



Willacy County Navigation District

FINANCIAL STATEMENTS

May 31, 2022

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**Willacy County Navigation District
Board Members**

BOARD

Mr. Chad Kinney	Chairman
Ms. Stacey Reyes	Secretary
Mr. Steve Kendrick	Member
Mr. Alberto Trevino	Member
Mr. Ernesto "Lefty" Cavazos	Member

EXECUTIVE DIRECTOR

Mr. Ronald Mills

ATTORNEY

Denton Navarro Rocha Bernal & Zech, P.C.

DISTRICT TAX ASSESSOR-COLLECTOR

Ms. Elizabeth Barnhart
County Tax Assessor - Collector

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS)
COUNTY OF WILLACY)

I, _____ of the
(Name of Duly Authorized District Representative)

Willacy County Navigation District hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the _____ its annual audit report for the fiscal period ended May 31, 2022 and that copies of the annual audit report have been filed in the District's office, located at 400 West Hidalgo, Raymondville, Texas 78580

(Address of the District's Office)

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: _____

By: _____
(Signature of District Representative)

(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this _____ day of _____.

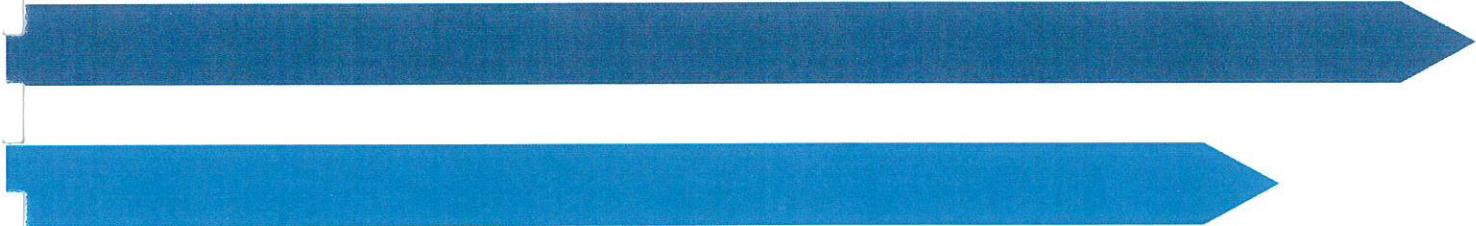
(SEAL)

(Signature of Notary)

My Commission Expires On: _____, _____.
Notary Public in the State of Texas.



REPORT



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Willacy County Navigation District

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Willacy County Navigation District (the "District"), as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the District'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 governmental activities and the major fund of the Willacy County Navigation District, as of May 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 District, 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 District 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 District'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Willacy County Navigation District'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 February 8, 2023, on our consideration of the Willacy County Navigation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Rigg & Ingram, L.L.C.

Harlingen, Texas
February 8, 2023

Willacy County Navigation District Management's Discussion and Analysis

As management of Willacy County Navigation District (the "District"), we offer readers of the District's financial statements this narrative overview of the financial activities of the District for the fiscal year ended May 31, 2022. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded its liabilities and deferred inflows at the close of the most recent period by \$9,690,849 (net position), which is an increase of \$2,084,749 from the prior year. The increase was primarily due to large down payments received by the District for various sales of the East Port Division lots in addition to grant funds received for an infrastructure project with TxDOT.

The District's General Fund reported a fund balance of \$3,469,986, which increased as a result of revenues exceeding expenditures by \$742,466. When compared to the budget, actual General Fund revenues were more than budgeted amounts. Revenues increased compared to the prior year primarily because of the down payments received for leases on the East Subdivision lots and grant revenues received. Expenditures were more than budgeted and increased significantly compared to the prior year primarily because capital expenditures doubled in the current year. The expenditures were related to the grant funds received from TxDOT.

During the implementation of GASB 87, *Leases*, the District recognized \$7,798,567 in lease receivables and \$7,569,311 in deferred inflows of resources, as of May 31, 2022, which increased total assets and liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities for governmental activities. These provide information about the activities of the District as a whole and represent a long-term view of the District's property, obligations, and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for the non-appropriated budget.

The notes to the financial statements (starting on page 17) provide narrative explanations or additional data needed for full disclosure in the financial statements.

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 8. Its primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

**Willacy County Navigation District
Management's Discussion and Analysis**

**Table I
Net Position**

	2022	2021
Current and other assets	\$ 3,969,016	\$2,868,337
Non-current assets	<u>13,732,496</u>	4,876,647
Total assets	\$ 17,701,512	\$7,744,984
Current liabilities	\$ 387,905	\$ 129,774
Non-current liabilities	-	9,110
Total liabilities	\$ 387,905	\$ 138,884
Deferred inflows of resources - leases	\$ 7,569,311	\$ -
Unavailable revenue - grants	<u>53,447</u>	-
Total deferred inflows of resources	\$ 7,622,758	\$ -
Net position:		
Net investment in capital assets	\$ 6,155,130	\$4,858,955
Restricted	9,583	9,568
Unrestricted	<u>3,526,136</u>	2,737,577
Total net position	\$9,690,849	\$7,606,100

**Table II
Changes in Net Position**

	2022	2021
Income:		
Leases	\$1,680,669	\$1,601,924
Ad valorem taxes	662,355	641,281
Penalties and interest	24,159	18,071
Charges for services	54,390	51,528
Grant revenue	1,058,910	41,541
All other	<u>269,642</u>	35,768
Total income	3,750,125	2,390,113
Expenses:		
<u>Operating expenses</u>	<u>1,665,376</u>	1,525,491
Total expenses	1,665,376	1,525,491
Change in net position	2,084,749	864,622
Net position, June 1	<u>7,606,100</u>	6,741,478
Net position, May 31	\$9,690,849	\$7,606,100

Willacy County Navigation District Management's Discussion and Analysis

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have a question about this report or need additional financial information, contact the District Administration Office, at 400 West Hidalgo Ave., Raymondville, Texas 78580.



FINANCIAL STATEMENTS



Willacy County Navigation District
Governmental Fund Balance Sheet and
Statement of Net Position

<i>May 31, 2022</i>	General Fund	Adjustments	Statement of Net Position
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,778,840	\$ -	\$ 2,778,840
Certificates of Deposit	187,040	-	187,040
Accounts receivable - leases	230,784	-	230,784
Accounts receivable - tax collector	6,280	-	6,280
Accounts receivable - grants	653,035	-	653,035
Ad valorem taxes receivable	138,439	-	138,439
Allowance for uncollectible taxes	(39,837)	-	(39,837)
Due from Port Mansfield Public Utility District	14,435	-	14,435
Total current assets	3,969,016	-	3,969,016
Non-current assets:			
Restricted assets			
Cash and cash equivalents	9,583	-	9,583
Accounts receivable - leases	7,567,783		7,567,783
Capital assets			
Construction in progress	-	1,465,454	1,465,454
Land and site preparation	-	526,656	526,656
Equipment (net of depreciation)	-	326,710	326,710
Marine equipment (net of depreciation)	-	53,613	53,613
Structures and improvements (net of depreciation)	-	3,717,081	3,717,081
Water rights	-	65,616	65,616
Total non-current assets	7,577,366	6,155,130	13,732,496
Total assets	\$ 11,546,382	\$ 6,155,130	\$ 17,701,512
Liabilities			
Current liabilities:			
Accounts payable	\$ 353,646	\$ -	\$ 353,646
Accrued expenses	2,269	-	2,269
Deposits	1,479	-	1,479
Compensated absences	-	30,511	30,511
Total current liabilities	357,394	30,511	387,905
Total liabilities	357,394	30,511	387,905
Deferred inflows of resources			
Leases	7,569,311		7,569,311
Unavailable revenue grants	53,447	-	53,447
Unavailable revenue ad valorem taxes	96,244	(96,244)	-
Total deferred inflows of resources	7,719,002	(96,244)	7,622,758
Fund balances			
Restricted for airport funds	9,583	(9,583)	-
Committed	549,542	(549,542)	-
Unassigned	2,910,861	(2,910,861)	-
Total fund balances	3,469,986	(3,469,986)	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,546,382		
Net position			
Net investment in capital assets	6,155,130	6,155,130	
Restricted for airport funds	9,583	9,583	
Unrestricted	3,526,136	3,526,136	
Total net position	\$ 9,690,849	\$ 9,690,849	

The accompanying notes are an integral part of this financial statement.

Willacy County Navigation District
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances and Statement of Activities

<i>For the year ended May 31, 2022</i>	General Fund	Adjustments	Statement of Activities
Revenues/income:			
Lease revenue	\$ 1,680,669	\$ -	\$ 1,680,669
Charges for services	54,390	-	54,390
Ad valorem taxes	653,056	9,299	662,355
Penalties and interest	24,159	-	24,159
Grant revenue	1,058,910	-	1,058,910
Miscellaneous revenues	24,902	-	24,902
Interest revenue	244,740	-	244,740
 Total revenues/income	 3,740,826	 9,299	 3,750,125
Expenditures/expenses:			
Payroll and related expenditures	696,672	(36,501)	660,171
Professional fees	161,716	-	161,716
Consumable supplies and materials	230,796	-	230,796
Recurring operating expenditures	281,172	-	281,172
Capital expenditures	1,608,733	(1,608,733)	-
Debt service:			
Principal	17,692	(17,692)	-
Interest	1,579	-	1,579
Depreciation	-	329,942	329,942
 Total expenditures/expenses	 2,998,360	 (1,332,984)	 1,665,376
 Excess (deficiency) of revenues over (under) expenditures	 742,466	 1,342,283	 2,084,749
 Net change in fund balance	 742,466	 (742,466)	 -
Change in net position	-	2,084,749	2,084,749
 Fund balances/net position - beginning of year	 2,727,520	 4,428,580	 7,606,100
 Fund balances/net position - end of year	 \$ 3,469,986	 \$ 5,770,863	 \$ 9,690,849

The accompanying notes are an integral part of this financial statement.



NOTES TO FINANCIAL STATEMENTS



Willacy County Navigation District Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The Willacy County Navigation District ("the District") was created by action of the voters of the District in an election held on February 14, 1948. The District acquired approximately 1,760 acres of land immediately surrounding the port facilities prior to March 31, 1950, by instituting condemnation proceedings. During 1957 the District completed the purchase of 3,117.84 acres of submerged land in the port area from the State of Texas. Improvements in the District have been made over the years and include port facilities, a channel across Padre Island to the Gulf of Mexico, a 3,200 foot lighted airstrip, harbor improvements and boat stalls. Improvements were financed by bond issues which have all been retired and also through federal work projects. In the early 1960s, the U.S. government assumed the maintenance of the jetties, channel, harbor and maintenance aids after completing a significant improvement project. Other improvements made by the District over the years include a seafood processing plant, water and sewer system improvements which have been leased to the Port Mansfield Public Utility District under the terms of a 50 year lease, and additional improvements to the small craft basin, boat ramp, and boat stalls. The District owns the land within its boundaries so all businesses and residences that exist within the District pay lease revenue annually which is the primary source of revenue for the District.

Reporting Entity

The Board of Navigation and Canal Commissioners (Board), a five member group consisting of one at large member who serves as chairman and four members elected from precincts, is the level of government which has governance responsibilities over all activities within the jurisdiction of the Willacy County Navigation District. Local funding is derived primarily from property taxes (maintenance), lease revenues, and interest earned on invested cash. The Board is not included in any other governmental "reporting entity" as defined in Section 2100 Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public, have decision making authority, the power to designate management, the responsibility to influence significant operations and primary accountability for fiscal matters. The District does not include the financial statements of any other entity as a component unit. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the District are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Governmental revenues are supported by taxes, intergovernmental revenues, and other nonexchange transactions and rely to a significant extent on fees and charges to external customers for support.

The District engages in a single governmental program which allows the fund financial statements and the government-wide statements to be combined. As such, the District's financial statements include the governmental fund column followed by an adjustments column which reconciles the amounts by individual accounts reported in the governmental funds to the accrual basis of accounting as shown on the Statement of Net Position.

Willacy County Navigation District Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The fund financial statements provide information about the District's financial condition and results of the operations for the general fund, the District's only fund. Government resources in the fund financial statements are allocated to, and accounted for the purpose of, carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

The District reports the following governmental funds: The General Fund is the District's only operating fund. It accounts for all financial resources of the general government.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budget is prepared by individual revenue/expenditure accounts. The Executive Director may make transfers of appropriations within revenue and expenditure accounts. Transfers of appropriations between accounts 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.

Excess of expenditures over appropriations

For the year ended May 31, 2022, total expenditures exceeded total appropriations (the legal level of budgetary control).

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

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The only investments held by the District are certificates of deposits which are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

**Willacy County Navigation District
Notes to the Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets (Continued)

Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Airport Funds – Established in accordance with an agreement with the Texas Department of Transportation. All airport fees and revenues are to be deposited into this account. The amount is restricted to fund expenditures for the airport.

Capital Assets

Capital assets, which include land and site preparation, equipment, marine equipment, and structures and improvements assets (e.g. roads, bridges, docks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets, except for water rights, are defined by the District 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 general structures and improvements assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. As the District 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 water rights are not depreciated. All other assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets Class</u>	<u>Estimated Useful Lives</u>
Structures and improvements	20-50
Equipment	5-15
Marine equipment	5-15

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting as deferred inflows of resources – property taxes, leases, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Willacy County Navigation District Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Categories and Classification of Fund Equity (Continued)

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

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

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Willacy County Navigation District Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

In fiscal year 2022, the District 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.

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 and 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.

Willacy County Navigation District Notes to the Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Custodial credit risk - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount of deposits at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District's deposit balance was fully collateralized all year and as a result, the District believes it has no custodial credit risk for deposits.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires investments to have maturities of less than one year on a weighted average maturity basis.

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligation, the District limits investments to certificates of deposits.

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. As of May 31, 2022, bank certificates of deposits represent 100% of the portfolio.

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations at the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposits, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Willacy County Navigation District believes it is in substantial compliance with the requirements of the Act and with the local policies except for the adoption of a written investment policy.

**Willacy County Navigation District
Notes to the 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 May 31, 2022:

	June 1, 2021	Additions	Deletions	May 31, 2022
Governmental activities				
Land and site preparation	\$ 526,656	\$ -	\$ -	\$ 526,656
Structures and improvements	11,187,710	215,896	-	11,403,606
Equipment	1,180,660	126,539	-	1,307,199
Marine equipment	112,127	-	-	112,127
Water rights	65,616	-	-	65,616
Construction in progress	199,464	1,265,990	-	1,465,454
Total at historical cost	13,272,233	1,608,425	-	14,880,658
Less accumulated depreciation for:				
Structures and improvements	(7,435,803)	(250,722)	-	(7,686,525)
Equipment	(912,073)	(68,416)	-	(980,489)
Marine equipment	(47,710)	(10,804)	-	(58,514)
	(8,395,586)	(329,942)	-	(8,725,528)
Governmental activities				
Capital assets, net	\$ 4,876,647	\$ 1,278,483	\$ -	\$ 6,155,130

Long-Term Debt and Liabilities

The District entered into a lease agreement as a lessee for financing the acquisition of a 2018 Jeep valued at \$42,843. The jeep has a five-year estimated useful life. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

Changes in long-term debt for the period ending May 31, 2022 are as follows:

	Beginning Balance 6/1/2021	Additions	Retirements	Ending Balance 5/31/2022	Due Within One Year
Governmental activities:					
Capital lease	\$ 17,692	\$ -	\$ (17,692)	\$ -	\$ -
Total long-term debt	\$ 17,692	\$ -	\$ (17,692)	\$ -	\$ -

Changes in compensated absences for the period ending May 31, 2022 are as follows:

	Beginning Balance 6/1/2021	Additions	Retirements	Ending Balance 5/31/2022	Due Within One Year
Governmental activities:					
Compensated absences	\$ 67,012	\$ 10,597	\$ (47,098)	\$ 30,511	\$ -
Total compensated absences	\$ 67,012	\$ 10,597	\$ (47,098)	\$ 30,511	\$ -

Willacy County Navigation District Notes to the Financial Statements

NOTE 6: RISK MANAGEMENT (Continued)

The District is a member of the Texas Municipal League Intergovernmental Pool, a joint self-insurance pool of Texas Political Subdivisions, which provides workers' compensation coverage and liability and property damage for the District based upon a sharing of risks among members of the pool.

The District continues to carry commercial insurance for the risks of loss from employee dishonesty for bonding of its directors. There have been no claims resulting from these risks in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in the prior year.

NOTE 7: LEASES

The Willacy County Navigation District has a total of 161 commercial leases and 550 residential leases. The agreements range from 2 years to 51 years. The interest rates are set at 3.0%. The Willacy County Navigation District recognized \$462,501 in total payments received in fiscal year 2022.

The District leases to others substantially all of its land under various lease agreements. The District recognized \$403,932 in lease revenue and \$240,613 in interest revenue during the year ended May 31, 2022, related to these leases. As of May 31, 2022, the District's receivable for lease payments was \$7,798,567. Also, the District has a deferred inflow of resource associated with these leases that will be recognized as revenue over the lease terms. As of May 31, 2022, the balance of the deferred inflow of resources was \$7,569,311.

Future payments included in the measurement of the lease receivable as of May 31, 2022 for each of the next five fiscal years and in five-year increments thereafter are as follows:

Years ending May 31,	Principal	Interest	Total
2023	\$ 230,784	\$ 232,240	\$ 463,024
2024	235,506	225,316	460,822
2025	243,038	218,251	461,289
2026	246,524	210,960	457,484
2027	240,660	203,564	444,224
2028-2032	1,130,121	911,115	2,041,236
2033-2037	872,061	758,059	1,630,119
2038-2042	756,512	635,592	1,392,105
2043-2047	554,314	537,292	1,091,606
Thereafter	3,289,047	1,259,051	4,548,099
Total	\$ 7,798,567	\$ 5,191,441	\$ 12,990,008



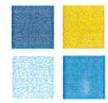
REQUIRED SUPPLEMENTARY INFORMATION



Willacy County Navigation District
Schedule of Revenues, Expenditures, and Changes
In Fund Balances – Budget and Actual
General Fund

For the Year Ended May 31, 2022

	Budget		Variance	
	Original	Final	Actual	Favorable (Unfavorable)
Revenues				
Lease revenue	\$ 783,000	\$ 783,000	\$ 1,680,669	\$ 897,669
Ad valorem taxes	680,000	680,000	653,056	(26,944)
Penalties and interest	-	-	24,159	24,159
Charges for services	49,500	49,500	54,390	4,890
Grant revenue	-	-	1,058,910	1,058,910
Miscellaneous revenues	30,000	30,000	24,902	(5,098)
Interest revenue	4,000	4,000	244,740	240,740
Total revenues	1,546,500	1,546,500	3,740,826	2,194,326
Expenditures				
Payroll and related expenditures	708,403	708,403	696,672	11,731
Professional fees	83,000	83,000	161,716	(78,716)
Consumable supplies and materials	185,500	185,500	230,796	(45,296)
Recurring operating expenditures	319,000	319,000	281,172	37,828
Capital expenditures	305,000	305,000	1,608,733	(1,303,733)
Debt Service:				
Principal	-	-	17,692	(17,692)
Interest	-	-	1,579	(1,579)
Total expenditures	1,600,903	1,600,903	2,998,360	(1,397,457)
Excess (deficiency) of revenues over (under)				
expenditures	(54,403)	(54,403)	742,466	796,869
Fund Balance, June 01, 2021	1,629,384	1,629,384	2,727,520	-
Fund Balance, May 31, 2022	\$ 1,574,981	\$ 1,574,981	\$ 3,469,986	\$ 796,869



OTHER SCHEDULES



**Willacy County Navigation District
Schedule of Cash on Hand and on Deposit**

May 31, 2022

	Cash and Cash Equivalents		Temporary Investments	
	Unrestricted	Restricted	Unrestricted	Restricted
Cash on hand	\$ 402	\$ -	\$ -	\$ -
Checking accounts:				
Undeposited funds	(277)	-	-	-
FCB Dredging	131,794	-	-	-
FCB Small Craft				
Basin Improvement Fund	443,530	-	-	-
FCB Maintenance & Operations	1,384,895	-	-	-
FCB Airport Fund	-	9,583	-	-
FCB Payroll	1,566	-	-	-
FCB Deposit	795,221	-	-	-
FCB Checking	22,607	-	-	-
FCB PM Police Department	(2,218)	-	-	-
FCB Undistributed Funds	1,320	-	-	-
Certificate of Deposit (1)	-	-	81,028	-
Certificate of Deposit (2)	-	-	106,012	-
Total General Fund	\$ 2,778,840	\$ 9,583	\$ 187,040	\$ -

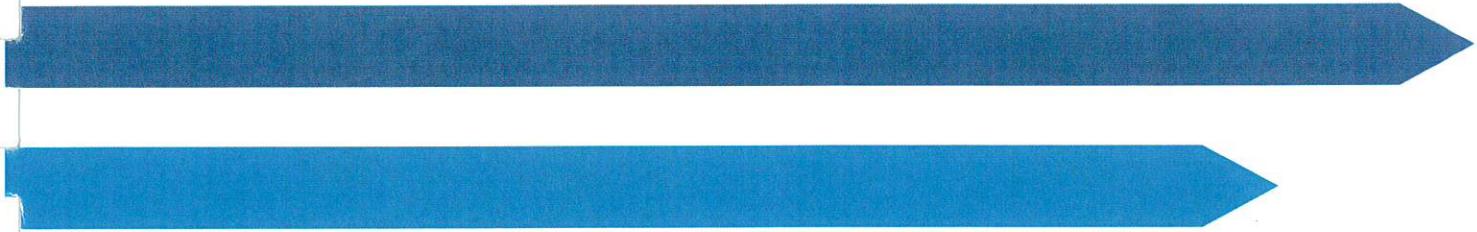
FUNDS	CERTIFICATE NUMBER	INTEREST RATE	MATURITY DATE	BALANCES	
				AT END	OF YEAR
GENERAL FUND					
Unrestricted (1)	12100009685	0.20%	12/16/2021	\$ 81,028	
Committed					
Emergency Fund (2)	12100009684	0.20%	12/16/2021	\$ 106,012	

Willacy County Navigation District
Schedule of General Fund Expenditures – Continued

<i>For the Year Ended May 31,</i>	2022	2021
Recurring operating supplies		
Postage	\$ 1,583	\$ 1,086
Telephone	11,742	11,863
Utilities	67,311	88,608
Insurance	18,973	17,408
Miscellaneous	12,291	14,082
Publicity and promotions	45,016	34,717
Dues and subscriptions	4,787	3,216
Rental services	22,615	45,351
Appraisal district	14,965	19,025
Tax collector fees	18,815	14,163
Election cost	-	10,000
Law enforcement expense	63,074	53,367
Total	281,172	312,886
Debt service:		
Principal	17,692	8,088
Interest	1,579	1,578
Total	19,271	9,666
Capital expenditures		
Grant related	1,160,846	-
Vehicle	43,110	58,584
Other equipment	77,367	193,358
Harbor Office	327,410	215,264
Road improvements	-	-
Total	1,608,733	467,206
Total expenditures	\$ 2,998,360	\$ 1,693,727



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 Directors
Willacy County Navigation District

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 Willacy County Navigation District, as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise Willacy County Navigation District's basic financial statements, and have issued our report thereon dated February 8, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Willacy County Navigation District'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 Willacy County Navigation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Willacy County Navigation 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Willacy County Navigation District'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
February 8, 2023

**Willacy County Navigation District
Schedule of Findings and Questioned Costs
For the Year Ended May 31, 2022**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
* Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

State Awards

Internal control over major programs:		
* Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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.	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of major programs:

<i>Contract Number</i>	<i>Name of State Program or Cluster</i>	
0921-27-039	Texas Mobility Fund Grant	
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000	
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**Willacy County Navigation District
Schedule of Findings and Questioned Costs
For the Year Ended May 31, 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.

Willacy County Navigation District
Schedule of Findings and Responses
Corrective Action Plan



Port Mansfield

Ronald D. Mills
Executive Port Director
General Manager

PROGRAM DESCRIPTION

None reported.

CORRECTIVE ACTION PLAN

Willacy County
Navigation District

Chad Kinney
Chairman

Steve Kendrick

Stacey Reyes

Alberto Trevino

Ernesto "Lefty" Cavacov

Port Mansfield Public
Utility District

John Avara
President

Eric Kennedy

Doug Trapp

JS "Bubba" Garst

Michael Bourne

400 W Hidalgo, Ste 200
Raymondville, TX 78580

Office: 956 689-3332
Fax: 956 689-6165
Website: portofportmansfield.com

**Willacy County Navigation District
Schedule of Expenditures of State Awards
For the Year Ended May 31, 2022**

<i>For the Year Ended May 31, 2022</i>						Current Year Expenditures
GRANTOR AGENCY/PROGRAM TITLE	CONTRACT NUMBER	EXPENDITURES				
		DIRECT AWARDS	THROUGH AWARDS	SUBRECIPIENT EXPENDITURES	TOTAL	
Texas Department of Transportation						
Texas Mobility Fund Grant	0921-27-039	\$ 1,112,357	\$ -	\$ -	\$ 1,112,357	
Total Texas Mobility Fund Grant		1,112,357		-	-	1,112,357
Total Expenditures of State Awards		\$ 1,112,357	\$ -	\$ -	\$ 1,112,357	

See accompanying notes to Schedule of Expenditures of State Awards