

VILLAGE OF SURFSIDE BEACH
SURFSIDE BEACH, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2021



8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566

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VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

Annual Financial Report
For the Year Ended September 30, 2021

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FINANCIAL SECTION

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Independent Auditor's Report

To The Honorable Mayor and
Members of Village Council
Village of Surfside Beach
Surfside Beach, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Surfside Beach (the "Village") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Bay City, TX 77414
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Surfside Beach, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 19, budgetary comparison information on pages 70 through 73, and required pension and OPEB related schedules on pages 74 through 78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

To The Honorable Mayor and
Members of Council
Village of Surfside Beach
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2022, on our consideration of the Village'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 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 Village'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 Village's internal control over financial reporting and compliance.

KM&L, LLC

Lake Jackson, Texas
February 23, 2022

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VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2021

As management of the Village of Surfside Beach (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the Village's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 15,377,141 (net position). Of this amount, \$ 1,764,767 is unrestricted net position and may be used to meet the Village's ongoing obligations.
- The Village's total net position increased in the amount of \$ 601,836.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$ 5,162,902. 21.31% of this total amount, \$ 1,100,259 (unassigned fund balance) is available for use within the Village's fund designation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 1,100,259 or 68.66% of the total general fund expenditures

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the Village's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

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

VILLAGE OF SURFSIDE BEACH, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2021*

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

The government-wide financial statements can be found on pages 22-25 of this report.

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 Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Beach Fund (special revenue fund), and Hotel/Motel Tax Fund (special revenue fund); all of which are considered to be major funds. Data from the other two funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental funds financial statements can be found on pages 26-29 of this report.

VILLAGE OF SURFSIDE BEACH, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2021*

- **Proprietary Funds.** The Village maintains one category of *proprietary fund* - Enterprise Fund. Proprietary fund is used to report the same functions presented as business-type activities in government-wide financial statements. The Village uses proprietary fund to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 30-35 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-67 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 70-78 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 80-81 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Village, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 15,377,141 as of September 30, 2021.

As of September 30, 2021, the Village is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories governmental and business-type activities except for unrestricted net position for business-type activities.

The largest portion of the Village's net position, \$ 9,706,308 (63.12%) reflects its investments in capital assets less any debt used to acquire those assets that is still outstanding. The Village uses capital assets to provide service to citizens; consequently these assets are not available for future spending.

An additional portion of the Village's net position of \$ 3,906,066 (25.40%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 1,764,767 (11.48%) may be used to meet the government's ongoing obligations to citizens and creditors.

VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2021

The following table provides a summary of the Village's net position as of September 30, 2021 and 2020:

	VILLAGE'S NET POSITION					
	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30		September 30,	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 5,939,165	\$ 5,262,385	\$ 2,129,172	\$ 2,231,882	\$ 8,068,337	\$ 7,494,267
Capital assets	<u>5,045,114</u>	<u>5,135,258</u>	<u>5,931,250</u>	<u>6,022,756</u>	<u>10,976,364</u>	<u>11,158,014</u>
Total assets	<u>10,984,279</u>	<u>10,397,643</u>	<u>8,060,422</u>	<u>8,254,638</u>	<u>19,044,701</u>	<u>18,652,281</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	<u>23,911</u>	<u>17,177</u>	<u>6,405</u>	<u>5,538</u>	<u>30,316</u>	<u>22,715</u>
Total deferred outflows of resources	<u>23,911</u>	<u>17,177</u>	<u>6,405</u>	<u>5,538</u>	<u>30,316</u>	<u>22,715</u>
LIABILITIES						
Current liabilities	165,520	153,337	104,048	107,054	269,568	260,391
Long-term liabilities	<u>759,484</u>	<u>862,469</u>	<u>2,634,774</u>	<u>2,728,653</u>	<u>3,394,258</u>	<u>3,591,122</u>
Total liabilities	<u>925,004</u>	<u>1,015,806</u>	<u>2,738,822</u>	<u>2,835,707</u>	<u>3,663,826</u>	<u>3,851,513</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	<u>26,855</u>	<u>36,432</u>	<u>7,195</u>	<u>11,746</u>	<u>34,050</u>	<u>48,178</u>
Total deferred inflows of resources	<u>26,855</u>	<u>36,432</u>	<u>7,195</u>	<u>11,746</u>	<u>34,050</u>	<u>48,178</u>
NET POSITION						
Net investment in capital assets	4,345,114	4,326,813	5,361,194	5,382,587	9,706,308	9,709,400
Restricted	3,898,550	3,664,933	7,516	14,065	3,906,066	3,678,998
Unrestricted	<u>1,812,667</u>	<u>1,370,836</u>	<u>(47,900)</u>	<u>16,071</u>	<u>1,764,767</u>	<u>1,386,907</u>
Total net position	<u>\$ 10,056,331</u>	<u>\$ 9,362,582</u>	<u>\$ 5,320,810</u>	<u>\$ 5,412,723</u>	<u>\$ 15,377,141</u>	<u>\$ 14,775,305</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

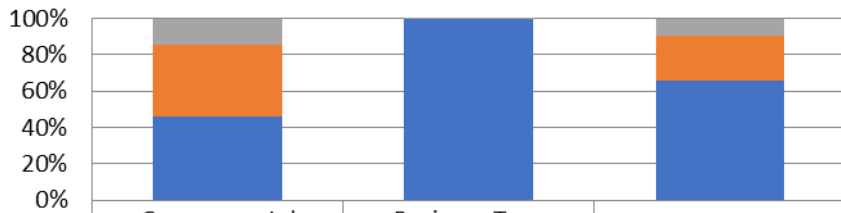
*Management's Discussion and Analysis
For the Year Ended September 30, 2021*

2021 Percentage of Net Position by Type



	Governmental Activities	Business Type Activities	Total
■ Unrestricted	18.03%	-0.90%	11.48%
■ Restricted	38.76%	0.14%	25.40%
■ Net investment in capital assets	43.21%	100.76%	63.12%

2020 Percentage of Net Position by Type



	Governmental Activities	Business Type Activities	Total
■ Unrestricted	14.64%	0.30%	9.39%
■ Restricted	39.15%	0.26%	24.90%
■ Net investment in capital assets	46.21%	99.44%	65.71%

VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2021

Analysis of the Village's Operations

The following table provides a summary of the Village's activities for the years ended September 30, 2021 and 2020:

VILLAGE'S ACTIVITIES

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 1,507,349	\$ 1,359,840	\$ 816,239	\$ 764,604	\$ 2,323,588	\$ 2,124,444
Operating grants and contributions	105,798	7,328			105,798	7,328
Capital grants and contributions				160,000	-0-	160,000
General Revenues:						
Property taxes	1,025,759	999,709			1,025,759	999,709
Sales taxes	170,824	146,333			170,824	146,333
Franchise taxes	102,172	69,622			102,172	69,622
Occupancy taxes	938,169	636,530			938,169	636,530
Other taxes	45,156	20,402			45,156	20,402
Investment earnings	9,043	14,847	359	2,942	9,402	17,789
Miscellaneous	106,851	26,178			106,851	26,178
Gain on disposition of capital assets		116,001			-0-	116,001
Total revenues	<u>4,011,121</u>	<u>3,396,790</u>	<u>816,598</u>	<u>927,546</u>	<u>4,827,719</u>	<u>4,324,336</u>
Expenses:						
General government and administration	513,465	559,426			513,465	559,426
Municipal court	55,676	69,282			55,676	69,282
Police/EMS department	699,132	539,054			699,132	539,054
Fire department	59,085	45,822			59,085	45,822
Public works	111,574	375,104			111,574	375,104
Public facilities	973,416	570,032			973,416	570,032
Economic development	334,557	307,702			334,557	307,702
Employee benefit	148,607	137,411			148,607	137,411
Interest and fiscal charges	25,412	26,675	78,298	95,146	103,710	121,821
Water and sewer			1,226,661	962,176	1,226,661	962,176
Total expenses	<u>2,920,924</u>	<u>2,630,508</u>	<u>1,304,959</u>	<u>1,057,322</u>	<u>4,225,883</u>	<u>3,687,830</u>

(Continued)

VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2021

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2021	2020	2021	2020	2021	2020
Increase (decrease) in net position before transfers	\$ 1,090,197	\$ 766,282	\$(488,361)	\$(129,776)	\$ 601,836	\$ 636,506
Transfers	(396,448)	(84,900)	396,448	84,900	-0-	-0-
Changes in net position	693,749	681,382	(91,913)	(44,876)	601,836	636,506
Net position - beginning	<u>9,362,582</u>	<u>8,681,200</u>	<u>5,412,723</u>	<u>5,457,599</u>	<u>14,775,305</u>	<u>14,138,799</u>
Net position - ending	<u>\$ 10,056,331</u>	<u>\$ 9,362,582</u>	<u>\$ 5,320,810</u>	<u>\$ 5,412,723</u>	<u>\$ 15,377,141</u>	<u>\$ 14,775,305</u>

Governmental Activities: Governmental activities increased the Village's net position by \$ 693,749 (7.41%). Total revenues increased from the prior year by \$ 614,331 and total expenses increased from the prior year by \$ 290,416, respectively. Total revenues decreased from the prior year, due to an increase in charges for services and occupancy taxes. Total expenses increased at a rate of about 11.04%.

Business-type Activities: Business activities decreased the Village's net position by \$ 91,913 (1.70%). Total revenues decreased from the prior year by \$ 110,948 and total expenses increased from the prior year by \$ 247,637 respectively. Total revenues decreased from the prior year, due to a decrease in capital grants. Total expenses increased at a rate of about 23.42%. The major increases in 2021 expenses were water and sewer operating expenses.

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$ 5,162,902, 21.31% of this total amount (\$ 1,100,259) constitutes unassigned fund balance. The remainder of the fund balance has been categorized as 1) nonspendable (\$ 177,531) and 2) restricted (\$ 3,885,112).

The General Fund fund balance increased by \$ 399,273; the Beach special revenue fund balance decreased by \$ 163,191, the Hotel/Motel Tax special revenue fund balance increased by \$ 682,914, and the non-major governmental funds decreased by \$ 285,809.

VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2021

Proprietary funds. As mentioned earlier, the Village's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The enterprise fund is used to account for its water and sewer operations. Net position at September 30, 2021 amounted to \$ 5,320,810. Total net position decreased by \$ 91,913 (approximately 1.70%).

General Fund Budgetary Highlights. The Village did not make amendments to its budget during the current fiscal year. The Village's actual revenue exceeded the budgeted revenues by \$ 222,027 and actual expenditures were under the budgeted expenditures by \$ 192,903.

Capital Assets

The Village's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$ 10,976,364 (net of accumulated depreciation). This investment in capital assets includes land, buildings, wells and related equipment, furniture, equipment and vehicles, infrastructure, and construction in progress. The total decrease in the Village's investment in capital assets for the current fiscal year was \$ 181,650. (\$ 90,144 decrease for governmental activities and \$ 91,506 decrease in business-type activities).

Major capital asset events during the current fiscal year included the following:

- Water line project \$ 54,768
- Purchase equipment and vehicles \$ 265,215

CAPITAL ASSETS AT YEAR-END NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2021	2020	2021	2020	2021	2020
Land	\$	\$	\$ 112,233	\$ 112,233	\$ 112,233	\$ 112,233
Buildings	482,315	606,775			482,315	606,775
Wells and related equipment			692,576	769,528	692,576	769,528
Furniture, equipment and vehicles	479,574	304,045	176,228	138,335	655,802	442,380
Infrastructure	4,058,368	4,199,581	4,667,854	4,775,069	8,726,222	8,974,650
Construction in progress	<u>24,857</u>	<u>24,857</u>	<u>282,359</u>	<u>227,591</u>	<u>307,216</u>	<u>252,448</u>
Total	<u>\$ 5,045,114</u>	<u>\$ 5,135,258</u>	<u>\$ 5,931,250</u>	<u>\$ 6,022,756</u>	<u>\$ 10,976,364</u>	<u>\$ 11,158,014</u>

Additional information on the Village's capital assets can be found in Note 7 on pages 53-54 of this report.

VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2021

Debt Administration

At the end of the current fiscal year, the Village had a total bonded debt of \$ 3,322,000. Of this amount, \$ 700,000 is comprised of bonded debt backed by the full faith and credit of the Village. These bonds will be retired with revenues from property and sales taxes. The remaining \$ 2,622,000 represents bonds secured by water and sewer revenues.

OUTSTANDING LONG-TERM BONDS AT YEAR END

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 700,000	\$ 790,000	\$	\$	\$ 700,000	\$ 790,000
Revenue bonds			2,622,000	2,718,000	2,622,000	2,718,000
Notes payable		18,445			-0-	18,445
Total OPEB liability	37,460	29,078	11,620	9,375	49,080	38,453
Compensated absences	<u>22,024</u>	<u>24,946</u>	<u>1,154</u>	<u>1,278</u>	<u>23,178</u>	<u>26,224</u>
Total	<u>\$ 759,484</u>	<u>\$ 862,469</u>	<u>\$ 2,634,774</u>	<u>\$ 2,728,653</u>	<u>\$ 3,394,258</u>	<u>\$ 3,591,122</u>

During the fiscal year, the Village's total bonded debt decreased \$ 186,000 due to current debt payments. The underlying rating on all of such bonds are "AA" by S&P.

Additional information on the Village's long term debt can be found in Note 8 on pages 55-57 of this report.

Economic Factors and Next Year's Budgets and Rates

The adopted property tax rate was the same as prior year of 0.334846. The maintenance and operations rate is \$ 0.283911 and the debt service rate is \$ 0.050935.

The projected property tax due is \$ 75,568 (7.43%) increase for the 2021-22 tax year. The certified assessed property valuations were more than the prior year values.

Of the projected property taxes due, \$ 27,294 is to be raised from new property added to the tax roll.

Request for Information

This financial report is designed to provide a general overview of the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Secretary, 1304 Monument Drive Surfside Beach, Texas 77541 Village Email address is: Amanda@surfsidetx.org, and Website: www.surfsidetx.org.

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BASIC FINANCIAL STATEMENTS

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

STATEMENT OF NET POSITION

September 30, 2021

	Governmental Activities	Business- Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 4,507,524	\$ 61,336	\$ 4,568,860
Taxes receivable, net	70,027		70,027
Accounts receivable, net	715,818	103,613	819,431
Investments	29,624		29,624
Inventories		41,600	41,600
Interfund balances	295,604	(295,604)	-0-
Prepaid items	177,531		177,531
Restricted Assets:			
Temporarily Restricted:			
Cash and cash equivalents		2,174,860	2,174,860
Net pension asset	143,037	43,367	186,404
Capital Assets (Net of Accumulated Depreciation):			
Land		112,233	112,233
Buildings	482,315		482,315
Wells and related equipment		692,576	692,576
Furniture, equipment, and vehicles	479,574	176,228	655,802
Infrastructure	4,058,368	4,667,854	8,726,222
Construction in progress	24,857	282,359	307,216
	<u>10,984,279</u>	<u>8,060,422</u>	<u>19,044,701</u>
Total assets			
Deferred Outflows of Resources:			
Deferred outflows of resources - pension	12,686	3,398	16,084
Deferred outflows of resources - OPEB	11,225	3,007	14,232
	<u>23,911</u>	<u>6,405</u>	<u>30,316</u>
Total deferred outflows of resources			

(continued)

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

STATEMENT OF NET POSITION - Continued

September 30, 2021

	Governmental Activities	Business- Type Activities	Total
Liabilities:			
Accounts payable	\$ 121,822	\$ 44,303	\$ 166,125
Accrued wages	19,253	5,723	24,976
Accrued interest	646	8,885	9,531
Unearned revenue	23,799	41,622	65,421
Liabilities payable from restricted assets		3,515	3,515
Noncurrent liabilities:			
Due within one year	112,024	104,154	216,178
Due in more than one year:			
Long term debt	610,000	2,519,000	3,129,000
Total OPEB liability	<u>37,460</u>	<u>11,620</u>	<u>49,080</u>
Total liabilities	<u>925,004</u>	<u>2,738,822</u>	<u>3,663,826</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	24,813	6,648	31,461
Deferred inflows of resources - OPEB	<u>2,042</u>	<u>547</u>	<u>2,589</u>
Total deferred inflows of resources	<u>26,855</u>	<u>7,195</u>	<u>34,050</u>
Net Position:			
Net investment in capital assets	4,345,114	5,361,194	9,706,308
Restricted For:			
Debt service	101,806	7,516	109,322
Beach services	530,362		530,362
Economic development	3,170,462		3,170,462
Construction	95,920		95,920
Unrestricted	<u>1,812,667</u>	<u>(47,900)</u>	<u>1,764,767</u>
Total net position	<u>\$ 10,056,331</u>	<u>\$ 5,320,810</u>	<u>\$ 15,377,141</u>

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

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government and administration	\$ 513,465	\$ 358,665	\$ 105,798
Municipal court	55,676	148,055	
Police/EMS department	699,132	132,996	
Fire department	59,085		
Public works	111,574		
Public facilities	973,416	867,633	
Economic development	334,557		
Employee benefit	148,607		
Interest and fiscal charges	25,412		
Total governmental activities	<u>2,920,924</u>	<u>1,507,349</u>	<u>105,798</u>
Business-type Activities:			
Water and sewer	1,226,661	816,239	
Interest and fiscal charges	78,298		
Total business-type activities	<u>1,304,959</u>	<u>816,239</u>	<u>-0-</u>
Total	<u>\$ 4,225,883</u>	<u>\$ 2,323,588</u>	<u>\$ 105,798</u>

General Revenue:

Taxes:
 Property
 Sales
 Franchise
 Occupancy
 Other
Investment earnings
Miscellaneous
Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$(49,002)	\$	\$(49,002)
92,379		92,379
(566,136)		(566,136)
(59,085)		(59,085)
(111,574)		(111,574)
(105,783)		(105,783)
(334,557)		(334,557)
(148,607)		(148,607)
<u>(25,412)</u>		<u>(25,412)</u>
<u>(1,307,777)</u>	<u>-0-</u>	<u>(1,307,777)</u>
	(410,422)	(410,422)
	<u>(78,298)</u>	<u>(78,298)</u>
<u>-0-</u>	<u>(488,720)</u>	<u>(488,720)</u>
<u>(1,307,777)</u>	<u>(488,720)</u>	<u>(1,796,497)</u>
1,025,759		1,025,759
170,824		170,824
102,172		102,172
938,169		938,169
45,156		45,156
9,043	359	9,402
106,851		106,851
<u>(396,448)</u>	<u>396,448</u>	<u>-0-</u>
<u>2,001,526</u>	<u>396,807</u>	<u>2,398,333</u>
693,749	(91,913)	601,836
<u>9,362,582</u>	<u>5,412,723</u>	<u>14,775,305</u>
<u>\$ 10,056,331</u>	<u>\$ 5,320,810</u>	<u>\$ 15,377,141</u>

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2021

	General Fund	Beach Fund	Hotel/Motel Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 847,345	\$ 570,165	\$ 2,937,104	\$ 152,910	\$ 4,507,524
Receivables (net):					
Taxes	65,916			4,111	70,027
Accounts	29,608		239,970		269,578
Due from other funds	258,721		329	41,351	300,401
Investments	29,624				29,624
Prepaid items	167,180		10,351		177,531
Total assets	<u>\$ 1,398,394</u>	<u>\$ 570,165</u>	<u>\$ 3,187,754</u>	<u>\$ 198,372</u>	<u>\$ 5,354,685</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 80,403	\$ 36,346	\$ 5,073	\$	\$ 121,822
Accrued wages	15,894	2,528	831		19,253
Unearned revenue	12,849	600	10,350		23,799
Due to other funds	3,430	329	1,038		4,797
Total liabilities	<u>112,576</u>	<u>39,803</u>	<u>17,292</u>	<u>-0-</u>	<u>169,671</u>
<u>Deferred Inflows of Resources:</u>					
Deferred inflows of resources	18,379			3,733	22,112
Total deferred inflows of resources	<u>18,379</u>	<u>-0-</u>	<u>-0-</u>	<u>3,733</u>	<u>22,112</u>
<u>Fund Balances:</u>					
Nonspendable	167,180		10,351		177,531
Restricted		530,362	3,160,111	194,639	3,885,112
Unassigned	1,100,259				1,100,259
Total fund balances	<u>1,267,439</u>	<u>530,362</u>	<u>3,170,462</u>	<u>194,639</u>	<u>5,162,902</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,398,394</u>	<u>\$ 570,165</u>	<u>\$ 3,187,754</u>	<u>\$ 198,372</u>	<u>\$ 5,354,685</u>

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

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION

September 30, 2021

Total fund balances – governmental funds balance sheet \$ 5,162,902

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

Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The costs of these assets is \$ 11,998,285 and the accumulated depreciation is \$ 6,953,171 resulting in a net addition to net position. 5,045,114

Some receivables are not available soon enough to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Property taxes	\$ 22,112	
Municipal court accounts	<u>446,240</u>	468,352

Some liabilities, including bonds payable, notes payable, premium on the issuance of bonds, accrued compensated absences and accrued bond interest are not due and payable in the current period and, therefore, are not reported as a liability in the funds. Liabilities at year-end related to such items consist of:

General obligation bonds	\$(700,000)	
Accrued compensated absences	(22,024)	
Accrued interest payable	<u>(646)</u>	(722,670)

The government-wide statement includes the City's proportionate share of TMRS net pension liabilities/assets, as well as pension related transactions accounted for as deferred inflows and outflows of resources. Liabilities/assets at year-end related to such items consist of:

Net Pension Assets	\$ 143,037	
Deferred Outflows of Resources	12,686	
Deferred Inflows of Resources	<u>(24,813)</u>	130,910

The government-wide statement includes the City's proportionate share of TMRS total OPEB liabilities, as well as pension related transactions accounted for as deferred inflows and outflows of resources. Liabilities at year-end related to such items consist of:

Total OPEB liability	\$(37,460)	
Deferred Outflows of Resources - TMRS Pension	11,225	
Deferred Inflows of Resources - TMRS Pension	<u>(2,042)</u>	<u>(28,277)</u>

Total Net Position - Governmental Activities \$ 10,056,331

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

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General Fund	Beach Fund	Hotel/Motel Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes:					
Property	\$ 858,891	\$	\$	\$ 167,672	\$ 1,026,563
Sales	170,824				170,824
Franchise	102,172				102,172
Occupancy			938,169		938,169
Other	45,156				45,156
Intergovernmental	100,453	5,345			105,798
Garbage and service fees	259,805				259,805
EMS revenue	132,996				132,996
Fines and fees	121,522				121,522
Licenses and permits	70,860	867,633		28,000	966,493
Investment earnings	8,137	14	887	5	9,043
Miscellaneous	61,600		45,251		106,851
Total revenues	1,932,416	872,992	984,307	195,677	3,985,392
<u>Expenditures:</u>					
Current:					
General government and administration	505,655				505,655
Municipal court	60,084				60,084
Police/EMS department	635,185				635,185
Fire department	59,085				59,085
Public works	112,246				112,246
Public facilities		816,706			816,706
Economic development			271,100		271,100
Employee benefit	148,607				148,607
Capital outlay	62,716	120,134	30,293		213,143
Debt Service:					
Principal retirement	18,445			90,000	108,445
Interest and fiscal charges	463			25,038	25,501
Total expenditures	1,602,486	936,840	301,393	115,038	2,955,757
Excess (deficiency) of revenues over expenditures	329,930	(63,848)	682,914	80,639	1,029,635
<u>Other Financing Sources (Uses):</u>					
Transfers in	114,343	15,000			129,343
Transfers out	(45,000)	(114,343)		(366,448)	(525,791)
Total other financing sources (uses)	69,343	(99,343)	-0-	(366,448)	(396,448)
Net change in fund balances	399,273	(163,191)	682,914	(285,809)	633,187
Fund balances - beginning	868,166	693,553	2,487,548	480,448	4,529,715
Fund balances - ending	\$ 1,267,439	\$ 530,362	\$ 3,170,462	\$ 194,639	\$ 5,162,902

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

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

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

For the Year Ended September 30, 2021

Net change in fund balances – total governmental funds \$ 633,187

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

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

Capital outlay	\$ 213,143	
Depreciation expense	<u>(294,391)</u>	(81,248)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect on premiums and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.

Principal payments	\$ 108,445	
Change in accrued compensated absences	2,922	
Change in accrued interest payable	<u>89</u>	111,456

The net change in net pension liability/assets, deferred outflows and deferred inflows is reported in the statement of activities but does not require the use of current resources and, therefore, is not reported as expenditure in the governmental funds. The net change consists of the following:

Net pension asset increased	\$ 5,592	
Deferred outflows increased	3,983	
Deferred inflows decreased	<u>10,150</u>	19,725

The net change in total OPEB liability, deferred outflows and deferred inflows is reported in the statement of activities but does not require the use of current resources and, therefore, is not reported as expenditure in the governmental funds. The net change consists of the following:

Total OPEB liability increased	\$(8,382)	
Deferred outflows increased	2,751	
Deferred inflows increased	<u>(573)</u>	(6,204)

Because some property tax receivables will not be collected for several months after the District's fiscal year ends, they are not considered available revenues and are deferred inflows in the governmental funds. (804)

Municipal court revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenue in the funds. 26,533

Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental Activities statement of activities, the cost of the assets disposed is offset against the proceeds to report Gain/(loss) on the disposition of assets. (8,896)

Change in net position of governmental activities \$ 693,749

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

VILLAGE OF SURFSIDE BEACH
Surfside Beach, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND

September 30, 2021

	<u>Enterprise Fund</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 61,336
Accounts receivables, net	103,613
Inventories	<u>41,600</u>
Sub-total	<u>206,549</u>
Current Restricted Assets:	
Cash and cash equivalents	<u>2,174,860</u>
Total current restricted assets	<u>2,174,860</u>
Total current assets	<u>2,381,409</u>
Net pension asset	43,367
Capital Assets:	
Property, plant and equipment	7,865,926
Less accumulated depreciation	<u>(1,934,676)</u>
Total capital assets (net of accumulated depreciation)	<u>5,931,250</u>
Total noncurrent assets	<u>5,974,617</u>
Total assets	<u>8,356,026</u>
Deferred Outflows of Resources:	
Deferred outflows of resources - pension	3,398
Deferred outflows of resources - OPEB	<u>3,007</u>
Total deferred outflows of resources	<u>6,405</u>

(continued)

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND - Continued

September 30, 2021

	<u>Enterprise Fund</u>
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 44,303
Accrued wages	5,723
Unearned revenue	41,622
Accrued compensated absences	1,154
Due to other funds	<u>295,604</u>
	<u>388,406</u>
Current Liabilities Payable from Restricted Assets:	
Accrued interest	8,885
Customer deposits	3,515
Revenue bonds payable	<u>103,000</u>
Total current liabilities payable from restricted assets	<u>115,400</u>
Total current liabilities	<u>503,806</u>
Noncurrent Liabilities:	
Revenue bonds payable	2,519,000
Total OPEB liability	<u>11,620</u>
Total noncurrent liabilities	<u>2,530,620</u>
Total liabilities	<u>3,034,426</u>
Deferred Inflows of Resources:	
Deferred inflows of resources - pension	6,648
Deferred inflows of resources - OPEB	<u>547</u>
Total deferred inflows of resources	<u>7,195</u>
Net Position:	
Net investment in capital assets	5,361,194
Restricted For:	
Debt service	7,516
Unrestricted	<u>(47,900)</u>
Total net position	<u>\$ 5,320,810</u>

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

VILLAGE OF SURFSIDE BEACH
Surfside Beach, Texas

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

For the Year Ended September 30, 2020

	<u>Enterprise Fund</u>
Operating Revenues:	
Water service	\$ 541,689
Sewer service	194,655
Tapping and connection fees	79,695
Other	200
Total operating revenues	816,239
Operating Expenses:	
Personnel related	371,248
Contracted services	22,230
Repairs and maintenance	402,706
Others	232,131
Depreciation	194,096
Total operating expenses	1,222,411
Operating loss	(406,172)
Non-Operating Revenues (Expenses):	
Interest revenue	359
Loss on disposition of capital assets	(4,250)
Interest expense and fiscal charges	(78,298)
Total non-operating revenues (expenses)	(82,189)
Loss before transfers	(488,361)
Transfers in	396,448
Change in net position	(91,913)
Net position - beginning	5,412,723
Net position - ending	\$ 5,320,810

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

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VILLAGE OF SURFSIDE BEACH
Surfside Beach, Texas

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND**

For the Year Ended September 30, 2021

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 872,284
Receipts from other funds	75,857
Payments to suppliers	(628,266)
Payments to employees	<u>(385,960)</u>
Net cash used by operating activities	<u>(66,085)</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers in	<u>396,448</u>
Net cash provided by non-capital and related financing activities	<u>396,448</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(106,840)
Principal paid on bonds	(96,000)
Interest and fiscal charges paid	<u>(78,670)</u>
Net cash used by capital and related financing activities	<u>(281,510)</u>
Cash Flows from Investing Activities:	
Interest received	<u>359</u>
Net cash provided by investing activities	<u>359</u>
Change in cash and cash equivalents	49,212
Cash and cash equivalents - beginning	<u>2,186,984</u>
Cash and cash equivalents - ending	<u>\$ 2,236,196</u>

(continued)

VILLAGE OF SURFSIDE BEACH
Surfside Beach, Texas

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - Continued

For the Year Ended September 30, 2021

	<u>Enterprise Fund</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	\$(<u>406,172</u>)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	194,096
(Increase) decrease in:	
Accounts receivable	79,720
Prepaid items	(4,600)
Increase (decrease) in:	
Accounts payable	28,801
Accrued wages payable	(12,360)
Due from other funds	(2,228)
Net pension and total OPEB liability	(124)
Accrued compensated absences	(19,205)
Unearned revenue	130
Customer deposits	<u>75,857</u>
Total adjustments	<u>340,087</u>
Net cash used by operating activities	\$(<u>66,085</u>)

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

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VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

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VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Surfside Beach (the Village) is a political subdivision of the State of Texas, incorporated as a General Law Municipality, and is governed by an elected mayor and five-member council. The Village operates under a Council-Manager form of government and provides the following services as authorized by its charter: public services, streets, sanitation, health and social services, culture-recreation, public improvements, and general administrative services.

The Village prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The following is a summary of the most significant accounting policies.

Reporting Entity

The Village is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the Village's financial reporting entity. Based on these considerations, the Village's basic financial statements do not include any other entities. Additionally, as the Village is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the Village's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the Village is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the Village's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based upon the application of these criteria, there are no component units included within the reporting entity.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information of the primary government. Except for balances between governmental activities and business-type activities, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The Village has only one proprietary fund (enterprise fund).

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, grants and contracts, charges for services, licenses and permits, fines and fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenue are considered to be measurable and available only when cash is received by the government.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The Village has presented the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

The *Beach Fund* is used to account for daily and annual permit fee revenues the Village collects for patrons using the local beach. These revenues are used to pay for providing services to the beach area including law enforcement, sanitation, maintenance and administration.

The *Hotel/Motel Tax fund* controls the receipt and expenditure of taxes levied on temporary property rentals.

The Village reports the following major proprietary fund:

The *Enterprise Fund* is used to account for the provision of water and sewer services to the residents of the Village. Activities of the fund include administration, operations and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) capital grants and contributions.

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

Operating expenses for the Enterprise Fund includes administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, and then unrestricted resources as they are needed.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data

The Village adopts annual budgets for all significant governmental fund types (general fund, and beach and hotel/motel tax major special revenue funds) and proprietary fund type (enterprise fund). The budget is prepared in accordance with general accepted accounting principles. Appropriations lapse at fiscal year-end except those for contracted commitments for construction or significant acquisitions. The appropriated budget is prepared by fund, function, department and classification. All transfers within a department and between departments require the approval of council. The level of budgetary control is the departmental level. Budgets are not utilized for Sewer Tap fund and Debt Service fund.

Encumbrances

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

Cash and Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the Village. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value. State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements, and other such securities or obligations as allowed in the Public Funds Investment Act (PFIA) as approved by the Village's Council. The Village's management believes it has complied with the requirements of the PFIA and the Village's investment policy.

Interfund Receivables, Payables and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". All activity between funds was for short-term cash flow requirements. See Note 6 for additional discussion of interfund receivables, payables and transfers.

Capital Assets

Capital assets, which include land, building, wells and related equipment, furniture, equipment and vehicles, infrastructure, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets, and capital assets received in a service concession arrangement are reported at acquisition value. Repairs and maintenance are recorded as expenses.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. No interest was capitalized during the year ended September 30, 2021.

Assets capitalized have an original cost of \$ 5,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-30 Years
Wells and related equipment	10-50 Years
Furniture, equipment and vehicles	5-10 Years
Infrastructure	20-50 Years

Deferred Outflows and Inflows of Resources

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

Property Taxes

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

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

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes - Continued

The assessed value of the property tax roll on August 1, 2020, upon which the levy for the 2020-21 fiscal year was based, was \$ 303,421,853. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2021, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.280268 and \$ 0.054578 per \$ 100 valuation, respectively, for a total of \$ 0.334846 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2021, were 98.82% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible property taxes are periodically reviewed and written off, but the Village is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2021, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 20,218 and \$ 4,111 for the general and debt service funds, respectively.

Compensated Absences

The Village records a liability for the amount of unused vacation that it has vested in each employee at year-end. Time accumulated for sick leave is not included in this accrual; as such time is only used for cause, and is subject to forfeiture. In the government-wide financial statements, and proprietary fund statements, this amount is accrued. A liability is only reported in the governmental funds if they have matured, for example, as a result of resignations or retirement. As of September 30, 2021, accrued compensated absences reported in the Governmental Activities totaled \$ 22,024. Accrued compensated absences reported in the Enterprise Fund totaled \$ 1,154.

Pension Plans and OPEB Plan

For purposes of measuring the net pension liability, total OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Inventories

The Village employs the consumption method of accounting for inventories. Inventories are valued at cost using the first-in first-out method. Inventories at September 30, 2021, consisted of \$ 41,600 in business type activities.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures or expenses in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

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

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

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal ordinance by the Village Council. At September 30, 2021, there are no commitments of fund balances

Assigned Fund Balance - Amounts that are constrained by the Village's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Village Council, or by its designated officials. At September 30, 2021, there are no assignments of fund balances.

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

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, followed by assigned fund balance, and lastly, unassigned fund balance.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances - Continued

The following schedule presents details of fund balance components at September 30, 2021:

	General Fund	Beach Fund	Hotel/Motel Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Prepaid items	\$ 167,180	\$	\$ 10,351	\$	\$ 177,531
Restricted:					
Debt service				73,062	73,062
Beach purpose		530,362			530,362
Encourage tourism			3,160,111		3,160,111
Facility expansion				121,577	121,577
Unassigned	<u>1,100,259</u>	<u></u>	<u></u>	<u></u>	<u>1,100,259</u>
Total fund balances	<u>\$ 1,267,439</u>	<u>\$ 530,362</u>	<u>\$ 3,170,462</u>	<u>\$ 194,639</u>	<u>\$ 5,162,902</u>

Net Position

Net position represents the differences between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Restricted net position, as presented in the government-wide Statement of Net Position, is reported when constraints placed on the use of net position are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

NOTE 2 - NEW PRONOUNCEMENTS

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

GASB No. 84 "Fiduciary Activities" was issued in January 2017. This statement was implemented and did not have a material effect on the Village's financial statements. The requirements of this Statement are effective for periods beginning after December 15, 2019.

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

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 2 - NEW PRONOUNCEMENTS - Continued

GASB No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. This statement was implemented and did not have a material effect on the Village’s financial statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2019.

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

GASB No. 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61” was issued in August 2018. This statement was implemented and did not have a material effect on the Village’s financial statements. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

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

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

GASB No. 93 “Replacement of Interbank Offered Rates” was issued in March 2020. This statement was implemented and did not have a material effect on the Village’s financial statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2020.

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

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

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

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

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Cash and cash equivalents and investments, as reported on the statement of net position at September 30, 2021 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 22,826	\$	\$ 22,826
Demand deposits	2,381,227	1,742,347	4,123,574
Texpool	<u>2,164,807</u>	<u>432,513</u>	<u>2,597,320</u>
Total cash and temporary investments	<u>\$ 4,568,860</u>	<u>\$ 2,174,860</u>	<u>\$ 6,743,720</u>
Investments:			
Mutual fund	<u>\$ 29,624</u>	<u>\$</u>	<u>\$ 29,624</u>
Total investment	<u>\$ 29,624</u>	<u>\$ -0-</u>	<u>\$ 29,624</u>
Total	<u>\$ 4,598,484</u>	<u>\$ 2,174,860</u>	<u>\$ 6,773,344</u>

Deposits

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

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

At September 30, 2021, in addition to petty cash of \$ 22,826, the carrying amount of the Village's cash, savings, and time deposits was \$ 4,123,574. The financial institutions balances were \$ 4,134,355 at September 30, 2021. Bank balances of \$ 500,000 were covered by federal depository insurance, \$ 3,046,904 was covered by collateral pledged in the Village's name, and \$ 587,451 was not insured or covered.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the Village to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies.

The Village's investment policy authorizes investments governed by the Public Funds Investment Act (PFIA). The Village's management believes it complied with the requirements of the PFIA and the Village's investment policy.

The Village participates in a Local Government Investment Pools (LGIPs): TexPool. The State Comptroller oversees TexPool and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller.

The Village invests in TexPool to provide its liquidity needs. TexPool is local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool is 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. TexPool is rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

At September 30, 2021 TexPool had a weighted average maturity of 38 days. Although TexPool had a weighted average maturity of 38 days, the Village considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The Village also invests in mutual fund through Principal Financial Group, Inc. All of the Village's investments are insured, registered, or the Village's agent holds the securities in the Village's name; therefore, the Village is not exposed to custodial credit risk.

The following table includes the portfolio balances of all investment types of the Village at September 30, 2021.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 2,597,320	37
Mutual fund	<u>29,624</u>	N/A
	<u>\$ 2,626,944</u>	37

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Credit Risk – The Village’s policy requires that the investment pool must maintain a rating no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized rating agency. As of September 30, 2021, the LGIP’s (which represent approximately 98.87% of the portfolio) are rated AAAM by Standard and Poor’s, while the mutual fund (1.13% of the portfolio) are fully insured.

Interest Rate Risk – 98.87% of the Village’s investment is in TaxPool which can usually be redeemed each day at the discretion of the shareholder, and meets the Village’s cash flow requirements.

Fair Value

The Village categorizes its fair value measurements within the fair value hierarchy established by GASB No 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Village’s assets at fair value as of September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual fund	\$ <u>29,624</u>	\$ _____	\$ _____	\$ <u>29,624</u>

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 4 - DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND UNEARNED REVENUE

Government Funds

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue). As of September 30, 2021, the following components of deferred inflows of resources/unearned revenue were reported in the governmental funds:

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 18,379	\$
Delinquent property taxes receivable (debt service fund)	3,733	
Deposits	<u> </u>	<u>23,799</u>
 Total	 <u>\$ 22,112</u>	 <u>\$ 23,799</u>

Governmental and Business-Type Activities

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date to the current year-end of September 30, 2021 and report these as deferred outflows of resources. Governmental and business-type activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental and business-type activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2021, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
<u>Governmental Activities</u>			
Pension deferred outflows and inflows of resources			
less amortization	\$ 2,652	\$ 24,813	\$
Pension contributions subsequent to the measurement date	10,034		
OPEB deferred outflows and inflows of resources			
less amortization	9,944	2,042	
OPEB contributions subsequent to the measurement date	1,281		
Deposits	<u> </u>	<u> </u>	<u>23,799</u>
 Totals	 <u>\$ 23,911</u>	 <u>\$ 26,855</u>	 <u>\$ 23,799</u>

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 4 - DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND UNEARNED REVENUE - Continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
<u>Business-Type Activities</u>			
Pension deferred outflows and inflows of resources			
less amortization	\$ 710	\$ 6,648	\$
Pension contributions subsequent to the measurement date	2,688		
OPEB deferred outflows and inflows of resources			
less amortization	2,664	547	
OPEB contributions subsequent to the measurement date	343		
Deposits			41,622
	<u> </u>	<u> </u>	<u> </u>
Totals	\$ <u>6,405</u>	\$ <u>7,195</u>	\$ <u>41,622</u>

NOTE 5 - RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Governmental Funds

Property taxes receivable are reserved based on historical experience and evaluation of collectivity as the lesser of a percentage of the original levy and the current receivable for each levy year. The following is a summary of the receivables and allowance for uncollectible accounts by fund:

	<u>General Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Receivables:				
Taxes:				
Property	\$ 22,787	\$	\$ 4,571	\$ 27,358
Sales	32,062			32,062
Mixed beverage	3,733			3,733
Franchise fees	9,903			9,903
Account	<u>29,608</u>	<u>239,970</u>		<u>269,578</u>
Gross receivables	<u>98,093</u>	<u>239,970</u>	<u>4,571</u>	<u>342,634</u>
Less Allowance for Uncollectible Accounts:				
Property taxes	<u>2,569</u>		<u>460</u>	<u>3,029</u>
Net receivables	\$ <u>95,524</u>	\$ <u>239,970</u>	\$ <u>4,111</u>	\$ <u>339,605</u>

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 5 - RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS - Continued

Proprietary Funds

The allowance for uncollectible receivables related to Village services is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The accounts receivables and allowance for uncollectible receivables for the year ended September 30, 2021, were \$ 109,001 and \$ 5,388, respectively.

Judicial Receivables

Municipal Court Receivables - Municipal court receivables are reported in the governmental activities statements of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The municipal court receivables and allowance for uncollectible receivables for the year ended September 30, 2021, were \$ 1,115,600 and \$ 669,360, respectively.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables as of September 30, 2021 consisted of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Fund:		
Hotel/Motel tax fund	\$ 1,038	\$
Sewer tap fund		1
Debt service fund		3,429
Enterprise fund	<u>257,683</u>	
	<u>258,721</u>	<u>3,430</u>
Special Revenue Funds:		
Beach Fund:		
Hotel/Motel tax fund		329
Hotel/Motel Tax Fund:		
General fund		1,038
Beach fund	329	
Sewer Tap Fund:		
General fund	1	
Enterprise fund	<u>37,921</u>	
	<u>38,251</u>	<u>1,367</u>
Debt Service Fund:		
General fund	<u>3,429</u>	
	<u>3,429</u>	<u>-0-</u>
Enterprise Fund:		
General fund		257,683
Sewer tap fund		<u>37,921</u>
	<u>-0-</u>	<u>295,604</u>
 Total	 <u>\$ 300,401</u>	 <u>\$ 300,401</u>

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

Interfund transfers for the year ended September 30, 2021 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Beach fund	General fund	\$ 114,343
Debt service fund	Enterprise fund	59,518
Sewer tap fund	Enterprise fund	306,930
General fund	Beach fund	15,000
General fund	Enterprise fund	<u>30,000</u>
		<u>\$ 525,791</u>

The purpose of above transfers were to cover planned expenditures.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

	<u>Balance 10/01/20</u>	<u>Additions</u>	<u>Retirements & Transfers</u>	<u>Balance 09/30/21</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>24,857</u>	\$ _____	\$ _____	\$ <u>24,857</u>
Total capital assets, not being depreciated	<u>24,857</u>	<u>-0-</u>	<u>-0-</u>	<u>24,857</u>
Capital Assets, Being Depreciated:				
Buildings	1,486,168		(63,640)	1,422,528
Furniture, equipment and vehicles	1,127,700	213,143	(99,784)	1,241,059
Infrastructure	<u>9,161,664</u>	<u> </u>	<u>148,177</u>	<u>9,309,841</u>
Total capital assets, being depreciated	<u>11,775,532</u>	<u>213,143</u>	<u>(15,247)</u>	<u>11,973,428</u>
Less Accumulated Depreciation For:				
Buildings	879,393	26,955	33,865	940,213
Furniture, equipment and vehicles	823,655	72,476	(134,646)	761,485
Infrastructure	<u>4,962,083</u>	<u>194,960</u>	<u>94,430</u>	<u>5,251,473</u>
Total accumulated depreciation	<u>6,665,131</u>	<u>294,391</u>	<u>(6,351)</u>	<u>6,953,171</u>
Total capital assets, being depreciated, net	<u>5,110,401</u>	<u>(81,248)</u>	<u>(8,896)</u>	<u>5,020,257</u>
Governmental activities capital assets, net	<u>\$ 5,135,258</u>	<u>\$ (81,248)</u>	<u>\$ (8,896)</u>	<u>\$ 5,045,114</u>

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 7 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/20</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/21</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 112,233	\$	\$	\$ 112,233
Construction in progress	<u>227,591</u>	<u>54,768</u>	<u> </u>	<u>282,359</u>
Total capital assets, not being depreciated	<u>339,824</u>	<u>54,768</u>	<u>-0-</u>	<u>394,592</u>
Capital Assets, Being Depreciated:				
Wells and related equipment	1,202,157			1,202,157
Furniture, equipment and vehicles	233,494	52,072	(15,000)	270,566
Infrastructure	<u>5,998,611</u>	<u> </u>	<u> </u>	<u>5,998,611</u>
Total capital assets, being depreciated	<u>7,434,262</u>	<u>52,072</u>	<u>(15,000)</u>	<u>7,471,334</u>
Less Accumulated Depreciation:				
Wells and related equipment	432,629	76,952		509,581
Furniture, equipment and vehicles	95,159	9,929	(10,750)	94,338
Infrastructure	<u>1,223,542</u>	<u>107,215</u>	<u> </u>	<u>1,330,757</u>
Total accumulated depreciation	<u>1,751,330</u>	<u>194,096</u>	<u>(10,750)</u>	<u>1,934,676</u>
Total capital assets, being depreciated, net	<u>5,682,932</u>	<u>(142,024)</u>	<u>(4,250)</u>	<u>5,536,658</u>
Business-type activities capital assets, net	\$ <u>6,022,756</u>	\$ <u>(87,256)</u>	\$ <u>(4,250)</u>	\$ <u>5,931,250</u>

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

Governmental Activities:	
General government and administration	\$ 10,135
Public safety	60,078
Streets, drainage and facilities	160,427
Culture and recreation	<u>63,751</u>
Total depreciation expense-governmental activities	\$ <u>294,391</u>
Business-type Activities:	
Water and sewer	\$ <u>194,096</u>
Total depreciation expense-business-type activities	\$ <u>194,096</u>

The Village has not entered into contracts for construction as of September 30, 2021.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 8 - LONG-TERM DEBT

General Long-Term Debt

The Village's General Long-Term Debt at September 30, 2021 is comprised of a certificate of obligation and two notes payable from local institutions.

General certificates of obligation

The certificate of obligation bonds payable at September 30, 2021, is summarized as follows:

	Interest Rates %	Series Dates		Bonds Outstanding 09/30/21
		Issued	Maturity	
Certificates of Obligation Series 2006	2.4-3.35	2006	2028	\$ <u>700,000</u>
Total				\$ <u>700,000</u>

Certificate of obligation bond transactions for the year ended September 30, 2021, was as follows:

Bonds outstanding, October 1, 2020	\$ 790,000
Maturities	(<u>90,000</u>)
Bonds outstanding, September 30, 2021	\$ <u>700,000</u>

Aggregate maturities of certificate of obligation bonds for the years subsequent to September 30, 2021 are as follow:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 90,000	\$ 22,180	\$ 112,180
2023	95,000	19,173	114,173
2024	100,000	15,930	115,930
2025	105,000	12,496	117,496
2026	105,000	8,953	113,953
2027-2030	<u>205,000</u>	<u>6,956</u>	<u>211,956</u>
Total	\$ <u>700,000</u>	\$ <u>85,688</u>	\$ <u>785,688</u>

Notes payable

The two notes payable were for equipment acquisitions. The interest rate on the notes payable are 4.25% and 4.75% and maturity dates are April 2021 and March 2021, respectively.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 8 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

Notes payable transactions for the year ended December 30, 2021 were as follows:

Notes payable outstanding, October 1, 2020	\$ 18,445
Maturities	<u>(18,445)</u>

Notes payable outstanding, September 30, 2021	\$ <u><u>-0-</u></u>
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Revenue Bonds Payable

The Village issued certificates of obligation bonds Series 2005 through the U.S. Department of Agriculture (USDA) for the extension of utility services.

During the year 2020, the Village issued additional certificates of obligation bonds Series 2020 in the amount of \$ 1,800,000 through the Texas Water Development Board (TWDB) to finance water system improvements.

Below are the outstanding bonds payable at September 30, 2021.

	Interest Rates %	Series Dates		Bonds Outstanding 09/30/21
		Issued	Maturity	
Series 2005	4.35-6.15		2045	\$ 897,000
Series 2020	1.33-2.25	2020	2040	<u>1,725,000</u>
Total				\$ <u><u>2,622,000</u></u>

Revenue bond transactions for the year ended September 30, 2021, were as follows:

Bonds outstanding, October 1, 2020	\$ 2,718,000
Maturities	<u>(96,000)</u>

Bonds outstanding, September 30, 2021	\$ <u><u>2,622,000</u></u>
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VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 8 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

The following is a summary of revenue bond requirements as of September 30, 2021:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 103,000	\$ 73,000	\$ 176,000
2023	104,000	70,872	174,872
2024	104,000	68,690	172,690
2025	105,000	66,492	171,492
2026	107,000	64,213	171,213
2027-2031	586,000	281,897	867,897
2032-2036	660,000	202,159	862,159
2037-2041	639,000	104,127	743,127
2042-2045	<u>214,000</u>	<u>25,104</u>	<u>239,104</u>
Total	<u>\$ 2,622,000</u>	<u>\$ 956,554</u>	<u>\$ 3,578,554</u>

Transactions for the year ended September 30, 2021, are summarized as follows:

	<u>Balance 10-01-20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09-30-21</u>	<u>Due Within One Year</u>
Governmental Type Activities:					
Certificates of obligation bonds	\$ 790,000	\$	\$ 90,000	\$ 700,000	\$ 90,000
Notes payable	18,445		18,445		
Total OPEB liability	29,078	9,520	1,138	37,460	
Compensated absences	<u>24,946</u>	<u>22,024</u>	<u>24,946</u>	<u>22,024</u>	<u>22,024</u>
Total governmental activities	<u>862,469</u>	<u>31,544</u>	<u>134,529</u>	<u>759,484</u>	<u>112,024</u>
Business-Type Activities:					
Revenue bonds	2,718,000		96,000	2,622,000	103,000
Total OPEB liability	9,375	2,550	305	11,620	
Compensated absences	<u>1,278</u>	<u>1,154</u>	<u>1,278</u>	<u>1,154</u>	<u>1,154</u>
Total business-type activities	<u>2,728,653</u>	<u>3,704</u>	<u>97,583</u>	<u>2,634,774</u>	<u>104,154</u>
Total government	<u>\$ 3,591,122</u>	<u>\$ 35,248</u>	<u>\$ 232,112</u>	<u>\$ 3,394,258</u>	<u>\$ 216,178</u>

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued vacation for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The Village participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at tmrs.com.

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

B. Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the Village-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

The plan provisions are adopted by the governing body of the Village, within the options available in the state statutes governing TMRS. Members in the Village can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plan also provides death benefits and disability benefits. Members may work for more than one TMRS city during their career. If an individual has become vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>27</u>
	53

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

C. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the Village matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the Village. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the Village were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Village were 1.41% and 1.34% in calendar years 2021 and 2020, respectively. The Village's contributions to TMRS for the year ended September 30, 2021, were \$ 16,962, and were equal to the required contributions.

D. Net Pension Asset

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate Return	6.75%, net of pension plan investment expense, including inflation

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

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

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

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance at 12/31/2019	\$ 639,508	\$ 821,265	\$(181,757)
Changes for the Year:			
Service cost	94,517		94,517
Interest	45,098		45,098
Difference between expected and actual experience	3,683		3,683
Contributions – employer		13,972	(13,972)
Contributions – employee		73,026	(73,026)
Net investment income		61,367	(61,367)
Benefit payments, including refunds of employee contributions	(37,303)	(37,303)	-0-
Administrative expense		(403)	403
Other changes		(17)	17
Net changes	105,995	110,642	(4,647)
Balance at 12/31/2020	\$ 745,503	\$ 931,907	\$(186,404)

Sensitivity of the net pension asset to changes in the discount rate:

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

	1% Decrease In Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
Village's Net Pension Asset	\$(101,499)	\$(186,404)	\$(257,670)

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the Village recognized pension expense of \$ 7,040.

At September 30, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,443	\$ 9,692
Changes in actuarial assumptions	919	
Net difference between projected and actual investment earnings		21,769
Contributions subsequent to the measurement date	<u>12,722</u>	
Total	<u>\$ 16,084</u>	<u>\$ 31,461</u>

\$ 12,722 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2022	\$(14,866)
2023	1,013
2024	(13,059)
2025	(1,187)

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION PLAN

A. Plan Description

The Village also participates in the defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The Village elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Village may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b and there are no assets accumulated for OPEB. As such the SDBF is considered to be a single employer unfunded OPEB plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

B. Benefits Provided

Benefits payable from the SDBF become due after the death of a covered active Member or retiree and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active Members provides a lump-sum payment approximately equal to the Member's annual salary (calculated based on the Member's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is an "other post-employment benefit" and is a fixed amount of \$ 7,500.

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>27</u>
	32

C. Contributions

The Village contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% and 0.26% in the calendar years 2021 and 2020, respectively, of which 0.06% and 0.02% represented the retiree-only portion, as a percentage of annual covered payroll. The Village's contributions to the SDBF for the years ended September 30, 2021 and 2020 were \$ 2,447 and \$ 4,813, respectively, representing contributions for both active and retiree coverage which equaled the required contributions each year contributions. The Village's contribution for retiree portion as of September 30, 2021 was \$ 605.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION PLAN - Continued

D. Total OPEB Liability

The Village's total OPEB liability of \$ 49,080 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate	2.00%
Retirees' share of benefit-related costs	\$ 0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION PLAN - Continued

Changes in the Total OPEB Liability

	<u>Total OPEB Liability (a)</u>
Balance at 12/31/2019	\$ <u>38,453</u>
Changes for the Year:	
Service cost	4,903
Interest on total OPEB liability	1,122
Difference between expected and actual experience	(1,234)
Changes in assumption or other inputs	6,045
Benefit payments	<u>(209)</u>
Net changes	<u>10,627</u>
Balance at 12/31/2020	\$ <u><u>49,080</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Village, calculated using the discount rate of 2.00%, as well as what's the Village's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease In Discount Rate <u>(1.00%)</u>	Discount Rate <u>(2.00%)</u>	1% Increase In Discount Rate <u>(3.00%)</u>
Village's Total OPEB Liability	\$ <u>59,048</u>	\$ <u>49,080</u>	\$ <u>41,244</u>

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

For the year ended September 30, 2021, the Village recognized OPEB expense of \$ 8,191.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION PLAN - Continued

At September 30, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,830	\$ 1,674
Differences in assumption changes	10,778	915
Contributions subsequent to the measurement date	<u>1,624</u>	<u> </u>
Total	<u>\$ 14,232</u>	<u>\$ 2,589</u>

\$ 1,624 reported as deferred outflows of resources related to OPEB relating from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	
2022	\$ 2,166
2023	2,166
2024	2,166
2025	1,977
2026	1,544

NOTE 11 - CONTINGENT LIABILITIES

The Village is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the Village at September 30, 2021.

The TCEQ filed a lawsuit against the Village regarding claimed deficiencies in the public water supply system, and later amended the lawsuit for claimed deficiencies in the waste-water system. Most of the claimed failures relate to documentation that was properly prepared, but not submitted to the correct TCEQ representative. The TCEQ has pleaded for civil penalties of \$50 to \$1000 per day for each claimed deficiency. The total damages claimed would equal well over \$100,000. The Village and TCEQ are working together and making good progress to show proof of compliance with the claimed violations. The current plan between the two parties is to address each item for a mutually agreed resolution with the expectation of no further seeking of trial or damages.

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

NOTE 12 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Village has commercial insurance coverage for property and casualty, general liability, automobile liability, law enforcement liability and public officials' liability, as well as employee health and workers' compensation. Various deductibles are attached to the policies. Amounts of settlements have not exceeded insurance coverage's for the past three years.

NOTE 13 - EVALUATION OF SUBSEQUENT EVENTS

The Village has evaluated subsequent events through February 23, 2022, the date which the financial statements were available to be issued.

NOTE 14 - EXCESS OF EXPENDITURES OVER APROPRIATIONS

During the year ended September 30, 2021, expenditures exceeded appropriations in the funds as follows:

Beach Fund	\$ 298,840
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The budget was not amended; however, the Village Council approved these expenditures as required by Village budget procedures.

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REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 873,849	\$ 873,849	\$ 858,891	\$(14,958)
Sales	125,000	125,000	170,824	45,824
Franchise	60,000	60,000	102,172	42,172
Other	15,000	15,000	45,156	30,156
Intergovernmental			100,453	100,453
Garbage and service fees	340,000	340,000	259,805	(80,195)
EMS revenue	154,000	154,000	132,996	(21,004)
Fines and fees	85,000	85,000	121,522	36,522
Licenses and permits	46,000	46,000	70,860	24,860
Investment income	2,000	2,000	8,137	6,137
Miscellaneous	9,540	9,540	61,600	52,060
	1,710,389	1,710,389	1,932,416	222,027
Total revenues				
Expenditures:				
Current:				
General government and administrative	506,605	506,605	505,655	950
Municipal court	54,705	54,705	60,084	(5,379)
Police/EMS department	551,196	551,196	635,185	(83,989)
Fire department	60,000	60,000	59,085	915
Public works	399,200	399,200	112,246	286,954
Employee benefit	138,655	138,655	148,607	(9,952)
Capital outlay	66,118	66,118	62,716	3,402
Debt Service:				
Principal retirement	18,445	18,445	18,445	-0-
Interest and fiscal charges	465	465	463	2
	1,795,389	1,795,389	1,602,486	192,903
Total expenditures				
Excess (deficiency) of revenues over expenditures	(85,000)	(85,000)	329,930	414,930

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND - Continued

For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses):				
Transfers in	\$ 85,000	\$ 85,000	\$ 114,343	\$ 29,343
Transfers out			(45,000)	(45,000)
Total other financing sources (uses)	<u>85,000</u>	<u>85,000</u>	<u>69,343</u>	<u>(15,657)</u>
Net change in fund balance	-0-	-0-	399,273	399,273
Fund balance - beginning	<u>868,166</u>	<u>868,166</u>	<u>868,166</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 868,166</u>	<u>\$ 868,166</u>	<u>\$ 1,267,439</u>	<u>\$ 399,273</u>

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - BEACH FUND

For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$ 623,000	\$ 623,000	\$ 867,633	\$ 244,633
Investment income			14	14
Intergovernmental			5,345	5,345
Total revenues	623,000	623,000	872,992	249,992
Expenditures:				
Current:				
Public facilities	556,950	556,950	816,706	(259,756)
Capital outlay	81,050	81,050	120,134	(39,084)
Total expenditures	638,000	638,000	936,840	(298,840)
Excess of revenues under expenditures	(15,000)	(15,000)	(63,848)	(48,848)
Other Financing Sources (Uses):				
Transfers in	15,000	15,000	15,000	-0-
Transfers out			(114,343)	(114,343)
Total other financing sources (uses)	15,000	15,000	(99,343)	(114,343)
Net change in fund balance	-0-	-0-	(163,191)	(163,191)
Fund balance - beginning	693,553	693,553	693,553	-0-
Fund balance - ending	\$ 693,553	\$ 693,553	\$ 530,362	\$(163,191)

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - HOTEL/MOTEL TAX FUND

For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Occupancy taxes	\$ 450,000	\$ 450,000	\$ 938,169	\$ 488,169
Investment income	3,500	3,500	887	(2,613)
Miscellaneous	<u>27,100</u>	<u>27,100</u>	<u>45,251</u>	<u>18,151</u>
Total revenues	<u>480,600</u>	<u>480,600</u>	<u>984,307</u>	<u>503,707</u>
Expenditures:				
Current:				
Economic development	375,800	375,800	271,100	104,700
Capital outlay	<u>104,800</u>	<u>104,800</u>	<u>30,293</u>	<u>74,507</u>
Total expenditures	<u>480,600</u>	<u>480,600</u>	<u>301,393</u>	<u>179,207</u>
Net change in fund balance			682,914	682,914
Fund balance - beginning	<u>2,487,548</u>	<u>2,487,548</u>	<u>2,487,548</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 2,487,548</u>	<u>\$ 2,487,548</u>	<u>\$ 3,170,462</u>	<u>\$ 682,914</u>

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS FOR THE LAST TEN YEARS ⁽¹⁾

WITH MEASUREMENT DATE OF DECEMBER 31,

	2020	2019	2018	2017
Total Pension Liability				
Service cost	\$ 94,517	\$ 80,413	\$ 72,689	\$ 59,576
Interest (on the Total Pension Liability)	45,098	40,679	37,021	33,313
Changes in benefit terms				3,980
Difference between expected and actual experience	3,683	(21,802)	(15,404)	(12,918)
Changes in assumptions		2,623		
Benefit payments, including refunds of employee contributions	<u>(37,303)</u>	<u>(49,690)</u>	<u>(38,276)</u>	<u>(24,907)</u>
Net Change in Total Pension Liability	105,995	52,223	56,030	59,044
Total Pension Liability – Beginning	<u>639,508</u>	<u>587,285</u>	<u>531,255</u>	<u>472,211</u>
Total Pension Liability – Ending (a)	<u>\$ 745,503</u>	<u>\$ 639,508</u>	<u>\$ 587,285</u>	<u>\$ 531,255</u>
Plan Fiduciary Net Position				
Contributions – Employer	\$ 13,972	\$ 11,723	\$ 11,001	\$ 9,145
Contributions – Employee	73,026	60,396	54,246	44,294
Net Investment Income	61,367	106,170	(20,452)	79,795
Benefit payments, including refunds of employee contributions	(37,303)	(49,690)	(38,276)	(24,907)
Administrative expense	(403)	(606)	(398)	(416)
Other	<u>(17)</u>	<u>(17)</u>	<u>(21)</u>	<u>(22)</u>
Net Change in Plan Fiduciary Net Position	110,642	127,976	6,100	107,889
Plan Fiduciary Net Position – Beginning	<u>821,265</u>	<u>693,289</u>	<u>687,189</u>	<u>579,300</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 931,907</u>	<u>\$ 821,265</u>	<u>\$ 693,289</u>	<u>\$ 687,189</u>
Net Pension Asset (a-b)	<u>\$ (186,404)</u>	<u>\$ (181,757)</u>	<u>\$ (106,004)</u>	<u>\$ (155,934)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>125.00%</u>	<u>128.42%</u>	<u>118.05%</u>	<u>129.35%</u>
Covered Payroll	<u>\$ 1,043,231</u>	<u>\$ 862,804</u>	<u>\$ 774,941</u>	<u>\$ 738,239</u>
Net Pension Asset as a Percentage of Covered Payroll	<u>(17.87%)</u>	<u>(21.07%)</u>	<u>(13.68%)</u>	<u>(21.12%)</u>

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

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 44,959	\$ 41,884	\$ 40,364
31,040	27,739	24,776
(24,230)	(7,978)	(9,664)
(33,851)	15,046 (4,207)	(23,616)
22,301	72,484	31,860
<u>449,910</u>	<u>377,426</u>	<u>345,566</u>
\$ <u>472,211</u>	\$ <u>449,910</u>	\$ <u>377,426</u>
\$ 4,360	\$ 4,743	\$ 5,191
33,156	31,397	31,141
36,225	748	26,795
(33,851)	(4,207)	(23,616)
(412)	(456)	(280)
(22)	(23)	(23)
39,456	32,202	39,208
<u>539,844</u>	<u>507,642</u>	<u>468,434</u>
\$ <u>579,300</u>	\$ <u>539,844</u>	\$ <u>507,642</u>
\$ <u>(107,089)</u>	\$ <u>(89,934)</u>	\$ <u>(130,216)</u>
<u>122.68%</u>	<u>119.990%</u>	<u>134.50%</u>
\$ <u>663,116</u>	\$ <u>627,939</u>	\$ <u>622,811</u>
(<u>16.15%</u>)	(<u>14.32%</u>)	(<u>20.91%</u>)

VILLAGE OF SURFSIDE BEACH
Surfside Beach, Texas

SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN YEARS ⁽¹⁾
SEPTEMBER 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 16,962	\$ 15,833	\$ 12,784	\$ 12,809	\$ 9,145
Contributions in relation to the actuarially determined contribution	<u>16,962</u>	<u>15,833</u>	<u>12,784</u>	<u>12,781</u>	<u>9,145</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 28</u>	<u>\$ -0-</u>
Covered payroll	<u>\$ 1,218,684</u>	<u>\$ 1,120,308</u>	<u>\$ 918,928</u>	<u>\$ 774,941</u>	<u>\$ 738,239</u>
Contributions as a percentage of covered payroll	<u>1.39%</u>	<u>1.41%</u>	<u>1.39%</u>	<u>1.65%</u>	<u>1.24%</u>

Notes to Schedule of Contributions

Valuation date

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll, Closed
Remaining Amortization period	N/A
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Village's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

There were no benefit changes during the year.

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

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 7,592	\$ 4,484	\$ 3,939
<u>4,360</u>	<u>4,743</u>	<u>5,191</u>
\$ <u>3,232</u>	\$ (<u>259</u>)	\$ (<u>1,252</u>)
\$ <u>663,116</u>	\$ <u>627,939</u>	\$ <u>622,811</u>
<u>0.66%</u>	<u>0.76%</u>	<u>0.83%</u>

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS⁽¹⁾**

WITH MEASUREMENT DATE OF DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 4,903	\$ 3,624	\$ 3,642	\$ 3,101
Interest on total OPEB liability	1,122	964	803	698
Differences between expected and actual experience	(1,234)	2,610	(1,120)	
Changes in assumptions or other inputs	6,045	7,137	(1,566)	1,755
Benefit payments	<u>(209)</u>	<u>(86)</u>	<u> </u>	<u>(74)</u>
 Net Change in Total OPEB Liability	 10,627	 14,249	 1,759	 5,480
 Total OPEB Liability – Beginning	 <u>38,453</u>	 <u>24,204</u>	 <u>22,445</u>	 <u>16,965</u>
 Total OPEB Liability – Ending	 <u>\$ 49,080</u>	 <u>\$ 38,453</u>	 <u>\$ 24,204</u>	 <u>\$ 22,445</u>
 Covered Payroll	 <u>\$ 1,043,231</u>	 <u>\$ 862,804</u>	 <u>\$ 774,941</u>	 <u>\$ 738,239</u>
 Total OPEB Liability as a Percentage of Covered Payroll	 <u>4.70%</u>	 <u>4.46%</u>	 <u>3.12%</u>	 <u>3.04%</u>

Notes to Schedule:

The Supplemental Death Benefits Fund (SDBF) covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b and there are no assets accumulated for OPEB.

Changes in assumptions or other inputs reflect the effects of changes in the discount rates each period. The following are the discount rates used in each period:

2020	2.00%
2019	2.75%
2018	3.71%
2017	3.78%

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

**COMBINING AND INDIVIDUAL
FUND STATEMENTS**

VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

September 30, 2021

	Sewer Tap Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>			
Cash and cash equivalents	\$ 83,655	\$ 69,255	\$ 152,910
Receivables, net			
Taxes		4,111	4,111
Due from other funds	<u>37,922</u>	<u>3,429</u>	<u>41,351</u>
Total assets	<u>\$ 121,577</u>	<u>\$ 76,795</u>	<u>\$ 198,372</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
<u>Liabilities:</u>			
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>Deferred Inflows of Resources:</u>			
Deferred inflows of resources		<u>3,733</u>	<u>3,733</u>
Total deferred inflows of resources	<u>-0-</u>	<u>3,733</u>	<u>3,733</u>
<u>Fund Balances:</u>			
Restricted	<u>121,577</u>	<u>73,062</u>	<u>194,639</u>
Total fund balances	<u>121,577</u>	<u>73,062</u>	<u>194,639</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 121,577</u>	<u>\$ 76,795</u>	<u>\$ 198,372</u>

SURFSIDE BEACH

Surfside Beach, Texas

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2021

	<u>Sewer Tap Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>
Revenues:			
Taxes:			
Property	\$	\$	\$
Licenses and permits	28,000	167,672	167,672
Investment income	5		28,000
	<u>5</u>		<u>5</u>
Total revenues	<u>28,005</u>	<u>167,672</u>	<u>195,677</u>
Expenditures:			
Debt Service:			
Principal retirement		90,000	90,000
Interest and fiscal charges		25,038	25,038
		<u>115,038</u>	<u>115,038</u>
Total expenditures	<u>-0-</u>	<u>115,038</u>	<u>115,038</u>
Excess of revenues over expenditures	28,055	52,634	80,639
Other Financing Sources (Uses):			
Transfer out	<u>(306,930)</u>	<u>(59,518)</u>	<u>(366,448)</u>
Total other financing sources (uses)	<u>(306,930)</u>	<u>(59,518)</u>	<u>(366,448)</u>
Net changes in fund balances	<u>(278,925)</u>	<u>(6,884)</u>	<u>(285,809)</u>
Fund balances – beginning	<u>400,502</u>	<u>79,946</u>	<u>480,448</u>
Fund balances – ending	<u>\$ 121,577</u>	<u>\$ 73,062</u>	<u>\$ 194,639</u>

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