

**VILLAGE OF SURFSIDE BEACH**  
SURFSIDE BEACH, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
SEPTEMBER 30, 2020



**8 WEST WAY COURT**  
**LAKE JACKSON, TEXAS 77566**

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# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

Annual Financial Report  
For the Year Ended September 30, 2020

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## **FINANCIAL SECTION**

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Surfside Beach (the "Village") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Surfside Beach, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### Required Supplementary Information

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

#### *Other Information*

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

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



To The Honorable Mayor and  
Members of Council  
Village of Surfside Beach  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

***KM&L, LLC***

Lake Jackson, Texas  
March 29, 2021

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## VILLAGE OF SURFSIDE BEACH, TEXAS

### *Management's Discussion and Analysis For the Year Ended September 30, 2020*

As management of the Village of Surfside Beach (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the Village's financial statements, which follow this section.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 14,775,305 (net position). Of this amount, \$ 1,386,907 is unrestricted net position and may be used to meet the Village's ongoing obligations.
- The Village's total net position increased in the amount of \$ 636,506.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$ 4,529,715. 18.57% of this total amount, \$ 841,193 (unassigned fund balance) is available for use within the Village's fund designation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 841,193 or 49.31% of the total general fund expenditures

#### **Overview of the Financial Statements**

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

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

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

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

## VILLAGE OF SURFSIDE BEACH, TEXAS

*Management's Discussion and Analysis  
For the Year Ended September 30, 2020*

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

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

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

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

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

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

## VILLAGE OF SURFSIDE BEACH, TEXAS

*Management's Discussion and Analysis  
For the Year Ended September 30, 2020*

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-68 of this report.

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

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

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Village, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 14,775,305 as of September 30, 2020.

As of September 30, 2020, the Village is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories governmental and business-type activities.

The largest portion of the Village's net position, \$ 9,709,400 (65.71%) reflects its investments in capital assets less any debt used to acquire those assets that is still outstanding. The Village uses capital assets to provide service to citizens; consequently these assets are not available for future spending.

An additional portion of the Village's net position of \$ 3,678,998 (24.90%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 1,386,907 (9.39%) may be used to meet the government's ongoing obligations to citizens and creditors.

# VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis  
For the Year Ended September 30, 2020

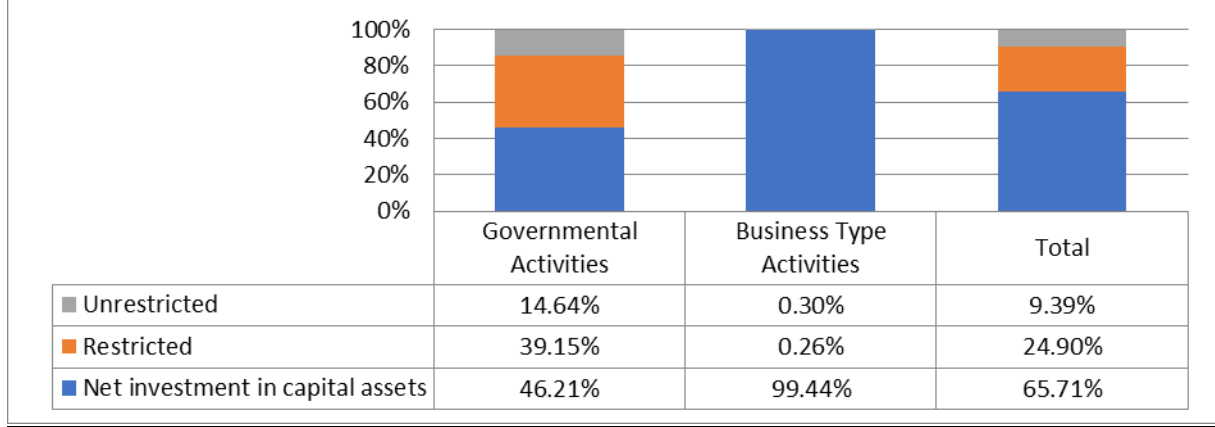
The following table provides a summary of the Village's net position as of September 30, 2020 and 2019:

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30		September 30,	
	2020	Restated 2019	2020	Restated 2019	2020	Restated 2019
<b>ASSETS</b>						
Current and other assets	\$ 5,262,385	\$ 4,400,156	\$ 2,231,882	\$ 741,243	\$ 7,494,267	\$ 5,141,399
Capital assets	<u>5,135,258</u>	<u>5,328,904</u>	<u>6,022,756</u>	<u>5,812,058</u>	<u>11,158,014</u>	<u>11,140,962</u>
Total assets	<u>10,397,643</u>	<u>9,729,060</u>	<u>8,254,638</u>	<u>6,553,301</u>	<u>18,652,281</u>	<u>16,282,361</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources	<u>17,177</u>	<u>28,258</u>	<u>5,538</u>	<u>9,110</u>	<u>22,715</u>	<u>37,368</u>
Total deferred outflows of resources	<u>17,177</u>	<u>28,258</u>	<u>5,538</u>	<u>9,110</u>	<u>22,715</u>	<u>37,368</u>
<b>LIABILITIES</b>						
Current liabilities	153,337	97,719	107,054	152,395	260,391	250,114
Long-term liabilities	<u>862,469</u>	<u>961,663</u>	<u>2,728,653</u>	<u>947,021</u>	<u>3,591,122</u>	<u>1,908,684</u>
Total liabilities	<u>1,015,806</u>	<u>1,059,382</u>	<u>2,835,707</u>	<u>1,099,416</u>	<u>3,851,513</u>	<u>2,158,798</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources	<u>36,432</u>	<u>16,736</u>	<u>11,746</u>	<u>5,396</u>	<u>48,178</u>	<u>22,132</u>
Total deferred inflows of resources	<u>36,432</u>	<u>16,736</u>	<u>11,746</u>	<u>5,396</u>	<u>48,178</u>	<u>22,132</u>
<b>NET POSITION</b>						
Net investment in capital assets	4,326,813	4,400,538	5,382,587	4,873,057	9,709,400	9,273,595
Restricted	3,664,933	3,024,703	14,065	324,990	3,678,998	3,349,693
Unrestricted	<u>1,370,836</u>	<u>1,255,959</u>	<u>16,071</u>	<u>259,552</u>	<u>1,386,907</u>	<u>1,515,511</u>
Total net position	<u>\$ 9,362,582</u>	<u>\$ 8,681,200</u>	<u>\$ 5,412,723</u>	<u>\$ 5,457,599</u>	<u>\$ 14,775,305</u>	<u>\$ 14,138,799</u>

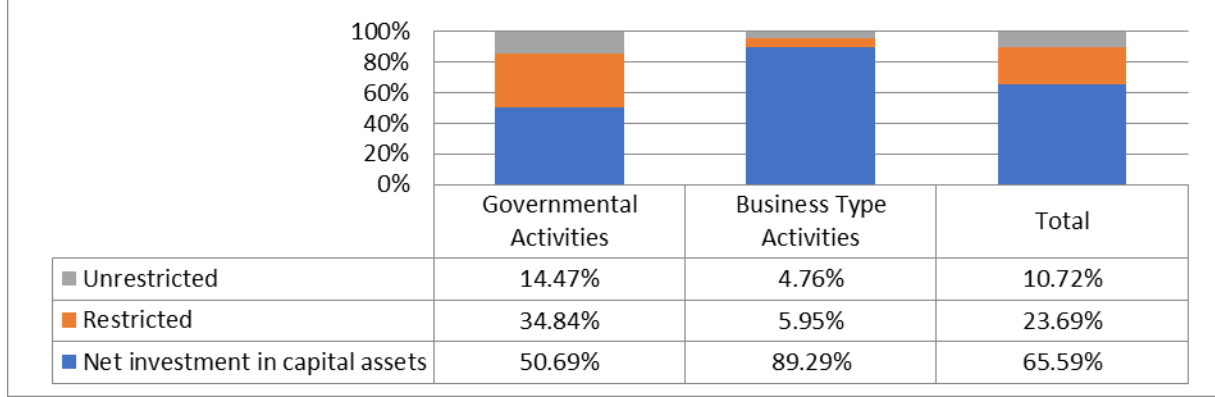
**VILLAGE OF SURFSIDE BEACH, TEXAS**

*Management's Discussion and Analysis  
For the Year Ended September 30, 2020*

**2020 Percentage of Net Position by Type**



**2019 Percentage of Net Position by Type**



# VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis  
For the Year Ended September 30, 2020

## Analysis of the Village's Operations

The following table provides a summary of the Village's activities for the years ended September 30, 2020 and 2019:

### VILLAGE'S ACTIVITIES

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2020	Restated 2019	2020	Restated 2019	2020	Restated 2019
Revenues:						
Program Revenues:						
Charges for services	\$ 1,359,840	\$ 1,043,833	\$ 764,604	\$ 730,027	\$ 2,124,444	\$ 1,773,860
Operating grants and contributions	7,328				7,328	-0-
Capital grants and contributions		6,577	160,000		160,000	6,577
General Revenues:						
Property taxes	999,709	933,445			999,709	933,445
Sales taxes	146,333	123,789			146,333	123,789
Franchise taxes	69,622	67,704			69,622	67,704
Occupancy taxes	636,530	388,790			636,530	388,790
Other taxes	20,402				20,402	-0-
Investment earnings	14,847	23,570	2,942		17,789	23,570
Miscellaneous	26,178	13,853		22,309	26,178	36,162
Gain on disposition of capital assets	116,001				116,001	-0-
Total revenues	<u>3,396,790</u>	<u>2,601,561</u>	<u>927,546</u>	<u>752,336</u>	<u>4,324,336</u>	<u>3,353,897</u>
Expenses:						
General government and administration	559,426	553,671			559,426	553,671
Municipal court	69,282	45,432			69,282	45,432
Police/EMS department	539,054	451,486			539,054	451,486
Fire department	45,822	57,146			45,822	57,146
Public works	375,104	333,927			375,104	333,927
Public facilities	570,032	417,672			570,032	417,672
Economic development	307,702	193,013			307,702	193,013
Employee benefit	137,411	123,184			137,411	123,184
Interest and fiscal charges	26,675	36,083	95,146	44,571	121,821	80,654
Water and sewer			962,176	732,922	962,176	732,922
Total expenses	<u>2,630,508</u>	<u>2,211,614</u>	<u>1,057,322</u>	<u>777,493</u>	<u>3,687,830</u>	<u>2,989,107</u>

(Continued)



## VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis  
For the Year Ended September 30, 2020

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2020	Restated 2019	2020	Restated 2019	2020	Restated 2019
Increase (decrease) in net position before transfers	766,282	389,947	( 129,776 )	( 25,157 )	636,506	364,790
Transfers	( 84,900 )	( 173,391 )	84,900	173,391	-0-	-0-
Changes in net position	681,382	216,556	( 44,876 )	148,234	636,506	364,790
Net position - beginning	<u>8,681,200</u>	<u>8,464,644</u>	<u>5,457,599</u>	<u>5,309,365</u>	<u>14,138,799</u>	<u>13,774,009</u>
Net position - ending	<u>\$ 9,362,582</u>	<u>\$ 8,681,200</u>	<u>\$ 5,412,723</u>	<u>\$ 5,457,599</u>	<u>\$ 14,775,305</u>	<u>\$ 14,138,799</u>

**Governmental Activities:** Governmental activities increased the Village's net position by \$ 681,382 (7.85%). Total revenues increased from the prior year by \$ 795,229 and total expenses increased from the prior year by \$ 418,894, respectively. Total revenues increased from the prior year, due to an increase in charges for services and occupancy taxes. Total expenses increased at a rate of about 18.94%.

**Business-type Activities:** Business activities decreased the Village's net position by \$ 44,876 (0.82%). Total revenues increased from the prior year by \$ 175,210 and total expenses increased from the prior year by \$ 279,829 respectively. Total revenues increased from the prior year, due to an increase in water/sewer consumption and capital grants. Total expenses increased at a rate of about 35.99%. The major increases in 2020 expenses were water and sewer operating expenses.

### Financial Analysis of the Village's Funds

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

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

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$ 4,529,715, 18.57% of this total amount (\$ 841,193) constitutes unassigned fund balance. The remainder of the fund balance has been categorized as 1) nonspendable (\$ 26,973) and 2) restricted (\$ 3,661,549).

The General Fund fund balance increased by \$ 140,696; the Beach special revenue fund balance increased by \$ 240,315, the Hotel/Motel Tax special revenue fund balance increased by \$ 440,194, and the non-major governmental funds decreased by \$ 30,571.

## VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis  
For the Year Ended September 30, 2020

**Proprietary funds.** As mentioned earlier, the Village's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The enterprise fund is used to account for its water and sewer operations. Net position at September 30, 2020 amounted to \$ 5,412,723. Total net position decreased by \$ 44,876 (approximately 0.82%).

**General Fund Budgetary Highlights.** The Village did not make amendments to its budget during the current fiscal year. The Village's actual revenue exceeded the budgeted revenues by \$ 107,675 and actual expenditures exceeded the budgeted expenditures by \$ 107,280.

### Capital Assets

The Village's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$ 11,158,014 (net of accumulated depreciation). This investment in capital assets includes land, buildings, wells and related equipment, furniture, equipment and vehicles, infrastructure, and construction in progress. The total increase in the Village's investment in capital assets for the current fiscal year was \$ 17,052. (\$ 193,646 decrease for governmental activities and \$ 210,698 increase in business-type activities).

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

- Water line project \$ 177,527

#### CAPITAL ASSETS AT YEAR-END NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2020	2019	2020	2019	2020	2019
Land	\$	\$	\$ 112,233	\$ 112,233	\$ 112,233	\$ 112,233
Buildings	606,775	633,782			606,775	633,782
Wells and related equipment			769,528	850,951	769,528	850,951
Furniture, equipment and vehicles	304,045	300,581	138,335	143,685	442,380	444,266
Infrastructure	4,199,581	4,394,541	4,775,069	4,705,189	8,974,650	9,099,730
Construction in progress	24,857		227,591		252,448	-0-
Total	<u>\$ 5,135,258</u>	<u>\$ 5,328,904</u>	<u>\$ 6,022,756</u>	<u>\$ 5,812,058</u>	<u>\$ 11,158,014</u>	<u>\$ 11,140,962</u>

Additional information on the Village's capital assets can be found in Note 7 on pages 54-55 of this report.

# VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis  
For the Year Ended September 30, 2020

## Debt Administration

At the end of the current fiscal year, the Village had a total bonded debt of \$ 3,508,000. Of this amount, \$ 790,000 is comprised of bonded debt backed by the full faith and credit of the Village. These bonds will be retired with revenues from property and sales taxes. The remaining \$ 2,718,000 represents bonds secured by water and sewer revenues.

### OUTSTANDING LONG-TERM BONDS AT YEAR END

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 790,000	\$ 875,000	\$	\$	\$ 790,000	\$ 875,000
Revenue bonds			2,718,000	939,000	2,718,000	939,000
Notes payable	18,445	53,366			18,445	53,366
Total OPEB liability	29,078	18,303	9,375	5,901	38,453	24,204
Compensated absences	<u>24,946</u>	<u>14,994</u>	<u>1,278</u>	<u>2,120</u>	<u>26,224</u>	<u>17,114</u>
Total	<u>\$ 862,469</u>	<u>\$ 961,663</u>	<u>\$ 2,728,653</u>	<u>\$ 947,021</u>	<u>\$ 3,591,122</u>	<u>\$ 1,908,684</u>

During the fiscal year, the Village's total bonded debt increased \$ 1,694,000 due to the net issuance of bonds and current debt payments. The underlying rating on all of such Bonds are "AA" by S&P.

Additional information on the Village's long term debt can be found in Note 8 on pages 56-58 of this report.

## Economic Factors and Next Year's Budgets and Rates

The adopted tax was decreased from 0.353778 to 0.334846. The maintenance and operations rate is \$ 0.280268 and the debt service rate is \$ 0.054578.

The projected property tax due is \$ 863,599 for the 2020/21 tax year. The certified assessed property valuations were more than the prior year values.

Of the \$ 863,599 projected property taxes due, \$ 25,996 is to be raised from new property added to the tax roll.

## Request for Information

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

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## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

## STATEMENT OF NET POSITION

September 30, 2020

	Governmental Activities	Business- Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 4,171,143	\$ 82,446	\$ 4,253,589
Taxes receivable, net	77,617		77,617
Accounts receivable, net	587,895	183,333	771,228
Due from other governments	8,191		8,191
Investments	23,023		23,023
Inventories	2,000	37,000	39,000
Interfund balances	219,747	( 219,747)	-0-
Prepaid items	35,324		35,324
Restricted Assets:			
Temporarily Restricted:			
Cash and cash equivalents		2,104,538	2,104,538
Net pension asset	137,445	44,312	181,757
Capital Assets (Net of Accumulated Depreciation):			
Land		112,233	112,233
Buildings	606,775		606,775
Wells and related equipment		769,528	769,528
Furniture, equipment, and vehicles	304,045	138,335	442,380
Infrastructure	4,199,581	4,775,069	8,974,650
Construction in progress	24,857	227,591	252,448
	<u>10,397,643</u>	<u>8,254,638</u>	<u>18,652,281</u>
Total assets			
Deferred Outflows of Resources:			
Deferred outflows of resources - pension	8,703	2,806	11,509
Deferred outflows of resources - OPEB	8,474	2,732	11,206
	<u>17,177</u>	<u>5,538</u>	<u>22,715</u>
Total deferred outflows of resources			

(continued)

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

## STATEMENT OF NET POSITION - Continued

September 30, 2020

	Governmental Activities	Business- Type Activities	Total
Liabilities:			
Accounts payable	\$ 83,294	\$ 15,502	\$ 98,796
Accrued wages	44,209	18,083	62,292
Accrued interest	735	9,257	9,992
Unearned revenue	25,099	60,827	85,926
Liabilities payable from restricted assets		3,385	3,385
Noncurrent liabilities:			
Due within one year	133,391	97,278	230,669
Due in more than one year:			
Long term debt	700,000	2,622,000	3,322,000
Total OPEB liability	<u>29,078</u>	<u>9,375</u>	<u>38,453</u>
Total liabilities	<u>1,015,806</u>	<u>2,835,707</u>	<u>3,851,513</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	34,963	11,272	46,235
Deferred inflows of resources - OPEB	<u>1,469</u>	<u>474</u>	<u>1,943</u>
Total deferred inflows of resources	<u>36,432</u>	<u>11,746</u>	<u>48,178</u>
Net Position:			
Net investment in capital assets	4,326,813	5,382,587	9,709,400
Restricted For:			
Debt service	102,103	14,065	116,168
Beach services	693,553		693,553
Economic development	2,487,548		2,487,548
Construction	381,729		381,729
Unrestricted	<u>1,370,836</u>	<u>16,071</u>	<u>1,386,907</u>
Total net position	<u>\$ 9,362,582</u>	<u>\$ 5,412,723</u>	<u>\$ 14,775,305</u>

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

**VILLAGE OF SURFSIDE BEACH**  
Surfside Beach, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 559,426	\$ 306,175	\$ 7,328	\$
Municipal court	69,282	49,932		
Police/EMS department	539,054	146,948		
Fire department	45,822			
Public works	375,104			
Public facilities	570,032	856,785		
Economic development	307,702			
Employee benefit	137,411			
Interest and fiscal charges	26,675			
Total governmental activities	2,630,508	1,359,840	7,328	-0-
Business-type Activities:				
Water and sewer	962,176	764,604		160,000
Interest and fiscal charges	95,146			
Total business-type activities	1,057,322	764,604	-0-	160,000
Total	\$ 3,687,830	\$ 2,124,444	\$ 7,328	\$ 160,000

General Revenue:

Taxes:	
Property	
Sales	
Franchise	
Occupancy	
Other	
Investment earnings	
Gain on the disposition of capital assets	
Miscellaneous	
Transfers	
Total general revenues and transfers	

Change in net position

Net position - beginning (restated, see note 2)

Net position - ending

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



Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$( 245,923)	\$	\$( 245,923)
( 19,350)		( 19,350)
( 392,106)		( 392,106)
( 45,822)		( 45,822)
( 375,104)		( 375,104)
286,753		286,753
( 307,702)		( 307,702)
( 137,411)		( 137,411)
<u>( 26,675)</u>		<u>( 26,675)</u>
<u>( 1,263,340)</u>	<u>-0-</u>	<u>( 1,263,340)</u>
	( 37,572)	( 37,572)
	<u>( 95,146)</u>	<u>( 95,146)</u>
<u>-0-</u>	<u>( 132,718)</u>	<u>( 132,718)</u>
<u>( 1,263,340)</u>	<u>( 132,718)</u>	<u>( 1,396,058)</u>
999,709		999,709
146,333		146,333
69,622		69,622
636,530		636,530
20,402		20,402
14,847	2,942	17,789
116,001		116,001
26,178		26,178
<u>( 84,900)</u>	<u>84,900</u>	<u>-0-</u>
<u>1,944,722</u>	<u>87,842</u>	<u>2,032,564</u>
681,382	( 44,876)	636,506
<u>8,681,200</u>	<u>5,457,599</u>	<u>14,138,799</u>
<u>\$ 9,362,582</u>	<u>\$ 5,412,723</u>	<u>\$ 14,775,305</u>

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2020

	General Fund	Beach Fund	Hotel/Motel Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets and Deferred Outflows of Resources</u>					
Assets:					
Cash and cash equivalents	\$ 568,899	\$ 800,307	\$ 2,335,202	\$ 466,735	\$ 4,171,143
Receivables (net):					
Taxes	73,136			4,481	77,617
Accounts	10,697		157,491		168,188
Grants	8,191				8,191
Due from other funds	282,524	1,438	1,951	13,351	299,264
Investments	23,023				23,023
Inventories	2,000				2,000
Prepaid items	24,973		10,351		35,324
Total assets	993,443	801,745	2,504,995	484,567	4,784,750
Deferred Outflows of Resources:					
Deferred outflows of resources					-0-
Total deferred outflows of resources	-0-	-0-	-0-	-0-	-0-
Total assets and deferred outflows of resources	\$ 993,443	\$ 801,745	\$ 2,504,995	\$ 484,567	\$ 4,784,750
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 56,849	\$ 24,418	\$ 2,027	\$	\$ 83,294
Accrued wages	33,352	8,808	2,049		44,209
Unearned revenue	12,849	200	12,050		25,099
Due to other funds	3,430	74,766	1,321		79,517
Total liabilities	106,480	108,192	17,447	-0-	232,119
Deferred Inflows of Resources:					
Deferred inflows of resources	18,797			4,119	22,916
Total deferred inflows of resources	18,797	-0-	-0-	4,119	22,916
Fund Balances:					
Nonspendable	26,973				26,973
Restricted		693,553	2,487,548	480,448	3,661,549
Unassigned	841,193				841,193
Total fund balances	868,166	693,553	2,487,548	480,448	4,529,715
Total liabilities, deferred inflows of resources and fund balances	\$ 993,443	\$ 801,745	\$ 2,504,995	\$ 484,567	\$ 4,784,750

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

**VILLAGE OF SURFSIDE BEACH**  
Surfside Beach, Texas

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

September 30, 2020

Total fund balances – governmental funds balance sheet	\$	4,529,715
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 11,800,389 assets less \$ 6,665,131 in accumulated depreciation.		5,135,258
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 18,797 and \$ 4,119, respectively.		22,916
Judicial accounts receivables net of related allowance for uncollectible are unavailable to pay for current period expenditures and availability of funds are uncertain as to availability are not recorded in the funds. Judicial receivables of \$ 1,049,267 net of allowance for uncollectible accounts of \$ 629,560 of the general fund amounted to \$ 419,707.		419,707
Pension deferred outflows of resources		8,703
OPEB deferred outflows of resources		8,474
Pension deferred inflows of resources	(	34,963)
OPEB deferred inflows of resources	(	1,469)
Payable for bond principal and other long-term debt are not reported in the funds.	(	808,445)
Payable for bond interest is not reported in the funds.	(	735)
Net pension asset is not reported in the funds.		137,445
Total OPEB liability is not reported in the funds.	(	29,078)
Payable for long-term compensated absences is not reported in the funds.		<u>24,946)</u>
Net position of governmental activities – statement of net position.	\$	<u>9,362,582</u>

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

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

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

For the Year Ended September 30, 2020

	General Fund	Beach Fund	Hotel/Motel Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes:					
Property	\$ 825,871	\$	\$	\$ 178,921	\$ 1,004,792
Sales	146,333				146,333
Franchise	69,622				69,622
Occupancy			636,530		636,530
Other	20,402				20,402
Intergovernmental	7,328				7,328
Garbage and service fees	242,137				242,137
EMS revenue	146,948				146,948
Fines and fees	88,861				88,861
Licenses and permits	51,038	856,785		13,000	920,823
Investment earnings	881		13,907	59	14,847
Miscellaneous	7,044	135	18,999		26,178
Total revenues	1,606,465	856,920	669,436	191,980	3,324,801
<b>Expenditures:</b>					
Current:					
General government and administration	504,185				504,185
Municipal court	69,282				69,282
Police/EMS department	515,806				515,806
Fire department	45,822				45,822
Public works	375,104				375,104
Public facilities		442,171			442,171
Economic development			229,242		229,242
Employee benefit	137,411				137,411
Capital outlay	21,957	50,134		24,857	96,948
Debt Service:					
Principal retirement	34,921			85,000	119,921
Interest and fiscal charges	1,582			27,794	29,376
Total expenditures	1,706,070	492,305	229,242	137,651	2,565,268
Excess (deficiency) of revenues over expenditures	( 99,605 )	364,615	440,194	54,329	759,533
<b>Other Financing Sources (Uses):</b>					
Sale of capital assets	116,001				116,001
Transfers in	124,300				124,300
Transfers out	( 124,300 )	( 124,300 )		( 84,900 )	( 209,200 )
Total other financing sources (uses)	240,301	( 124,300 )	-0-	( 84,900 )	31,101
Net change in fund balances	140,696	240,315	440,194	( 30,571 )	790,634
Fund balances - beginning (restated)	727,470	453,238	2,047,354	511,019	3,739,081
Fund balances - ending	\$ 868,166	\$ 693,553	\$ 2,487,548	\$ 480,448	\$ 4,529,715

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

## VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

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

For the Year Ended September 30, 2020

Net change in fund balances – total governmental funds	\$	790,634
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**Amounts reported for governmental activities in the statement of activities are different because:**

Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay of \$ 96,948 less depreciation of \$ 290,594 in the current period.	(	193,646)
---	---	----------

Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund and the debt service fund decreased by \$ 4,048 and \$ 1,035, respectively.	(	5,083)
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Judicial revenues (resulting from accounts receivables net of related allowance for uncollectible) in the governmental activities statements of activities do not provide current available resources and are not reported as revenues in the funds. The change in these net receivables resulted in a decrease in revenues reported in the governmental activities statement of activities.	(	38,929)
--	---	---------

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. These amounts were for general obligation bonded debt \$ 85,000 and note payment of \$ 34,921.		119,921
---	--	---------

Governmental funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 18,713 less than the amount reported in the funds.		18,713
---	--	--------

Governmental funds report OPEB payments as expenditures. However, in the governmental activities statement of activities, the OPEB cost is calculated by an actuary and involves multiple factors. The amount of OPEB expense reported was \$ 2,980 more than the amount reported in the funds.	(	2,980)
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Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt.		2,701
---	--	-------

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in compensated absences.	(	<u>9,949</u> )
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Change in net position of governmental activities	\$	<u><u>681,382</u></u>
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF SURFSIDE BEACH**  
Surfside Beach, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND

September 30, 2020

	Enterprise
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 82,446
Accounts receivables, net	183,333
Inventories	37,000
Sub-total	302,779
Current Restricted Assets:	
Cash and cash equivalents	2,104,538
Total current restricted assets	2,104,538
Total current assets	2,407,317
Net pension assets	44,312
Capital Assets:	
Property, plant and equipment	7,774,086
Less accumulated depreciation	( 1,751,330)
Total capital assets (net of accumulated depreciation)	6,022,756
Total noncurrent assets	6,067,068
Total assets	8,474,385
Deferred Outflows of Resources:	
Deferred outflows of resources - pension	2,806
Deferred outflows of resources - OPEB	2,732
Total deferred outflows of resources	5,538

(continued)

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

## STATEMENT OF NET POSITION - PROPRIETARY FUND - Continued

September 30, 2020

	<u>Enterprise</u>
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 15,502
Accrued wages	18,083
Unearned revenue	60,827
Accrued compensated absences	1,278
Revenue bonds payable	96,000
Due to other funds	<u>219,747</u>
	<u>411,437</u>
Current Liabilities Payable from Restricted Assets:	
Accrued interest	9,257
Customer deposits	<u>3,385</u>
Total current liabilities payable from restricted assets	<u>12,642</u>
Total current liabilities	<u>424,079</u>
Noncurrent Liabilities:	
Revenue bonds payable	2,622,000
Total OPEB liability	<u>9,375</u>
Total noncurrent liabilities	<u>2,631,375</u>
Total liabilities	<u>3,055,454</u>
Deferred Inflows of Resources:	
Deferred inflows of resources - pension	11,272
Deferred inflows of resources - OPEB	<u>474</u>
Total deferred inflows of resources	<u>11,746</u>
Net Position:	
Net investment in capital assets	5,382,587
Restricted For:	
Debt service	14,065
Unrestricted	<u>16,071</u>
Total net position	<u>\$ 5,412,723</u>

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

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

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

For the Year Ended September 30, 2020

	<u>Enterprise</u>
Operating Revenues:	
Water service	\$ 526,440
Sewer service	190,360
Tapping and connection fees	47,170
Capital grant revenue	160,000
Other	<u>634</u>
Total operating revenues	<u>924,604</u>
Operating Expenses:	
Personnel related	339,674
Contracted services	20,658
Repairs and maintenance	277,761
Others	147,190
Depreciation	<u>176,893</u>
Total operating expenses	<u>962,176</u>
Operating loss	<u>( 37,572)</u>
Non-Operating Revenues (Expenses):	
Investment earning	2,942
Interest and fiscal charges	<u>( 95,146)</u>
Total non-operating revenues (expenses)	<u>( 92,204)</u>
Loss before transfers	<u>( 129,776)</u>
Transfers in	<u>84,900</u>
Change in net position	<u>( 44,876)</u>
Net position at beginning of year (restated, see note 2)	<u>5,457,599</u>
Net position at end of year	<u>\$ 5,412,723</u>

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



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**VILLAGE OF SURFSIDE BEACH**  
Surfside Beach, Texas

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND**

For the Year Ended September 30, 2020

	Enterprise
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 836,112
Receipts from other funds	147,728
Payments to suppliers	( 428,969)
Payments to employees	( 336,183)
Net cash provided by operating activities	218,688
Cash Flows from Non-Capital Financing Activities:	
Transfers in	84,900
Net cash provided by non-capital and related financing activities	84,900
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	( 387,591)
Proceeds from sale of bonds	1,800,000
Principal paid on bonds	( 21,000)
Interest and fiscal charges paid	( 91,225)
Net cash provided by capital and related financing activities	1,300,184
Cash Flows from Investing Activities:	
Interest received	2,942
Net cash provided by investing activities	2,942
Change in cash and cash equivalents	1,606,714
Cash and cash equivalents at the beginning of year	580,270
Cash and cash equivalents at the end of year	\$ 2,186,984

(continued)

**VILLAGE OF SURFSIDE BEACH**  
Surfside Beach, Texas

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND - Continued

For the Year Ended September 30, 2020

	Enterprise
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Operating loss	\$( <u>37,572</u> )
Adjustment to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation	176,893
(Increase) decrease in:	
Accounts receivable	( 101,316 )
Prepaid items	5,296
Increase (decrease) in:	
Accounts payable	11,344
Accrued wages payable	9,405
Due from other funds	147,728
Net pension and total OPEB liability	( 5,072 )
Accrued compensated absences	( 842 )
Unearned revenue	17,861
Customer deposits	( <u>5,037</u> )
 Total adjustments	 <u>256,260</u>
 Net cash provided by operating activities	 <u>\$ <u>218,688</u></u>

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

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**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020

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# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

#### Reporting Entity

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

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

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

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

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Government-wide and Fund Financial Statements

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

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

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The Village has presented the following major governmental funds:

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

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

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

The Village reports the following major proprietary fund:

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

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

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

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



# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### New Pronouncements

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

GASB No. 83 “Certain Asset Retirement Obligations” was issued in November 2016. This statement was implemented and did not have a material effect on the Village’s financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2019.

GASB No. 84 “Fiduciary Activities” was issued in January 2017. The management of the Village does not expect the implementation of this standard to have a material effect on the financial statements of the Village. The requirements of this Statement are effective for periods beginning after December 15, 2019.

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

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

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

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

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

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

GASB No. 93 "Replacement of Interbank Offered Rates" was issued in March 2020. The management of the Village does not expect the implementation of this standard to have a material effect on the financial statement of the Village. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

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

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

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

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

### Budgetary Data

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

### Encumbrances

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

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Cash and Cash Equivalents and Investments

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

#### Interfund Receivables, Payables and Transfers

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

#### Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. No interest was capitalized during the year ended September 30, 2020.

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

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

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Deferred Outflows and Inflows of Resources

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

#### Property Taxes

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

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

The assessed value of the property tax roll on August 1, 2019, upon which the levy for the 2019-20 fiscal year was based, was \$ 263,085,820. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2020, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.062883 and \$ 0.290895 per \$ 100 valuation, respectively, for a total of \$ 0.353778 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2020, were 97.21% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible property taxes are periodically reviewed and written off, but the Village is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2020, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 20,411 and \$ 4,481 for the general and debt service funds, respectively.

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Compensated Absences

The Village records a liability for the amount of unused vacation that it has vested in each employee at year-end. Time accumulated for sick leave is not included in this accrual; as such time is only used for cause, and is subject to forfeiture. In the government-wide financial statements, and proprietary fund statements, this amount is accrued. A liability is only reported in the governmental funds if they have matured, for example, as a result of resignations or retirement. As of September 30, 2020, accrued compensated absences reported in the Governmental Activities totaled \$ 24,946. Accrued compensated absences reported in the Enterprise Fund totaled \$ 1,278.

#### Pension Plans and OPEB Plan

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

#### Inventories

The Village employs the consumption method of accounting for inventories. Inventories are valued at cost using the first-in first-out method. Inventories at September 30, 2020, consisted of \$ 2,000 in governmental activities and \$ 37,000 in business type activities, respectively.

#### Long-Term Obligations

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

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

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fund Balances**

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

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

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal ordinance by the Village Council. At September 30, 2020, there are no commitments of fund balances

Assigned Fund Balance - Amounts that are constrained by the Village's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Village Council, or by its designated officials. At September 30, 2020, there are no assignments of fund balances.

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

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

The following schedule presents details of fund balance components at September 30, 2020:

	<u>General Fund</u>	<u>Beach Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Non-spendable:					
Inventories	\$ 2,000	\$	\$	\$	\$ 2,000
Prepaid items	24,973				24,973
Restricted:					
Debt service				79,946	79,946
Beach purpose		693,553			693,553
Encourage tourism			2,487,548		2,487,548
Facility expansion				400,502	400,502
Unassigned	<u>841,193</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>841,193</u>
Total fund balances	<u>\$ 868,166</u>	<u>\$ 693,553</u>	<u>\$ 2,487,548</u>	<u>\$ 480,448</u>	<u>\$ 4,529,715</u>

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Net Position

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

### NOTE 2 - PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2020, management determined that prior period fund balances and net position need to be adjusted. The prior period adjustment includes adding accrued payroll and judicial revenue receivable not previously recorded and adjusting pension and OPEB related liability(asset) and deferred outflows/inflows of resources which were not reported correctly.

The following represents the retroactive restatement of fund balances and net position as a result of prior period adjustment as noted above:

	General Fund	Beach Fund	Hotel/Motel Tax Fund
Fund balance, September 30, previously reported	\$ 753,241	\$ 457,875	\$ 2,048,814
Adjustment for accrued payroll	( 25,771)	( 4,637)	( 1,460)
Fund balance, September 30, restated	<u>\$ 727,470</u>	<u>\$ 453,238</u>	<u>\$ 2,047,354</u>
	Governmental Activities	Business-Type Activities	Enterprise Fund
Net position, September 30, previously reported	\$ 8,248,570	\$ 5,458,286	\$ 5,458,286
Adjustment for:			
Accrued payroll	( 31,868)	( 8,597)	( 8,597)
Judicial revenue receivable	458,636		
Deferred outflows of resources - pension	( 117,294)	( 39,010)	( 39,010)
Deferred inflows of resources - pension	( 14,986)	( 4,832)	( 4,832)
Net pension assets	80,160	25,844	25,844
Net pension liability	62,551	33,572	33,572
Deferred outflows of resources - OPEB	( 2,785)	( 1,678)	( 1,678)
Deferred inflows of resources - OPEB	( 1,634)	( 525)	( 525)
Total OPEB liability	<u>( 150)</u>	<u>( 5,461)</u>	<u>( 5,461)</u>
Net position, September 30, restated	<u>\$ 8,681,200</u>	<u>\$ 5,457,599</u>	<u>\$ 5,457,599</u>

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 3 - DEPOSITS AND INVESTMENTS

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

Cash and cash equivalents and investments, as reported on the statement of net position at September 30, 2020 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 16,195	\$ 100	\$ 16,295
Demand deposits	2,307,068	1,779,042	4,086,110
Texpool	<u>1,930,326</u>	<u>325,396</u>	<u>2,255,722</u>
 Total cash and temporary investments	 <u>\$ 4,253,589</u>	 <u>\$ 2,104,538</u>	 <u>\$ 6,358,127</u>
 Investments:			
Securities	<u>\$ 23,023</u>	<u>\$ -</u>	<u>\$ 23,023</u>
 Total investment	 <u>\$ 23,023</u>	 <u>\$ -0-</u>	 <u>\$ 23,023</u>

### Deposits

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

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

At September 30, 2020, in addition to petty cash of \$ 16,295, the carrying amount of the Village's cash, savings, and time deposits was \$ 4,086,110. The financial institutions balances were \$ 3,969,881 at September 30, 2020. Bank balances of \$ 750,000 were covered by federal depository insurance, \$ 2,172,389 was covered by collateral pledged in the Village's name, and \$ 1,047,492 was not insured or covered.



**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Investments

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

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

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

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

At September 30, 2020 TexPool had a weighted average maturity of 34 days. Although TexPool had a weighted average maturity of 34 days, the Village considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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

The following table includes the portfolio balances of all investment types of the Village at September 30, 2020.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pools (LGIP)	\$ 2,255,722	34
US Securities	<u>23,023</u>	N/A
	<u>\$ 2,278,745</u>	34

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Credit Risk – The Village’s policy requires that the investment pool must maintain a rating no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized rating agency. As of September 30, 2020, the LGIP’s (which represent approximately 98.99% of the portfolio are rated AAAM by Standard and Poor’s, while the security (1.01% of the portfolio) are fully insured.

Interest Rate Risk – 98.99% of the Village’s investment is in TaxPool which can usually be redeemed each day at the discretion of the shareholder, and meets the Village’s cash flow requirements.

Fair Value

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Village’s assets at fair value as of September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Securities	\$ <u>23,023</u>	\$ _____	\$ _____	\$ <u>23,023</u>

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

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

Government Funds

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue). As of September 30, 2020, the following components of deferred inflows of resources/unearned revenue were reported in the governmental funds:

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 18,797	\$
Delinquent property taxes receivable (debt service fund)	4,119	
Deposits	<u>                    </u>	<u>25,099</u>
 Total	 <u>\$ 22,916</u>	 <u>\$ 25,099</u>

Governmental and Business-Type Activities

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date to the current year-end of September 30, 2020 and report these as deferred outflows of resources. Governmental and business-type activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental and business-type activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2020, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
<u>Governmental Activities</u>			
Pension deferred outflows and inflows of resources			
less amortization - TMRS	\$ 1,339	\$ 34,963	\$
Pension contributions subsequent to the measurement date - TMRS	7,364		
OPEB deferred outflows and inflows of resources			
less amortization	7,045	1,469	
OPEB contributions subsequent to the measurement date	1,429		
Deposits	<u>                    </u>	<u>                    </u>	<u>25,099</u>
 Totals	 <u>\$ 17,177</u>	 <u>\$ 36,432</u>	 <u>\$ 25,099</u>

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
<u>Business-Type Activities</u>			
Pension deferred outflows and inflows of resources			
less amortization - TMRS	\$ 432	\$ 11,272	\$
Pension contributions subsequent to the measurement date - TMRS	2,374		
OPEB deferred outflows and inflows of resources			
less amortization	2,271	474	
OPEB contributions subsequent to the measurement date	461		
Deposits			60,827
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Totals	\$ <u>5,538</u>	\$ <u>11,746</u>	\$ <u>60,827</u>

NOTE 5 - RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Governmental Funds

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

	<u>General Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
<u>Governmental Funds:</u>				
Receivables:				
Taxes:				
Property	\$ 23,287	\$	\$ 5,003	\$ 28,290
Sales	30,292			30,292
Mixed beverage	11,007			11,007
Franchise fees	11,426			11,426
Account	10,697	157,491		168,188
Grant	8,191			8,191
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Gross receivables	<u>94,900</u>	<u>157,491</u>	<u>5,003</u>	<u>257,394</u>
Less Allowance for Uncollectible Accounts:				
Property taxes	<u>2,876</u>		<u>522</u>	<u>3,398</u>
Net receivables	\$ <u>92,024</u>	\$ <u>157,491</u>	\$ <u>4,481</u>	\$ <u>253,996</u>

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020

**NOTE 5 - RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS - Continued**

**Proprietary Funds**

The allowance for uncollectible receivables related to Village services is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The accounts receivables and allowance for uncollectible receivables for the year ended September 30, 2020, were \$ 192,959 and \$ 9,626, respectively.

**Judicial Receivables**

Municipal Court Receivables - Municipal court receivables are reported in the governmental activities statements of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The municipal court receivables and allowance for uncollectible receivables for the year ended September 30, 2020, were \$ 1,049,267 and \$ 629,560, respectively.

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables as of September 30, 2020 consisted of the following individual fund balances:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Fund:		
Beach fund	\$ 72,815	\$
Hotel/Motel tax fund	1,321	
Sewer tap fund		1
Debt service fund		3,429
Enterprise fund	<u>208,388</u>	
	<u>282,524</u>	<u>3,430</u>
Special Revenue Funds:		
Beach Fund:		
General fund		1,951
Hotel/Motel tax fund		72,815
Enterprise fund	1,438	
Hotel/Motel Tax Fund:		
General fund		1,321
Beach fund	1,951	
Sewer Tap Fund:		
General fund	1	
Enterprise fund	<u>9,921</u>	
	<u>13,311</u>	<u>76,087</u>
Debt Service Fund:		
General fund	<u>3,429</u>	
	<u>3,429</u>	<u>-0-</u>

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued**

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Enterprise Fund:		
General fund		208,388
Beach fund		1,438
Sewer tap fund		<u>9,921</u>
	<u>-0-</u>	<u>219,747</u>
 Total	 <u>\$ 299,264</u>	 <u>\$ 299,264</u>

Interfund transfers for the year ended September 30, 2020 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Beach fund	General fund	\$ 124,300
Debt service fund	Enterprise fund	<u>84,900</u>
		 <u>\$ 209,200</u>

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020, was as follows:

	<u>Balance</u> <u>10/01/19</u>	<u>Additions</u>	<u>Retirements</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>09/30/20</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ _____	\$ <u>24,857</u>	\$ _____	\$ <u>24,857</u>
Total capital assets, not being depreciated	<u>-0-</u>	<u>24,857</u>	<u>-0-</u>	<u>24,857</u>
Capital Assets, Being Depreciated:				
Buildings	1,486,168			1,486,168
Furniture, equipment and vehicles	1,055,609	72,091		1,127,700
Infrastructure	<u>9,161,664</u>			<u>9,161,664</u>
Total capital assets, being depreciated	<u>11,703,441</u>	<u>72,091</u>	<u>-0-</u>	<u>11,775,532</u>
Less Accumulated Depreciation For:				
Buildings	852,386	27,007		879,393
Furniture, equipment and vehicles	755,028	68,627		823,655
Infrastructure	<u>4,767,123</u>	<u>194,960</u>		<u>4,962,083</u>
Total accumulated depreciation	<u>6,374,537</u>	<u>290,594</u>	<u>-0-</u>	<u>6,665,131</u>
Total capital assets, being depreciated, net	<u>5,328,904</u>	<u>( 218,503)</u>	<u>-0-</u>	<u>5,110,401</u>
Governmental activities capital assets, net	<u>\$ 5,328,904</u>	<u>\$ ( 193,646)</u>	<u>\$ -0-</u>	<u>\$ 5,135,258</u>

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020

**NOTE 7 - CAPITAL ASSETS** – Continued

	<u>Balance</u> <u>10/01/19</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/20</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 112,233			\$ 112,233
Construction in progress		<u>277,591</u>		<u>277,591</u>
Total capital assets, not being depreciated	<u>112,233</u>	<u>277,591</u>	<u>-0-</u>	<u>339,824</u>
Capital Assets, Being Depreciated:				
Wells and related equipment	1,202,157			1,202,157
Furniture, equipment and vehicles	233,494			233,494
Infrastructure	<u>5,838,611</u>	<u>160,000</u>		<u>5,998,611</u>
Total capital assets, being depreciated	<u>7,274,262</u>	<u>160,000</u>	<u>-0-</u>	<u>7,434,262</u>
Less Accumulated Depreciation:				
Wells and related equipment	351,206	81,423		432,629
Furniture, equipment and vehicles	89,809	5,350		95,159
Infrastructure	<u>1,133,422</u>	<u>90,120</u>		<u>1,223,542</u>
Total accumulated depreciation	<u>1,574,437</u>	<u>176,893</u>	<u>-0-</u>	<u>1,751,330</u>
Total capital assets, being depreciated, net	<u>5,699,825</u>	<u>( 16,893)</u>		<u>5,682,932</u>
Business-type activities capital assets, net	\$ <u>5,812,058</u>	\$ <u>260,698</u>	\$ <u>-0-</u>	\$ <u>6,022,756</u>

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

Governmental Activities:	
General government and administration	\$ 61,025
Public safety	23,248
Streets, drainage and facilities	127,861
Culture and recreation	<u>78,460</u>
Total depreciation expense-governmental activities	\$ <u>290,594</u>
Business-type Activities:	
Water and sewer	\$ <u>176,893</u>
Total depreciation expense-business-type activities	\$ <u>176,893</u>

The Village has not entered into contracts for construction as of September 30, 2020.

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 8 - LONG-TERM DEBT

General Long-Term Debt

The Village's General Long-Term Debt at September 30, 2020 is comprised of a certificate of obligation and two notes payable from local institutions.

General certificates of obligation

The certificate of obligation bonds payable at September 30, 2020, is summarized as follows:

	Interest Rates %	Series Dates		Bonds Outstanding 09/30/20
		Issued	Maturity	
Certificates of Obligation Series 2006	2.4-3.35	2006	2028	\$ <u>790,000</u>
Total				\$ <u>790,000</u>

Certificate of obligation bond transactions for the year ended September 30, 2020, was as follows:

Bonds outstanding, October 1, 2019	\$ 875,000
Maturities	<u>( 85,000)</u>
Bonds outstanding, September 30, 2020	\$ <u>790,000</u>

Aggregate maturities of certificate of obligation bonds for the years subsequent to September 30, 2020 are as follow:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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
2026-2028	<u>310,000</u>	<u>11,648</u>	<u>321,648</u>
Total	\$ <u>790,000</u>	\$ <u>95,814</u>	\$ <u>885,814</u>

Notes payable

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



**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 8 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

Notes payable transactions for the year ended December 30, 2020 were as follows:

Notes payable outstanding, October 1, 2019	\$ 53,366
Maturities	<u>( 34,921)</u>
Notes payable outstanding, September 30, 2020	\$ <u>18,445</u>

Aggregate maturities of notes for the years subsequent to September 30, 2020 are as follow:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ <u>18,445</u>	\$ <u>316</u>	\$ <u>18,761</u>
Total	\$ <u>18,445</u>	\$ <u>316</u>	\$ <u>18,761</u>

Revenue Bonds Payable

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

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

Below are the outstanding bonds payable at September 30, 2020.

	<u>Interest Rates %</u>	<u>Series Dates</u>		<u>Bonds Outstanding 09/30/20</u>
		<u>Issued</u>	<u>Maturity</u>	
Series 2005	4.35-6.15		2045	\$ 918,000
Series 2020	1.33-2.25	2020	2040	<u>1,800,000</u>
Total				\$ <u>2,718,000</u>

Revenue bond transactions for the year ended September 30, 2020, were as follows:

Bonds outstanding, October 1	\$ 939,000
Issued	1,800,000
Maturities	<u>( 21,000)</u>
Bonds outstanding, September 30	\$ <u>2,718,000</u>

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 8 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

The following is a summary of revenue bond requirements as of September 30, 2020:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ 96,000	\$ 76,875	\$ 172,875
2022	103,000	73,000	176,000
2023	104,000	70,873	174,873
2024	104,000	68,690	172,690
2025	105,000	66,492	171,492
2026-2030	571,000	295,466	866,466
2031-2035	642,000	219,610	861,610
2036-2040	730,000	125,232	855,232
2041-2045	<u>263,000</u>	<u>37,197</u>	<u>300,197</u>
Total	<u>\$ 2,718,000</u>	<u>\$ 1,033,435</u>	<u>\$ 3,751,435</u>

Transactions for the year ended September 30, 2020, are summarized as follows:

	<u>Balance 10-01-19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09-30-20</u>	<u>Due Within One Year</u>
<b>Governmental Type Activities:</b>					
Certificates of obligation bonds	\$ 875,000	\$	\$ 85,000	\$ 790,000	\$ 90,000
Notes payable	53,366		34,921	18,445	18,445
Total OPEB liability	18,303	10,840	65	29,078	
Compensated absences	<u>14,997</u>	<u>24,946</u>	<u>14,997</u>	<u>24,946</u>	<u>24,946</u>
Total governmental activities	<u>961,666</u>	<u>35,786</u>	<u>134,983</u>	<u>862,469</u>	<u>133,391</u>
<b>Business-Type Activities:</b>					
Revenue bonds	939,000	1,800,000	21,000	2,718,000	96,000
Total OPEB liability	5,901	3,495	21	9,375	
Compensated absences	<u>2,120</u>	<u>1,278</u>	<u>2,120</u>	<u>1,278</u>	<u>1,278</u>
Total business-type activities	<u>947,021</u>	<u>1,804,773</u>	<u>23,141</u>	<u>2,728,653</u>	<u>97,278</u>
Total government (net)	<u>\$ 1,908,687</u>	<u>\$ 1,840,559</u>	<u>\$ 158,124</u>	<u>\$ 3,591,122</u>	<u>\$ 230,669</u>

Compensated Absences

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

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

#### A. Plan Description

The Village participates as one of 888 plans in the nontraditional, join contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (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 System 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 Village are required to participate in TMRS.

#### B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Village-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Member 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 Village, within the options available in the state statutes governing TMRS. Members in the Village can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plan also provides death benefits and disability benefits. Effective January 1, 2002, members are vested after 5 years. Members may work for more than one TMRS city during their career. If an individual has become vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

#### Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>24</u>
	56

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

#### C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Village matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Village. Under the state law governing TMRS, the contribution rate for each Village 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 Village were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the Village were 1.6% and 1.59 % in the calendar years 2020 and 2019, respectively. The Village's contributions to TMRS for the year ended September 30, 2020, were \$ 13,777, and were equal to the required contributions.

#### D. Net Pension Liability

The Village's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any.
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

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

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefits 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.

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a)-(b)
Balance at 12/31/2018	\$ 587,285	\$ 693,289	\$( 106,004)
Changes for the Year:			
Service cost	80,413		80,413
Interest	40,679		40,679
Difference between expected and actual experience	( 21,802)		( 21,802)
Changes of assumptions	2,623		2,623
Contributions – employer		11,723	( 11,723)
Contributions – employee		60,396	( 60,396)
Net investment income		106,170	( 106,170)
Benefit payments, including refunds of employee contributions	( 49,690)	( 49,690)	
Administrative expense		( 606)	606
Other changes		( 17)	17
Net changes	52,223	127,976	( 75,753)
Balance at 12/31/2019	\$ 639,508	\$ 821,265	\$( 181,757)

Sensitivity of the net pension liability (asset) to changes in the discount rate

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

	1% Decrease In Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
Village's Net Pension Liability (Asset)	\$( 110,130)	\$( 181,757)	\$( 241,975)

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2020, the Village recognized pension income of \$ 18,713.

At September 30, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 22,606
Changes in actuarial assumptions	1,771	
Difference between projected and actual investment earnings		23,629
Contributions subsequent to the measurement date	<u>9,738</u>	<u>          </u>
Total	<u>\$ 11,509</u>	<u>\$ 46,235</u>

\$ 9,738 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2021	\$( 18,667)
2022	( 14,920)
2023	996
2024	( 11,873)

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020

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

**A. Plan Description**

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

**B. Benefits Provided**

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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 period preceding the month of death). The death benefit for retirees is considered another employment benefit and is a fixed amount of \$ 7,500.

**Employees covered by benefit terms**

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>24</u>
	29

**C. Contributions**

The Village contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.26% and 0.23% in the calendar years 2020 and 2019, respectively, of which 0.02% for year 2020 and 0.01% for year 2019 represented the retiree-only portion, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The Village's contributions to the SDBF for the year ended September 30, 2020 were \$ 4,813, representing contribution for both active and retiree coverage, which equaled the required contributions each year contributions. The Village's contribution for retiree portion as of September 30, 2020 was \$ 350.



**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020

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

D. Total OPEB Liability

The Village's total OPEB liability of \$ 38,453 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate	2.75%
Retirees' share of benefit-related costs	\$ 0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability (a)</u>
Balance at 12/31/2018	\$ <u>24,204</u>
Changes for the Year:	
Service cost	3,624
Interest on total OPEB liability	964
Changes of benefit terms	-0-
Difference between expected and actual experience	2,610
Changes in assumption or other inputs	7,137
Benefit payments	<u>(86)</u>
Net changes	<u>14,249</u>
Balance at 12/31/2019	\$ <u><u>38,453</u></u>

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

The following presents the total OPEB liability of the Village, calculated using the discount rate of 2.75%, as well as what's the Village's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	<u>1% Decrease In Discount Rate (1.75%)</u>	<u>Discount Rate (2.75%)</u>	<u>1% Increase In Discount Rate (3.75%)</u>
Village's Total OPEB Liability	\$ <u>46,042</u>	\$ <u>38,453</u>	\$ <u>32,401</u>

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

For the year ended September 30, 2020, the Village recognized OPEB expense of \$ 24,864.

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020

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

At September 30, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,220	\$ 810
Differences in assumption changes	7,096	1,133
Contributions subsequent to the measurement date	<u>1,890</u>	<u>          </u>
Total	<u>\$ 11,206</u>	<u>\$ 1,943</u>

\$ 1,890 reported as deferred outflows of resources related to OPEB relating from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	
2021	\$ 1,328
2022	1,328
2023	1,328
2024	1,328
2025	1,328
Thereafter	923

**NOTE 11 - CONTINGENT LIABILITIES**

The Village is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the Village at September 30, 2020.

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

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 12 - RISK MANAGEMENT

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

### NOTE 13 - TAX ABATEMENTS

The Village has not entered into any property tax abatement agreements with local businesses.

### NOTE 14 - EVALUATION OF SUBSEQUENT EVENTS

The Village has evaluated subsequent events through March 29, 2021, the date which the financial statements were available to be issued.

### NOTE 15 - EXCESS OF EXPENDITURES OVER APROPRIATIONS

During the year ended September 20, 2020, expenditures exceeded appropriations in the funds as follows:

General Fund	\$ 107,280
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The budget was not amended; however, the Village Council approved these expenditures as required by Village budget procedures.

**REQUIRED SUPPLEMENTARY INFORMATION**

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

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

For the Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Property	\$ 825,250	\$ 825,250	\$ 825,871	\$ 621
Sales	100,000	100,000	146,333	46,333
Franchise	70,000	70,000	69,622	( 378)
Other	15,000	15,000	20,402	5,402
Intergovernmental			7,328	7,328
Garbage and service fees	225,000	225,000	242,137	17,137
EMS revenue	74,000	74,000	146,948	72,948
Fines and fees	80,000	80,000	88,861	8,861
Licenses and permits	44,000	44,000	51,038	7,038
Investment income	2,000	2,000	881	( 1,119)
Miscellaneous	63,540	63,540	7,044	( 56,496)
Total revenues	1,498,790	1,498,790	1,606,465	107,675
<b>Expenditures:</b>				
Current:				
General government and administrative	466,500	466,500	504,185	( 37,685)
Municipal court	40,290	40,290	69,282	( 28,992)
Police/EMS department	446,760	446,760	515,806	( 69,046)
Fire department	60,000	60,000	45,822	14,178
Public works	340,100	340,100	375,104	( 35,004)
Employee benefit	123,500	123,500	137,411	( 13,911)
Capital outlay	85,136	85,136	21,957	63,179
Debt Service:				
Principal retirement	34,921	34,921	34,921	-0-
Interest and fiscal charges	1,583	1,583	1,582	1
Total expenditures	1,598,790	1,598,790	1,706,070	( 107,280)

# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

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

For the Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over expenditures	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ (99,605)</u>	<u>\$ 395</u>
Other Financing Sources (Uses):				
Sale of capital assets			116,001	116,001
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>124,300</u>	<u>24,300</u>
Total other financing sources	<u>100,000</u>	<u>100,000</u>	<u>240,301</u>	<u>140,301</u>
Net change in fund balance	-0-	-0-	140,696	140,696
Fund balance – beginning (restated)	<u>727,470</u>	<u>727,470</u>	<u>727,470</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 727,470</u>	<u>\$ 727,470</u>	<u>\$ 868,166</u>	<u>\$ 140,696</u>

## VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

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

For the Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$ 500,000	\$ 500,000	\$ 856,785	\$ 356,785
Miscellaneous	3,000	3,000	135	( 2,865)
Total revenues	503,000	503,000	856,920	353,920
Expenditures:				
Current:				
Public facilities	473,865	473,865	442,171	31,694
Capital outlay	29,135	29,135	50,134	( 20,999)
Total expenditures	503,000	503,000	492,305	10,695
Other Financing Sources (Uses):				
Transfers out	-	-	( 124,300)	( 124,300)
Total other financing sources (uses)	-0-	-0-	( 124,300)	( 124,300)
Net change in fund balance			240,315	240,315
Fund balance – beginning (restated)	453,238	453,238	453,238	-0-
Fund balance - ending	\$ 453,238	\$ 453,238	\$ 693,553	\$ 240,315



# VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

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

For the Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Occupancy taxes	\$ 450,000	\$ 450,000	\$ 636,530	\$ 186,530
Investment income	20,000	20,000	13,907	( 6,093)
Miscellaneous	<u>52,600</u>	<u>52,600</u>	<u>18,999</u>	<u>( 33,601)</u>
Total revenues	<u>522,600</u>	<u>522,600</u>	<u>669,436</u>	<u>146,836</u>
Expenditures:				
Current:				
Economic development	<u>322,600</u>	<u>322,600</u>	<u>229,242</u>	<u>93,358</u>
Total expenditures	<u>322,600</u>	<u>322,600</u>	<u>229,242</u>	<u>93,358</u>
Net change in fund balance	200,000	200,000	440,194	240,194
Fund balance – beginning (restated)	<u>2,047,354</u>	<u>2,047,354</u>	<u>2,047,354</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 2,247,354</u>	<u>\$ 2,247,354</u>	<u>\$ 2,487,548</u>	<u>\$ 240,194</u>

## VILLAGE OF SURFSIDE BEACH

Surfside Beach, Texas

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS FOR THE LAST TEN YEARS <sup>(1)</sup>

WITH MEASUREMENT DATE OF DECEMBER 31,

	2019	2018	2017	2016
<b>Total Pension Liability</b>				
Service cost	\$ 80,413	\$ 72,689	\$ 59,576	\$ 44,959
Interest (on the Total Pension Liability)	40,679	37,021	33,313	31,040
Changes in benefit terms			3,980	4,383
Difference between expected and actual experience	( 21,802)	( 15,404)	( 12,918)	( 24,230)
Changes in assumptions	2,623			
Benefit payments, including refunds of employee contributions	<u>( 49,690)</u>	<u>( 38,276)</u>	<u>( 24,907)</u>	<u>( 33,851)</u>
Net Change in Total Pension Liability	52,223	56,030	59,044	22,301
Total Pension Liability – Beginning	<u>587,285</u>	<u>531,255</u>	<u>472,211</u>	<u>449,910</u>
Total Pension Liability – Ending (a)	<u>\$ 639,508</u>	<u>\$ 587,285</u>	<u>\$ 531,255</u>	<u>\$ 472,211</u>
<b>Plan Fiduciary Net Position</b>				
Contributions – Employer	\$ 11,723	\$ 11,001	\$ 9,145	\$ 4,360
Contributions – Employee	60,396	54,246	44,294	33,156
Net Investment Income	106,170	( 20,452)	79,795	36,225
Benefit payments, including refunds of employee contributions	( 49,690)	( 38,276)	( 24,907)	( 33,851)
Administrative expense	( 606)	( 398)	( 416)	( 412)
Other	<u>( 17)</u>	<u>( 21)</u>	<u>( 22)</u>	<u>( 22)</u>
Net Change in Plan Fiduciary Net Position	127,976	6,100	107,889	39,456
Plan Fiduciary Net Position – Beginning	<u>693,289</u>	<u>687,189</u>	<u>579,300</u>	<u>539,844</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 821,265</u>	<u>\$ 693,289</u>	<u>\$ 687,189</u>	<u>\$ 579,300</u>
<b>Net Pension Asset (a-b)</b>	<u>\$ ( 181,757)</u>	<u>\$ ( 106,004)</u>	<u>\$ ( 155,934)</u>	<u>\$ ( 107,089)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>128.42%</u>	<u>118.05%</u>	<u>129.35%</u>	<u>122.68%</u>
Covered Payroll	<u>\$ 862,804</u>	<u>\$ 774,941</u>	<u>\$ 738,239</u>	<u>\$ 663,116</u>
Net Pension Asset as a Percentage of Covered Payroll	<u>( 21.07%)</u>	<u>( 13.68%)</u>	<u>( 21.12%)</u>	<u>( 16.15%)</u>

Notes to Schedule:

N/A

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

<u>2015</u>	<u>2014</u>
\$ 41,884	\$ 40,364
27,739	24,776
( 7,978)	( 9,664)
15,046	
<u>( 4,207)</u>	<u>( 23,616)</u>
72,484	31,860
<u>377,426</u>	<u>345,566</u>
<u>\$ 449,910</u>	<u>\$ 377,426</u>
\$ 4,743	\$ 5,191
31,397	31,141
748	26,795
( 4,207)	( 23,616)
( 456)	( 280)
<u>( 23)</u>	<u>( 23)</u>
32,202	39,208
<u>507,642</u>	<u>468,434</u>
<u>\$ 539,844</u>	<u>\$ 507,642</u>
<u>\$( 89,934)</u>	<u>\$( 130,216)</u>
<u>119.99%</u>	<u>134.50%</u>
<u>\$ 627,939</u>	<u>\$ 622,811</u>
<u>( 14.32%)</u>	<u>( 20.91%)</u>

**VILLAGE OF SURFSIDE BEACH**  
Surfside Beach, Texas

**TMRS SCHEDULE OF CONTRIBUTIONS**  
**FOR THE LAST TEN YEARS <sup>(1)</sup>**  
SEPTEMBER 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 15,833	\$ 12,784	\$ 12,809	\$ 9,145	\$ 7,592
Contributions in relation to the actuarially determined contribution	<u>15,833</u>	<u>12,784</u>	<u>12,781</u>	<u>9,145</u>	<u>4,360</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 28</u>	<u>\$ -0-</u>	<u>\$ 3,232</u>
Covered payroll	<u>\$ 1,120,308</u>	<u>\$ 918,928</u>	<u>\$ 774,941</u>	<u>\$ 738,239</u>	<u>\$ 663,116</u>
Contributions as a percentage of covered payroll	<u>1.41%</u>	<u>1.39%</u>	<u>1.65%</u>	<u>1.24%</u>	<u>0.66%</u>

**Notes to Schedule of Contributions**

**Valuation date**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll, Closed
Remaining Amortization period	25 years
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Village's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information**

There were no benefit changes during the year.

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

<u>2015</u>	<u>2014</u>
\$ 4,484	\$ 3,939
<u>4,743</u>	<u>5,191</u>
\$ <u>(259)</u>	\$ <u>(1,252)</u>
\$ <u>627,939</u>	\$ <u>622,811</u>
<u>0.76%</u>	<u>0.83%</u>

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE LAST TEN YEARS<sup>(1)</sup>

WITH MEASUREMENT DATE OF DECEMBER 31,

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

Notes to Schedule:

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

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

2019	2.75%
2018	3.71%
2017	3.78%

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

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS**

**VILLAGE OF SURFSIDE BEACH**

Surfside Beach, Texas

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

September 30, 2020

	<u>Sewer Tap Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets and Deferred Outflows Of Resources</u>			
Assets:			
Cash and cash equivalents	\$ 390,580	\$ 76,155	\$ 466,735
Receivables, net			
Taxes		4,481	4,481
Due from other funds	<u>9,922</u>	<u>3,429</u>	<u>13,351</u>
 Total assets	<u>400,502</u>	<u>84,065</u>	<u>484,567</u>
 Deferred Outflows of Resources:			
Deferred outflows of resources			
 Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Total assets and deferred outflows of resources	<u>\$ 400,502</u>	<u>\$ 84,065</u>	<u>\$ 484,567</u>
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities:			
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Deferred Inflows of Resources:			
Deferred inflows of resources		4,119	4,119
 Total deferred inflows of resources	<u>-0-</u>	<u>4,119</u>	<u>4,119</u>
 Fund Balances:			
Restricted	<u>400,502</u>	<u>79,946</u>	<u>480,448</u>
 Total fund balances	<u>400,502</u>	<u>79,946</u>	<u>480,448</u>
 Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 400,502</u>	<u>\$ 84,065</u>	<u>\$ 484,567</u>



**SURFSIDE BEACH**

Surfside Beach, Texas

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

For the Year Ended September 30, 2019

	<u>Sewer Tap Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>
Revenues:			
Taxes:			
Property	\$	\$ 178,921	\$ 178,921
Licenses and permits	13,000		13,000
Investment income	<u>59</u>		<u>59</u>
Total revenues	<u>13,059</u>	<u>178,921</u>	<u>191,980</u>
Expenditures:			
Capital outlay	24,857		24,857
Debt Service:			
Principal retirement		85,000	85,000
Interest and fiscal charges		<u>27,794</u>	<u>27,794</u>
Total expenditures	<u>24,857</u>	<u>112,794</u>	<u>137,651</u>
Excess (deficiency) of revenues over (under) expenditures	( 11,798)	66,127	54,329
Other Financing Sources (Uses):			
Transfer out		<u>( 84,900)</u>	<u>( 84,900)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>( 84,900)</u>	<u>( 84,900)</u>
Net changes in fund balances	( 11,798)	( 18,773)	( 30,571)
Fund balances – beginning (restated)	<u>412,300</u>	<u>98,719</u>	<u>511,019</u>
Fund balances – ending	<u>\$ 400,502</u>	<u>\$ 79,946</u>	<u>\$ 480,448</u>

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