

Village of Surfside Beach, Texas

Annual Financial Report
For the Year Ended September 30, 2013

Baker, Stogner & Associates
Certified Public Accountants

Village of Surfside Beach, Texas

Annual Financial Report

For the Year Ended September 30, 2013

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Village of Surfside Beach, Texas

Principal Officials

September 30, 2013

Governing Body

Mayor:

Larry Davison

Mayor Pro-Tem:

Bob Eastman

Alders:

Bob Petty

Sharon Aust

Sully Griffith

Chris Gaschler

Other Principal Officials

City Secretary:

Sandra Miller

Finance Director:

Ronda Hanson

Police Chief:

Gary Phillips

Public Works Supervisor:

Pete Gutierrez

Municipal Judge:

Bobby Smith

Municipal Court Clerk:

Barbara Bluejacket

Utility Clerk:

Teresa Timms

FINANCIAL SECTION

Baker, Stogner & Associates
Certified Public Accountants

316 E Jackson
El Campo, TX 77437

(979) 543-3251
(979) 543-6668 Fax

INDEPENDENT AUDITOR'S REPORT

To the Mayor and
Members of the Village Council
Village of Surfside Beach, TX

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, Texas, as of and for the year ended September 30, 2013, 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.

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, Texas, as of September 30, 2013, 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 and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Surfside Beach, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of 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 non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2014, on our consideration of the Village of Surfside Beach, Texas' 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 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 of Surfside Beach, Texas' internal control over financial reporting and compliance.

Baker, Stogner & Associates

Baker, Stogner & Associates
El Campo, Texas
May 12, 2014

Management Discussion and Analysis

The Village of Surfside Beach
Management's Discussion and Analysis

As management of the Village of Surfside Beach (The Village), we offer readers of the Village of Surfside Beach's financial statements this narrative overview and analysis of the financial activities of the Village of Surfside Beach for the fiscal year ending September 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Village of Surfside Beach, Brazoria County financial statements, which follow this narrative.

Financial Highlights

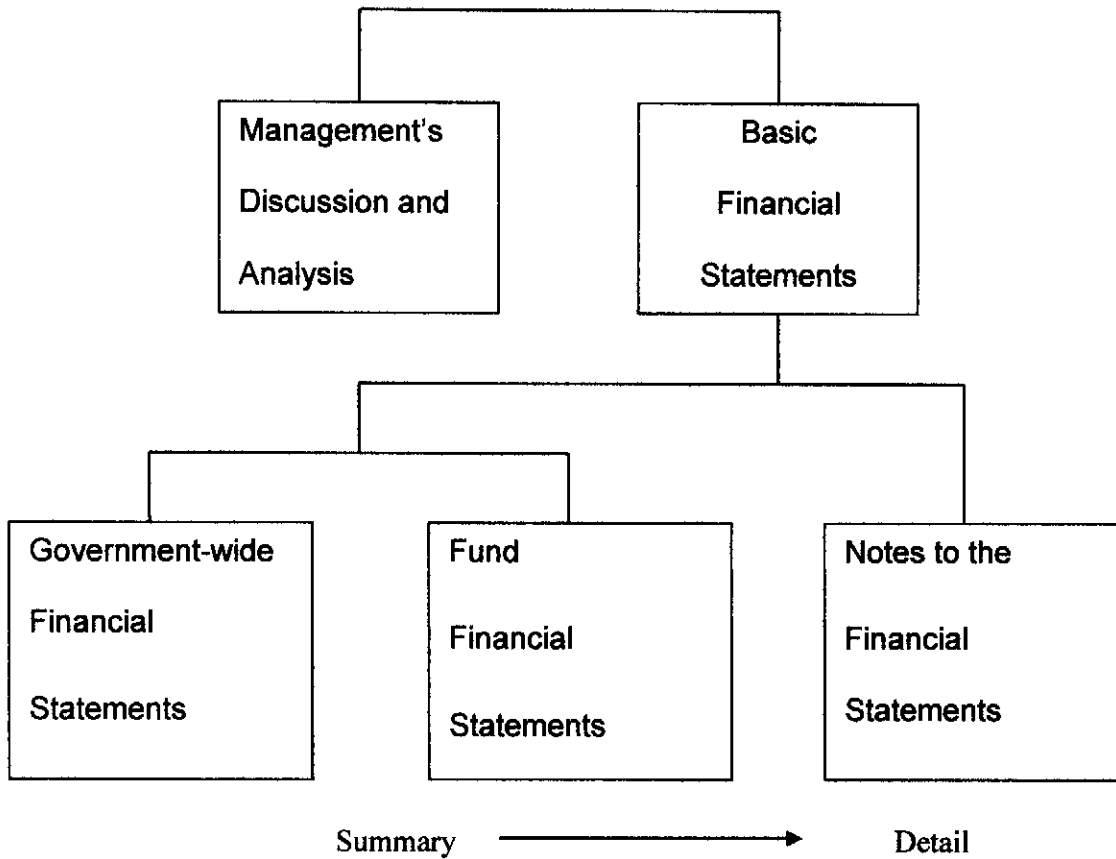
- The assets of the Village exceeded its liabilities at the close of the fiscal year by \$ 8,418,621.
- The government's total net position increased by \$843,627.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,746,692 an increase of \$53,866 in comparison with the prior year. Approximately 22 percent of this total amount, or \$385,728, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$385,728, or 35 percent of total general fund expenditures for the fiscal year.
- The Village's total debt increased by \$175,344 or 6% during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Village of Surfside Beach basic financial statements. The basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Village through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Village.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Village's financial status.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the Village's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Village's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Village's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Village's financial status as a whole.

The two government-wide statements report the Village's net position and how it has changed. Net position is the difference between the Village's total assets and total liabilities. Measuring net position is one way to gauge the Village's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Village's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Village charges customers to provide. These include the water, sewer and garbage collection services offered by the water department.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Village's most significant activities. 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 of Surfside like all other governmental entities in Texas uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Village's budget ordinance. All of the funds of The Village of Surfside can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Village's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Village programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Village adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Village, the management of The Village, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Village of Surfside Beach to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Village of Surfside Beach complied with the budget ordinance and whether or not the Village of Surfside Beach succeeded in providing the services as planned when the

budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds

The Village has one enterprise fund, The Water System Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village of Surfside Beach uses the enterprise fund to account for its water and sewer activity and for the garbage collection fee. These funds are the same as those functions shown in the business-type activities in the Statement of Net position and the Statement of Activities.

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.

Government-Wide Financial Analysis The Village of Surfside Beach's Net Position

Figure 2

	Governmental Activity		Business Type Activity		Totals	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 1,865,874	\$ 1,740,147	\$ 215,712	\$ 127,190	\$ 2,081,586	\$ 1,867,337
Capital Assets	5,733,399	5,558,368	3,645,304	2,931,149	9,378,703	8,489,517
Deferred Outflows	-	-	6,770	-	6,770	-
Total Assets	\$ 7,599,273	\$ 7,298,515	\$ 3,867,786	\$ 3,058,339	\$ 11,467,059	\$ 10,356,854
Long Term Liabilities						
outstanding	1,522,633	1,250,000	1,207,473	1,294,465	2,730,106	2,544,465
Other Liabilities	202,546	120,581	115,786	135,856	318,332	256,437
Deferred Inflows	-	-	-	-	-	-
Total Liabilities	\$ 1,725,179	\$ 1,370,581	\$ 1,323,259	\$ 1,430,321	\$ 3,048,438	\$ 2,800,902
Net Position						
Invested in capital assets						
net of related debt	4,118,960	4,223,427	2,357,635	1,539,327	6,476,595	5,762,754
Restricted	6,995	58,099	76,114	56,134	83,109	114,233
Unrestricted	1,748,139	1,646,408	110,778	51,599	1,858,917	1,698,007
Total Net Position	\$ 5,874,094	\$ 5,927,934	\$ 2,544,527	\$ 1,647,060	\$ 8,418,621	\$ 7,574,994

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Village of Surfside exceeded liabilities by \$8,418,621 as of September 30, 2013. The Village's net position increased by \$843,627 for the fiscal year ended September 30, 2013. However, the largest portion 76% reflects the Village's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Village's uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village's net position 1% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,858,917 is unrestricted.

Changes in Net position
Figure 3

	Governmental Activity		Business Type Activity		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Services	\$ 408,338	\$ 439,445	\$ 560,801	\$ 531,642	\$ 969,139	\$ 971,087
Operating Grants and Contributions	111,368	-	-	-	111,368	-
Capital Grants and Contributions	471,735	-	794,906	-	1,266,641	-
General Revenues						
Property Taxes	690,983	584,907	-	-	690,983	584,907
Other Taxes	717,451	367,073	-	-	717,451	367,073
Other	48,442	335,924	2,651	6,500	51,093	342,424
Total Revenues	\$ 2,448,317	\$ 1,727,349	\$ 1,358,358	\$ 538,142	\$ 3,806,675	\$ 2,265,491
Expenses						
General Government	\$ 467,055	\$ 337,893			\$ 467,055	\$ 337,893
Municipal Court	50,110	45,271			50,110	45,271
Police/EMS	297,511	279,722			297,511	279,722
Public Works	296,740	342,556			296,740	342,556
Public Facilities	581,286	415,473	509,283	559,119	1,090,569	974,592
Economic Development	70,169	62,954			70,169	62,954
Employee Benefits	57,192	61,080			57,192	61,080
Grant Expenses	453,488				453,488	-
Interest and Fees	29,398	25,258	59,036	95,730	88,434	120,988
Non Departmental	91,780	134,509	-	-	91,780	134,509
Total Expenses	\$ 2,394,729	\$ 1,704,716	\$ 568,319	\$ 654,849	\$ 2,963,048	\$ 2,359,565
Increase in Net Position before transfers	\$ 53,588	\$ 22,633	\$ 790,039	\$ (116,707)	\$ 843,627	\$ (94,074)
Transfers	(107,428)	(125,000)	107,428	125,000	-	-
Increase in Net Position	\$ (53,840)	\$ (102,367)	\$ 897,467	\$ 8,293	\$ 843,627	\$ (94,074)
Net Position beginning of year	\$ 5,927,934	\$ 6,030,301	\$ 1,647,060	\$ 1,638,767	\$ 7,574,994	\$ 7,669,068
Net Position end of year	\$ 5,874,094	\$ 5,927,934	\$ 2,544,527	\$ 1,647,060	\$ 8,418,621	\$ 7,574,994

Governmental activities: Governmental activities decreased the Village's net position by -\$53,840, thereby accounting for 6% of the total increase in the net position of the Village.

Business-type activities: Business-type activities increased the Village's net position by \$897,467.

Financial Analysis of Surfside Beach 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 usable resources. Such information is useful in assessing the Village's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$385,728, while total fund balance reached \$392,723. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35 percent of total General Fund expenditures.

At September 30, 2013 the governmental funds of The Village reported a combined fund balance of \$1,746,692, a .5 percent increase over last year. Included in this change in fund balance are increases in fund balance in both the General and Capital Projects Funds.

General Fund Budgetary Highlights: During the fiscal year, the Village did not revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The original budget was not amended.

Proprietary Funds: The Village's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water System Fund at the end of the fiscal year amounted to \$110,778. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Village's business-type activities.

Capital Asset and Debt Administration

Capital assets: The Village's investment in capital assets for its governmental and business-type activities as of September 30, 2013 totals \$9,378,702 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

The Village of Surfside Beach, Capital Assets

Figure 4

	Governmental Activity		Business Type Activity		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ -	\$ -	\$ 91,304	\$ 91,304	\$ 91,304	\$ 91,304
Buildings and Systems	1,306,085	1,292,352	-	-	1,306,085	1,292,352
Improvements other than buildings	-	-	662,655	662,655	662,655	662,655
Machinery and Equipment	659,154	504,640	65,480	65,480	724,634	570,120
Infrastructure	8,424,424	6,896,810	3,652,077	2,857,171	12,076,501	9,753,981
Construction in Progress	-	1,253,522	-	-	-	1,253,522
Totals	<u>\$ 10,389,663</u>	<u>\$ 9,947,324</u>	<u>\$ 4,471,516</u>	<u>\$ 3,676,610</u>	<u>\$ 14,861,179</u>	<u>\$ 13,623,934</u>

Long-term Debt: As of September 30, 2013 the Village had total bonded debt outstanding of \$2,442,000. Of this, \$1,225,000 is debt backed by the full faith and credit of the Village. The remainder of the Village's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The Village of Surfside Beach - Outstanding Debt General Obligation and Revenue Bonds

Figure 5

	Governmental Activity		Business Type Activity		Totals	
	2013	2012	2013	2012	2013	2012
General Obligation	\$ 1,225,000	\$ 1,015,000	\$ -	\$ -	\$ 1,225,000	\$ 1,015,000
Revenue Bonds	-	-	1,217,000	1,268,000	1,217,000	1,268,000
Totals	<u>\$ 1,225,000</u>	<u>\$ 1,015,000</u>	<u>\$ 1,217,000</u>	<u>\$ 1,268,000</u>	<u>\$ 2,442,000</u>	<u>\$ 2,283,000</u>

The Village's total bonded debt increased by \$259,000, or 11%, during the past fiscal year.

Economic Factors for the Village of Surfside Beach

Round two of funds for emergency recovery in Hurricanes Ike and Dolly will be spent by Brazoria County on behalf of the Village of Surfside Beach. These will be utilized for water, sewer, and street improvements and restoration.

Requests for Information

This report is designed to provide an overview of the Village's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the City Secretary, 1304 Monument Drive Surfside Beach, Texas 77541 City Email address is: Sandra@surfside.org Website: www.surfsidetx.org.

Basic Financial Statements

Village of Surfside Beach, Texas

Statement of Net Position

September 30, 2013

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 1,663,190	\$ 16,274	\$ 1,679,464
Receivables, net of allowance for uncollectibles -			
Property taxes	23,286	-	23,286
Franchise taxes	8,844	-	8,844
Other taxes	15,199	-	15,199
Miscellaneous	136,360		136,360
Customer Accounts	-	62,420	62,420
Intergovernmental	-	-	-
Other	-	759	759
Internal balances	12,000	57,743	69,743
Due from other governments	-		-
Inventories	-	2,402	2,402
Total Current Assets	<u>1,858,879</u>	<u>139,598</u>	<u>1,998,477</u>
Restricted assets:			
Cash and investments	<u>6,995</u>	<u>76,114</u>	<u>83,109</u>
Total Restricted Assets	<u>6,995</u>	<u>76,114</u>	<u>83,109</u>
Noncurrent Assets:			
	-	-	-
Net Capital Assets (Note C)	<u>5,733,399</u>	<u>3,645,304</u>	<u>9,378,703</u>
Total Noncurrent Assets	<u>5,733,399</u>	<u>3,645,304</u>	<u>9,378,703</u>
Deferred Outflows of Resources			
Debt issuance cost net of accumulated amortization	-	6,770	6,770
Total Deferred Outflows of Resources	-	6,770	6,770
Total Assets	<u>7,599,273</u>	<u>3,867,786</u>	<u>11,467,059</u>

	Governmental Activities	Business-type Activities	Total
<u>Liabilities</u>			
Current Liabilities			
Accrued liabilities	\$ -	\$ 1,734	\$ 1,734
Accounts payable	35,554	4,271	39,825
Compensated absences payable	10,160	1,786	11,946
Accrued interest payable	4,684	7,237	11,921
Due to other governments	2,599	-	2,599
Internal balances	57,743	12,000	69,743
Current portion of long-term debt	91,806	88,758	180,564
Liabilities payable from restricted assets	-	-	-
Deferred revenue	-	-	-
Total Current Liabilities	202,546	115,786	318,332
Noncurrent Liabilities			
Customer deposits	-	8,562	8,562
Notes payable - banks	67,633	37,911	105,544
Notes payable - CDL	300,000	-	300,000
Bonds and similar debt obligations	1,155,000	1,161,000	2,316,000
Total Noncurrent Liabilities	1,522,633	1,207,473	2,730,106
Total Liabilities	1,725,179	1,323,259	3,048,438
Deferred Inflows of Resources	-	-	-
Total Deferred Inflows of Resources	-	-	-
<u>Net Position</u>			
Invested in capital assets, net of related debt	4,118,960	2,357,635	6,476,595
Restricted for:			
Debt service	-	76,114	76,114
MCTF/MCSF	6,995	-	6,995
Unrestricted	1,748,139	110,778	1,858,917
Total Net Position	5,874,094	2,544,527	8,418,621
Total Liabilities and Net Position	7,599,273	3,867,786	11,467,059

Village of Surfside Beach, Texas

Statement of Activities

For the Year Ended September 30, 2013

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Administration	\$ 467,055	\$ -	\$ -	\$ -
Municipal Court	50,110	71,783	-	-
Police Department/EMS	297,511	101,480	-	-
Public Works	296,740	191,582	-	-
Public Facilities	581,286	43,493	111,368	18,247
Economic Development	70,169	-	-	-
Employee benefits	57,192	-	-	-
Grant expenditures	453,488	-	-	453,488
Interest and fees on debt	29,398	-	-	-
Non Departmental	91,780	-	-	-
Total Governmental Activities	2,394,729	408,338	111,368	471,735
Business Type Activities:				
Water and sewer services	509,283	560,801	-	794,906
Interest and fees on debt	59,036	-	-	-
Contract for emergency services	-	-	-	-
Total Business-type Activities	568,319	560,801	-	794,906
Totals	2,963,048	969,139	111,368	1,266,641

General Revenues:

Property taxes
Sales taxes
Franchise taxes
Hotel-Motel taxes
Beach permits
Tap Fees
Interest earned
Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position:

Beginning of year (Note C) (restated)

End of year

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (467,055)	\$ -	\$ (467,055)
21,673	-	21,673
(196,031)	-	(196,031)
(105,158)	-	(105,158)
(408,178)	-	(408,178)
(70,169)	-	(70,169)
(57,192)	-	(57,192)
-	-	-
(29,398)	-	(29,398)
(91,780)	-	(91,780)
<u>(1,403,288)</u>	<u>-</u>	<u>(1,403,288)</u>
-	846,424	846,424
-	(59,036)	(59,036)
-	-	-
-	<u>787,388</u>	<u>787,388</u>
<u>(1,403,288)</u>	<u>787,388</u>	<u>(615,900)</u>
690,983	-	690,983
76,906	-	76,906
55,056	-	55,056
261,429	-	261,429
324,060	-	324,060
21,000	-	21,000
22,498	7	22,505
4,944	2,644	7,588
(107,428)	<u>107,428</u>	-
<u>1,349,448</u>	<u>110,079</u>	<u>1,459,527</u>
(53,840)	897,467	843,627
<u>5,927,934</u>	<u>1,647,060</u>	<u>7,574,994</u>
<u>\$ 5,874,094</u>	<u>\$ 2,544,527</u>	<u>\$ 8,418,621</u>

Village of Surfside Beach

Balance Sheet

Governmental Funds

September 30, 2013

	Special Revenue Funds			
	General Fund	Beach Fund	IKE Phase 1	Hotel-Motel Tax Fund
Assets				
Cash and Investments	\$ 579,644	\$ 48,978	\$ -	\$ 540,721
Receivables:	-	-	-	-
Property taxes, net of allowance for uncollectives	21,035	-	-	-
Franchise taxes	8,844	-	-	-
Other taxes	15,199	-	-	-
Miscellaneous	988	137	-	127,812
Due from other funds	2,121	49,595	-	-
Due from other governments	-	-	-	-
Restricted Assets: Cash & Investments	6,995	-	-	-
Total Assets	\$ 634,826	\$ 98,710	\$ -	\$ 668,533
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	31,822	2,221	-	1,511
Due to other governments	2,599	-	-	-
Due to other funds	186,647	-	-	2,121
Unearned revenue	21,035	-	-	-
Total Liabilities	242,103	2,221	-	3,632
Fund Balances (Deficit)				
Restricted for MCTF/MCSF	6,995	-	-	-
Unassigned, reported in General Fund	385,728	-	-	-
Assigned, reported in				
Debt service	-	-	-	-
Special Revenue Fund	-	96,489	-	664,901
Capital Projects Fund	-	-	-	-
Total Fund Balances	392,723	96,489	-	664,901
Total Liabilities and Fund Balances	\$ 634,826	\$ 98,710	\$ -	\$ 668,533

Special Revenue Funds (contd)

<u>Sewer Tap</u>	<u>2006 TWDB</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ 487,263	\$ 6,515	\$ 69	\$ 1,663,190
-	-	-	-
-	-	-	-
-	-	2,251	23,286
-	-	-	8,844
-	-	-	15,199
7,422	-	1	136,360
12,000	-	83,394	147,110
-	-	-	-
-	-	-	6,995
<u>\$ 506,685</u>	<u>\$ 6,515</u>	<u>\$ 85,715</u>	<u>\$ 2,000,984</u>
-	-	-	-
-	-	-	-
-	-	-	35,554
-	-	-	2,599
-	4,085	-	192,853
-	-	2,251	23,286
<u>-</u>	<u>4,085</u>	<u>2,251</u>	<u>254,292</u>
-	-	-	6,995
-	-	-	-
-	-	-	385,728
-	-	-	-
-	-	83,464	83,464
506,685	-	-	1,268,075
-	2,430	-	2,430
<u>506,685</u>	<u>2,430</u>	<u>83,464</u>	<u>1,746,692</u>
<u>\$ 506,685</u>	<u>\$ 6,515</u>	<u>\$ 85,715</u>	<u>\$ 2,000,984</u>

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Village of Surfside Beach

Reconciliation of Total Governmental Fund Fund Balance to Governmental Net Position September 30, 2013

Total Governmental Fund Balance	\$ 1,746,692
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*Amounts reported for governmental activities
in the statement of net assets are different because:*

Long term assets used in governmental activities are not
financial resources and therefore are not reported
in these funds.

Capital assets	5,733,399
Property tax receivables, unearned revenue	23,286

Certain liabilities; long-term liabilities and accruals
are not reported in fund accounting, but are included
in the full accrual Statement of Net Assets

Notes payable	(1,614,439)
Compensated absences and accrued interest liabilities	<u>(14,844)</u>

Net Position of Governmental Activities	<u>\$ 5,874,094</u>
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Village of Surfside Beach

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended September 30, 2013

	Special Revenue Funds			
	General Fund	Beach Fund	IKE Phase 1	Hotel-Motel Tax Fund
Revenues:				
Property taxes	\$ 604,121	\$ -	\$ -	\$ -
Franchise tax	55,056	-	-	-
Sales and use tax	76,906	-	-	-
Other Taxes	7,660	-	-	253,769
Municipal court fines and fees	71,783	-	-	-
Licenses and permits	34,224	324,060	-	-
Garbage and service fees	157,358	-	-	-
Parks and Recreation	43,493	-	-	-
EMS	101,480	-	-	-
Miscellaneous	15,025	815	-	962
Intergovernmental	111,368	-	453,488	-
Donations				18,247
Total Revenues	1,278,474	324,875	453,488	272,978
Expenditures:				
Current -				
General Administration	407,612	-	-	-
Municipal Court	50,110	-	-	-
Police Department/EMS	271,969	-	-	-
Public Works	179,504	-	-	-
Public Facilities	-	510,038	-	-
Economic Development	-	-	-	113,144
Employee Benefits	57,192	-	-	-
Debt Service	19,743	-	-	-
Capital Outlay	5,558	23,116	-	-
Grant Expenditures	-	-	453,488	-
Non Departmental	91,780	-	-	-
Total Expenditures	1,083,468	533,154	453,488	113,144
Excess of Revenues Over (Under) Expenditures	195,006	(208,279)	-	159,834
Other Financing Sources (Uses):				
Proceeds from long-term debt	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	(107,428)	-	-	-
Total Other Financing Sources (Uses)	(107,428)	-	-	-
Net Change in Fund Balances	87,578	(208,279)	-	159,834
Fund Balances:				
Beginning of year, as restated	305,145	304,768	-	505,067
End of year	\$ 392,723	\$ 96,489	\$ -	\$ 664,901

Special Revenue Funds (contd)

<u>Sewer Tap</u>	<u>2006 TWDB</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 83,940	\$ 688,061
-	-	-	55,056
-	-	-	76,906
-	-	-	261,429
-	-	-	71,783
21,000	-	-	379,284
-	-	-	157,358
-	-	-	43,493
-	-	-	101,480
10,640	-	-	27,442
-	-	-	564,856
-	-	-	18,247
<u>31,640</u>	<u>-</u>	<u>83,940</u>	<u>2,445,395</u>
-	-	-	407,612
-	-	-	50,110
-	-	-	271,969
-	-	-	179,504
-	-	-	510,038
-	-	-	113,144
-	-	-	57,192
-	-	101,755	121,498
-	274,092	-	302,766
-	-	-	453,488
-	-	-	91,780
<u>-</u>	<u>274,092</u>	<u>101,755</u>	<u>2,559,101</u>
<u>31,640</u>	<u>(274,092)</u>	<u>(17,815)</u>	<u>(113,706)</u>
-	275,000	-	275,000
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,428)</u>
<u>-</u>	<u>275,000</u>	<u>-</u>	<u>167,572</u>
31,640	908	(17,815)	53,866
475,045	1,522	101,279	1,692,826
<u>\$ 506,685</u>	<u>\$ 2,430</u>	<u>\$ 83,464</u>	<u>\$ 1,746,692</u>

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Village of Surfside Beach

Reconciliation of the Statement of Revenues Expenditures and Changes in Fund Balances to the Governmental Statement of Activities For the Year Ended September 30, 2013

Net Change in Fund Balances - Governmental Funds	\$	53,866
--	----	--------

*Amounts reported for governmental activities in the
statement of activities differ because:*

Governmental funds report capital outlays as expenditures, However, in the Statement of Activities, the cost of these assets should be allocated over their estimated useful lives capital outlay and depreciation in the current period.		175,031
--	--	---------

Long Term Debt Transactions -

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long- term liabilities in the Statement of Net Position.		92,100
---	--	--------

Proceeds from long-term borrowing is a financial resource in the fund reporting, but a liability in the Statement of Net Assets - net of lending reported in the enterprise fund.		(371,598)
---	--	-----------

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(6,161)
---	--	---------

Uncollected property taxes are not recognized as revenue in governmental funds.		<u>2,922</u>
--	--	--------------

Change in Net Position of Governmental Activities	\$	<u>(53,840)</u>
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Village of Surfside Beach, Texas

Statement of Net Position

Proprietary Fund - Water & Sewer Utility

September 30, 2013

Assets

Current Assets:

Cash	\$	16,274
Accounts receivable, net of allowance for uncollectibles		62,420
Other receivables		759
Due from other funds		57,743
Inventory		<u>2,402</u>

Total Current Assets **139,598**

Restricted assets:

Interest and Sinking		76,114
Debt service reserve		<u>-</u>

Total Restricted Assets **76,114**

Noncurrent assets:

Capital Assets		4,471,517
Less: Accumulated Depreciation		<u>(826,213)</u>

Total Noncurrent Assets **3,645,304**

Deferred Outflows of Resources

Debt issuance cost, net of accumulated amortization		<u>6,770</u>
--	--	--------------

Total Deferred Outflows of Resources **6,770**

Total Assets **\$ 3,867,786**

Liabilities**Current liabilities:**

Accrued liabilities	\$ 1,734
Accounts payable	4,271
Compensated absences payable	1,786
Due to other Funds	12,000
Payables from restricted assets -	-
Accrued interest payable	7,237
Current portion of long-term debt	<u>88,758</u>

Total Current Liabilities **115,786**

Noncurrent Liabilities (net of current portion):

Customer deposits	8,562
1997 Revenue Bonds	130,000
2005 Certificates of Obligation	1,031,000
Note payable CRG	37,911
	<u>-</u>

Total Noncurrent Liabilities **1,207,473**

Total Liabilities **1,323,259**

Deferred Inflows of Resources **-**

Total Deferred Inflows of Resources **-**

Net Position

Invested in capital assets, net of related debt	2,357,635
Restricted for debt service	76,114
Restricted for interfund receivable	-
Unrestricted	<u>110,778</u>

Total Net Position **2,544,527**

Total Liabilities and Net Position **\$ 3,867,786**

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Village of Surfside Beach, Texas

Statement of Revenues, Expenses, and Changes in

Fund Net Position - Proprietary Fund - Water and Sewer Utility

For the Year Ended September 30, 2013

Operating Revenues:

Water sales	\$ 367,532
Sewer services	142,087
Late payment charges	7,295
Tap fees	41,987
Reconnection fees	1,900
Miscellaneous	2,644
Grant Revenues	<u>-</u>

Total Operating Revenue	<u>563,445</u>
--------------------------------	-----------------------

Operating Expenses:

Personnel related	186,789
Contracted services	3,333
Repairs and maintenance	85,297
Other charges	152,585
Depreciation and amortization	<u>81,279</u>

Total Operating Expenses	<u>509,283</u>
---------------------------------	-----------------------

Operating Income (Loss)	<u>54,162</u>
--------------------------------	----------------------

Nonoperating Revenue (Expenses):

Interest earned	7
Paying agent fees	(900)
Interest expense	<u>(58,136)</u>

Total Nonoperating Revenue (Expenses)	<u>(59,029)</u>
--	------------------------

Net Income (Loss) Before Contributions and Transfers	<u>(4,867)</u>
---	-----------------------

Capital Contributions	794,906
Transfers In	<u>107,428</u>
Change in Net Position	897,467

Net Position:

Beginning of year, as restated	<u>1,647,060</u>
--------------------------------	------------------

Total Net Position - Ending	<u>\$ 2,544,527</u>
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Village of Surfside Beach, Texas

Statement of Cash Flows

Proprietary Fund - Water & Sewer Utility

For the Year Ended September 30, 2013

Cash flows from operating activities:

Receipts from customers	\$ 553,950
Payments to suppliers and contractors	(242,593)
Payments to employees	(186,789)
Other revenues	2,644
Grant Revenue	-

Net Cash Provided (Used) by Operating Activities 127,212

Cash flows from non-capital financing activities:

Increase (decrease) in customer deposits	1,215
(Increase) decrease in interfund lending	(48,807)
Contract for emergency services	-

Net Cash Provided (Used) for Non-capital Financing Activities (47,592)

Cash flows from capital and related financing activities:

Acquisition of capital assets, net of dispositions	-
Long-term debt	24,000
Interest and fees paid on debt	(59,036)
Transfer in	107,428
Principal paid on other long-term debt	(128,154)

Net Cash Provided (Used) for Capital and Related Financing Activities (55,764)

Cash flows from Investing Activities:

Interest received	7
-------------------	---

Net Cash Provided (Used) by Investing Activities 7

Net Increase (Decrease) in Cash and Cash Equivalents **23,865**

Cash balances, beginning of year 68,523

Cash balances, End of Year **\$ 92,388**

Reconciliation of Operating Income to
Net Cash Provided by Operating Activities:

Operating Income	\$	54,162
Adjustments to operating income for items not requiring cash outlay:		
Depreciation and amortization		81,279
Changes in assets and liabilities -		
(Increase) decrease in accounts receivable		(6,851)
(Increase) decrease in inventory		-
Increase (decrease) in accounts payable		2,705
Increase (decrease) in accrued expenses		<u>(4,083)</u>
Net Cash Provided by Operating Activities	\$	<u>127,212</u>
Composition of Cash:		
Operating Cash	\$	16,274
Restricted Cash -		
Interest and sinking		76,114
Debt reserve		<u>-</u>
Total Cash	\$	<u>92,388</u>

Village of Surfside Beach, Texas

Notes to Financial Statements

September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Village of Surfside Beach 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. As required by generally accepted accounting principles, these financial statements present all governmental activities, agencies, organizations and functions for which the Village's governing body is considered to be financially accountable.

The Surfside Volunteer Fire Department (VFD) is a separate nonprofit organization governed by its own board of directors. Accordingly, these financial statements do not include the assets or operations of this legally separate entity. The Village has an ordinance related to utility billing providing for a regular monthly fee, which the Village has been paying to the VFD for providing contractual fire and emergency services that are considered essential within the incorporated limits of the Village. During 2006 the Village began providing EMS services that were previously provided by the VFD.

B. 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 assets) report information on all activities of the primary government and its component units. *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 function or segment 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 function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF PRESENTATION, AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund. 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 government considers some revenues to be available if they are collected within sixty days of the end of the current fiscal period. Certain intergovernmental and similar revenues are also accrued even when the collection period may extend beyond this sixty-day period, if related to grant and similar programs operating under a reimbursement basis. 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.

FUND ACCOUNTING – The Village used funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Village has two categories of funds; *governmental and proprietary*. Accounting standards require separate fund disclosures (including certain budgetary comparisons) for all major funds, which are those fitting certain criteria based upon relative size and also based upon judgment of importance to ongoing Village operations. The only fund not meeting the criteria for a major fund would be the Debt Service fund. Accordingly, the Village chooses to report all funds as major funds. The Village reports the following major governmental and proprietary funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special revenue funds reported as major funds. 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 utilized 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 *Ike Phase I* fund is used to account for the receipt and payment of funds by Brazoria Co. from the GLO for Village water system improvements. The *Sewer Tap Fund* accounts for tap fees to be used for future expansion of the Oyster Creek Facility

The Village has one major Capital Project Fund. The *2006 TWDB Fund* will account for the enhancement of water lines. This will be financed with grant monies from the Texas Water Development Board.

The *Debt Service Fund* accounts for the resources accumulated and payments made on the 2006 TWDB bonds.

The *Water & Sewer Enterprise Fund* is a proprietary fund, which is a fund type that focuses on the determination of operating income, changes in net assets, and cash flows. Enterprise funds

are accounted for in a manner similar to private business – where the intent of management is to cover operating costs through user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are utility charges between the water and sewer function and various other functions of the government.

Amounts reported as *program revenues* for governmental activities include charges for services, municipal court fines and fees, and operating and capital grants and contributions. All taxes are reported as general revenues. Proprietary funds distinguish operating *revenues and expenses* from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing business operations. The principal operating revenues of the proprietary fund are charges to customers for services. Operating expenses for this fund include the cost of providing the services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as non-operating.

The Village adopted two new GASB statements for the fiscal year under audit. GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which was effective for financial statements periods beginning after December 15, 2011, established report standards for the deferred outflows and inflows of resources and changed presentation titles of the financial statements.

The Village chose to adopt GASB 65, Items Previously Reported as Assets and Liabilities, which is effective for financial statement periods beginning after December 15, 2012. That statement established accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows and deferred inflows.

D. SPECIFIC ACCOUNTS

1. Deposits and investments

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

The Village may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issues by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State

of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

As of September 30, 2013, the Village has adopted a formal investment policy.

2. Receivables and Payables

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 other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” All activity between the funds was for short-term cash flow requirements.

Property taxes are levied as of October 1, of each year with statements prepared and mailed at that date or as soon thereafter as practical. The tax levy is based upon appraised property valued as of January 1. Taxes are due and payable when levied, and may be timely paid through January 31. On February 1, the unpaid taxes become delinquent and subject to penalty and interest charges. After June 30, any uncollected taxes are subject to lawsuit for collection and additional charges to offset related legal costs. The appraisal of property is the responsibility of a separate governmental entity. The Village’s taxes are collected by Brazoria County with collections remitted by direct deposit into the Village’s bank accounts.

Both property tax and utility customer receivables are shown net of allowances for uncollectible accounts. The amount provided for the allowance is based upon historical experience and evaluation of collectivity that uses an aging analysis. The net total for property taxes is offset by a deferred revenue balance that is disclosed as a liability and effectively results in this revenue being recognized, as cash is received.

3. Restricted Assets

Certain accounts related to the Village’s revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants or grant contractual restrictions. The balances held in separate cash accounts established as debt reserve and debt interest and sinking accounts are separately reported within the balance sheet as restricted assets as are cash accounts resulting from restricted grant sources.

4. Capital Assets

The Village has implemented the current accounting standards (GASB 34 et seq) for governmental capital assets that require valuation at historical cost with an annual provision for depreciation charged to the governmental function associated with each asset class.

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Village as assets with an initial

cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are reported at historical cost.

In the case of the initial capitalization of general infrastructure assets, the Village chose to include all items regardless of their acquisition date or amount. The Village hired an outside engineering firm to help estimate the historical cost for initial reporting of these assets.

The cost of normal maintenance and repairs that do not add to the value or materially extend the useful life of an asset are not capitalized. Major outlays for capital assets are capitalized as projects are constructed and completed.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources".

The operating statements of governmental funds present increases and decreases in net current assets, and accordingly, are considered to present a summary of sources and uses of "available spendable resources" during a period. Capital assets used in government operations, along with depreciation (if provided) and the related debt, are added to combined governmental fund totals for full accrual basis reporting (economic resources measurement focus) in the government-wide financial statements. Capital assets acquired or constructed for use in the Enterprise (Proprietary) Fund are capitalized within that fund's balance sheet. Depreciation of all exhaustible capital assets used by a proprietary fund is charged as an expense against operations with accumulated depreciation reported on the balance sheet.

Fixed assets acquired or constructed for use in the enterprise fund are capitalized within that fund. Depreciation of all exhaustible fixed assets used by a proprietary fund is charged as an expense against operations with accumulated depreciation reported on the balance sheet. Depreciation has been provided on the estimated useful lives of the assets using the straight-line method. An average estimated useful life of 50 years has been used for utility system assets.

5. Long-Term Debt

In government-wide and proprietary fund financial statements, long-term debt and similar obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Debt issuance costs, including premiums and discounts, are deferred and amortized over the life of the debt. In fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

The related expenditures for long-term debt are recognized within the governmental fund responsible for servicing the debt. Long-term debt, which is to be paid from the revenue derived through proprietary fund operations, is recorded within that fund.

6. Compensated Absence Liability

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.

7. Fund Equity

In the government-wide financial statements, net assets are classified in the following categories:

Invested In Capital Assets, Net of Related Debt – This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction or improvement of assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors or laws and regulations of other governments or agencies.

Unrestricted Net Position – This amount is all net assets that do not meet the definition of “invested in capital assets” or “restricted net assets”.

In the fund financial statements, governmental funds report fund balance reserves indicate that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific use. Fund balance designations reflect tentative managerial plans or intent. Such plans or intent are subject to change.

8. Inventories

All inventories were valued at cost using the first-in-first-out (FIFO) method.

9. Comparative Data

Comparative total data for the prior year has been presented in the Management Discussion and Analysis in order to provide an understanding of changes in the Village’s financial position and operations. However, comparative data (i.e., presentation of prior year totals by fund type) has not been presented in all statements since their inclusion would make certain statements unduly complex and difficult to read.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Village’s budget is prepared for governmental fund types in accordance with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and two of the individual special revenue funds. Appropriations lapse at fiscal year end except those for contracted commitments for construction or significant acquisitions. Such commitments are disclosed as a reservation of each respective fund’s equity balance. Fiscal year budgets are not utilized for capital project funds.

B. Restated Fund Balance

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for the use of as specific purpose. Assignment and commitment of fund balance represents tentative plans for future use of financial resources that are subject to change,

The beginning fund balances were restated due to some duplication in the checks and deposits on bank reconciliations.

NOTE 3 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Temporary Investments

All of the Village's cash accounts are maintained at a financial institution located within Brazoria County. All accounts were covered by federal depository insurance (FDIC) as of September 30, 2013 and throughout the fiscal year. At year-end, the Village's bank balances totaled \$1,667,014.

In addition to depository balances with banks, as described above, the Village's investment classification also includes investments with TexPool, which is an investment trust administered through the Texas State Treasury. TexPool investments are restricted to investments authorized by state statute for investment by local governments. Each TexPool participant owns an undivided beneficial interest in the assets of TexPool, and these amounts are available on demand. As of September 30, 2013 the Village's investments in TexPool totaled \$27,347. The Village also holds \$3,350 in petty cash accounts.

In addition, the Village has pledged securities which are held by their bank depository. The pledged par MBS face par value of those securities as of September 30, 2013 is \$12,990,784.

B. Receivables and Uncollectibles

Property taxes are levied and attached as an enforceable lien on property as of October 1 of each year. The tax levy is based upon appraised property values as of each January 1 for all taxable property within the Village. The appraisal of property is the responsibility of the Brazoria County Central Appraisal District. Payments are due and payable when taxes are levied, and may be timely paid through January 31. On February 1, the taxes become delinquent and subject to penalty and interest charges. After June 30, any uncollected taxes are subject to tax suit and additional charges to offset related legal costs.

Property tax revenues are recognized when received, and deferred revenues are recorded to the extent of net receivables after allowance for uncollectibles. The tax rate for the October 2012 levy, supporting the fiscal year budget for the year ended September 30, 2013, was \$0.346019 per \$100 valuation for maintenance and operations and \$.056591 per \$100 valuation for interest and sinking. State property tax laws permit a maximum tax rate of \$1.50 per \$100 valuation for general government purposes other than servicing qualified debt obligations.

Allowances for Doubtful Accounts

General Fund – The allowance for uncollectible property tax receivables has been based upon historical experience and evaluation of collectivity within the near future. As of September 30, 2013, the allowance for the Village was estimated at \$1,156.

Enterprise Fund – The proprietary fund accounts receivable are related to water utility billings. The allowance of uncollectibles at September 30, 2013 is \$1,335 and is comprised of all accounts with balances past due for sixty days.

C. Capitol Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Process	1,253,522	274,092	1,527,614	-
Total capital assets, not being depreciated	<u>\$ 1,253,522</u>	<u>\$ 274,092</u>	<u>\$ 1,527,614</u>	<u>\$ -</u>
Capital assets, being depreciated:				
Buildings	\$ 1,292,352	\$ 13,733		\$ 1,306,085
Machinery and equipment	504,640	154,514		659,154
Infrastructure	6,896,810	1,527,614	-	8,424,424
Total capital assets, being depreciated	<u>\$ 8,693,802</u>	<u>\$ 1,695,861</u>	<u>\$ -</u>	<u>\$ 10,389,663</u>
Less accumulated depreciation for:				
Buildings	\$ (568,285)	\$ (43,345)		\$ (611,630)
Machinery and equipment	(343,295)	(48,852)		(392,147)
Infrastructure	(3,477,376)	(175,111)	-	(3,652,487)
Total accumulated depreciation	<u>\$ (4,388,956)</u>	<u>\$ (267,308)</u>	<u>\$ -</u>	<u>\$ (4,656,264)</u>
Total capital assets, being depreciated, net	<u>4,304,846</u>	<u>1,428,553</u>	<u>-</u>	<u>5,733,399</u>
Governmental activities capital assets, net	<u>\$ 5,558,368</u>	<u>\$ 1,702,645</u>	<u>\$ 1,527,614</u>	<u>\$ 5,733,399</u>

Business-type activities, water and sewer system:

Capital assets not being depreciated:

Land	\$ 91,304	\$ -	\$ -	\$ 91,304
Construction in Process	-	-	-	-
Total capital assets, not being depreciated	<u>\$ 91,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,304</u>

Capital assets, being depreciated:

Wells and related equipment	\$ 662,655	\$ -	\$ -	\$ 662,655
Machinery and equipment	65,480	-	-	65,480
Infrastructure	<u>2,857,171</u>	<u>794,906</u>	<u>-</u>	<u>3,652,077</u>
Total capital assets, being depreciated	<u>\$ 3,585,306</u>	<u>\$ 794,906</u>	<u>\$ -</u>	<u>\$ 4,380,212</u>

Less accumulated depreciation for:

Wells and related equipment	\$ (176,927)	\$ (18,342)	\$ -	\$ (195,269)
Machinery and equipment	(41,474)	(3,604)	-	(45,078)
Infrastructure	<u>(527,060)</u>	<u>(58,806)</u>	<u>-</u>	<u>(585,866)</u>
Total accumulated depreciation	<u>\$ (745,461)</u>	<u>\$ (80,752)</u>	<u>\$ -</u>	<u>\$ (826,213)</u>

Total capital assets, being depreciated, net	<u>2,839,845</u>	<u>714,154</u>	<u>-</u>	<u>3,553,999</u>
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Governmental activities capital assets, net	<u>\$ 2,931,149</u>	<u>\$ 714,154</u>	<u>\$ -</u>	<u>\$ 3,645,303</u>
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government - administration	\$ 53,282
Public safety	25,542
Highways and streets, including depreciation of general infrastructure assets	117,236
Culture and recreation	<u>71,248</u>
Total depreciation expense, governmental activities	<u>\$ 267,308</u>

D. Long Term Debt

The Village's General Long Term Debt at September 30, 2013 is comprised of several small loans from local institutions. These obligations which were all for equipment acquisitions, are summarized as follows:

Governmental activities

Issue Type	Beginning Balance 10/1/2012	Additions	Reductions	Ending Balance 9/30/2013
Notes payable	19,941	96,598	27,100	89,439
Bonds Payable	1,315,000	275,000	65,000	1,525,000
	<u>1,334,941</u>	<u>371,598</u>	<u>92,100</u>	<u>1,614,439</u>

Governmental	Interest Rate	Payment Terms	Maturity	Balance
Bank loan - Brazos Nat (Kawasaki)	4.90%	\$652 monthly	May-14	2,503
Bank loan - Brazos Nat (Truck)	4.90%	\$390 monthly	Feb-16	10,690
Bank loan - Brazos Nat (2013 Truck)	4.90%	\$494 monthly	Mar-18	23,945
Bank loan - Brazos Nat (Tractor)	4.90%	\$1079 monthly	Mar-18	52,301
				<u>89,439</u>

Proprietary activities

Issue Type	Beginning Balance 10/1/2012	Additions	Reductions	Ending Balance 9/30/2013
Notes payable	123,822	24,000	77,154	70,668
Bonds Payable	1,268,000	-	51,000	1,217,000
	<u>1,391,822</u>	<u>24,000</u>	<u>128,154</u>	<u>1,287,668</u>

Proprietary	Interest Rate	Payment Terms	Maturity	Balance
Bank loan - local (Yucca)	5.25%	-	Apr-14	14,621
Bank of America (CRG)	5.90%	\$1746 monthly	May-16	56,047
				<u>70,668</u>

The Village sold revenue bonds to the Texas Water Development Board in May 1997 for the purpose of acquiring the local independently owned water utility system. During the current fiscal year two series of certificates of obligation were issued through the USDA for extension of utility services in the Village. These debts are being accounted for within a proprietary fund type-enterprise fund, established to account for the assets, liabilities and operations of the water utility system. The following provides a summary for the fiscal year 2013:

		<u>Principal Paid</u>	<u>Interest Paid</u>	<u>Balance 9/30/2013</u>
Water System Revenue Bonds				
Series 1997				
Interest dates:	2/15 ; 8/15			
Interest rates:	4.35 - 6.15%			
Principal pays annually:	8/15			
Callable, at par	8/15/2007	35,000	13,407	170,000
 Tax and Revenue Certificates of Obligation,				
Series 2005A and 2005B				
Interest dates:	2/15 ; 8/15			
Interest rates:	4.35 - 6.15%			
Principal pays annually:	8/15			
Callable, at par	2/14/2006	<u>16,000</u>	<u>48,659</u>	<u>1,047,000</u>
 Totals		<u>51,000</u>	<u>62,066</u>	<u>1,217,000</u>

The following are the annual requirements for these two debt issues:

<u>Fiscal Year</u>	<u>1997 Bonds</u>		<u>2005 USDA Certificate of Obligation</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
					-
2014	10,415	40,000	48,126	16,000	114,541
2015	7,975	40,000	47,391	17,000	112,366
2016	5,535	45,000	46,609	17,000	114,144
2017	2,768	45,000	45,826	19,000	112,594
2018	-	-	44,955	19,000	63,955
2019			44,084	20,000	64,084
2020			43,165	21,000	64,165
2021			42,199	21,000	63,199
2022			41,233	23,000	64,233
2023			40,178	24,000	64,178

2024	39,075	24,000	63,075
2025	37,973	25,000	62,973
2026	36,823	27,000	63,823
2027	35,584	28,000	63,584
2028	34,298	29,000	63,298
2029	32,964	30,000	62,964
2030	31,583	32,000	63,583
2031	30,113	32,000	62,113
2032	28,643	34,000	62,643
2033	27,078	36,000	63,078
2034	25,424	37,000	62,424
2035	23,723	38,000	61,723
2036	21,974	40,000	61,974
2037	20,136	41,000	61,136
2038	18,251	43,000	61,251
2039	16,278	45,000	61,278
2040	14,209	46,000	60,209
2041	12,093	49,000	61,093
2042	9,840	50,000	59,840
2043	7,540	53,000	60,540
2044	5,104	54,000	59,104
2045	-	57,000	59,620
	<u>\$ 26,693</u>	<u>\$ 170,000</u>	<u>\$ 955,092</u>
			<u>\$ 1,047,000</u>
			<u>\$ 2,198,785</u>

Other debt – The Village has also executed an additional long-term debt agreement that is being funded through the Texas Water Development Board. This approved debt is titled Tax & Revenue Certificates of Obligation, Series 2006. The interest rate on this debt ranges from 2.4% to 3.35% will final maturity scheduled in 2025. The following is the annual obligation for this note:

Texas Water Development Board
Tax & Revenue Certificates of Obligation, Series 2006
Interest Dates: 2-15; 8-15
Interest Rates: 2.4% - 3.35%
Principal pays annually: 8-15
Maturity in 2025

Fiscal Year	Principal	Interest	Total
2014	70,000	37,890	107,890
2015	70,000	35,913	105,913
2016	75,000	33,827	108,827
2017	75,000	31,615	106,615
2018	80,000	29,270	109,270
2019	85,000	26,733	111,733
2020	85,000	24,076	109,076
2021	90,000	21,320	111,320
2022	90,000	18,463	108,463
2023	95,000	15,455	110,455
2024	100,000	12,212	112,212
2025	105,000	8,779	113,779
2026	105,000	5,235	110,235
2027	100,000	1,725	101,725
	<u>\$ 1,225,000</u>	<u>\$ 302,513</u>	<u>\$ 1,527,513</u>

The Village received approval of \$354,446 Special Community Disaster Loan proceeds provided by FEMA. To date, the Village has drawn \$300,000 on this loan. The loan is due 4/4/2015 and carries an interest rate of 1.875%.

U.S. Department of Homeland Security

FEMA

Community Disaster Loan 1791TX07

Interest dates: monthly

Interest rate: 1.875%

Principal pays at maturity

Maturity date: 4/4/2015 \$300,000

This loan has no amortization schedule attached to it because it may not have to be repaid. If the Village meets certain requirements of the loan documents, the loan may be forgiven. If not, it will have to be repaid. Any repayments and amortization will be disclosed at such time as that final determination is made.

E. Interfund receivables, payables and transfers

The composition of interfund balances as of September 30, 2013 is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Hotel/Motel	\$ 2,121
Debt Service Fund	General	83,394
System	General	53,658
	TWDB - Cap Projects	4,085
Sewer	System	12,000
Beach	General	<u>49,595</u>
Totals		\$ 204,853

Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General Fund	System	
	\$ 107,428	\$ 107,428
	-	-
Totals	<u>\$ 107,428</u>	<u>\$ 107,428</u>

NOTE 4 – OTHER MATTERS**A. 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.

B. Subsequent Events

The Village has been working toward securing additional funding for extending its abilities to provide water and sanitary sewer services. The Village has also completed a lending arrangement through the Texas Water Development Board in the amount of \$1,655,000. This new debt will consist of certificates of obligation to be supported by both utility system revenues and a dedicated debt service

tax. This will be the Village's first property tax specifically dedicated for debt service. The new debt service tax took effect in fiscal year 2007, and a debt service fund was created.

C. Contingent Liabilities

The Village has pending lawsuits arising principally in the normal course of operations. Although the outcome of these lawsuits is not presently determinable, legal counsel assigned by the Village's insurance carrier, is keeping the Village's legal counsel abreast of the status of these cases. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements, and accordingly, no provision for losses has been recorded.

The Village participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Village has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2013 may be impaired.

The Village entered into a contract with the GLO (No 10-206-000-4101) to "cooperate to renourish the pedestrian beach along approximately 3500 linear feet". Section 4.02 of the contract states that the parties agree that the Village's contribution will originate from FEMA pursuant to the Stafford Act under previously obligated PW 926-0 related to federally declared disaster DR-1606 (Hurricane Rita)

The GLO proceeded with the renourishment. An initial grant program compliance audit was performed by Horne LLP to determine whether the funds awarded and claimed for PW 926-0 were expended and accounted for in accordance with Federal and State laws, regulations and provisions of the grant.

The findings were that contracts contingent upon FEMA reimbursement are not eligible under the Public Assistance Program, and that it is not clear whether the work performed by the GLO renourishment adhered to the restoration anticipated by PW 926-0

Therefore, the status of the Village's possible future liability is unknown at this time, since the Village's liability was contingent upon funds which were not received.

In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

D. Employee Retirement Plan

Plan Description

The Village provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the Village are within the options available in the governing state statutes of TMRS.

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Brazoria County

E-mail: royling@brazoria-county.com
111 E. Locust Suite
Angleton, TX 77515
(979) 864-1320

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TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS's website at www.TMRS.com.

The plan provisions are adopted by the governing body of the Village, within the options available in the state statutes governing TMRS. Plan provisions for the Village were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (Village to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5 0/25
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The Village contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Village make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/ (asset) are as follows:

Employer contributions for year	\$ 3,396
Member contributions for year	30,323
Benefit payments	<u>(39,194)</u>
External cash flow for year	(5,475)
Interest credit	<u>39,427</u>
Increase (decrease) in net pension	33,953
Net Pension Obligation/(Asset), beginning of year	<u>396,266</u>
Net Pension Obligation/(Asset), end of year	<u><u>\$ 430,219</u></u>

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2011	30,435	37,415	122.9%	396,266
2012	34,386	33,719	98.1%	430,219
2013	35,210	35,211	100.0%	483,989

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB Equivalent Single Amortization Period	25.3 years closed period	24.8 years closed period;	24.9 years closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method Smoothed	10-year Smoothed Market	10-year Smoothed Market	10-year Market
Actuarial Assumptions: Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

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Funding Status and Funding Progress

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date		12/31/2012
Actuarial Value of Assets	\$	415,242
Actuarial Accrued Liability	\$	319,743
Percentage Funded		129.90%
Unfunded (Over Funded) Actuarial Accrued Liability (UAAL)	\$	(95,499)
Annual Covered Payroll	\$	606,460
UAAL as a percentage of Covered Payroll		(15.7%)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Required Supplementary Information

Texas Municipal Retirement System

Schedule of Funding Progress:

(unaudited)

DISCLAIMER						
UAAAL as a Percentage of Covered Payroll						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAAL)	Covered Payroll	UAAAL as a Percentage of Covered Payroll
12/31/2010	\$ 347,819	\$ 296,465	117.3%	\$ (51,354)	\$ 560,075	-9.2%
12/31/2011	391,638	334,696	117.0%	(56,942)	536,768	-10.6%
12/31/2012	415,242	319,743	129.9%	(95,499)	606,460	-15.7%

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E-mail: royling@brazoria-county.com
111 E. Locust Suite
Angleton, TX 77515
(979) 864-1320

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Required Supplementary Information

Village of Surfside Beach

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2013

	Budget		Variance With
	Original and	Actual	Final Budget
	Final		Favorable
			(Unfavorable)
Revenues			
Revenues:			
Taxes - -			
Property	\$ 607,760	\$ 604,121	\$ (3,639)
Franchise	50,600	55,056	4,456
Sales and use	60,000	76,906	16,906
Mixed beverage	8,000	7,660	(340)
Municipal court fines and fees	90,200	71,783	(18,417)
Licenses and permits	32,900	34,224	1,324
Garbage and service fees	150,000	157,358	7,358
Parks & Recreation	55,000	43,493	(11,507)
EMS	109,000	101,480	(7,520)
Miscellaneous	7,750	15,025	7,275
Intergovernmental	-	111,368	111,368
	-	-	-
	-	-	-
	-	-	-
Total Revenues and Other Sources	1,171,210	1,278,474	107,264

Expenditures and Other Uses

Current Expenditures - -			
Administration			
Personnel	89,510	108,901	(19,391)
Supplies	5,500	7,958	(2,458)
Maintenance	5,550	18,042	(12,492)
Service	46,800	81,057	(34,257)
Miscellaneous	20,300	40,111	(19,811)
Garbage	150,000	151,543	(1,543)
Municipal Court			
Personnel	41,280	41,452	(172)
Supplies	1,900	1,693	207
Maintenance	100	715	(615)
Service	4,600	5,963	(1,363)
Miscellaneous	800	287	513
Police Department/EMS			
Personnel	133,085	138,798	(5,713)
Supplies	45,700	53,148	(7,448)
Maintenance	12,800	20,270	(7,470)
Service	16,350	15,017	1,333
Miscellaneous	42,100	44,736	(2,636)
Public Works			
Personnel	94,500	71,414	23,086
Supplies	16,050	15,564	486
Maintenance	53,000	41,150	11,850
Service	16,200	17,040	(840)
Miscellaneous	39,565		

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DISCLAIMER
Variance With
Final Budget

	Budget Original and Final	Actual	Favorable (Unfavorable)
Non-Departmental	157,600	91,780	65,820
Payroll expenses	84,150	57,192	26,958
Debt Service	21,120	19,743	1,377
Capital Outlay	-	5,558	(5,558)
Grant Expenditures	-	-	-
Total Expenditures and Other Uses	1,098,560	1,083,468	15,092
Other Financing Sources (Uses)			
Debt Revenues	-	-	-
Transfers in	-	-	-
Transfers out	(77,450)	(107,428)	(29,978)
Total Other Financing Sources (Uses)	(77,450)	(107,428)	(29,978)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(4,800)	87,578	92,378
Fund Balance (Deficit):			
Beginning of year (as restated)	305,145	305,145	-
End of Year	\$ 300,345	\$ 392,723	\$ 92,378

Village of Surfside Beach, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Beach Fund

For the Year Ended September 30, 2013

	Budget Original and Final	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues and Other Sources			
Revenues - -			
State Beach Funds	32,000	-	(32,000)
Seasonal Permits	310,000	297,295	(12,705)
S-Permit Sales	24,000	26,765	2,765
Interest Earned	-	-	-
Miscellaneous	2,000	815	(1,185)
Intergovernmental	-	-	-
Total Revenues and Other Sources	368,000	324,875	(43,125)
Expenditures and Other Uses			
Current Expenditures - -			
Personnel	232,500	267,884	(35,384)
Supplies	10,050	13,021	(2,971)
Maintenance	7,000	34,254	(27,254)
Service	35,000	56,073	(21,073)
Miscellaneous	75,450	128,372	(52,922)
Debt Service	-	10,434	(10,434)
Transfers	-	-	-
Capital Outlay	8,000	23,116	(15,116)
Transfers to other funds - -	-	-	-
General Fund	-	-	-
Total Expenditures and Other Uses	368,000	533,154	(165,154)
Excess of Revenues Over (Under) Expenditures and Other Uses	-	(208,279)	(208,279)
Fund Balance			
Beginning of year	304,768	304,768	-
End of year	\$ 304,768	\$ 96,489	\$ (208,279)

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Village of Surfside Beach, Texas**DISCLAIMER****Statement of Revenues, Expenditures and Changes in Fund Balances****Budget and Actual - Hotel/Motel Tax Fund****For the Year Ended September 30, 2013**

	<u>Budget</u>		<u>Variance With</u>
	<u>Original and</u>	<u>Actual</u>	<u>Final Budget</u>
	<u>Final</u>		<u>Favorable</u>
			<u>(Unfavorable)</u>
Revenues and Other Sources			
Revenues - -			
Hotel-motel taxes	155,000	253,769	98,769
Interest Earned	-	912	912
Miscellaneous	-	50	50
Grant Revenue	-	18,247	18,247
Total Revenues and Other Sources	155,000	272,978	117,978
Expenditures and Other Uses			
Current Expenditures - -			
Personnel	-	-	-
Supplies	-	-	-
Maintenance	21,500	24,868	(3,368)
Service	35,000	42,222	(7,222)
Miscellaneous	71,000	3,079	67,921
Capital Expenses	27,500	42,975	(15,475)
Transfers	-	-	-
Total Expenditures and Other Uses	155,000	113,144	41,856
Excess of Revenues Over (Under)			
Expenditures and Other Uses	-	159,834	159,834
Fund Balance			
Beginning of year	505,067	505,067	-
End of year	\$ 505,067	\$ 664,901	\$ 159,834

Village of Surfside Beach

Notes to Required Supplementary Information

For the year ended September 30, 2013

Budgetary Information

Budgets are adopted on a GAAP basis. Annual appropriated budgets are adopted for the governmental funds: General, Beach, and Hotel/Motel Fund. All annual appropriations lapse at the fiscal year end.

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.

Compliance Section

Baker, Stogner & Associates
Certified Public Accountants

316 E Jackson
El Campo, TX 77437

(979) 543-3251
(979) 543-6668

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

To the Mayor and
Members of Village Council
Village of Surfside Beach, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Surfside Beach, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Village of Surfside Beach, Texas' basic financial statements, and have issued our report thereon dated May 12, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Surfside Beach, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have

a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Baker, Stogner & Associates

Baker, Stogner & Associates

El Campo, Texas

May 12, 2014

