,069,629 | 406,199 | 2,475,828 |
| 2048-2052 | 821,064 | 72,955 | 894,020 |
| 2053-2055 | 129,578 | 6,426 | 136,004 |
| Total | \$ 11,299,482 | \$ 6,316,495 | \$ 17,615,977 |

NOTE 7: SEGMENT INFORMATION

Segment information for the fiscal years ended September 30, 2022 is as follows:

| | 2022 |
|--------------------------|---------------------|
| Operating revenues | \$ 2,910,328 |
| Depreciation expense | 878,779 |
| Operating income | 490,714 |
| Nonoperating revenues | 4,105,290 |
| Increase in net position | 4,596,004 |
| Fixed asset additions | 13,098,293 |
| Net working capital | 12,020,860 |
| Total assets | 50,652,087 |
| Total net position | 36,123,870 |

Port of Harlingen Authority
Notes to Financial Statements

NOTE 8: TARIFF RATES

Tariff rates as of September 30, 2022 for the Port are listed below:

| Type of Tariff | Unit | Amount |
|--------------------------------|----------------------------|---|
| Harbor fee | Per barge | \$75 |
| Dockage security surcharge | Per total dockage accessed | 6% |
| Wharfage | Per ton | \$0.50 to \$1.95 based on type of cargo |
| | | |
| Via pipeline to Petroleum Tank | Per barrel | \$0.08 |
| Via barge over the dock | Per barrel | \$0.07 |
| | | |
| Dockage fees | Per day | \$50 |
| Truck and rail transfer fee | Per truck | \$15 |
| | Per railcar | \$50 |

NOTE 9: RELATED PARTY TRANSACTIONS

The Port receives lawn care service from an entity which is owned by a Board member's son-in-law. At September 30, 2022, the Port had accounts payable to the lawn care company of \$0 and had total transactions of \$26,483.

NOTE 10: SUBSEQUENT EVENTS

Subsequent to year end, the Port borrowed \$920,625 from Texas Regional Bank for the purposes of acquiring land. The loan is secured by investments held in the Port's brokerage account.

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OTHER SUPPLEMENTARY INFORMATION



Port of Harlingen Authority
Schedule of Revenues, Expenses, and Changes in Net Position
Budget and Actual

For the year ended September 30, 2022

| | Budgeted Amounts | | (GAAP Basis) | Variance Positive/ (Negative) |
|----------------------------------|------------------|--------------|---------------|-------------------------------------|
| | Original | Final | Actual | |
| Revenues | | | | |
| Grant revenue | \$ 7,874,926 | \$ 2,350,245 | \$ 1,853,072 | \$ (497,173) |
| Wharfage fees | 1,830,300 | 1,909,066 | 1,812,596 | (96,470) |
| Surface fees | 13,800 | 9,390 | 8,790 | (600) |
| Land lease | 438,000 | 440,567 | 567,192 | 126,625 |
| Harbor fees | 54,000 | 76,050 | 66,900 | (9,150) |
| Building lease | 397,812 | 397,814 | 311,200 | (86,614) |
| Dock rent | 84,000 | 139,800 | 143,650 | 3,850 |
| Investment income | 36,000 | 40,261 | 97,564 | 57,303 |
| Investment income - leases | - | - | 361,638 | 361,638 |
| Ad valorem taxes | | | | |
| including penalties and interest | 1,418,000 | 1,460,394 | 1,461,899 | 1,505 |
| Other income | 32,400 | 57,205 | 331,117 | 273,912 |
| Total revenues | 12,179,238 | 6,880,792 | 7,015,618 | 134,826 |
| Expenses | | | | |
| Repairs and maintenance | 77,700 | 116,477 | 105,399 | 11,078 |
| Employee insurance | 38,160 | 44,110 | 43,367 | 743 |
| Utilities | 33,720 | 37,078 | 37,970 | (892) |
| Insurance | 39,744 | 46,509 | 45,782 | 727 |
| Salaries | 545,280 | 570,445 | 506,455 | 63,990 |
| Payroll taxes | 43,680 | 42,855 | 42,760 | 95 |
| Professional fees | 231,300 | 331,513 | 350,366 | (18,853) |
| Other administrative expenses | 253,212 | 293,322 | 339,160 | (45,838) |
| Interest expense | 56,400 | 55,335 | 54,576 | 759 |
| Dredging | - | - | - | - |
| Car and phone allowance | 15,000 | 15,000 | 15,000 | - |
| Depreciation | 780,000 | 776,528 | 878,779 | (102,251) |
| Total expenses | 2,114,196 | 2,329,172 | 2,419,614 | (90,442) |
| Changes in net position | \$ 10,065,042 | \$ 4,551,620 | 4,596,004 | \$ 44,384 |
| Net position, beginning | | | 31,527,866 | |
| Net position, ending | | | \$ 36,123,870 | |

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**Port of Harlingen Authority
Investments**

| | Balance 10/01/21 | Additions | Maturities | Balance 09/30/22 | Stated Interest rate |
|--------------------------------|---------------------|---------------------|-------------|---------------------|-------------------------|
| CD: 30033 | \$ 246,475 | \$ 1,979 | \$ - | 248,454 | 0.800% |
| CD: 1011168391 | 242,000 | - | - | 242,000 | 1.550% |
| CD: 293035 | 253,454 | 1,298 | - | 254,752 | 0.511% |
| Charles Schwab Tax Account | - | 1,072,631 | | 1,072,631 | 0.000% |
| Charles Schwab Revenue Account | - | 7,622,945 | | 7,622,945 | 0.000% |
| Total Investments | \$ 741,929 | \$ 8,698,853 | \$ - | \$ 9,440,782 | |

Port of Harlingen Authority Comparative Schedule of Revenues and Expenses

| <i>For the years ended September 30,</i> | Amount | | | | |
|--|---------------------|--------------|--------------|--------------|------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Operating revenues | | | | | |
| Wharfage fees | \$ 1,812,596 | \$ 1,530,672 | \$ 1,226,073 | \$ 1,100,284 | \$ 890,444 |
| Surface fees | 8,790 | 13,670 | 21,355 | 18,455 | 21,985 |
| Land lease | 567,192 | 445,856 | 488,739 | 469,930 | 468,780 |
| Harbor fees | 66,900 | 54,825 | 47,100 | 40,200 | 27,150 |
| Building lease | 311,200 | 397,816 | 397,816 | 397,816 | 397,816 |
| Dock rent | 143,650 | 92,450 | 78,675 | 93,100 | 81,000 |
| Total operating revenues | 2,910,328 | 2,535,289 | 2,259,758 | 2,119,785 | 1,887,175 |
| Operating expenses | | | | | |
| Repairs and maintenance | 105,399 | 41,137 | 29,827 | 14,079 | 74,962 |
| Employee insurance | 43,367 | 34,116 | 29,481 | 25,543 | 13,906 |
| Utilities | 37,970 | 32,502 | 32,382 | 29,212 | 36,161 |
| Insurance | 45,782 | 34,746 | 28,731 | 26,965 | 21,932 |
| Salaries | 506,455 | 394,099 | 275,972 | 193,514 | 177,238 |
| Payroll taxes | 42,760 | 33,941 | 21,870 | 15,222 | 13,506 |
| Professional fees | 350,366 | 248,440 | 186,731 | 271,839 | 184,842 |
| Other administrative expenses | 339,160 | 232,643 | 188,051 | 192,958 | 147,115 |
| Interest expense | 54,576 | 42,577 | - | 3,692 | 11,339 |
| Car and phone allowance | 15,000 | 15,000 | 12,000 | 6,000 | 6,004 |
| Depreciation | 878,779 | 763,730 | 442,691 | 485,851 | 513,888 |
| Total operating expenses | 2,419,614 | 1,872,931 | 1,247,736 | 1,264,875 | 1,200,893 |
| Operating income | 490,714 | 662,358 | 1,012,022 | 854,910 | 686,282 |
| Non-operating revenues | | | | | |
| Investment income | 97,564 | 38,137 | 28,803 | 21,323 | 17,099 |
| Investment income - leases | 361,638 | - | - | - | - |
| Ad valorem taxes, including penalties and interest | 1,461,899 | 1,413,821 | 1,401,875 | 1,352,732 | 23 |
| Grant revenue | 1,853,072 | 3,409,769 | 1,027,316 | 6,820,295 | - |
| Other income | 331,117 | 36,546 | 77,512 | 30,518 | 24,190 |
| Total non-operating revenues | 4,105,290 | 4,898,273 | 2,535,506 | 8,224,868 | 41,312 |
| Change in net position | \$ 4,596,004 | \$ 5,560,631 | \$ 3,547,528 | \$ 9,079,778 | \$ 727,594 |

Port of Harlingen Authority
Comparative Schedule of Revenues and Expenses - Continued

| Percent of Total Revenues | | | | |
|---------------------------|---------|---------|---------|---------|
| 2022 | 2021 | 2020 | 2019 | 2018 |
| 62.28% | 60.37% | 54.26% | 51.91% | 47.18% |
| 0.30% | 0.54% | 0.95% | 0.87% | 1.16% |
| 19.49% | 17.59% | 21.63% | 22.17% | 24.84% |
| 2.30% | 2.16% | 2.08% | 1.90% | 1.44% |
| 10.69% | 15.69% | 17.60% | 18.77% | 21.08% |
| 4.94% | 3.65% | 3.48% | 4.39% | 4.29% |
| 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 3.62% | 1.62% | 1.32% | 0.66% | 3.97% |
| 1.49% | 1.35% | 1.30% | 1.20% | 0.74% |
| 1.30% | 1.28% | 1.43% | 1.38% | 1.92% |
| 1.57% | 1.37% | 1.27% | 1.27% | 1.16% |
| 17.40% | 15.54% | 12.21% | 9.13% | 9.39% |
| 1.47% | 1.34% | 0.97% | 0.72% | 0.72% |
| 12.04% | 9.80% | 8.26% | 12.82% | 9.79% |
| 11.65% | 9.18% | 8.32% | 9.10% | 7.80% |
| 1.88% | 1.68% | 0.00% | 0.17% | 0.60% |
| 0.52% | 0.59% | 0.53% | 0.28% | 0.32% |
| 30.20% | 30.12% | 19.59% | 22.92% | 27.23% |
| 83.14% | 73.87% | 55.22% | 59.67% | 63.63% |
| 16.86% | 26.13% | 44.78% | 40.33% | 36.37% |
| 3.35% | 1.50% | 1.27% | 1.01% | 0.91% |
| 12.43% | 0.00% | 0.00% | 0.00% | 0.00% |
| 50.23% | 55.77% | 62.04% | 63.81% | 0.00% |
| 63.67% | 134.49% | 45.46% | 321.74% | 0.00% |
| 11.38% | 1.44% | 3.43% | 1.44% | 1.28% |
| 141.06% | 193.20% | 112.20% | 388.00% | 2.19% |
| 157.92% | 219.33% | 156.99% | 428.33% | 38.55% |

**Port of Harlingen Authority
Other Administrative Expenses**

| <i>For the years ended September 30,</i> | 2022 |
|--|-------------------|
| Advertising and promotion | \$ 97,513 |
| Bank service charges | - |
| Commissioners' fees | 16,800 |
| Contract labor | 8,309 |
| Dues and subscriptions | 29,960 |
| Equipment | - |
| Fuel | 8,047 |
| Miscellaneous | 1,357 |
| Office expense | 58,460 |
| Payroll service | 4,586 |
| Postage | 540 |
| Retirement | 55,824 |
| Tax expense | 57,764 |
| <hr/> | |
| Total other administrative expenses | \$ 339,160 |

Port of Harlingen Authority Commissioners, Key Personnel and Consultants

Complete Port Mailing Address: 24633 E. Port Road, Harlingen, Texas 78550

Port Business Telephone Number: (956) 423-0283

Submission Date of the most recent Port Registration Form
(TWC Sections 36.054 and 49.054): December 4, 2003

Limit on Fees of Office that a Director may receive during a fiscal year: \$150.00 per meeting
(Set by Board Resolution – TWC Section 49.060)

| Names: | Term of Office (Elected, Appointed or Hired) | Fees of Office Paid September 30, 2022 | Expense Reimbursements September 30, 2022 | Title at Year End |
|--------|---|--|---|----------------------|
|--------|---|--|---|----------------------|

Board Members:

| | | | | |
|------------------|----------------------------|----------|----------|--------------|
| Alan L. Johnson | (Elected) 11/15 – 11/25 | \$ 3,330 | \$1,529 | Commissioner |
| Neil Haman | (Elected) 11/19 – 11/23 | \$ 3,900 | \$ 1,210 | Commissioner |
| Bryan S. Duffy | (Elected) 11/17 – 11/23 | \$ 3,150 | \$ 429 | Commissioner |
| Ryan Newman | (Elected) 11/17 – 11/23 | \$ 3,000 | \$ 1,069 | Commissioner |
| Chris Villarreal | (Elected) 11/17 – 11/23 | \$ 3,546 | \$ 406 | Commissioner |

Key Administrative Personnel:

| | | | | |
|----------------------|----------|-----------|---------|----------------------------|
| Walker Smith | 03/01/14 | \$173,789 | \$ 327 | Port Director |
| Robert McDonald, CPA | 09/14/20 | \$98,750 | \$1,364 | Chief Financial Officer |
| Amy Lynch | 03/30/20 | \$83,385 | \$ 227 | Marketing Director |

Consultants:

| | | | | |
|-------------------------------------|----------|----------|---------|------------|
| Jerry Stapleton, Attorney at Law | 10/01/03 | \$45,000 | \$1,061 | Attorney |
| Pat Younger (Younger & Assoc.) | | \$39,000 | \$ - | Lobbyist |
| RWL Group | | \$ 1,249 | \$ - | Consultant |
| William Yarnell | | \$79,500 | \$ - | Lobbyist |

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**Port of Harlingen Authority
Certificate of the Commissioners**

We, the undersigned, do hereby certify that the audit report of the above-named Port for the year ended September 30, 2022, was received by the Board of Commissioners on _____, 2023 and was reviewed and ___ approved ___ disapproved at a meeting of the Board of Commissioners of the Port on _____, 2023.

Signature of Commission Secretary

Signature of Commission Chairman

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COMPLIANCE SECTION



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

To the Board of Port Commissioners
Port of Harlingen Authority

We have audited, in accordance with the 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 Port of Harlingen Authority, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Port of Harlingen Authority's basic financial statements, and have issued our report thereon dated January 31, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port of Harlingen Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port of Harlingen Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Port of Harlingen Authority'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 of 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Port of Harlingen Authority's financial statements are free from 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 financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Harlingen, Texas
January 31, 2023

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH STATE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

To the Board of Port Commissioners
Port of Harlingen Authority

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Port of Harlingen Authority's compliance with the types of compliance requirements described in the State Comptroller's Office, Uniform Grant Management Standards that could have a direct and material effect on each of the Port of Harlingen Authority's major state programs for the year ended September 30, 2022. The Port of Harlingen Authority's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Port of Harlingen Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the State of Texas Single Audit Circular. Our responsibilities under those standard and the State of Texas Single Audit Circular are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Port's compliance with the compliance requirements referred to above.

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Report of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Port's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Port's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State of Texas Single Audit Circular will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Port's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State of Texas Single Audit Circular, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Port's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Port's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Harlingen, Texas
January 31, 2023

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**Port of Harlingen Authority
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022**

Section I - Summary of Auditors' Results

Financial Statements

| | | |
|--|------------|--------------------------|
| Type of auditors' report issued: | Unmodified | |
| Internal control over financial reporting: | | |
| * Material weakness(es) identified? | ___ yes | <u> X </u> no |
| * Significant deficiencies identified that are not considered to be material weakness(es)? | ___ yes | <u> X </u> none reported |
| Noncompliance material to financial statements noted? | ___ yes | <u> X </u> no |

State Awards

| | | |
|--|------------|--------------------------|
| Internal control over major programs: | | |
| * Material weakness(es) identified? | ___ yes | <u> X </u> no |
| * Significant deficiencies identified that are not considered to be material weakness(es)? | ___ yes | <u> X </u> none reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular. | ___ yes | <u> X </u> no |

Identification of major programs:

Contract Number

0921-06-345

Name of State Program or Cluster

Texas Mobility Fund Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

X yes ___ no

**Port of Harlingen Authority
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022**

**Section II – Findings Relating to the Financial Statement Audit as Required to Be
Reported in Accordance with Generally Accepted Government Auditing Standards**

A. Significant Deficiencies in Internal Control

None reported.

**Port of Harlingen Authority
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022**

**Section II – Findings Relating to the Financial Statement Audit as Required to Be
Reported in Accordance with Generally Accepted Government Auditing Standards - Continued**

B. Compliance Findings

None reported.

**Port of Harlingen Authority
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022**

Section II – State Award Findings and Questioned Costs

None reported.

Port of Harlingen Authority
Schedule of Findings and Responses
Corrective Action Plan



PROGRAM DESCRIPTION

None reported.

CORRECTIVE ACTION PLAN

**Port of Harlingen Authority
Summary Schedule of Prior Audit Findings**

DESCRIPTION

STATUS OF PRIOR YEAR'S FINDINGS

Not applicable

There were no findings reported in the prior year

**Port of Harlingen Authority
Schedule of Expenditures of State Awards
For the Year Ended September 30, 2022**

| <i>For the Year Ended September 30, 2022</i> | | | | | | Current Year Expenditures |
|--|----------------------------|--------------------------|---------------------------|--------------------------------------|---------------------|--------------------------------------|
| | <u>EXPENDITURES</u> | | | | | |
| | | | PASS | | | |
| <u>GRANTOR AGENCY/PROGRAM TITLE</u> | <u>CONTRACT NUMBER</u> | <u>DIRECT AWARDS</u> | <u>THROUGH AWARDS</u> | <u>SUBRECIPIENT EXPENDITURES</u> | <u>TOTAL</u> | |
| Texas Department of Transportation | | | | | | |
| Texas Mobility Fund Grant | 0921-06-345 | \$ 1,853,072 | \$ - | \$ - | \$ 1,853,072 | |
| Total Texas Mobility Fund Grant | | 1,853,072 | - | - | 1,853,072 | |
| Total Expenditures of State Awards | | \$ 1,853,072 | \$ - | \$ - | \$ 1,853,072 | |

See accompanying notes to Schedule of Expenditures of State Awards

Port of Harlingen Authority

Notes on Accounting Policies for State Awards

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The accompanying Schedule of Expenditures of State Awards presents the activity of all state award programs of Port of Harlingen Authority, for the year ended September 30, 2022. The expenditures reported above represent funds that have been expended by the Port for the purposes of the award. The expenditures reported above may not have been reimbursed by funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. The Port has followed all applicable guidelines issued by various entities in the preparation of the schedule.

NOTE 2 – NON-CASH AWARDS

The Port of Harlingen Authority did not expend any state awards related to non-cash awards during the year ended September 30, 2022.