

VILLAGE OF SURFSIDE BEACH, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2023



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

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VILLAGE OF SURFSIDE BEACH, TEXAS

Annual Financial Report

For the Year Ended September 30, 2023

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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Surfside Beach, Texas (the "Village"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of September 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



Responsibilities of Management for the Financial Statements - Continued

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and required pension schedules on pages 11 through 18 and pages 67 through 75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
June 10, 2024

VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2023

As management of the Village of Surfside Beach, Texas (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, 2023. 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 \$ 17,288,716 (net position). Of this amount, \$ 2,391,870 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 \$ 1,208,057.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$ 6,925,224. 24.49% of this total amount, \$ 1,695,777 (unassigned fund balance) is available for use within the Village's fund designation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 1,695,777 or 76.12% 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, 2023*

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, municipal court, police/EMS department, fire department, public works, public facilities, economic development and employee benefits. The *business-type activities* of the Village include water and sewer operations.

The government-wide financial statements can be found on pages 20 through 23 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, and Hotel/Motel Tax 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 24 through 27 of this report.

VILLAGE OF SURFSIDE BEACH, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2023*

- **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 28 through 33 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 36 through 64 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 67 through 75 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 78 through 79 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 \$ 17,288,716 as of September 30, 2023.

As of September 30, 2023, the Village is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories governmental and business-type activities except for unrestricted net position for business-type activities.

The largest portion of the Village's net position, \$ 9,460,321 (54.72%) 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 \$ 5,436,525 (31.45%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 2,391,870 (13.83%) 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, 2023

The following table provides a summary of the Village's net position as of September 30, 2023 and 2022:

Village's Net Position

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30		September 30,	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 8,365,645	\$ 6,948,023	\$ 437,930	\$ 1,185,711	\$ 8,803,575	\$ 8,133,734
Capital assets	<u>4,809,181</u>	<u>5,099,906</u>	<u>7,100,847</u>	<u>6,550,051</u>	<u>11,910,028</u>	<u>11,649,957</u>
Total assets	<u>13,174,826</u>	<u>12,047,929</u>	<u>7,538,777</u>	<u>7,735,762</u>	<u>20,713,603</u>	<u>19,783,691</u>
Total deferred outflows of resources	<u>107,204</u>	<u>56,219</u>	<u>50,836</u>	<u>10,548</u>	<u>158,040</u>	<u>66,767</u>
Liabilities:						
Other liabilities	217,992	211,219	262,177	218,997	480,169	430,216
Long-term liabilities	<u>586,215</u>	<u>675,839</u>	<u>2,428,703</u>	<u>2,534,850</u>	<u>3,014,918</u>	<u>3,210,689</u>
Total liabilities	<u>804,207</u>	<u>887,058</u>	<u>2,690,880</u>	<u>2,753,847</u>	<u>3,495,087</u>	<u>3,640,905</u>
Total deferred inflows of resources	<u>63,202</u>	<u>108,529</u>	<u>24,638</u>	<u>20,365</u>	<u>87,840</u>	<u>128,894</u>
Net Position						
Net investment in capital assets	4,294,181	4,489,906	5,166,140	5,090,596	9,460,321	9,580,502
Restricted	5,382,033	4,586,771	54,492	11,382	5,436,525	4,598,153
Unrestricted	<u>2,738,407</u>	<u>2,031,884</u>	<u>(346,537)</u>	<u>(129,880)</u>	<u>2,391,870</u>	<u>1,902,004</u>
Total net position	<u>\$ 12,414,621</u>	<u>\$ 11,108,561</u>	<u>\$ 4,874,095</u>	<u>\$ 4,972,098</u>	<u>\$ 17,288,716</u>	<u>\$ 16,080,659</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2023

Analysis of the Village's Operations

The following table provides a summary of the Village's activities for the years ended September 30, 2023 and 2022:

Village's Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2023	2022	September 30, 2023	2022	September 30, 2023	2022
Revenues:						
Program Revenues:						
Charges for services	\$ 2,216,917	\$ 2,034,047	1,042,860	\$ 939,463	\$ 3,259,777	\$ 2,973,510
Operating grants and contributions	3,928	109,686	-	-	3,928	109,686
General Revenues:						
Property taxes	1,520,231	1,099,489	-	-	1,520,231	1,099,489
Sales taxes	265,938	185,899	-	-	265,938	185,899
Franchise	84,323	79,585	-	-	84,323	79,585
Occupancy taxes	923,265	949,958	-	-	923,265	949,958
Other taxes	40,235	42,437	-	-	40,235	42,437
Investment income	102,763	20,011	19,404	3,224	122,167	23,235
Miscellaneous	47,609	277,284	3,600	-	51,209	277,284
Total revenues	<u>5,205,209</u>	<u>4,798,396</u>	<u>1,065,864</u>	<u>942,687</u>	<u>6,271,073</u>	<u>5,741,083</u>
Expenses:						
General government and administration	791,954	652,217	-	-	791,954	652,217
Municipal court	13,898	73,441	-	-	13,898	73,441
Police/EMS department	1,084,235	928,029	-	-	1,084,235	928,029
Fire department	40,914	60,188	-	-	40,914	60,188
Public works	84,916	102,613	-	-	84,916	102,613
Public facilities	943,178	1,190,437	-	-	943,178	1,190,437
Economic development	486,536	459,884	-	-	486,536	459,884
Employee benefit	258,600	188,386	-	-	258,600	188,386
Interest and fiscal charges	19,042	22,398	72,348	74,526	91,390	96,924
Water and sewer	-	-	1,267,395	1,216,873	1,267,395	1,216,873
Total expenses	<u>3,723,273</u>	<u>3,677,593</u>	<u>1,339,743</u>	<u>1,216,873</u>	<u>5,063,016</u>	<u>4,968,992</u>
Changes in net position before transfers	1,481,936	1,120,803	(273,879)	(348,712)	1,208,057	772,091
Transfers	(175,876)	-	175,876	-	-	-
Changes in net position	1,306,060	1,120,803	(98,003)	(348,712)	1,208,057	772,091
Net position - beginning	<u>11,108,561</u>	<u>9,987,758</u>	<u>4,972,098</u>	<u>5,320,810</u>	<u>16,080,659</u>	<u>15,308,568</u>
Net position - ending	<u>\$ 12,414,621</u>	<u>\$ 11,108,561</u>	<u>\$ 4,874,095</u>	<u>\$ 4,972,098</u>	<u>\$ 17,288,716</u>	<u>\$ 16,080,659</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2023*

Governmental Activities: Governmental activities increased the Village's net position by \$ 1,306,060 (11.76%). Total revenues increased from the prior year by \$ 406,813 and total expenses increased from the prior year by \$ 45,680, respectively. Total revenues increased from the prior year, due to an increase in charges for services and property taxes. Total expenses increased at a rate of about 1.24%.

Business-type Activities: Business activities decreased the Village's net position by \$ 98,003 (1.97%). Total revenues increased from the prior year by \$ 123,177 and total expenses increased from the prior year by \$ 48,344 respectively. Total revenues increased from the prior year, due to an increase in charge for services. Total expenses increased at a rate of about 3.74%.

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 \$ 6,923,225, 24.49% of this total amount \$ 1,695,777 constitutes unassigned fund balance. The remainder of the fund balance has been categorized as 1) nonspendable \$ 32,896 and 2) restricted \$ 5,196,551.

The General Fund fund balance increased by \$ 388,680; the Beach Fund fund balance increased by \$ 15,213, the Hotel/Motel Tax Fund fund balance increased by \$ 611,228, and the nonmajor governmental funds increased by \$ 11,999.

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, 2023 amounted to \$ 4,874,095. Total net position decreased by \$ 98,003 (approximately 1.97%).

General Fund Budgetary Highlights. The Village did make amendments to its budget during the current fiscal year. The Village's actual revenue exceeded the budgeted revenues by \$ 374,539 and actual expenditures were under the budgeted expenditures by \$ 187,132.

VILLAGE OF SURFSIDE BEACH, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2023

Capital Assets

The Village's investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$ 11,910,028 (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 \$ 260,071. (\$ 290,725 decrease for governmental activities and \$ 550,796 increase in business-type activities).

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

- Water line project \$ 714,757

Village's Capital Assets Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Land	\$ -	\$ -	\$ 112,233	\$ 112,233	\$ 112,233	\$ 112,233
Buildings	462,014	484,176	-	-	462,014	484,176
Wells and related equipment	-	-	575,969	612,269	575,969	612,269
Furniture, equipment and vehicles	335,047	413,731	181,173	173,516	516,220	587,247
Infrastructure	4,012,120	4,158,409	6,156,551	4,560,639	10,168,671	8,719,048
Construction in progress		43,590	74,921	1,091,394	74,921	1,134,984
Total	\$ <u>4,809,181</u>	\$ <u>5,099,906</u>	\$ <u>7,100,847</u>	\$ <u>6,550,051</u>	\$ <u>11,910,028</u>	\$ <u>11,649,957</u>

Additional information on the Village's capital assets can be found in Note 7 on pages 50 through 51 of this report.

Debt Administration

At the end of the current fiscal year, the Village had a total bonded debt of \$ 2,930,000. Of this amount, \$ 515,000 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 \$ 2,415,000 represents bonds secured by water and sewer revenues.

Village's Long-Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 515,000	\$ 610,000	\$ -	\$ -	\$ 515,000	\$ 610,000
Revenue bonds	-	-	2,415,000	2,519,000	2,415,000	2,519,000
Total OPEB liability	41,708	47,818	10,849	13,564	52,557	61,382
Compensated absences	29,507	18,021	2,854	2,286	32,361	20,307
Total	\$ <u>586,215</u>	\$ <u>675,839</u>	\$ <u>2,428,703</u>	\$ <u>2,534,850</u>	\$ <u>3,014,918</u>	\$ <u>3,210,689</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2023*

During the fiscal year, the Village's total bonded debt decreased \$ 199,000 due to current debt payments. The underlying rating on all of such bonds are "AA" by S&P.

Additional information on the Village's long term debt can be found in Note 8 on pages 52 through 54 of this report.

Economic Factors and Next Year's Budgets and Rates

The adopted property tax rate decreased from prior year to 0.281508.

The projected property tax due is \$ 1,622,078 (58.07%) for the 2023-24 tax year. The certified assessed property valuations were more than the prior year values.

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.

BASIC FINANCIAL STATEMENTS

VILLAGE OF SURFSIDE BEACH, TEXAS*Statement of Net Position**September 30, 2023*

	Governmental Activities	Business- Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 6,418,264	\$ 129,924	\$ 6,548,188
Investments	33,189	-	33,189
Taxes receivable, net	71,894	-	71,984
Accounts receivable, net	1,286,886	142,406	1,429,292
Internal balances	409,077	(409,077)	-
Inventories	-	54,110	54,110
Prepaid items	32,896	-	32,896
Restricted Assets:			
Cash and cash equivalents	-	502,619	502,619
Net pension asset	113,439	17,948	131,387
Capital Assets (Net of Accumulated Depreciation):			
Land	-	112,233	112,233
Buildings, net	462,014	-	462,014
Wells and related equipment, net	-	575,969	575,969
Furniture, equipment, and vehicles, net	335,047	181,173	516,220
Infrastructure, net	4,012,120	6,156,551	10,168,671
Construction in progress	-	74,921	74,921
Total assets	<u>13,174,826</u>	<u>7,538,777</u>	<u>20,713,603</u>
Deferred Outflows of Resources:			
Deferred outflows of resources	<u>107,204</u>	<u>50,836</u>	<u>158,040</u>
Total deferred outflows of resources	<u>107,204</u>	<u>50,836</u>	<u>158,040</u>

(continued)

VILLAGE OF SURFSIDE BEACH, TEXAS*Statement of Net Position - Continued**September 30, 2023*

	Governmental Activities	Business- Type Activities	Total
Liabilities:			
Accounts payable	\$ 164,182	\$ 197,421	\$ 361,603
Accrued wages	35,778	7,812	43,590
Accrued interest	734	8,346	9,080
Unearned revenue	17,298	43,122	60,420
Liabilities payable from restricted assets:			
Customer deposits	-	5,476	5,476
Noncurrent liabilities:			
Due within one year	129,507	106,854	236,361
Due in more than one year:			
Other long term liabilities	415,000	2,311,000	2,726,000
Total OPEB liability	<u>41,708</u>	<u>10,849</u>	<u>52,557</u>
Total liabilities	<u>804,207</u>	<u>2,690,880</u>	<u>3,495,087</u>
Deferred Inflows of Resources:			
Deferred inflows of resources	<u>63,202</u>	<u>24,638</u>	<u>87,840</u>
Total deferred inflows of resources	<u>63,202</u>	<u>24,638</u>	<u>87,840</u>
Net Position:			
Net investment in capital assets	4,294,181	5,166,140	9,460,321
Restricted For:			
Beach services	547,621	-	547,621
Construction	80,566	-	80,566
Debt service	126,366	8,504	134,870
Economic development	4,467,466	-	4,467,466
Pensions	160,014	45,988	206,002
Unrestricted	<u>2,738,407</u>	<u>(346,537)</u>	<u>2,391,870</u>
Total net position	<u>\$ 12,414,621</u>	<u>\$ 4,874,095</u>	<u>\$ 17,288,716</u>

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

VILLAGE OF SURFSIDE BEACH, TEXAS

Statement of Activities

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government and administration	\$ 791,954	\$ 359,266	\$ 3,928
Municipal court	13,898	772,720	-
Police/EMS department	1,084,235	184,190	-
Fire department	40,914	-	-
Public works	84,916	-	-
Public facilities	943,178	900,741	-
Economic development	486,536	-	-
Employee benefit	258,600	-	-
Interest and fiscal charges	19,042	-	-
Total governmental activities	<u>3,723,273</u>	<u>2,216,917</u>	<u>3,928</u>
Business-type Activities:			
Water and sewer	1,339,743	1,042,860	-
Total business-type activities	<u>1,339,743</u>	<u>1,042,860</u>	<u>-</u>
Total primary government	<u>\$ 5,063,016</u>	<u>\$ 3,259,777</u>	<u>\$ 3,928</u>
General Revenue:			
Taxes:			
Property			
Sales			
Franchise			
Occupancy			
Other			
Investment income			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position - beginning			
Net position - ending			

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$(428,760)	\$ -	\$(428,760)
758,822	-	758,822
(900,045)	-	(900,045)
(40,914)	-	(40,914)
(84,916)	-	(84,916)
(42,437)	-	(42,437)
(486,536)	-	(486,536)
(258,600)	-	(258,600)
(19,042)	-	(19,042)
<u>(1,502,428)</u>	<u>-</u>	<u>(1,502,428)</u>
<u>-</u>	<u>(296,883)</u>	<u>(296,883)</u>
<u>-</u>	<u>(296,883)</u>	<u>(296,883)</u>
<u>(1,502,428)</u>	<u>(296,883)</u>	<u>(1,799,311)</u>
1,520,231	-	1,520,231
265,938	-	265,938
84,323	-	84,323
923,265	-	923,265
40,235	-	40,235
102,763	19,404	122,167
47,609	3,600	51,209
<u>(175,876)</u>	<u>175,876</u>	<u>-</u>
<u>2,808,488</u>	<u>198,880</u>	<u>3,007,368</u>
1,306,060	(98,003)	1,208,057
<u>11,108,561</u>	<u>4,972,098</u>	<u>16,080,659</u>
<u>\$ 12,414,621</u>	<u>\$ 4,874,095</u>	<u>\$ 17,288,716</u>

VILLAGE OF SURFSIDE BEACH, TEXAS*Balance Sheet - Governmental Funds*

September 30, 2023

	General Fund	Beach Fund	Hotel/Motel Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,304,508	\$ 703,820	\$ 4,287,334	\$ 122,602	\$ 6,418,264
Investments	33,189	-	-	-	33,189
Receivables (net):					
Taxes	69,912	-	-	1,982	71,894
Accounts	5,733	-	184,217	-	189,950
Due from other funds	518,157	-	-	86,734	604,891
Prepaid items	<u>7,987</u>	<u>-</u>	<u>24,909</u>	<u>-</u>	<u>32,896</u>
Total assets	<u>\$ 1,939,486</u>	<u>\$ 703,820</u>	<u>\$ 4,496,460</u>	<u>\$ 211,318</u>	<u>\$ 7,351,084</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$ 154,183	\$ 6,906	\$ 3,093	\$ -	\$ 164,182
Accrued wages	31,120	4,132	526	-	35,778
Unearned revenue	12,848	500	3,950	-	17,298
Due to other funds	<u>26,076</u>	<u>144,661</u>	<u>21,425</u>	<u>3,652</u>	<u>195,814</u>
Total liabilities	<u>224,227</u>	<u>156,199</u>	<u>28,994</u>	<u>3,652</u>	<u>413,072</u>
Deferred Inflows of Resources:					
Deferred inflows of resources	<u>11,495</u>	<u>-</u>	<u>-</u>	<u>1,293</u>	<u>12,788</u>
Total deferred inflows of resources	<u>11,495</u>	<u>-</u>	<u>-</u>	<u>1,293</u>	<u>12,788</u>
Fund Balances:					
Nonspendable	7,987	-	24,909	-	32,896
Restricted	-	547,621	4,442,557	206,373	5,196,551
Unassigned	<u>1,695,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,695,777</u>
Total fund balances	<u>1,703,764</u>	<u>547,621</u>	<u>4,467,466</u>	<u>206,373</u>	<u>6,925,224</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,939,486</u>	<u>\$ 703,820</u>	<u>\$ 4,496,460</u>	<u>\$ 211,318</u>	<u>\$ 7,351,084</u>

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

VILLAGE OF SURFSIDE BEACH, TEXAS

Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities

Statement of Net Position

September 30, 2023

Total fund balances - governmental funds balance sheet \$ 6,925,224

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

Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The costs of these assets is \$ 12,382,747- and the accumulated depreciation is -\$ 7,573,566-4 resulting in a

net addition 4,809,181
 -to net position.

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

	Property taxes	\$ 12,788	
	Municipal court accounts	<u>1,096,936</u>	-
1,109,724			

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

	General obligation bonds	\$(515,000-)
	Compensated absences	(29,507)	
	Accrued interest payable	<u>734</u>)
545,241			(

The government-wide statement includes the Village's proportionate share of TMRS net pension asset as well as pension related transactions accounted for as deferred inflows and outflows of resources.

Assets, deferred outflows and inflows of resources at year-end related to such items consist of:

	Net Pension Assets	\$ <u>113,439</u>	
	Deferred Outflows of Resources	92,910	
	Deferred Inflows of Resources	<u>(46,335)</u>	160,014

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

	Total OPEB liability	\$(<u>41,708-</u>)
	Deferred Outflows of Resources	14,294	
	Deferred Inflows of Resources	<u>16,867</u>)
<u>44,281</u>			(

Total Net Position - Governmental Activities \$ 12,414,621

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

VILLAGE OF SURFSIDE BEACH, TEXAS

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2023

	General Fund	Beach Fund	Hotel/Motel Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 1,374,728	\$ -	\$ -	\$ 160,923	\$ 1,535,651
Sales	265,938	-	-	-	265,938
Franchise	84,323	-	-	-	84,323
Occupancy	-	-	923,265	-	923,265
Other	40,235	-	-	-	40,235
Intergovernmental	3,928	-	-	-	3,928
Garbage and service fees	286,640	-	-	-	286,640
EMS revenue	184,190	-	-	-	184,190
Fines and fees	296,287	-	-	-	296,287
Licenses and permits	59,626	900,741	-	13,000	973,367
Investment earnings	15,375	-	86,699	689	102,763
Miscellaneous	26,210	-	21,399	-	47,609
Total revenues	<u>2,637,480</u>	<u>900,741</u>	<u>1,031,363</u>	<u>174,612</u>	<u>4,744,196</u>
Expenditures:					
Current:					
General government and administration	788,340	-	-	70	788,410
Municipal court	13,983	-	-	-	13,983
Police/EMS department	1,025,464	-	-	-	1,025,464
Fire department	47,224	-	-	-	47,224
Public works	85,911	-	-	-	85,911
Public facilities	-	779,104	-	-	779,104
Economic development	-	-	420,135	-	420,135
Employee benefit	247,114	-	-	-	247,114
Capital outlay	19,683	-	-	-	19,683
Debt Service:					
Principal	-	-	-	95,000	95,000
Interest and fiscal charges	-	-	-	19,172	19,172
Total expenditures	<u>2,227,719</u>	<u>779,104</u>	<u>420,135</u>	<u>114,242</u>	<u>3,541,200</u>
Excess of revenues over expenditures	<u>409,761</u>	<u>121,637</u>	<u>611,228</u>	<u>60,370</u>	<u>1,202,996</u>
Other Financing Sources (Uses):					
Transfers in	106,424	-	-	-	106,424
Transfers out	(127,505)	(106,424)	-	(48,371)	(282,300)
Total other financing sources (uses)	<u>(21,081)</u>	<u>(106,424)</u>	<u>-</u>	<u>(48,371)</u>	<u>(175,876)</u>
Net change in fund balances	388,680	15,213	611,228	11,999	1,027,120
Fund balances - beginning	<u>1,315,084</u>	<u>532,408</u>	<u>3,856,238</u>	<u>194,374</u>	<u>5,898,104</u>
Fund balances - ending	<u>\$ 1,703,764</u>	<u>\$ 547,621</u>	<u>\$ 4,467,466</u>	<u>\$ 206,373</u>	<u>\$ 6,925,224</u>

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

VILLAGE OF 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, 2023

Net change in fund balances - total governmental funds \$ 1,027,120

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

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

Capital outlay	\$ 19,683	
Depreciation expense	(<u>310,408</u>)	(290,725)

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect on similar items when debt is paid, whereas these amounts are recognized in the statement of activities.

Principal payments	\$ 95,000	
Change in compensated absences	(<u>11,486</u>))
Change in accrued interest payable	<u>130</u>	83,644

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

Net pension asset decreased	\$(77,414)	
Deferred outflows increased	<u>52,440</u>)
Deferred inflows decreased	<u>60,508</u>)
<u>35,534</u>)

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

Net OPEB liability decreased	\$ 6,110	
Deferred outflows decreased	(<u>1,455</u>))
Deferred inflows increased	<u>15,181</u>)
10,526)

Because some property tax receivables will not be collected for several months after the Village's fiscal year ends, they are not considered available revenues and are deferred inflows in the governmental funds. (15,420)

Municipal court revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. 476,433

Change in net position of governmental activities \$
-1,306,060

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

VILLAGE OF SURFSIDE BEACH, TEXAS
Statement of Net Position - Proprietary Fund
 September 30, 2023

	<u>Enterprise</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 129,924
Accounts receivables, net	142,406
Due from other funds	3,652
Inventories	<u>54,110</u>
Sub-total	<u>330,092</u>
Current Restricted Assets:	
Cash and cash equivalents	<u>502,619</u>
Total current restricted assets	<u>502,619</u>
Total current assets	<u>832,711</u>
Noncurrent Assets:	
Net pension asset	<u>17,948</u>
Total noncurrent assets	<u>17,948</u>
Capital Assets:	
Property, plant and equipment	9,443,291
Less accumulated depreciation	<u>(2,342,444)</u>
Total capital assets (net of accumulated depreciation)	<u>7,100,847</u>
Total assets	<u>7,951,506</u>
Deferred Outflows of Resources:	
Deferred outflows of resources	<u>50,836</u>
Total deferred outflows of resources	<u>50,836</u>

(continued)

VILLAGE OF SURFSIDE BEACH, TEXAS
Statement of Net Position - Proprietary Fund - Continued
September 30, 2023

	<u>Enterprise</u>
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 197,421
Accrued wages	7,812
Unearned revenue	43,122
Accrued compensated absences	2,854
Due to other funds	<u>412,729</u>
Sub-total	<u>663,938</u>
Current Liabilities Payable from Restricted Assets:	
Accrued interest	8,346
Customer deposits	5,476
Revenue bonds payable	<u>104,000</u>
Total current liabilities payable from restricted assets	<u>117,822</u>
Total current liabilities	<u>781,760</u>
Noncurrent Liabilities:	
Revenue bonds payable	2,311,000
Total OPEB liability	<u>10,849</u>
Total noncurrent liabilities	<u>2,321,849</u>
Total liabilities	<u>3,103,609</u>
Deferred Inflows of Resources:	
Deferred inflows of resources	<u>24,638</u>
Total deferred inflows of resources	<u>24,638</u>
Net Position:	
Net investment in capital assets	5,166,140
Restricted For:	
Debt service	8,504
Pension	45,988
Unrestricted	<u>(346,537)</u>
Total net position	<u>\$ 4,874,095</u>

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

VILLAGE OF SURFSIDE BEACH, TEXAS*Statement Of Revenues, Expenses And Changes In Net Position - Proprietary Fund
For the Year Ended September 30, 2023*

	<u>Enterprise</u>
Operating Revenues:	
Water service	\$ 713,949
Sewer service	260,101
Tapping and connection fees	68,810
Miscellaneous	<u>3,600</u>
Total operating revenues	<u>1,046,460</u>
Operating Expenses:	
Personnel related	309,997
Contracted services	7,000
Repairs and maintenance	508,606
Others	224,258
Depreciation	<u>217,534</u>
Total operating expenses	<u>1,267,395</u>
Operating loss	<u>(220,935)</u>
Non-Operating Revenues (Expenses):	
Investment income	19,404
Interest and fiscal charges	<u>(72,348)</u>
Total non-operating revenues (expenses)	<u>(52,944)</u>
Net loss before transfers	<u>(273,879)</u>
Transfers in	<u>175,876</u>
Change in net position	<u>(98,003)</u>
Net position - beginning	<u>4,972,098</u>
Net position - ending	<u>\$ 4,874,095</u>

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

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VILLAGE OF SURFSIDE BEACH, TEXAS*Statement Of Cash Flows - Proprietary Fund**For the Year Ended September 30, 2023*

	<u>Enterprise</u>
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 1,009,204
Receipts from other funds	114,979
Payments to suppliers	(718,081)
Payments to employees	<u>(313,189)</u>
Net cash provided by operating activities	<u>92,913</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers in	<u>175,876</u>
Net cash provided by non-capital financing activities	<u>175,876</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(768,330)
Principal paid on bonds	(104,000)
Interest and fiscal charges paid	<u>(72,617)</u>
Net cash used by capital and related financing activities	<u>(944,947)</u>
Cash Flows from Investing Activities:	
Investment income	<u>19,404</u>
Net cash provided by investing activities	<u>19,404</u>
Change in cash and cash equivalents	(656,754)
Cash and cash equivalents - beginning	<u>1,289,297</u>
Cash and cash equivalents - ending	<u>\$ 632,543</u>

(continued)

VILLAGE OF SURFSIDE BEACH, TEXAS*Statement Of Cash Flows - Proprietary Fund - Continued**For the Year Ended September 30, 2023*

	<u>Enterprise</u>
Reconciliation of Operating Loss to Net Cash provided by Operating Activities:	
Operating loss	\$(233,415)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	217,534
(Increase) decrease in:	
Accounts receivable	(35,804)
Due from other funds	13,000
Inventories	(22,540)
Increase (decrease) in:	
Accounts payable	44,323
Accrued wages	578
Unearned revenue	(2,467)
Compensated absences	568
Due to other funds	101,979
Customer deposits	1,015
Net pension liability	(6,104)
Total OPEB liability	<u>1,766</u>
Net cash provided by operating activities	<u>\$ 80,433</u>

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

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VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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.

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.

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide and Fund Financial Statements - Continued

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.

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.

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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) operating 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.

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, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, 2023.

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, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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 assets by the government that is applicable to a future reporting period, and an acquisition of net assets 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, 2022, upon which the levy for the 2022-23 fiscal year was based, was \$ 479,941,473. 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, 2023, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.300036 and \$ 0.034810 per \$ 100 valuation, respectively, for a total of \$ 0.334846 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2023, were 98.89% 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, 2023, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 17,113 and \$ 1,982 for the general and debt service funds, respectively.

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, 2023, accrued compensated absences reported in the Governmental Activities totaled \$ 29,507. Accrued compensated absences reported in the Enterprise Fund totaled \$ 2,854.

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, 2023, consisted of \$ 54,110 in business type activities.

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, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, 2023, 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, 2023, 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, 2023:

	<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:					
Nonspendable:					
Prepaid items	\$ 7,987	\$ -	\$ 24,909	\$ -	\$ 32,896
Restricted:					
Debt service	-	-	-	125,807	125,807
Beach purpose	-	547,621	-	-	547,621
Encourage tourism	-	-	4,442,557	-	4,442,557
Facility expansion	-	-	-	80,566	80,566
Unassigned	<u>1,695,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,695,777</u>
Total fund balances	<u>\$ 1,703,764</u>	<u>\$ 547,621</u>	<u>\$ 4,467,466</u>	<u>\$ 206,373</u>	<u>\$ 6,925,224</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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 - NEW PRONOUNCEMENTS

GASB No. 91 “Conduit Debt Obligations” was issued in May 2019. 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 for reporting periods beginning after December 15, 2021.

GASB Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” was issued in March 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 for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 “Subscription-Based Information Technology Arrangements” 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 for reporting periods beginning after June 15, 2022.

GASB Statement No. 99 “Omnibus 2022” was issued in April 2022. 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 for reporting periods beginning after June 15, 2022.

GASB No. 100 “Accounting Changes and Error Corrections - an amendment to GASB Statement No. 62” was issued in June 2022. 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, 2023.

GASB No. 101 “Compensated Absences” was issued in June 2022. 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, 2023.

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, 2023 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 29,493	\$ -	\$ 29,493
Demand deposits	4,237,624	118,730	4,356,354
Texpool	<u>2,281,071</u>	<u>383,889</u>	<u>2,664,960</u>
Total cash and cash equivalents	<u>6,548,188</u>	<u>502,619</u>	<u>7,050,807</u>
Investments:			
Mutual fund	<u>33,189</u>	<u>-</u>	<u>33,189</u>
Total investment	<u>\$ 33,189</u>	<u>\$ -</u>	<u>\$ 33,189</u>
Total cash and cash equivalents and investments	<u>\$ 6,581,377</u>	<u>\$ 502,619</u>	<u>\$ 7,083,996</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, 2023, in addition to petty cash of \$ 29,493, the carrying amount of the Village's cash, savings, and time deposits was \$ 4,356,354. The financial institutions balances were \$ 4,425,404 at September 30, 2023. Bank balances of \$ 278,981 were covered by federal depository insurance, and \$ 4,146,423 was covered by collateral pledged in the Village's name.

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, 2023 TexPool had a weighted average maturity of 28 days. Although TexPool had a weighted average maturity of 28 days, the Village considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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

The following table includes the portfolio balances of all investment types of the Village at September 30, 2023.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pool (LGIP)	\$ 2,664,960	28
Securities	<u>33,189</u>	N/A
	<u>\$ 2,698,149</u>	28

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, 2023, the LGIP's (which represent approximately 98.77% of the portfolio) are rated AAAM by Standard and Poor's, while the mutual fund (1.23% of the portfolio) are fully insured.

Interest Rate Risk - 98.77% of the Village's investment is in TexPool 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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual fund	\$ <u>33,189</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>33,189</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, 2023, 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>
Governmental Funds:		
Delinquent property taxes receivable (General Fund)	\$ 11,495	\$ -
Delinquent property taxes receivable (Debt Service Fund)	1,293	-
Deposits	<u>-</u>	<u>17,298</u>
Total	<u>\$ 12,788</u>	<u>\$ 17,298</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, 2023 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, 2023, 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 - TMRS	\$ 49,294	\$ 46,335	\$ -
Pension contributions subsequent to the measurement date - TMRS	43,616	-	-
OPEB - TMRS	13,579	16,867	-
OPEB contributions subsequent to the measurement date - TMRS	715	-	-
Deposits	<u>-</u>	<u>-</u>	<u>17,298</u>
Totals	<u>\$ 107,204</u>	<u>\$ 63,202</u>	<u>\$ 17,298</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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 - TMRS	\$ 25,924	\$ 17,264	\$ -
Pension contributions subsequent to the measurement date - TMRS	19,380	-	-
OPEB - TMRS	5,214	7,374	-
OPEB contributions subsequent to the measurement date - TMRS	318	-	-
Deposits	<u>-</u>	<u>-</u>	<u>43,122</u>
Totals	<u>\$ 50,836</u>	<u>\$ 24,638</u>	<u>\$ 43,122</u>

NOTE 5 - RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Governmental Funds

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

	<u>General Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Receivables:				
Taxes:				
Property	\$ 27,796	\$ -	\$ 4,200	\$ 31,996
Sales	48,770	-	-	48,770
Mixed beverage	4,029	-	-	4,029
Account	<u>5,733</u>	<u>184,217</u>	<u>-</u>	<u>189,950</u>
Gross receivables	<u>86,328</u>	<u>184,217</u>	<u>4,200</u>	<u>274,745</u>
Less Allowance for Uncollectible Accounts:				
Property taxes	<u>10,683</u>	<u>-</u>	<u>2,218</u>	<u>12,901</u>
Net receivables	<u>\$ 75,645</u>	<u>\$ 184,217</u>	<u>\$ 1,982</u>	<u>\$ 261,844</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, 2023, were \$ 149,836 and \$ 7,430, 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, 2023, were \$ 1,828,227 and \$ 731,291, respectively.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables as of September 30, 2023 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>09-30-23</u>
General Fund	Beach Fund	\$ 21,425
General Fund	Hotel/Motel Tax Fund	144,661
General Fund	Enterprise Fund	352,071
Nonmajor Governmental Funds	General Fund	26,076
Nonmajor Governmental Funds	Enterprise Fund	60,658
Enterprise Fund	Nonmajor Governmental Funds	<u>3,652</u>
		<u>\$ 608,543</u>

Interfund receivables and payables represent short-term borrowings primarily for cash flow purposes. These include some revenue or expenditures/expense adjustments between funds at or near year-end.

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 127,505
Beach Fund	General Fund	106,424
Nonmajor Governmental Funds	Enterprise Fund	<u>48,371</u>
		<u>\$ 282,300</u>

The approved transfers are to cover planned expenditures/expenses of operational funds.

VILLAGE OF SURFSIDE BEACH, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2023***NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2023, was as follows:

	<u>Balance</u> <u>10/01/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/23</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>43,590</u>	\$ <u>11,264</u>	\$(<u>54,854</u>)	\$ <u>-</u>
Total capital assets, not being depreciated	<u>43,590</u>	<u>11,264</u>	<u>(54,854)</u>	<u>-</u>
Capital Assets, Being Depreciated:				
Buildings	1,453,201	8,419	-	1,461,620
Furniture, equipment and vehicles	1,256,432	-	-	1,256,432
Infrastructure	<u>9,609,841</u>	<u>-</u>	<u>54,854</u>	<u>9,664,695</u>
Total capital assets, being depreciated	<u>12,319,474</u>	<u>8,419</u>	<u>54,854</u>	<u>12,382,747</u>
Less Accumulated Depreciation For:				
Buildings	969,025	30,581	-	999,606
Furniture, equipment and vehicles	842,701	78,684	-	921,385
Infrastructure	<u>5,451,432</u>	<u>201,143</u>	<u>-</u>	<u>5,652,575</u>
Total accumulated depreciation	<u>7,263,158</u>	<u>310,408</u>	<u>-</u>	<u>7,573,566</u>
Total capital assets, being depreciated, net	<u>5,056,316</u>	<u>(301,989)</u>	<u>54,854</u>	<u>4,809,181</u>
Governmental activities capital assets, net	\$ <u>5,099,906</u>	\$(<u>290,725</u>)	\$ <u>-</u>	\$ <u>4,809,181</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 7 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/23</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 112,233	\$ -	\$ -	\$ 112,233
Construction in progress	<u>1,091,394</u>	<u>714,757</u>	<u>(1,731,230)</u>	<u>74,921</u>
Total capital assets, not being depreciated	<u>1,203,627</u>	<u>714,757</u>	<u>(1,731,230)</u>	<u>187,154</u>
Capital Assets, Being Depreciated:				
Wells and related equipment	1,202,157	44,573	-	1,246,730
Furniture, equipment and vehicles	270,566	9,000	-	279,566
Infrastructure	<u>5,998,611</u>	<u>-</u>	<u>1,731,230</u>	<u>7,729,841</u>
Total capital assets, being depreciated	<u>7,471,334</u>	<u>53,573</u>	<u>1,731,230</u>	<u>9,256,137</u>
Less Accumulated Depreciation For:				
Wells and related equipment	589,888	80,873	-	670,761
Furniture, equipment and vehicles	97,050	1,343	-	98,393
Infrastructure	<u>1,437,972</u>	<u>135,318</u>	<u>-</u>	<u>1,573,290</u>
Total accumulated depreciation	<u>2,124,910</u>	<u>217,534</u>	<u>-</u>	<u>2,342,444</u>
Total capital assets, being depreciated, net	<u>5,346,424</u>	<u>(163,961)</u>	<u>1,731,230</u>	<u>6,913,693</u>
Business-type activities capital assets, net	<u>\$ 6,550,051</u>	<u>\$ 550,796</u>	<u>\$ -</u>	<u>\$ 7,100,847</u>

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

Governmental Activities:	
General government and administration	\$ 7,688
Police/EMS department	66,313
Public facilities	169,364
Economic development	<u>67,043</u>
Total depreciation expense-governmental activities	<u>\$ 310,408</u>
Business-type Activities:	
Water and sewer	<u>\$ 217,534</u>
Total depreciation expense-business-type activities	<u>\$ 217,534</u>

The Village has not entered into contracts for construction as of September 30, 2023.

VILLAGE OF SURFSIDE BEACH, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2023***NOTE 8 - LONG-TERM DEBT****Governmental Activities**

The Village's general long-term debt at September 30, 2023 is comprised of a certificate of obligation.

Certificates of Obligation

The certificate of obligation bonds payable at September 30, 2023, is summarized as follows:

	Interest Rates %	Series Dates		Bonds Outstanding 09/30/23
		Issued	Maturity	
Certificates of Obligation Series 2006	2.40-3.35	2006	2028	\$ <u>515,000</u>
Total				\$ <u>515,000</u>

Certificate of obligation bond transactions for the year ended September 30, 2023, was as follows:

Bonds outstanding, October 1, 2022	\$ 610,000
Maturities	(<u>95,000</u>)
Bonds outstanding, September 30, 2023	\$ <u>515,000</u>

Aggregate maturities of certificate of obligation bonds for the years subsequent to September 30, 2023 are as follow:

Year Ending September 30,	Principal	Interest	Total Requirements
2024	\$ 100,000	\$ 15,930	\$ 115,930
2025	105,000	12,496	117,496
2026	105,000	8,953	113,953
2027	110,000	5,270	115,270
2028	<u>95,000</u>	<u>1,686</u>	<u>96,686</u>
Total	\$ <u>515,000</u>	\$ <u>44,335</u>	\$ <u>559,335</u>

Business-Type Activities

The Village's general long-term debt as of September 30, 2023 is comprised of revenue bonds.

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 8 - LONG-TERM DEBT - Continued

Revenue Bonds

The revenue bonds payable at September 30, 2023 is summarized as follows:

	Interest Rates %	Series Dates		Bonds Outstanding 09/30/23
		Issued	Maturity	
Revenue bonds, Series 2005	4.125-4.750	2005	2045	\$ 850,000
Revenue bonds, Series 2020	1.330-2.250	2020	2040	<u>1,565,000</u>
Total				<u>\$ 2,415,000</u>

Revenue bond transactions for the year ended September 30, 2023, were as follows:

Bonds outstanding, October 1, 2022	\$ 2,519,000
Maturities	<u>(104,000)</u>
Bonds outstanding, September 30, 2023	<u>\$ 2,415,000</u>

Aggregate maturities of revenue bonds for the years subsequent to September 30, 2023 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	\$ 104,000	\$ 68,690	\$ 172,690
2025	105,000	66,492	171,492
2026	107,000	64,213	171,213
2027	113,000	61,815	174,815
2028	114,000	59,220	173,220
2029-2033	614,000	252,410	866,410
2034-2038	694,000	165,103	859,103
2039-2043	453,000	67,015	520,015
2044-2045	<u>111,000</u>	<u>7,724</u>	<u>118,724</u>
Total	<u>\$ 2,415,000</u>	<u>\$ 812,682</u>	<u>\$ 3,227,682</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 8 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

Transactions for the year ended September 30, 2023, are summarized as follows:

	Balance 10-01-22	Additions	Reductions	Balance 09-30-23	Due Within One Year
Governmental Type Activities:					
Certificates of obligation bonds	\$ 610,000	\$ -	\$ 95,000	\$ 515,000	\$ 100,000
Total OPEB liability	47,818	13,657	19,767	41,708	-
Compensated absences	<u>18,021</u>	<u>29,507</u>	<u>18,021</u>	<u>29,507</u>	<u>29,507</u>
Total governmental activities	<u>675,839</u>	<u>43,164</u>	<u>132,788</u>	<u>586,215</u>	<u>129,507</u>
Business-Type Activities:					
Revenue bonds	2,519,000	-	104,000	2,415,000	104,000
Total OPEB liability	13,564	6,067	8,782	10,849	-
Compensated absences	<u>2,286</u>	<u>2,854</u>	<u>2,286</u>	<u>2,854</u>	<u>2,854</u>
Total business-type activities	<u>2,534,850</u>	<u>8,921</u>	<u>115,068</u>	<u>2,428,703</u>	<u>106,854</u>
Total primary government	<u>\$ 3,210,689</u>	<u>\$ 52,085</u>	<u>\$ 247,856</u>	<u>\$ 3,014,918</u>	<u>\$ 236,361</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.

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLANS

A. Plan Description

The Village participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLANS - Continued

B. Benefits Provided

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

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

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

The plan provisions are adopted by the governing body of the Village, within the options available in the state statutes governing TMRS. Members in the Village can retire at age 60 and above with 5 or more years of service or with 25 years of service regardless of age. The plan also provides death benefits and disability benefits. Members may work for more than one TMRS city during their career. If an individual has become vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	52
Active employees	<u>37</u>
Total	98

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLANS - Continued

C. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching ratios are either 1:1(1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The Village's contribution rate is based on the liabilities created from the benefit plan options selected by the Village and any changes in benefits or actual experience over time.

Employees for the Village were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the Village were 1.55% and 5.49% in calendar years 2022 and 2023, respectively. The Village's contributions to TMRS for the year ended September 30, 2023, were \$ 82,543, and were equal to the required contributions.

D. Net Pension Liability

The Village's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 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 Return	6.75%, net of pension plan investment expense, including inflation

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

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLANS - 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, 2019 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. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	35%	7.55%
Core Fixed Income	6%	2.00%
Non-Core Fixed Income	20%	5.68%
Other Public and Private Markets	12%	7.22%
Real Estate	12%	6.85%
Hedge Funds	5%	5.35%
Private Equity	10%	10.00%
Total	100%	

Discount Rate

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

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLANS - Continued

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance at 12/31/2021	\$ 863,484	\$ 1,106,677	\$(243,193)
Changes for the Year:			
Service cost	165,395	-	165,395
Interest	61,573	-	61,573
Change in benefit terms	-	-	-
Difference between expected and actual experience	(35,292)	-	(35,292)
Contributions - employer	-	70,117	(70,117)
Contributions - employee	-	89,403	(89,403)
Net investment income	-	(79,785)	79,785
Benefit payment, including refunds of employee contributions	(67,983)	(67,983)	-
Administrative expense	-	(699)	699
Other changes	-	834	(834)
Net changes	123,693	11,887	111,806
Balance at 12/31/2022	\$ 987,177	\$ 1,118,564	\$(131,387)

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

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

	1% Decrease In Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
Village's Net Pension Asset	\$(9,706)	\$(131,387)	\$(230,673)

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLANS - Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.trms.com.

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

For the year ended September 30, 2023, the Village recognized pension expense of \$ 44,682.

At September 30, 2023, 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	\$ -	\$ 63,599
Net difference between projected and actual earnings	75,218	-
Contributions subsequent to the measurement date	<u>62,996</u>	<u>-</u>
Total	<u>\$ 138,214</u>	<u>\$ 63,599</u>

\$ 62,996 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, 2024. 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>	
2024	\$(32,119)
2025	(6,218)
2026	19,062
2027	30,894

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 10 - POST-EMPLOYMENT BENEFIT 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

SDBF benefits are paid to designated beneficiaries upon TMRS' receipt of an approved benefit application. The death benefit for active members is a lump sum payment approximately equal to the member's annual salary. The death benefit for retirees is \$7,500 and is an "other post-employment benefit." SDBF benefits are paid from the SDBF and are not an obligation of the Pension Trust Fund.

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>37</u>
	52

C. Contributions

The Village contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.28% and 0.18% in the calendar years 2023 and 2022, of which 0.09% and 0.05% represented the retiree-only portion, respectively, as a percentage of annual covered payroll. The Village's contributions to the SDBF for the years ended September 30, 2023, was \$ 4,210 representing contributions for both active and retiree coverage which equaled the required contributions each year contributions. The Village's contribution for retiree portion as of September 30, 2023 was \$ 1,353.

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

D. Total OPEB Liability

The Village's total OPEB liability of \$ 52,557 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the December 31, 2022 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 11.50% including inflation
Discount rate	4.05%
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, 2022.

The actuarial assumptions used in the December 31, 2022 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, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability (a)</u>
Balance at 12/31/2021	\$ <u>61,382</u>
Changes for the Year:	
Service cost	7,535
Interest on total OPEB liability	1,193
Difference between expected and actual experience	10,996
Changes in assumption or other inputs	(27,910)
Benefit payments	<u>(639)</u>
Net changes	<u>(8,825)</u>
Balance at 12/31/2022	\$ <u>52,557</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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease In Discount Rate <u>(3.05%)</u>	Discount Rate <u>(4.05%)</u>	1% Increase In Discount Rate <u>(5.05%)</u>
Village's Total OPEB Liability	\$ <u>63,080</u>	\$ <u>52,557</u>	\$ <u>44,469</u>

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

For the year ended September 30, 2023, the Village recognized OPEB expense of \$ 8,530.

VILLAGE OF SURFSIDE BEACH, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

At September 30, 2023, 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	\$ 11,600	\$ 934
Differences in assumption changes	7,193	23,307
Contributions subsequent to the measurement date	<u>1,033</u>	<u>-</u>
Total	<u>\$ 19,826</u>	<u>\$ 24,241</u>

\$ 1,033 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, 2024. 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>	
2024	\$(198)
2025	(387)
2026	(820)
2027	(2,534)
2028	(1,509)

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, 2023.

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, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 12 - RISK MANAGEMENT

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

NOTE 13 - EVALUATION OF SUBSEQUENT EVENTS

The Village has evaluated subsequent events through June 10, 2024, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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VILLAGE OF SURFSIDE BEACH, TEXAS

Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - General Fund For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 1,444,246	\$ 1,444,246	\$ 1,374,728	\$(69,518)
Sales	170,000	170,000	265,938	95,938
Franchise	77,000	77,000	84,323	7,323
Other	35,000	35,000	40,235	5,235
Intergovernmental	-	-	3,928	3,928
Garbage and service fees	197,000	197,000	286,640	89,640
EMS revenue	114,000	114,000	184,190	70,190
Fines and fees	146,015	146,015	296,287	150,272
Licenses and permits	68,680	68,680	59,626	(9,054)
Investment income	2,000	2,000	15,375	13,375
Miscellaneous	9,000	9,000	26,210	17,210
Total revenues	2,262,941	2,262,941	2,637,480	374,539
Expenditures:				
Current:				
General government and administration	701,502	701,502	788,340	(86,838)
Municipal court	13,700	13,700	13,983	(283)
Police/EMS department	1,061,702	1,061,702	1,025,464	36,238
Fire department	56,000	56,000	47,224	8,776
Public works	249,651	249,651	85,911	163,740
Employee benefit	255,500	255,500	247,114	8,386
Capital outlay	76,796	76,796	19,683	57,113
Total expenditures	2,414,851	2,414,851	2,227,719	187,132
Excess (deficiency) of revenues over expenditures	(151,910)	(151,910)	409,761	561,671
Other Financing Sources (Uses):				
Transfers in	151,910	151,910	106,424	(45,486)
Transfers out	-	-	(127,505)	(127,505)
Total other financing sources (uses)	151,910	151,910	(21,081)	(172,991)
Net change in fund balance	-	-	388,680	388,680
Fund balance - beginning	1,315,084	1,315,084	1,315,084	-
Fund balance - ending	\$ 1,315,084	\$ 1,315,084	\$ 1,703,764	\$ 388,680

VILLAGE OF SURFSIDE BEACH, TEXAS

*Statement of Revenues, Expenditures and Change in Fund Balance - Budget And Actual - Beach Fund
For the Year Ended September 30, 2023*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$ 701,000	\$ 701,000	\$ 900,741	\$ 199,741
Total revenues	701,000	701,000	900,741	199,741
Expenditures:				
Current:				
Public facilities	797,384	797,384	779,104	18,280
Total expenditures	797,384	797,384	779,104	18,280
Excess (deficiency) of revenues over expenditures	(96,384)	(96,384)	121,637	218,021
Other Financing Uses:				
Transfers out	(25,000)	(25,000)	(106,424)	(81,424)
Total other financing uses	(25,000)	(25,000)	(106,424)	(81,424)
Net change in fund balance	(121,384)	(121,384)	15,213	136,597
Fund balance - beginning	532,408	532,408	532,408	-
Fund balance - ending	\$ 411,024	\$ 411,024	\$ 547,621	\$ 136,597

VILLAGE OF 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, 2023*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Occupancy taxes	\$ 500,000	\$ 500,000	\$ 923,265	\$ 423,265
Investment income	3,500	3,500	86,699	83,199
Miscellaneous	<u>55,980</u>	<u>55,980</u>	<u>21,399</u>	<u>(34,581)</u>
Total revenues	<u>559,480</u>	<u>559,480</u>	<u>1,031,363</u>	<u>471,883</u>
Expenditures:				
Current:				
Economic development	<u>559,480</u>	<u>559,480</u>	<u>420,135</u>	<u>139,345</u>
Total expenditures	<u>559,480</u>	<u>559,480</u>	<u>420,135</u>	<u>139,345</u>
Net change in fund balance	-	-	611,228	611,228
Fund balance - beginning	<u>3,856,238</u>	<u>3,856,238</u>	<u>3,856,238</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,856,238</u>	<u>\$ 3,856,238</u>	<u>\$ 4,467,466</u>	<u>\$ 611,228</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

Schedule of Changes in Net Pension Asset and Related Ratios

For The Last Ten Years Ended With Measurement Date of December 31, ⁽¹⁾

	2022	2021	2020	2019
Total Pension Liability				
Service cost	\$ 165,395	\$ 155,127	\$ 94,517	\$ 80,413
Interest (on the Total Pension Liability)	61,573	57,084	45,098	40,679
Changes in benefit terms	-	45,599	-	-
Difference between expected and actual experience	(35,292)	(93,863)	3,683	(21,802)
Changes in assumptions	-	-	-	2,623
Benefit payments, including refunds of employee contributions	(67,983)	(45,966)	(37,303)	(49,690)
 Net Change in Total Pension Liability	 123,693	 117,981	 105,995	 52,223
Total Pension Liability - Beginning	<u>863,484</u>	<u>745,503</u>	<u>639,508</u>	<u>587,285</u>
Total Pension Liability - Ending (a)	<u>\$ 987,177</u>	<u>\$ 863,484</u>	<u>\$ 745,503</u>	<u>\$ 639,508</u>
 Plan Fiduciary Net Position				
Contributions - Employer	\$ 70,117	\$ 17,014	\$ 13,972	\$ 11,723
Contributions - Employee	89,403	84,502	73,026	60,396
Net Investment Income	(79,785)	119,778	61,367	106,170
Benefit payments, including refunds of employee contributions	(67,983)	(45,966)	(37,303)	(49,690)
Administrative expense	(699)	(562)	(403)	(606)
Other	834	4	(17)	(17)
 Net Change in Fiduciary Net Position	 11,887	 174,770	 110,642	 127,976
Fiduciary Net Position - Beginning	<u>1,106,677</u>	<u>931,907</u>	<u>821,265</u>	<u>693,289</u>
Fiduciary Net Position - Ending (b)	<u>\$ 1,118,564</u>	<u>\$ 1,106,677</u>	<u>\$ 931,907</u>	<u>\$ 821,265</u>
 Net Pension Asset (a-b)	 <u>\$(131,387)</u>	 <u>\$(243,193)</u>	 <u>\$(186,404)</u>	 <u>\$(181,757)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 <u>113.31%</u>	 <u>128.16%</u>	 <u>125.00%</u>	 <u>128.42%</u>
 Covered-Employee Payroll	 <u>\$ 1,277,184</u>	 <u>\$ 1,206,278</u>	 <u>\$ 1,043,231</u>	 <u>\$ 862,804</u>
 Net Pension Asset as a Percentage of Covered-Employee Payroll	 <u>(10.29%)</u>	 <u>(20.16%)</u>	 <u>(17.87%)</u>	 <u>(21.07%)</u>

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 72,689	\$ 59,576	\$ 44,959	\$ 41,884	\$ 40,364
37,021	33,313	31,040	27,739	24,776
-	3,980	4,383	-	-
(15,404)	(12,918)	(24,230)	(7,978)	(9,664)
-	-	-	15,046	-
(38,276)	(24,907)	(33,851)	(4,207)	(23,616)
56,030	59,044	22,301	72,484	31,860
<u>531,255</u>	<u>472,211</u>	<u>449,910</u>	<u>377,426</u>	<u>345,566</u>
<u>\$ 587,285</u>	<u>\$ 531,255</u>	<u>\$ 472,211</u>	<u>\$ 449,910</u>	<u>\$ 377,426</u>

\$ 11,001	\$ 9,145	\$ 4,360	\$ 4,743	\$ 5,191
54,246	44,294	33,156	31,397	31,141
(20,452)	79,795	36,225	748	26,795
(38,276)	(24,907)	(33,851)	(4,207)	(23,616)
(398)	(416)	(412)	(456)	(280)
(21)	(22)	(22)	(23)	(23)
6,100	107,889	39,456	32,202	39,208
<u>687,189</u>	<u>579,300</u>	<u>539,844</u>	<u>507,642</u>	<u>468,434</u>
<u>\$ 693,289</u>	<u>\$ 687,189</u>	<u>\$ 579,300</u>	<u>\$ 539,844</u>	<u>\$ 507,642</u>

\$(106,004) \$(155,934) \$(107,089) \$(89,934) \$(130,216)

118.05% 129.35% 122.68% 119.99% 134.50%

\$ 774,941 \$ 738,239 \$ 663,116 \$ 627,939 \$ 622,811

(13.68%) (21.12%) (16.15%) (14.32%) (20.91%)

VILLAGE OF SURFSIDE BEACH, TEXAS

Schedule of Village's Contributions

For the Last Ten Years Ended September 30,⁽¹⁾

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 82,543	\$ 52,228	\$ 16,962	\$ 15,833	\$ 12,784
Contributions in relation to the actuarially determined contribution	<u>82,543</u>	<u>52,228</u>	<u>16,962</u>	<u>15,833</u>	<u>12,784</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 1,503,519</u>	<u>\$ 1,225,178</u>	<u>\$ 1,218,684</u>	<u>\$ 1,120,308</u>	<u>\$ 918,928</u>
Contributions as a percentage of Covered-employee payroll	<u>5.49%</u>	<u>4.26%</u>	<u>1.39%</u>	<u>1.41%</u>	<u>1.39%</u>

Notes to Schedule of Contributions

Valuation date:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information:

Adopted restricted prior service credit.

(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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 12,809	\$ 9,145	\$ 7,592	\$ 4,484	\$ 3,939
<u>12,781</u>	<u>9,145</u>	<u>4,360</u>	<u>4,743</u>	<u>5,191</u>
\$ <u>28</u>	\$ <u>-</u>	\$ <u>3,232</u>	\$ <u>(259)</u>	\$ <u>(1,252)</u>
\$ <u>774,941</u>	\$ <u>738,239</u>	\$ <u>663,116</u>	\$ <u>627,939</u>	\$ <u>622,811</u>
<u>1.65%</u>	<u>1.24%</u>	<u>0.66%</u>	<u>0.76%</u>	<u>0.83%</u>

VILLAGE OF SURFSIDE BEACH, TEXAS

Schedule of Changes in Total OPEB Liability and Related Ratios

For The Last Ten Years Ended with Measurement Date of December 31⁽¹⁾

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability:				
Service cost	\$ 7,535	\$ 7,841	\$ 4,903	\$ 3,624
Interest on total OPEB liability	1,193	1,053	1,122	964
Differences between expected and actual experience	10,996	2,385	(1,234)	2,610
Changes in assumptions or other inputs	(27,910)	1,747	6,045	7,137
Benefit payments	<u>(639)</u>	<u>(724)</u>	<u>(209)</u>	<u>(86)</u>
Net Change in Total OPEB Liability	(8,825)	12,302	10,627	14,249
Total OPEB Liability - Beginning	<u>61,382</u>	<u>49,080</u>	<u>38,453</u>	<u>24,204</u>
Total OPEB Liability - Ending	<u>\$ 52,557</u>	<u>\$ 61,382</u>	<u>\$ 49,080</u>	<u>\$ 38,453</u>
Covered Payroll	<u>\$ 1,277,184</u>	<u>\$ 1,206,278</u>	<u>\$ 1,043,231</u>	<u>\$ 862,804</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>4.12%</u>	<u>5.09%</u>	<u>4.70%</u>	<u>4.46%</u>

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

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:

2022	4.05%
2021	1.84%
2020	2.00%
2019	2.75%
2018	3.71%
2017	3.78%

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

<u>2018</u>	<u>2017</u>
\$ 3,642	\$ 3,101
803	698
(1,120)	-
(1,566)	1,755
<u>-</u>	<u>(74)</u>
1,759	5,480
<u>22,445</u>	<u>16,965</u>
\$ <u>24,204</u>	\$ <u>22,445</u>
\$ <u>774,941</u>	\$ <u>739,239</u>
<u>3.12%</u>	<u>3.04%</u>

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS**

VILLAGE OF SURFSIDE BEACH, TEXAS

Combining Balance Sheet - Nonmajor Governmental Funds

September 30, 2023

	Sewer Tap Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 84,218	\$ 38,384	\$ 122,602
Receivables, net			
Taxes	-	1,982	1,982
Due from other funds	<u>-</u>	<u>86,734</u>	<u>86,734</u>
Total assets	<u>\$ 84,218</u>	<u>\$ 127,100</u>	<u>\$ 211,318</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Due to other funds	\$ <u>3,652</u>	\$ -	\$ <u>3,652</u>
Total liabilities	<u>3,652</u>	<u>-</u>	<u>3,652</u>
Deferred Inflows of Resources:			
Deferred inflows of resources	<u>-</u>	<u>1,293</u>	<u>1,293</u>
Total deferred inflows of resources	<u>-</u>	<u>1,293</u>	<u>1,293</u>
Fund Balances:			
Restricted	<u>80,566</u>	<u>125,807</u>	<u>206,373</u>
Total fund balances	<u>80,566</u>	<u>125,807</u>	<u>206,373</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 84,218</u>	<u>\$ 127,100</u>	<u>\$ 211,318</u>

SURFSIDE BEACH, TEXAS*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds**For the Year Ended September 30, 2023*

	Sewer Tap Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes:			
Property	\$ -	\$ 160,923	\$ 160,923
Licenses and permits	13,000	-	13,000
Investment income	689	-	689
Total revenues	<u>13,689</u>	<u>160,923</u>	<u>174,612</u>
Expenditures:			
Current:			
General government and administration	70	-	70
Debt Service:			
Principal	-	95,000	95,000
Interest and fiscal charges	-	19,172	19,172
Total expenditures	<u>70</u>	<u>114,172</u>	<u>114,242</u>
Excess of revenues over expenditures	<u>13,619</u>	<u>46,751</u>	<u>60,370</u>
Other Financing Uses:			
Transfers out	-	(48,371)	(48,371)
Total other financing uses	<u>-</u>	<u>(48,371)</u>	<u>(48,371)</u>
Net changes in fund balances	13,619	(1,620)	11,999
Fund balances – beginning	<u>66,947</u>	<u>127,427</u>	<u>194,374</u>
Fund balances – ending	<u>\$ 80,566</u>	<u>\$ 125,807</u>	<u>\$ 206,373</u>

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