

**Village of Surfside Beach, Texas**

Annual Financial Report  
For the Year Ended September 30, 2019

***Baker, Stogner & Associates***  
*Certified Public Accountants*

# Village of Surfside Beach, Texas

Annual Financial Report

For the Year Ended September 30, 2019

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# Village of Surfside Beach, Texas

Principal Officials

September 30, 2019

## **Governing Body**

Mayor:	Larry Davison
Mayor Pro-Tem:	Toni Capretta
Alderspersons:	Sean Robertson
	Robert Morris
	Gregg Bisso
	Jennie Green-Prats

## **Other Principal Officials**

City Secretary:	Amanda Davenport
City Bookkeeper:	Ronda Richardson
Police Chief:	Gary Phillips
Public Works Supervisor:	Pete Gutierrez
Municipal Judge:	Randy Smith
Municipal Court Clerk:	Barbara Bluejacket
Building Official	Kay Huffman
Utility Clerk:	Teresa Timms

## **Financial Section**

***Baker, Stogner & Associates***  
*Certified Public Accountants*

316 E. Jackson  
El Campo, TX 77437

(979) 543-3251  
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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Surfside Beach, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Village of Surfside Beach'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, 2019, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2020, on our consideration of the Village of Surfside Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

***Baker, Stogner & Associates***

El Campo, Texas  
June 2, 2020

# **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, 2019. 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**

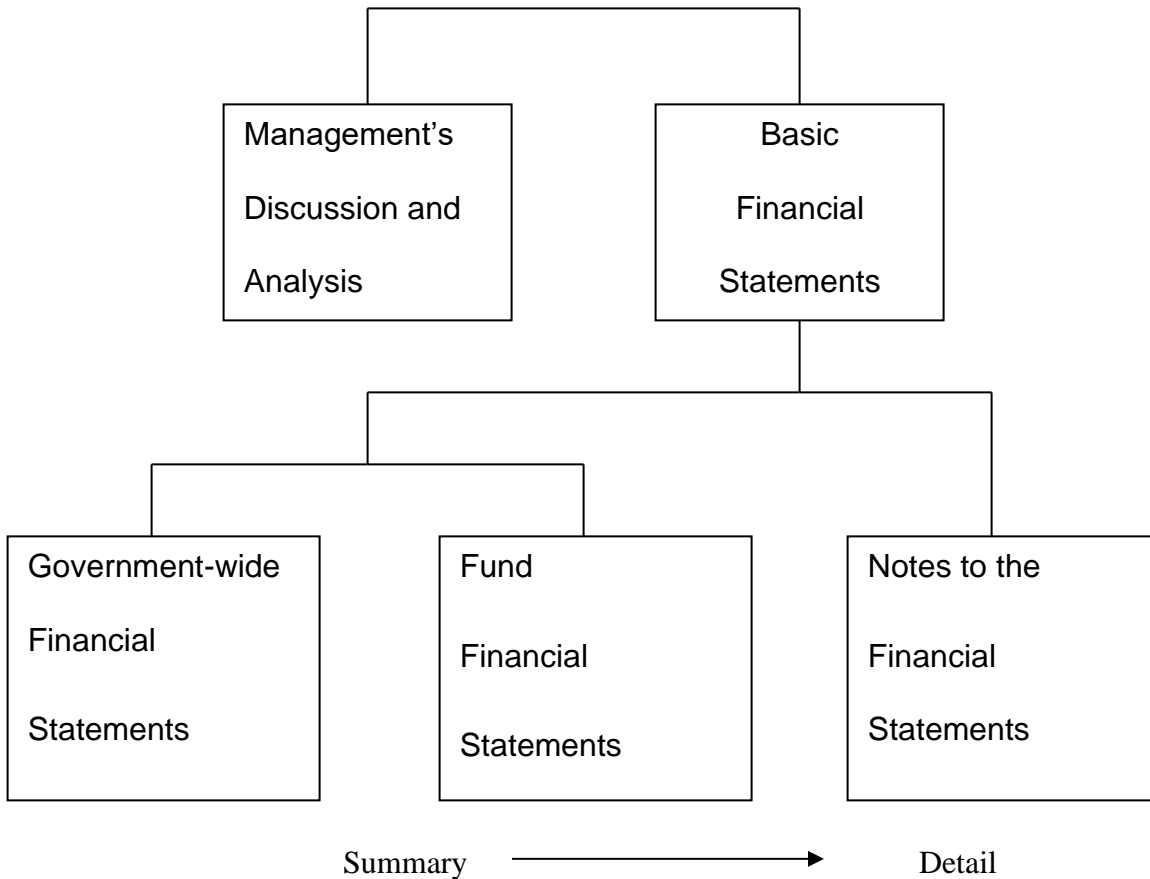
- The assets of the Village exceeded its liabilities at the close of the fiscal year by \$ 13,706,856.
- The government's total net position increased by \$391,483.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$3,770,949 an increase of \$210,353 in comparison with the prior year. Approximately 19 percent of this total amount, or \$708,544, 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 \$708,544, or 47 percent of total general fund expenditures for the fiscal year.
- The Village's total debt decreased by \$83,936 or 4% 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	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 3,861,360	\$ 3,651,093	\$ 704,583	\$ 535,009	\$ 4,565,943	\$ 4,186,102
Capital Assets	5,328,904	5,561,567	5,812,057	5,857,932	11,140,961	11,419,499
Deferred Outflows	148,337	139,162	49,798	60,024	198,135	199,186
Total Assets	\$ 9,338,601	\$ 9,351,822	\$ 6,566,438	\$ 6,452,965	\$ 15,905,039	\$ 15,804,787
Current Liabilities	200,578	275,342	104,713	97,081	305,291	372,423
Long Term Liabilities	889,337	1,045,209	1,003,400	1,028,748	1,892,737	2,073,957
Deferred Inflows	116	25,263	39	17,771	155	43,034
Total Liabilities	\$ 1,090,031	\$ 1,345,814	\$ 1,108,152	\$ 1,143,600	\$ 2,198,183	\$ 2,489,414
Net Position						
Invested in capital assets	4,400,538	4,439,703	4,873,057	4,898,932	9,273,595	9,338,635
Restricted	6,995	6,995	94,139	94,139	101,134	101,134
Unrestricted	3,841,037	3,559,310	491,090	316,294	4,332,127	3,875,604
Total Net Position	\$ 8,248,570	\$ 8,006,008	\$ 5,458,286	\$ 5,309,365	\$ 13,706,856	\$ 13,315,373

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 \$13,706,856 as of September

30, 2019. The Village's net position increased by \$391,483 for the fiscal year ended September 30, 2019. However, the largest portion 71% 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 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 \$4,332,127 is unrestricted.

**Changes in Net Position**  
**Figure 3**

	Governmental Activity		Business Type Activity		Totals	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 520,181	\$ 545,500	\$ 730,027	\$ 638,941	\$ 1,250,208	\$ 1,184,441
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	6,577	99,720	-	373,684	6,577	473,404
General Revenues						
Property Taxes	933,445	899,409	-	-	933,445	899,409
Other Taxes	1,103,935	1,257,060	-	-	1,103,935	1,257,060
Other	37,423	47,328	22,309	11,791	59,732	59,119
<b>Total Revenues</b>	<b>\$ 2,601,561</b>	<b>\$ 2,849,017</b>	<b>\$ 752,336</b>	<b>\$ 1,024,416</b>	<b>\$ 3,353,897</b>	<b>\$ 3,873,433</b>
<b>Expenses</b>						
General Government	\$ 553,671	\$ 489,568	\$ -	\$ -	\$ 553,671	\$ 489,568
Municipal Court	45,432	50,535	-	-	45,432	50,535
Police/EMS	425,480	436,332	-	-	425,480	436,332
Public Works	333,927	253,103	-	-	333,927	253,103
Public Facilities	417,672	483,752	732,235	725,956	1,149,907	1,209,708
Economic Development	193,013	149,872	-	-	193,013	149,872
Employee Benefits	123,184	118,109	-	-	123,184	118,109
Grant Expenses	-	-	-	-	-	-
Interest and Fees	36,083	35,106	44,571	45,347	80,654	80,453
Non Departmental	57,146	113,888	-	-	57,146	113,888
<b>Total Expenses</b>	<b>\$ 2,185,608</b>	<b>\$ 2,130,265</b>	<b>\$ 776,806</b>	<b>\$ 771,303</b>	<b>\$ 2,962,414</b>	<b>\$ 2,901,568</b>
Increase in Net Position before transfers	\$ 415,953	\$ 718,752	\$ (24,470)	\$ 253,113	\$ 391,483	\$ 971,865
Transfers	(173,391)	(118,812)	173,391	118,812	-	-
<b>Increase in Net Position</b>	<b>\$ 242,562</b>	<b>\$ 599,940</b>	<b>\$ 148,921</b>	<b>\$ 371,925</b>	<b>\$ 391,483</b>	<b>\$ 971,865</b>
Net Position beginning of year	\$ 8,006,008	\$ 7,406,068	\$ 5,309,365	\$ 4,937,440	\$ 13,315,373	\$ 12,343,508
<b>Net Position end of year</b>	<b>\$ 8,248,570</b>	<b>\$ 8,006,008</b>	<b>\$ 5,458,286</b>	<b>\$ 5,309,365</b>	<b>\$ 13,706,856</b>	<b>\$ 13,315,373</b>

**Governmental activities:** Governmental activities increased the Village's net position by \$242,562, thereby accounting for 62% of the total increase in the net position of the Village.

**Business-type activities:** Business-type activities increased the Village's net position by \$148,921.

## 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 \$708,544, while total fund balance reached \$753,241. 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 47 percent of total General Fund expenditures.

At September 30, 2019 the governmental funds of The Village reported a combined fund balance of \$3,770,949, a 6 percent increase over last year. Included in this change in fund balance are increases in fund balance in both the General and Special Revenue 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 \$491,090. 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, 2019 totals \$11,140,961 (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	
	2019	2018	2019	2018	2019	2018
Land	\$ -	\$ -	\$ 112,233	\$ 112,233	\$ 112,233	\$ 112,233
Buildings and Systems	1,486,168	1,486,168	-	-	1,486,168	1,486,168
Improvements other than buildings	-	-	1,202,157	1,202,157	1,202,157	1,202,157
Machinery and Equipment	1,055,609	1,028,612	233,494	211,452	1,289,103	1,240,064
Infrastructure	9,161,664	8,886,584	5,838,611	4,133,334	15,000,275	13,019,918
Construction in Progress	-	233,692	-	1,595,840	-	1,829,532
					-	-
<b>Totals</b>	<u>\$ 11,703,441</u>	<u>\$ 11,635,056</u>	<u>\$ 7,386,495</u>	<u>\$ 7,255,016</u>	<u>\$ 19,089,936</u>	<u>\$ 18,890,072</u>

**Long-term Debt:** As of September 30, 2019, the Village had total bonded debt outstanding of \$1,814,000. Of this, \$875,000 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	
	2019	2018	2019	2018	2019	2018
General Obligation	\$ 875,000	\$ 960,000	\$ -	\$ -	\$ 875,000	\$ 960,000
Revenue Bonds	-	-	939,000	959,000	939,000	959,000
<b>Totals</b>	<u>\$ 875,000</u>	<u>\$ 960,000</u>	<u>\$ 939,000</u>	<u>\$ 959,000</u>	<u>\$ 1,814,000</u>	<u>\$ 1,919,000</u>

The Village's total bonded debt decreased by \$85,000, or 8%, during the past fiscal year.

### **Economic Factors and Next Years' Budget and Rates**

The certified assessed property valuations for the 2019 tax roll total \$281,276,766 with a tax rate of \$0.353778 per \$100 valuation. The maintenance and operations rate is \$0.290206 and the debt service rate is \$0.062883.

The projected M&O property tax due is \$818,220 for the 2019/20 tax year. The certified assessed property valuations were more than the 2018 values.

Of the \$818,220 projected property taxes due, \$16,705 is to be raised from new property added to the tax roll.

## **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: [Amanda@surfsidetx.org](mailto:Amanda@surfsidetx.org) Website: [www.surfsidetx.org](http://www.surfsidetx.org).



## **Basic Financial Statements**

# Village of Surfside Beach, Texas

## Statement of Net Position

September 30, 2019

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 3,531,195	\$ 486,131	\$ 4,017,326
Receivables, net of allowance for uncollectibles -			
Property taxes	27,999	-	27,999
Franchise taxes	12,100	-	12,100
Other taxes	30,099	-	30,099
Miscellaneous	127,868		127,868
Customer Accounts	-	82,017	82,017
Intergovernmental	-	-	-
Other	-	-	-
Internal balances	72,019	-	72,019
Due from other governments	96		96
Inventories	2,000	37,000	39,000
Prepaid expenses	50,989	5,296	56,285
Total Current Assets	<u>3,854,365</u>	<u>610,444</u>	<u>4,464,809</u>
Restricted assets:			
Cash and investments	<u>6,995</u>	<u>94,139</u>	<u>101,134</u>
Total Restricted Assets	<u>6,995</u>	<u>94,139</u>	<u>101,134</u>
Noncurrent Assets:			
Net Pension Asset	-	-	-
Net Capital Assets (Note C)	<u>5,328,904</u>	<u>5,812,057</u>	<u>11,140,961</u>
Total Noncurrent Assets	<u>5,328,904</u>	<u>5,812,057</u>	<u>11,140,961</u>
Deferred Outflows of Resources			
Related to OPEB	3,745	1,987	5,732
Contributions	<u>144,592</u>	<u>47,811</u>	<u>192,403</u>
Total Deferred Outflows of Resources	<u>148,337</u>	<u>49,798</u>	<u>198,135</u>
<b>Total Assets</b>	<b><u>9,338,601</u></b>	<b><u>6,566,438</u></b>	<b><u>15,905,039</u></b>

	Governmental Activities	Business-type Activities	Total
<u>Liabilities</u>			
Current Liabilities			
Accrued liabilities	\$ -	\$ 356	\$ 356
Accounts payable	62,412	3,882	66,294
Compensated absences payable	14,997	2,120	17,117
Accrued interest payable	3,436	5,336	8,772
Due to other governments	-	-	-
Internal balances	-	72,019	72,019
Current portion of long-term debt	119,733	21,000	140,733
Liabilities payable from restricted assets	-	-	-
	-	-	-
Total Current Liabilities	<u>200,578</u>	<u>104,713</u>	<u>305,291</u>
Noncurrent Liabilities			
Customer deposits	-	51,388	51,388
OPEB Liability	18,153	440	18,593
Net Pension Liability	62,551	33,572	96,123
Notes payable - banks	18,633	-	18,633
Bonds and similar debt obligations	790,000	918,000	1,708,000
Total Noncurrent Liabilities	<u>889,337</u>	<u>1,003,400</u>	<u>1,892,737</u>
<b>Total Liabilities</b>	<b><u>1,089,915</u></b>	<b><u>1,108,113</u></b>	<b><u>2,198,028</u></b>
Deferred Inflows - OPEB	116	39	155
Deferred Inflows of Resources	-	-	-
Total Deferred Inflows of Resources	<u>116</u>	<u>39</u>	<u>155</u>
<u>Net Position</u>			
Investment in capital assets	4,400,538	4,873,057	9,273,595
Restricted for:			
Debt service	-	94,139	94,139
MCTF/MCSF	6,995	-	6,995
Unrestricted	3,841,037	491,090	4,332,127
Total Net Position	<u>8,248,570</u>	<u>5,458,286</u>	<u>13,706,856</u>
<b>Total Liabilities and Net Position</b>	<b><u>9,338,601</u></b>	<b><u>6,566,438</u></b>	<b><u>15,905,039</u></b>

# Village of Surfside Beach, Texas

## Statement of Activities

For the Year Ended September 30, 2019

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Administration	\$ 553,671	\$ -	\$ -	\$ -
Municipal Court	45,432	74,131	-	-
Police Department/EMS	425,480	121,647	-	-
Public Works	333,927	275,068	-	-
Public Facilities	417,672	49,335	-	6,577
Economic Development	193,013	-	-	-
Employee benefits	123,184	-	-	-
Grant expenditures	-	-	-	-
Interest and fees on debt	36,083	-	-	-
Non Departmental	57,146	-	-	-
<b>Total Governmental Activities</b>	<b>2,185,608</b>	<b>520,181</b>	<b>-</b>	<b>6,577</b>
<b>Business Type Activities:</b>				
Water and sewer services	732,235	730,027	-	-
Interest and fees on debt	44,571	-	-	-
Contract for emergency services	-	-	-	-
<b>Total Business-type Activities</b>	<b>776,806</b>	<b>730,027</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>2,962,414</b>	<b>1,250,208</b>	<b>-</b>	<b>6,577</b>

**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
\$ (553,671)	\$ -	\$ (553,671)
28,699	-	28,699
(303,833)	-	(303,833)
(58,859)	-	(58,859)
(361,760)	-	(361,760)
(193,013)	-	(193,013)
(123,184)	-	(123,184)
-	-	-
(36,083)	-	(36,083)
(57,146)	-	(57,146)
<u>(1,658,850)</u>	<u>-</u>	<u>(1,658,850)</u>
-	(2,208)	(2,208)
-	(44,571)	(44,571)
-	-	-
<u>-</u>	<u>(46,779)</u>	<u>(46,779)</u>
<b><u>(1,658,850)</u></b>	<b><u>(46,779)</u></b>	<b><u>(1,705,629)</u></b>
933,445	-	933,445
123,789	-	123,789
67,704	-	67,704
388,790	-	388,790
523,652	-	523,652
11,000	-	11,000
23,570	2,867	26,437
2,853	19,442	22,295
(173,391)	173,391	-
<b><u>1,901,412</u></b>	<b><u>195,700</u></b>	<b><u>2,097,112</u></b>
<b>242,562</b>	<b>148,921</b>	<b>391,483</b>
<u>8,006,008</u>	<u>5,309,365</u>	<u>13,315,373</u>
<b><u>\$ 8,248,570</u></b>	<b><u>\$ 5,458,286</u></b>	<b><u>\$ 13,706,856</u></b>

# Village of Surfside Beach

## Balance Sheet

### Governmental Funds

September 30, 2019

	Special Revenue Funds		
	General Fund	Beach Fund	Hotel-Motel Tax Fund
<b>Assets</b>			
Cash and Investments	\$ 601,503	\$ 491,575	\$ 1,952,794
Receivables:	-	-	-
Property taxes, net of allowance for uncollectives	22,845	-	-
Franchise taxes	12,100	-	-
Other taxes	30,099	-	-
Miscellaneous	7,649	-	120,219
Due from other funds	104,143	68	-
Due from other governments	96	-	-
Restricted Assets: Cash & Investments	6,995	-	-
Prepaid Expense	35,502	3,281	12,206
Prepaid Expense	2,000	-	-
<b>Total Assets</b>	<b><u>\$ 822,932</u></b>	<b><u>\$ 494,924</u></b>	<b><u>\$ 2,085,219</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	32,110	7,144	23,158
Due to other governments	-	-	-
Due to other funds	14,736	29,905	13,247
<b>Total Liabilities</b>	<b><u>46,846</u></b>	<b><u>37,049</u></b>	<b><u>36,405</u></b>
<b>Deferred Inflows of Resources</b>			
Unearned Revenue	22,845	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>22,845</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances (Deficit)</b>			
Restricted for MCTF/MCSF	6,995	-	-
Nonspendable	37,702	-	-
Unassigned, reported in General Fund	708,544	-	-
Assigned, reported in			
Debt service			
Special Revenue Fund		457,875	2,048,814
Capital Projects Fund	-	-	-
<b>Total Fund Balances</b>	<b><u>753,241</u></b>	<b><u>457,875</u></b>	<b><u>2,048,814</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 822,932</u></b>	<b><u>\$ 494,924</u></b>	<b><u>\$ 2,085,219</u></b>

Special Revenue Funds (contd)

Sewer Tap	Debt Service	Total Governmental Funds
\$ 390,522	\$ 94,801	\$ 3,531,195
-	-	-
-	-	-
-	5,154	27,999
-	-	12,100
-	-	30,099
-	-	127,868
21,778	3,918	129,907
-	-	96
-	-	6,995
-	-	50,989
-	-	2,000
<b>\$ 412,300</b>	<b>\$ 103,873</b>	<b>\$ 3,919,248</b>
-	-	-
-	-	62,412
-	-	-
-	-	57,888
-	-	<b>120,300</b>
-	5,154	<b>27,999</b>
-	5,154	<b>27,999</b>
-	-	6,995
-	-	37,702
-	-	-
-	-	708,544
-	-	-
-	98,719	98,719
412,300	-	2,918,989
-	-	-
<b>412,300</b>	<b>98,719</b>	<b>3,770,949</b>
<b>\$ 412,300</b>	<b>\$ 103,873</b>	<b>\$ 3,919,248</b>

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**Village of Surfside Beach**  
 Reconciliation of Total Governmental Fund  
 Fund Balance to Governmental Net Position  
 September 30, 2019

**Total Governmental Fund Balance** \$ 3,770,949

*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	5,328,904
Property tax receivables, unearned revenue	27,999
Net Pension Liability	(62,551)
OPEB Liability	(18,153)

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	(928,366)
Compensated absences and accrued interest liabilities	(18,433)

Net deferred outflows and inflows of resources making up Net Position Asset are not recorded in the funds.	<u>148,221</u>
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**Net Position of Governmental Activities** **\$ 8,248,570**

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

# Village of Surfside Beach

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds

For the Year Ended September 30, 2019

	Special Revenue Funds		
	General Fund	Beach Fund	Hotel-Motel Tax Fund
<b>Revenues:</b>			
Property taxes	\$ 753,990	\$ -	\$ -
Franchise tax	67,704	-	-
Sales and use tax	123,789	-	-
Other Taxes	16,628	-	372,162
Municipal court fines and fees	74,131	-	-
Licenses and permits	46,345	523,652	-
Garbage and service fees	228,723	-	-
Parks and Recreation	-	-	49,335
EMS	121,647	-	-
Miscellaneous	3,396	145	22,555
Intergovernmental	-	-	-
Donations	-	-	6,577
<b>Total Revenues</b>	<b>1,436,353</b>	<b>523,797</b>	<b>450,629</b>
<b>Expenditures:</b>			
Current -			
General Administration	500,278	-	-
Municipal Court	50,696	-	-
Police Department/EMS	432,649	-	-
Public Works	223,281	-	-
Public Facilities	-	339,507	-
Economic Development	-	-	193,013
Employee Benefits	123,184	-	-
Debt Service	114,622	-	-
Capital Outlay	26,997	-	-
Grant Expenditures	-	-	41,388
Non Departmental	57,146	-	-
<b>Total Expenditures</b>	<b>1,528,853</b>	<b>339,507</b>	<b>234,401</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(92,500)</b>	<b>184,290</b>	<b>216,228</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from long-term debt	-	-	-
Operating Transfers In	86,148	-	-
Operating Transfers Out	-	(86,148)	-
<b>Total Other Financing Sources (Uses)</b>	<b>86,148</b>	<b>(86,148)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(6,352)</b>	<b>98,142</b>	<b>216,228</b>
<b>Fund Balances:</b>			
Beginning of year, as restated	759,593	359,733	1,832,586
<b>End of year</b>	<b>\$ 753,241</b>	<b>\$ 457,875</b>	<b>\$ 2,048,814</b>

Special Revenue Funds (contd)

Sewer Tap	Debt Service	Total Governmental Funds
\$ -	\$ 179,850	\$ 933,840
-	-	67,704
-	-	123,789
-	-	388,790
-	-	74,131
11,000	-	580,997
-	-	228,723
-	-	49,335
-	-	121,647
326	-	26,422
-	-	-
		6,577
<b>11,326</b>	<b>179,850</b>	<b>2,601,955</b>
-	-	500,278
-	-	50,696
-	-	432,649
-	-	223,281
-	-	339,507
-	-	193,013
-	-	123,184
-	115,450	230,072
-	-	26,997
-	-	41,388
-	-	57,146
-	<b>115,450</b>	<b>2,218,211</b>
<b>11,326</b>	<b>64,400</b>	<b>383,744</b>
-	-	-
(109,437)	(63,954)	86,148
(109,437)	(63,954)	(259,539)
(109,437)	(63,954)	(173,391)
(98,111)	446	210,353
510,411	98,273	3,560,596
<b>\$ 412,300</b>	<b>\$ 98,719</b>	<b>\$ 3,770,949</b>

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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, 2019

Net Change in Fund Balances - Governmental Funds	\$	210,353
<i>Amounts reported for governmental activities in the statement of activities differ because:</i>		
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.		(232,663)
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.		193,498
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.		-
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		-
Increase in OPEB Expense		865
Increase in Pension Expense		69,586
Decrease in Compensated Absences		827
Decrease in Accrued Interest		491
Uncollected property taxes are not recognized as revenue in governmental funds.		(395)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>242,562</u></b>

# Village of Surfside Beach, Texas

## Statement of Net Position

### Proprietary Fund - Water & Sewer Utility

September 30, 2019

#### Assets

##### Current Assets:

Cash	\$	486,131
Accounts receivable, net of allowance for uncollectibles		82,017
Other receivables		-
Due from other funds		10,817
Inventory		37,000
Prepaid expenses		<u>5,296</u>

**Total Current Assets** 621,261

##### Restricted assets:

Interest and Sinking		94,139
Debt service reserve		<u>-</u>

**Total Restricted Assets** 94,139

##### Noncurrent assets:

Net pension asset		-
Capital Assets		7,386,495
Less: Accumulated Depreciation		<u>(1,574,438)</u>

**Total Noncurrent Assets** 5,812,057

##### Deferred Outflows of Resources

Contributions		47,811
OPEB		<u>1,987</u>

**Total Deferred Outflows of Resources** 49,798

**Total Assets** \$ 6,577,255

# Village of Surfside Beach, Texas

## Statement of Net Position

Proprietary Fund - Water & Sewer Utility (continued)

September 30, 2019

### Liabilities

#### Current liabilities:

Accrued liabilities	\$	356
Accounts payable		3,882
Compensated absences payable		2,120
Due to other Funds		82,836
Payables from restricted assets -		-
Accrued interest payable		5,336
Current portion of long-term debt		<u>21,000</u>

**Total Current Liabilities** **115,530**

#### Noncurrent Liabilities (net of current portion):

Customer deposits		8,422
Sewer infrastructure deposit		42,966
2005 Certificates of Obligation		918,000
Net pension liability		33,572
OPEB liability		440
		<u>-</u>

**Total Noncurrent Liabilities** **1,003,400**

**Total Liabilities** **1,118,930**

#### Deferred Inflows of Resources

OPEB		<u>39</u>
------	--	-----------

**Total Deferred Inflows of Resources** **39**

### Net Position

Investment in capital assets		4,873,057
Restricted for debt service		94,139
Unrestricted		<u>491,090</u>

**Total Net Position** **5,458,286**

**Total Liabilities and Net Position** **\$ 6,577,255**

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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, 2019

Operating Revenues:	
Water sales	\$ 510,167
Sewer services	181,345
Late payment charges	7,815
Tap fees	28,500
Reconnection fees	2,200
Miscellaneous	19,442
Grant Revenues	<u>-</u>
<b>Total Operating Revenue</b>	<b><u>749,469</u></b>
Operating Expenses:	
Personnel related	209,681
Contracted services	10,646
Repairs and maintenance	132,592
Other charges	201,962
Depreciation and amortization	<u>177,354</u>
<b>Total Operating Expenses</b>	<b><u>732,235</u></b>
<b>Operating Income (Loss)</b>	<b><u>17,234</u></b>
Nonoperating Revenue (Expenses):	
Interest earned	2,867
Paying agent fees	(500)
Interest expense	<u>(44,071)</u>
<b>Total Nonoperating Revenue (Expenses)</b>	<b><u>(41,704)</u></b>
<b>Net Income (Loss) Before Contributions and Transfers</b>	<b><u>(24,470)</u></b>
Capital Contributions	-
Transfers In	<u>173,391</u>
<b>Change in Net Position</b>	<b>148,921</b>
Net Position:	
Beginning of year, as restated	<u>5,309,365</u>
<b>Total Net Position - Ending</b>	<b><u>\$ 5,458,286</u></b>

# Village of Surfside Beach, Texas

## Statement of Cash Flows

### Proprietary Fund - Water & Sewer Utility

For the Year Ended September 30, 2019

Cash flows from operating activities:	
Receipts from customers	\$ 808,894
Payments to suppliers and contractors	(376,180)
Payments to employees (prepayment of payroll)	(214,977)
Other revenues	19,442
Grant Revenue	-
	<hr/>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>237,179</b>
	<hr/>
Cash flows from non-capital financing activities:	
Increase (decrease) in customer deposits	7,220
(Increase) decrease in interfund lending	18,538
Contract for emergency services	-
	<hr/>
<b>Net Cash Provided (Used) for Non-capital Financing Activities</b>	<b>25,758</b>
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets, net of dispositions	(131,479)
Long-term debt	-
Interest and fees paid on debt	(44,571)
Transfer in	173,391
Principal paid on other long-term debt	(20,000)
	<hr/>
<b>Net Cash Provided (Used) for Capital and Related Financing Activities</b>	<b>(22,659)</b>
	<hr/>
Cash flows from Investing Activities:	
Interest received	2,867
	<hr/>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>2,867</b>
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	<b>243,145</b>
	<hr/>
Cash balances, beginning of year	337,125
	<hr/>
<b>Cash balances, End of Year</b>	<b>\$ 580,270</b>
	<hr/>

**Village of Surfside Beach, Texas**  
Statement of Cash Flows  
Proprietary Fund - Water & Sewer Utility (continued)  
For the Year Ended September 30, 2019

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

Operating Income	\$ 17,234
Adjustments to operating income for items not requiring cash outlay:	
Depreciation and amortization	177,354
Changes in assets and liabilities -	
(Increase) decrease in accounts receivable	78,867
(Increase) decrease in inventory	-
Increase (decrease) in accounts payable	(4,927)
Increase (decrease) in accrued expenses	(26,053)
Increase (decrease) in prepayments	<u>(5,296)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 237,179</u></b>

**Composition of Cash:**

Operating Cash	\$ 486,131
Restricted Cash -	
Interest and sinking	94,139
Debt reserve	<u>-</u>
<b>Total Cash</b>	<b><u>\$ 580,270</u></b>

# Village of Surfside Beach, Texas

Notes to Financial Statements

September 30, 2019

## **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 used to pay for providing services to the beach area including law enforcement, sanitation, maintenance and administration. The *Hotel-Motel Tax* fund controls the receipt and expenditure of taxes levied on temporary property rentals. The *Sewer Tap Fund* accounts for tap fees to be used for future expansion of the Oyster Creek Facility

The *Debt Service Fund* accounts for the resources accumulated and payments made on the 2006 TWDB bonds and the 2005 USDA 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.

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.

## **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 issued 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, 2019, the Village has adopted a formal investment policy and is in compliance with that 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 \$5,000 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.

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. Deferred Outflows/Inflows of Resources**

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred amount calculated in the actuarial pension study required by Government Accounting Standards Board (GASB) Statement No. 68 “*Accounting and Financial Reporting for pensions*” (GASB No. 68) and the current year pension payments reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position can also report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as



an inflow of resources (revenue) until that time. The City has two items that are considered deferred inflows of resources. One of the items arises only under a modified accrual basis of accounting and this item, *unavailable revenue*, is reported only in the government funds balance sheet. The government funds report unavailable revenues from a variety of sources and are further defined in Note 4. The other item that qualifies for reporting as a deferred inflow of resources is calculated in the actuarial pension study required by GASB 68. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## **8. Pensions**

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

## **9. Fund Equity**

Fund balances of Government Funds classified as restricted are balances with constraints placed on the use of resources by creditors, groups, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Council through a resolution. Once the resolution is passed, the commitment remains in place until another resolution is passed to remove or revise the commitment.

Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. The Council has by resolution authorized the City Manager or his/her designee to assign fund balance. Unlike commitments, assignments generally exist temporarily and a formal action by the Council does not have to occur in order to remove the assignment.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

## **10. Use of Estimates**

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

## **11. Inventories**

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

## **12. Comparative Date**

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 Net Position**

During the fiscal year 2019, the Village decreased net position of the Hotel/Motel Fund by \$2,210. This was due to a prior period adjustment.

#### **C. Restatement of Previously Issued Financial Statements**

The GASB has issued the following statement which became effective for fiscal year 2018:

GASB Statement No. 75: Accounting and Financial Reporting for Post-employment Benefits Other than Pensions replaces previous authoritative literature. For plans that do not have formal trusts, GASB Statement No. 75 requires state and local government employers to recognize the total OPEB liability and the related OPEB expense on their financial statements along with the related deferred outflows and inflows of resources. In addition to the deferred outflows/inflows associated with plan experience and assumption changes, the standard requires the benefit payments and administrative costs incurred subsequent to the measurement date and before the end of the employer's reporting period to be reported as a deferred outflow of resources.

The implementation of GASB No. 75 resulted in the restatement of beginning net position for the recording of the beginning OPEB liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying the change results in the adjustments below.

	Governmental Activities	Business Type Activities	System Fund
Net position @ 9/30/18 as previously reported	8,132,272	5,350,599	5,351,705
Restatement of Total Pension Liability as of 9/30/18	(116,951)	(38,130)	(38,130)
Restatement of Total Pension deferred inflows as of 9/30/18	6,076	2,025	2,025
Restatement of Total Pension deferred outflows as of 9/30/18	-	-	-
Restatement of Total OPEB - SDB liability as of 9/30/18	(16,834)	(5,611)	(5,611)
Deferral for OPEB contributions made after the measurement date	1,445	482	482
Net position at 9/30/18 as restated	<u>8,006,008</u>	<u>5,309,365</u>	<u>5,310,471</u>

### **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, 2019 and throughout the fiscal year. At year-end, the Village's bank balances totaled \$2,643,529.

#### Interest Rate Risk

In accordance with the Village's investment policy, the Village manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. TexPool's weighted average maturity cannot exceed 60 days.

#### Credit Risk

The investment pool operates in full compliance with the Public Funds Investment Act. TexPool is rated AAAM by Standard & Poor's.

#### Concentration of Credit Risk

The Village's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the Village was not exposed to concentration of credit risk.

#### Custodial Credit Risk - Deposits

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, 2019 the Village's investments in TexPool totaled \$1,436,885. The Village also holds \$12,757 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, 2019 is \$4,500,000 held at Amegy bank.

#### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Village's investments are in TexPool and with banks and they have no custodial credit risk.

### **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 2018 levy, supporting the fiscal year budget for the year ended September 30, 2019, was \$0.290206 per \$100 valuation for maintenance and operations and \$.069300 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, 2019, the allowance for the Village was estimated at \$1,202.

Enterprise Fund – The proprietary fund accounts receivable are related to water utility billings. The allowance of uncollectibles at September 30, 2019 is \$2,531 and is comprised of all accounts with balances past due for sixty days.

Net Receivables	Other			Total
	General	System	Governmental	
Accounts	\$ -	\$ 81,986	\$ -	\$ 81,986
Ad valorem	22,845	-	5,154	27,999
Other taxes	42,199	-	120,219	162,418
Miscellaneous	7,649	-	-	7,649
	<u>\$ 72,693</u>	<u>\$ 81,986</u>	<u>\$ 125,373</u>	<u>\$ 280,052</u>

### C. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

#### Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Process	<u>233,692</u>	<u>-</u>	<u>233,692</u>	<u>-</u>
Total capital assets, not being depreciated	<u>\$ 233,692</u>	<u>\$ -</u>	<u>\$ 233,692</u>	<u>\$ -</u>
Capital assets, being depreciated:				
Buildings	\$ 1,486,168	\$ -	\$ -	\$ 1,486,168
Machinery and equipment	1,028,612	26,997	-	1,055,609
Infrastructure	<u>8,886,584</u>	<u>275,080</u>	<u>-</u>	<u>9,161,664</u>
Total capital assets, being depreciated	<u>\$ 11,401,364</u>	<u>\$ 302,077</u>	<u>\$ -</u>	<u>\$ 11,703,441</u>
Less accumulated depreciation for:				
Buildings	\$ (820,052)	\$ (32,334)	\$ -	\$ (852,386)
Machinery and equipment	(672,622)	(82,406)	-	(755,028)
Infrastructure	<u>(4,580,815)</u>	<u>(186,308)</u>	<u>-</u>	<u>(4,767,123)</u>
Total accumulated depreciation	<u>\$ (6,073,489)</u>	<u>\$ (301,048)</u>	<u>\$ -</u>	<u>\$ (6,374,537)</u>
Total capital assets being depreciated, net	<u>5,327,875</u>	<u>1,029</u>	<u>-</u>	<u>5,328,904</u>
Governmental activities capital assets, net	<u>\$ 5,561,567</u>	<u>\$ 1,029</u>	<u>\$ 233,692</u>	<u>\$ 5,328,904</u>

**Business-type activities, water and sewer system:**

Capital assets not being depreciated:

Land	\$ 112,233	\$ -	\$ -	\$ 112,233
Construction in Process	<u>1,595,840</u>	<u>-</u>	<u>1,595,840</u>	<u>-</u>
Total capital assets, not being depreciated	<u>\$ 1,708,073</u>	<u>\$ -</u>	<u>\$ 1,595,840</u>	<u>\$ 112,233</u>

Capital assets, being depreciated:

Wells and related equipment	\$ 1,202,157	\$ -	\$ -	\$ 1,202,157
Machinery and equipment	211,452	22,042	-	233,494
Infrastructure	<u>4,133,334</u>	<u>1,705,277</u>	<u>-</u>	<u>5,838,611</u>
Total capital assets, being depreciated	<u>\$ 5,546,943</u>	<u>\$ 1,727,319</u>	<u>\$ -</u>	<u>\$ 7,274,262</u>

Less accumulated depreciation for:

Wells and related equipment	\$ (319,560)	\$ (31,646)	\$ -	\$ (351,206)
Machinery and equipment	(78,336)	(11,473)	-	(89,809)
Infrastructure	<u>(999,187)</u>	<u>(134,235)</u>	<u>-</u>	<u>(1,133,422)</u>
	<u>(1,397,083)</u>	<u>(177,354)</u>	<u>-</u>	<u>(1,574,437)</u>

Total capital assets being depreciated, net	<u>4,149,860</u>	<u>1,549,965</u>	<u>-</u>	<u>5,699,825</u>
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Governmental activities capital assets, net	<u>\$ 5,857,933</u>	<u>\$ 1,549,965</u>	<u>\$ 1,595,840</u>	<u>\$ 5,812,058</u>
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government - administration	\$ 63,220
Public safety	24,084
Highways and streets, including depreciation of general infrastructure assets	132,461
Culture and recreation	<u>81,283</u>
Total depreciation expense, governmental activities	<u>\$ 301,048</u>

**D. Long Term Debt**

The Village's General Long Term Debt at September 30, 2019 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 10/1/2018	Additions	Reductions	Ending Balance 9/30/2019
Notes payable	161,864	-	108,498	53,366
Bonds Payable	960,000	-	85,000	875,000
	1,121,864	-	193,498	928,366
				Principle
Governmental	Interest Rate	Payment Terms	Maturity	Balance
FSB Clute (Medical Equip)	4.25%	\$645.86 monthly	Apr-21	11,841
FSB Clute (2 Trucks)	4.75%	\$2396.04 Monthly	Mar-21	41,525
				53,366

**Proprietary activities**

Issue type	Beginning Balance	Additions	Reductions	Ending Balance
Bonds payable	959,000	-	20,000	939,000
	959,000	-	20,000	939,000

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 2019:

	Principal Paid	Interest Paid	Balance 9/30/2019
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		
	20,000	44,071	939,000
Totals	20,000	44,071	939,000

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

2005 USDA Certificate of Obligation

Fiscal Year	Interest	Principal	Total
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	2,620	57,000	59,620
	<u>\$ 678,101</u>	<u>\$ 939,000</u>	<u>\$ 1,617,101</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 2028. 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
2020	85,000	25,664	110,664
2021	90,000	22,908	112,908
2022	90,000	20,050	110,050
2023	95,000	17,042	112,042
2024	100,000	13,800	113,800
2025	105,000	10,366	115,366
2026	105,000	6,822	111,822
2027	110,000	3,140	113,140
2028	95,000	1,686	96,686
	<u>\$ 875,000</u>	<u>\$ 121,478</u>	<u>\$ 996,478</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 4/15/2019 and carries an interest rate of 1.875%. The loan was paid off in 2019.

U.S. Department of Homeland Security  
 FEMA  
 Community Disaster Loan 1791TX07  
 Interest dates: monthly  
 Interest rate: 1.875%  
 Principal pays at maturity  
 Maturity date: 4/15/2019 \$300,000

## **E. Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of September 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Hotel/Motel	\$ 13,180
	System	50,242
	Beach	29,905
Beach	Hotel/Motel	68
Sewer	System	21,778
	General	1
Debt Service	General	3,918
Totalas		\$ 119,092

### **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. 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, 2019 may be impaired.

## C. Employee Retirement Plan

### Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined Benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com). All eligible employees of the City are required to participate in TMRS.

### Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefits in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2019 were as follows:

Employee deposit rate	7.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100.0 repeating
Annuity increase (to retirees)	70.0% of CPI

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefits terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	28
Active employees	<u>20</u>
	50

## Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employees gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution plan rates for the City were 1.64% and 1.59% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$12,809, and were equal to the required contributions.

## Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

### *Actuarial Assumptions*

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

### Actuarial Assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Overall Payroll Growth	2.8%
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change in the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan

assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Valuation Date	December 31st
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 Years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50 % to 10.50% including inflation
Investment Rate of Return*	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2018 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

#### *Discount Rate*

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balance at 12/31/2017</b>	\$ 531,255	\$ 687,190	(155,935)
Changes for the year:			-
Service cost	72,689	-	72,689
Interest	37,021	-	37,021
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(15,404)	-	(15,404)
Change of assumptions	-	-	-
Contributions - Employer	-	11,001	(11,001)
Contributions - Employee	-	54,246	(54,246)
Net Investment Income	-	(20,452)	20,452
Benefit payments, including refunds of employee contributions	(38,276)	(38,276)	-
Administrative expense	-	(398)	398
Other changes	-	(21)	21
Net changes	56,030	6,100	49,930
<b>Balance at 12/31/2018</b>	<b>\$ 587,285</b>	<b>\$ 693,289</b>	<b>\$ (106,004)</b>

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

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate.

	1.0% Decrease in Discount Rate 5.75%	Current Single Rate Assumption 6.75%	1.0% Increase in Discount Rate 7.75%
City's Net Pension Liability:	\$ (35,233)	\$ (106,004)	\$ (165,041)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2019 the City recognized pension expense of \$12,809.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (15,404)
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	66,837	-
Contributions subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 66,837</b>	<b>\$ (15,404)</b>

\$183,149 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2019	\$ 295
2020	(565)
2021	3,182
2022	13,369
2023	-
Thereafter	-
<b>Total</b>	<b>\$ 16,281</b>

## **D. Supplemental Death Benefit Plan OPEB**

### Plan Description and Benefits Provided

.TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefit Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

## Membership

At the December 31, 2018 valuation and measurement date, the following is the number of members in the plan:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>20</u>
	23

## Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retired term life insurance during employees' entire careers. Therefore, there are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The SDBF is considered an unfunded OPEB plan and benefit payments made by the City are treated as being equal to the City's yearly contribution for retirees.

The City's contribution rates for the program are as follows:

<u>Plan/Calendar</u> <u>Year</u>	<u>Total SDB</u> <u>Contribution (Rate)</u>	<u>Retiree Portion of SDB</u> <u>Contribution (Rate)</u>
2017	0.25%	0.05%
2018	0.24%	0.05%
2019	0.28%	0.05%

## Total OPEB Liability

The City's total OPEB liability and the OPEB expense is recognized on the City's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB from the beginning of the year to the end of the year adjusted for deferred recognition of certain changes in the liability.

### *Actuarial Assumptions*

The actuarial assumptions used in the December 31, 2018 valuation are based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.



Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Discount rate	3.71% based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018
Retirees share of benefit related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-services retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Changes in Total OPEB Liability

The following details the changes in the Total OPEB liability:

<b>Balance at 12/31/2017</b>	\$	22,445
Changes for the year:		
Service cost		3,642
Interest		803
Changes of benefit terms		-
Difference between expected and actual experience		(1,120)
Change of assumptions		(1,566)
Benefit payments, including refunds of employee contributions		-
Administrative expense		-
Other changes		-
Net changes		1,759
<b>Balance at 12/31/2018</b>	<u>\$</u>	<u>24,204</u>

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following represents the Total OPEB Liability of the City, calculated using the discount rate of 3.71% as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.31%) than the current rate:

	1.0% Decrease in Discount Rate 2.71%	Current Single Rate Assumption 3.71%	1.0% Increase in Discount Rate 4.71%
Total OPEB Liability:	\$ 28,436	\$ 24,204	\$ 20,684

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

OPEB Expense

Service cost	\$	3,642
Interest on Total OPEB liability		803
Changes in benefit terms including:		
TMRS Plan Participation		-
Employer Administration Costs		-
Recognition of deferred outflows/inflows of resources:		
Difference between expected and actual experience		(1,120)
Changes in assumptions or other inputs		(1,566)
Total OPEB Expense	\$	<u>1,759</u>

For the year ended September 30, 2019, the City recognized OPEB expense of \$14,843.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (1,120)
Changes in actuarial assumptions	-	(1,566)
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	482	-
Total	\$ 482	\$ (2,686)

## **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, 2019

		<u>Budget</u>			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		Favorable (Unfavorable)
<b>Revenues</b>					
Revenues:					
Taxes - -					
Property	\$ 762,078	\$ 762,078	\$ 753,990	\$	(8,088)
Franchise	60,000	60,000	67,704		7,704
Sales and use	100,000	100,000	123,789		23,789
Mixed beverage	12,000	12,000	16,628		4,628
Municipal court fines and fees	103,032	103,032	74,131		(28,901)
Licenses and permits	34,000	34,000	46,345		12,345
Garbage and service fees	205,000	205,000	228,723		23,723
Parks & Recreation	-	-	-		-
EMS	129,000	129,000	121,647		(7,353)
Miscellaneous	28,500	28,500	5,613		(22,887)
Intergovernmental	-	-	-		-
Market gains	-	-	(2,217)		(2,217)
	-	-	-		-
	-	-	-		-
	-	-	-		-
<b>Total Revenues and Other Sources</b>	<u><b>1,433,610</b></u>	<u><b>1,433,610</b></u>	<u><b>1,436,353</b></u>		<u><b>2,743</b></u>
<b>Expenditures and Other Uses</b>					
Current Expenditures - -					
Administration					
Personnel	116,177	116,177	118,284		(2,107)
Supplies	9,000	9,000	6,872		2,128
Maintenance	23,500	23,500	13,684		9,816
Service	107,500	107,500	114,659		(7,159)
Miscellaneous	39,895	39,895	46,930		(7,035)
Garbage	190,000	190,000	199,849		(9,849)
Municipal Court					
Personnel	44,541	44,541	44,355		186
Supplies	1,250	1,250	807		443
Maintenance	100	100	-		100
Service	6,500	6,500	4,934		1,566
Miscellaneous	800	800	600		200
Police Department/EMS					
Personnel	335,850	335,850	352,145		(16,295)
Supplies	43,050	43,050	36,896		6,154
Maintenance	8,600	8,600	10,250		(1,650)
Service	12,100	12,100	6,875		5,225
Miscellaneous	26,800	26,800	26,483		317
Public Works					
Personnel	115,250	115,250	91,507		23,743
Supplies	13,500	13,500	18,957		(5,457)
Maintenance	90,028	90,028	78,193		11,835
Service	26,700	26,700	26,044		656
Miscellaneous	6,350	6,350	8,580		(2,230)

## Village of Surfside Beach

### Statement of Revenues, Expenditures and Changes in Fund Balances

#### Budget and Actual - General Fund

For the Year Ended September 30, 2019 (Continued)

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Favorable (Unfavorable)
Non-Departmental	61,807	61,807	57,146	4,661
Payroll expenses	126,596	126,596	123,184	3,412
Debt Service	114,800	114,800	114,622	178
Capital Outlay	8,000	8,000	26,997	(18,997)
Grant Expenditures	-	-	-	-
<b>Total Expenditures and Other Uses</b>	<b>1,528,694</b>	<b>1,528,694</b>	<b>1,528,853</b>	<b>(159)</b>
<b>Other Financing Sources (Uses)</b>				
Debt Revenues	-	-	-	-
Transfers in	95,084	95,084	86,148	(8,936)
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>95,084</b>	<b>95,084</b>	<b>86,148</b>	<b>(8,936)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	-	-	(6,352)	(6,352)
Fund Balance (Deficit):				
Beginning of year (as restated)	759,593	759,593	759,593	-
<b>End of Year</b>	<b>\$ 854,677</b>	<b>\$ 854,677</b>	<b>\$ 753,241</b>	<b>\$ (6,352)</b>

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

# 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, 2019

	Original	Budget Final	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues and Other Sources</b>				
Revenues - -				
State Beach Funds	20,000	20,000	23,985	3,985
Seasonal Permits	380,000	380,000	391,471	11,471
S-Permit Sales	100,000	100,000	108,196	8,196
Interest Earned	-	-	-	-
Miscellaneous	3,000	3,000	145	(2,855)
Intergovernmental	-	-	-	-
<b>Total Revenues and Other Sources</b>	<b>503,000</b>	<b>503,000</b>	<b>523,797</b>	<b>20,797</b>
<b>Expenditures and Other Uses</b>				
Current Expenditures - -				
Personnel	314,715	314,715	250,207	64,508
Supplies	20,750	20,750	12,423	8,327
Maintenance	15,553	15,553	11,360	4,193
Service	58,432	58,432	43,195	15,237
Miscellaneous	93,550	93,550	108,470	(14,920)
Debt Service	-	-	-	-
Transfers	-	-	-	-
Capital Outlay	-	-	-	-
Transfers to other funds - -	-	-	-	-
General Fund	-	-	-	-
<b>Total Expenditures and Other Uses</b>	<b>503,000</b>	<b>503,000</b>	<b>425,655</b>	<b>77,345</b>
<b>Excess of Revenues Over (Under) Expenditures and Other Uses</b>	<b>-</b>	<b>-</b>	<b>98,142</b>	<b>98,142</b>
<b>Fund Balance</b>				
Beginning of year	359,733	359,733	359,733	-
<b>End of year</b>	<b>\$ 359,733</b>	<b>\$ 359,733</b>	<b>\$ 457,875</b>	<b>\$ 98,142</b>

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

## Village of Surfside Beach, Texas

### Statement of Revenues, Expenditures and Changes in Fund Balances

#### Budget and Actual - Hotel/Motel Tax Fund

For the Year Ended September 30, 2019

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues and Other Sources				
Revenues - -				
Hotel-motel taxes	450,000	450,000	372,162	(77,838)
Interest Earned	9,000	9,000	20,969	11,969
Miscellaneous	5,151	5,151	6,386	1,235
Stahlman Rental	45,000	45,000	49,335	4,335
Ft Velasco Donations	20	20	1,777	1,757
Grant Revenue	72,000	72,000	-	(72,000)
<b>Total Revenues and Other Sources</b>	<b>581,171</b>	<b>581,171</b>	<b>450,629</b>	<b>(130,542)</b>
Expenditures and Other Uses				
Current Expenditures - -				
Ft Velasco	5,000	5,000	2,176	2,824
Personnel	33,950	33,950	39,959	(6,009)
Supplies	-	-	-	-
Maintenance	112,161	112,161	78,067	34,094
Service	129,150	129,150	72,811	56,339
Miscellaneous	-	-	-	-
Capital Expenses	-	-	-	-
Transfers	-	-	-	-
Grant Expenditures	91,025	91,025	41,388	49,637
<b>Total Expenditures and Other Uses</b>	<b>371,286</b>	<b>371,286</b>	<b>234,401</b>	<b>136,885</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures and Other Uses</b>	209,885	209,885	216,228	6,343
Fund Balance				
Beginning of year	1,832,586	1,832,586	1,832,586	-
<b>End of year</b>	<b>\$ 2,042,471</b>	<b>\$ 2,042,471</b>	<b>\$ 2,048,814</b>	<b>\$ 6,343</b>

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

Village of Surfside  
Schedule of Changes in Net Pension Liability and Related Ratios  
Texas Municipal Retirement System - Pension  
Last 10 Years (will ultimately be displayed)

	2014	2015	2016	2017	2018
<b>Total pension liability</b>					
Service Cost	\$ 40,364	41,884	44,959	59,576	72,689
Interest (on the Total Pension Liability)	24,776	27,739	31,040	33,313	37,021
Changes of Benefit Terms	-	-	4,383	3,980	-
Difference between expected and actual experience	(9,664)	(7,978)	(24,230)	(12,918)	(15,404)
Changes of assumptions	-	15,046	-	-	-
Benefit payments, including refunds of employee contributions	(23,616)	(4,207)	(33,851)	(24,907)	(38,276)
<b>Net Change in Total Pension Liability</b>	31,860	72,484	22,301	59,044	56,030
<b>Total Pension Liability - Beginning</b>	345,566	377,426	449,910	472,211	531,255
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 377,426</u>	<u>\$ 449,910</u>	<u>\$ 472,211</u>	<u>\$ 531,255</u>	<u>\$ 587,285</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	5,191	4,743	4,360	9,145	11,001
Contributions - Employee	31,141	31,397	33,156	44,294	54,246
Net Investment Income	26,795	748	36,225	79,795	(20,452)
Benefit payments, including refunds of employee contributions	(23,616)	(4,207)	(33,851)	(24,907)	(38,276)
Administrative Expense	(280)	(456)	(412)	(416)	(398)
Other	(23)	(23)	(22)	(21)	(21)
<b>Net Change in Plan Fiduciary Net Position</b>	39,208	32,202	39,456	107,889	6,099
<b>Plan Fiduciary Net Position - Beginning</b>	468,434	507,642	539,844	579,300	687,190
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 507,642</u>	<u>\$ 539,844</u>	<u>\$ 579,300</u>	<u>\$ 687,189</u>	<u>\$ 693,289</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	(130,216)	(89,934)	(107,089)	(155,934)	(106,004)
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	134.50%	119.99%	122.68%	129.35%	118.05%
<b>Covered Employee Payroll</b>	\$ 622,811	\$ 627,939	\$ 663,116	738,239	774,941
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	-20.91%	-14.32%	-16.15%	-21.12%	-13.68%

Note: Information for previous years was not readily available. The City will compile the respective information over the next future periods as provided by TMRS on a measurement date basis. The accompanying notes to required supplementary information are an integral part of this schedule.



**Village of Surfside**  
**Schedule of Employer Contributions**  
**Texas Municipal Retirement System - Pension**  
Last ten years

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	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 3,939	\$ 4,484	\$ 7,592	\$ 9,145	\$ 12,809
Contribution in relation to the actuarially determined contribution	<u>(5,191)</u>	<u>(4,743)</u>	<u>(4,360)</u>	<u>(9,145)</u>	<u>(12,781)</u>
Contribution Deficiency (excess)	<u>\$ (1,252)</u>	<u>\$ (259)</u>	<u>\$ 3,232</u>	<u>\$ -</u>	<u>\$ 28</u>
Covered employee payroll	\$ 622,811	\$ 627,939	\$ 663,116	\$ 738,239	\$ 774,941
Contributions as a percentage of coverage employee payroll	0.63%	0.71%	1.14%	1.24%	1.65%

Information for the prior fiscal years was not readily available. The City will compile the respective information over the next several fiscal years.

The accompanying notes to required supplementary information are an integral part of this schedule.

**Village of Surfside**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Texas Municipal Retirement System - Supplemental Death Benefit**  
Last ten years

	<u>2017</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service Cost	3,101	3,642
Interest (on the Total Pension Liability)	698	803
Changes of Benefit Terms	-	-
Difference between expected and actual experience	-	(1,120)
Changes of assumptions	1,755	(1,566)
Benefit payments, including refunds of employee contributions	(74)	-
<b>Net Change in Total Pension Liability</b>	5,480	1,759
<b>Total OPEB Liability - Beginning</b>	<u>16,965</u>	<u>22,445</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 22,445</u>	<u>\$ 24,204</u>
<b>Covered Employee Payroll</b>	738,239	774,941
<b>Total OPEB Liability as a Percentage of Covered Employee Payroll</b>	3.04%	3.12%

NOTE: Information for the prior fiscal years not readily available. The City will compile the respective information over the next nine years as provided by TMRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

**Village of Surfside Beach**  
**Schedule of Employer Contributions**  
**Texas Municipal Retirement System - Supplemental Death Benefit**  
Last ten years

	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 705	\$ 693
Contribution in relation to the actuarially determined contribution	<u>(705)</u>	<u>(693)</u>
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 738,239	\$ 774,941
Contributions as a percentage of coverage employee payroll	0.10%	0.09%

NOTE: Information for the prior fiscal years not readily available. The City will compile the respective information over the next nine years as provided by TMRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

## Village of Surfside Beach, Texas

Notes to Required Supplementary Information

For the year ended September 30, 2019

### 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. Budgets were not prepared for the Sewer and Debt Service Funds.

### Texas Municipal Retirement System

Valuation Date	December 31st
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Overall Payroll Growth	3.00%
Salary Increases	3.50 % to 12.00% including inflation
Investment Rate of Return*	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

## **Compliance Section**

***Baker, Stogner & Associates***  
*Certified Public Accountants*

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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*

The Honorable 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, 2019, and the related notes to the financial statements, which collectively comprise the Village of Surfside Beach's basic financial statements, and have issued our report thereon dated June 2, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village of Surfside Beach's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Surfside Beach's internal control.

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

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

**Compliance and Other Matters**

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

El Campo, Texas  
June 2, 2020