



*City of*  
**PINEY POINT VILLAGE**  
TEXAS



## Annual Financial Report For the Fiscal Year Ended December 31, 2017

**City of Piney Point Village**

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# City of Piney Point Village, Texas

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*INDEPENDENT AUDITOR'S REPORT*

To the Honorable Mayor and  
Members of the City Council  
City of Piney Point Village, Texas:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Piney Point Village, Texas (the "City"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

#### *Correction of Errors*

As discussed in Note V.F to the financial statements, during 2017, beginning net position for governmental activities and fund balance for the capital projects fund has been restated to reflect correction of an error in the 2016 financial statements. Our opinion is not modified with respect to this matter.

### *Other Matters*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Piney Point Village's basic financial statements.

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

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
June 13, 2018

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***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# City of Piney Point Village, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 31, 2017

As management of the City of Piney Point Village, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017.

### **Financial Highlights**

- The City's total combined net position is \$29,788,166 at December 31, 2017. Of this, \$7,059,465 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$7,412,997, an increase of \$973,716.
- As of the end of the year, the unassigned fund balance of the general fund was \$7,005,523 or 132% of total general fund expenditures.
- The City had an overall increase in net position of \$1,444,897, which is primarily due to a strong increase in revenues, specifically property tax revenue, while expenditures saw only a minimal increase.
- The City closed the year with a net pension liability of \$38,855.

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

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### **Government-Wide Statements**

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

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference 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 City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

**City of Piney Point Village, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
December 31, 2017

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other 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 City include general government, public safety, public works, culture and recreation, and community development.

### **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the City of Piney Point Village. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The only category of City funds is governmental.

#### **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 *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City'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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Piney Point Village, Texas 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. Funds consist of major funds general fund, debt service fund and capital projects fund as well as nonmajor funds METRO projects fund and special revenue fund.

**City of Piney Point Village, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
**December 31, 2017**

The City adopts an annual appropriated budget for its general fund and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget.

**Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

**Other Information**

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund and schedule of funding progress for Texas Municipal Retirement System. The RSI can be found after the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City, assets exceeded liabilities by \$29,788,166 as of December 31, 2017, in the primary government.

The largest portion of the City's net position, \$22,409,680, reflects its investments in capital assets (e.g., land, infrastructure, and streets), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**City of Piney Point Village, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**December 31, 2017**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Current and		
other assets	\$ 15,513,444	\$ 13,390,342
Capital assets, net	32,085,320	28,405,011
<b>Total Assets</b>	47,598,764	41,795,353
<b>Deferred Outflows</b>		
<b>of Resources</b>	70,175	89,300
Other liabilities	2,583,271	1,384,224
Long-term liabilities	8,589,492	5,805,232
<b>Total Liabilities</b>	11,172,763	7,189,456
<b>Deferred Inflows</b>		
<b>of Resources</b>	6,708,010	6,351,928.0
Net Position:		
Net investment in		
capital assets	22,409,680	22,289,561
Restricted	319,021	281,335
Unrestricted	7,059,465	5,772,373
<b>Total Net Position</b>	\$ 29,788,166	\$ 28,343,269

**City of Piney Point Village, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**December 31, 2017**

**Statement of Activities:**

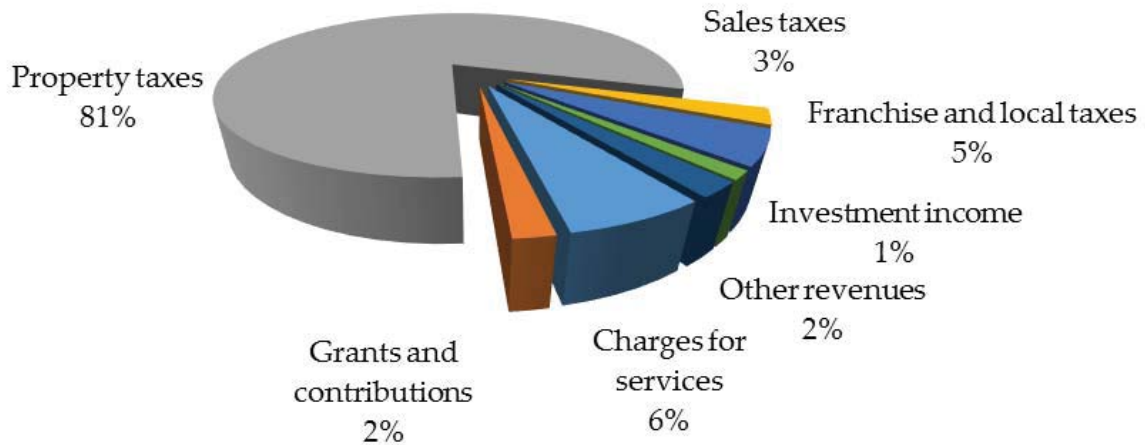
The following table provides a summary of the City's changes in net position:

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 472,742	\$ 545,908
Grants and contributions	136,000	136,000
General revenues:		
Property taxes	6,346,370	5,799,159
Sales taxes	199,556	231,129
Franchise and local taxes	404,989	406,482
Investment income	97,969	47,312
Other revenues	145,456	142,648
<b>Total Revenues</b>	<b>7,803,082</b>	<b>7,308,638</b>
<b>Expenses</b>		
General government	1,297,233	1,171,648
Public safety	3,508,829	3,229,850
Municipal court	39,947	27,218
Public works	1,270,194	952,798
Interest and fiscal charges	241,982	133,587
<b>Total Expenses</b>	<b>6,358,185</b>	<b>5,515,101</b>
<b>Change in Net Position</b>	<b>1,444,897</b>	<b>1,793,537</b>
Beginning Net Position	28,343,269	26,549,732
<b>Ending Net Position</b>	<b>\$ 29,788,166</b>	<b>\$ 28,343,269</b>

**City of Piney Point Village, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
December 31, 2017

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

**Governmental Activities - Revenues**



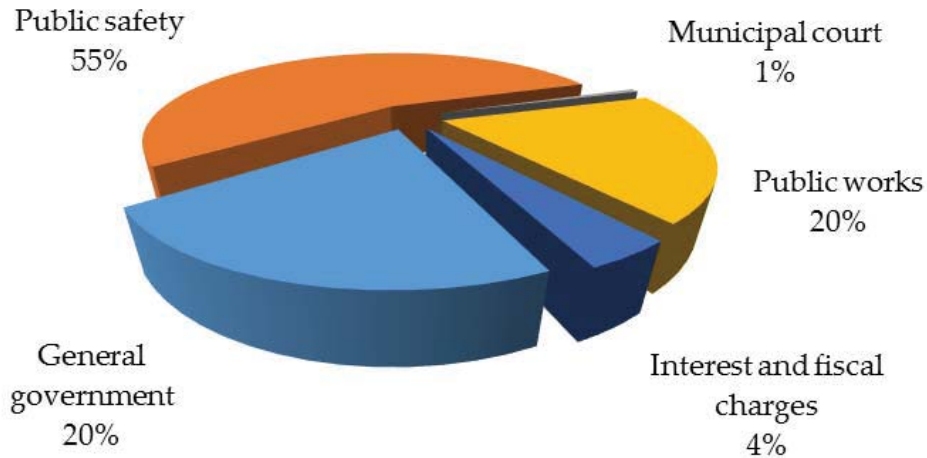
For the year ended December 31, 2017, revenues from governmental activities totaled \$7,803,082. Property tax is the City's largest revenue source at \$6,346,370, an increase of \$547,211 or 9% due to an increase in assessed property value. Sales tax decreased \$31,573 or 14% due to one vendor previously remitting their sales taxes to the incorrect jurisdiction. The total amount received by this vendor in the previous year, totaling approximately \$35,000, was received in error. The City paid the sales tax money to the state during the current year. Charges for services decreased \$73,166 or 13%, which is primarily a result of a reduction in court fines and permit fees. In addition, investment income increased \$50,657 or 107% primarily due to the interest earned on the funds received from debt issued in the current year. All other revenues remained relatively stable when compared to the previous year.



**City of Piney Point Village, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
December 31, 2017

This graph shows the governmental function expenses of the City:

**Governmental Activities - Expenses**



For the year ended December 31, 2017, expenses for governmental activities totaled \$6,358,185. This represents an increase of \$843,084 or 15% from the prior year. The City's largest functional expense is public safety of \$3,508,829. Public safety expenses increased by \$278,979 or 9% due primarily to increased sanitation fuel charges. General government expenses increased \$125,585 or 11% due to increased employee wages and benefits and additional engineering services during the year. Public works expenses increased by \$317,396 or 33% primarily as a result of drainage ditch maintenance and landscaping improvements. Interest and fiscal charges increased \$108,395 or 81% due to the recognition of bond issuance costs the amortization of bond premiums. All other expenses remained relatively stable when compared to the previous year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

As of the end of the year the general fund reflected a total unassigned fund balance of \$7,005,523. The total of all governmental funds reflected a total fund balance of \$7,412,997. Of this, \$92,619 is restricted for municipal court, \$157,125 is restricted for capital improvements, and \$157,730 is restricted for debt service. The total unassigned fund balance for the City was \$7,005,523 as of yearend.

**City of Piney Point Village, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
**December 31, 2017**

The debt service fund reflected a total balance of \$157,730, an increase of \$55,037. The change was primarily due an increase in property tax revenues compared to the prior year, while fund expenditures remained stable.

The capital projects fund reflected a total balance of \$88,453, a decrease of \$434,464. The change is primarily related to an increase in capital outlay expenditures compared to the prior year.

There was an increase in governmental fund balance of \$973,716 from the prior year. The change is primarily attributable to the general fund's revenues exceeding that which was budgeted, in addition to expenditures being below what was budgeted.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a total positive budget variance of \$1,370,494 in the general fund. This is a combination of positive revenue and expenditure variances of \$67,070 and \$1,267,435, respectively. All revenue sources other than property taxes and licenses and permits received more revenue than anticipated. Expenditures exceeded appropriations for general government by \$152,133, public safety by \$129,419, and municipal court by \$2,887.

**CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$32,085,320 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

Major capital asset events during the current year include the additions of construction in progress over road and drainage construction totaling \$4,486,134. More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

**LONG-TERM DEBT**

At the end of the current year, the City had total bonds outstanding of \$9,275,000. During the year, the City experienced a net increase in the long-term debt of \$3,125,300. More detailed information about the City's long-term liabilities is presented in note IV. D. to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

While the City is an entirely residential community, it has continued to maintain new growth as an attractive destination for Houston-based families. The City's appraised values continue to grow and this has allowed the City to retain its 2017 tax rate for 2018.

**City of Piney Point Village, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
**December 31, 2017**

The City adopted a budget similar to last year's budget for 2018, retaining the same tax rate with no increases. Since the City's largest revenue source is property taxes, it is important to note that the City's collection rate is near 100%. The City's 2018 budget will continue to provide necessary services. Long-term funds, including new debt funds that will be used to continue improving drainage and maintaining streets while holding tax rates level.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Administrator, City of Piney Point Village, 7676 Woodway, Suite 300, Houston, Texas 77063.

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## *FINANCIAL STATEMENTS*

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# City of Piney Point Village, Texas

## STATEMENT OF NET POSITION

December 31, 2017

	<u>Primary Government Governmental Activities</u>
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 12,734,573
Receivables, net	2,778,871
<b>Total Current Assets</b>	<b>15,513,444</b>
Capital assets:	
Non-depreciable	4,706,069
Net depreciable capital assets	27,379,251
	32,085,320
<b>Total Assets</b>	<b>47,598,764</b>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred charge on refunding	15,600
Pension contributions	36,300
Pension investment earnings	18,275
<b>Total Deferred Outflows of Resources</b>	<b>70,175</b>
<b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable and accrued liabilities	1,006,644
Customer deposits	222,635
Accrued interest payable	115,490
Long-term debt due within one year	1,238,502
	2,583,271
Noncurrent liabilities:	
Long-term debt due in more than one year	8,550,637
Net pension liability	38,855
	8,589,492
<b>Total Liabilities</b>	<b>11,172,763</b>
<b><u>Deferred Inflows of Resources</u></b>	
Pension actuarial (gain) loss	8,473
Unavailable revenue - property taxes	6,699,537
<b>Total Deferred Inflows of Resources</b>	<b>6,708,010</b>
<b><u>Net Position</u></b>	
Net investment in capital assets	22,409,680
Restricted	319,021
Unrestricted	7,059,465
<b>Total Net Position</b>	<b>\$ 29,788,166</b>

See Notes to Financial Statements.

# City of Piney Point Village, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 1,297,233	\$ -	\$ -
Public safety	3,508,829	-	-
Municipal court	39,947	160,615	-
Public works	1,270,194	312,127	136,000
Interest and fiscal charges	241,982	-	-
<b>Total Governmental Activities</b>	6,358,185	472,742	136,000

**General Revenues:**

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

**Total General Revenues**

**Change in Net Position**

Beginning Net Position

**Ending Net Position**

See Notes to Financial Statements.



**Net (Expense)**  
**Revenue and**  
**Changes in**  
**Net Position**  


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**Primary**  
**Government**  


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**Governmental**  
**Activities**  


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\$ (1,297,233)  
 (3,508,829)  
 120,668  
 (822,067)  
 (241,982)  


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 (5,749,443)  


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6,346,370  
 199,556  
 404,989  
 97,969  
 145,456  


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 7,194,340  


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 1,444,897  
 28,343,269  


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 \$ 29,788,166  


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# City of Piney Point Village, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor METRO Projects</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 8,103,977	\$ 694,090	\$ 1,850,311	\$ 68,672
Cash with fiscal agent	1,519,718	405,186	-	-
Receivables, net	2,219,525	559,346	-	-
Due from other funds	1,074,687	-	-	-
<b>Total Assets</b>	<b>\$ 12,917,907</b>	<b>\$ 1,658,622</b>	<b>\$ 1,850,311</b>	<b>\$ 68,672</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 247,653	\$ 1,500	\$ 757,491	\$ -
Customer deposits	222,635	-	-	-
Due to other funds	-	70,320	1,004,367	-
<b>Total Liabilities</b>	<b>470,288</b>	<b>71,820</b>	<b>1,761,858</b>	<b>-</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	5,442,096	1,429,072	-	-
<b><u>Fund Balances</u></b>				
Restricted:				
Municipal court	-	-	-	-
Debt service	-	157,730	-	-
Capital improvements	-	-	88,453	68,672
Unassigned:	7,005,523	-	-	-
<b>Total Fund Balances</b>	<b>7,005,523</b>	<b>157,730</b>	<b>88,453</b>	<b>68,672</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 12,917,907</b>	<b>\$ 1,658,622</b>	<b>\$ 1,850,311</b>	<b>\$ 68,672</b>

See Notes to Financial Statements.

<u>Nonmajor Special Revenue</u>	<u>Total Governmental Funds</u>
\$ 92,619	\$ 10,809,669
-	1,924,904
-	2,778,871
-	1,074,687
\$ 92,619	\$ 16,588,131

\$ -	\$ 1,006,644
-	222,635
-	1,074,687
-	2,303,966

-	6,871,168

92,619	92,619
-	157,730
-	157,125
-	7,005,523
92,619	7,412,997

\$ 92,619	\$ 16,588,131

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# City of Piney Point Village, Texas

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

December 31, 2017

<b>Fund Balances - Total Governmental Funds</b>	\$ 7,412,997
<b>Adjustments for the Statement of Net Position:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	4,706,069
Capital assets - net depreciable	27,379,251
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	171,631
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.	
Deferred charge on refunding	15,600
Pension contributions	36,300
Pension investment earnings	18,275
Pension (gains) losses	(8,473)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(115,490)
Bond premium	(504,692)
Non-current liabilities due in one year	(1,238,502)
Non-current liabilities due in more than one year	(8,045,945)
Net pension liability	(38,855)
<b>Net Position of Governmental Activities</b>	<b>\$ 29,788,166</b>

See Notes to Financial Statements.

# City of Piney Point Village, Texas

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

For the Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor METRO Projects</u>
<b><u>Revenues</u></b>				
Property tax	\$ 5,215,684	\$ 1,148,621	\$ -	\$ -
Sales tax	199,556	-	-	-
Franchise and local taxes	404,989	-	-	-
License and permits	312,127	-	-	-
Intergovernmental	136,000	-	-	-
Fines and forfeitures	147,005	-	-	-
Investment income	73,645	2,455	21,859	5
Other revenue	145,456	-	-	-
<b>Total Revenues</b>	<b>6,634,462</b>	<b>1,151,076</b>	<b>21,859</b>	<b>5</b>
<b><u>Expenditures</u></b>				
Current:				
General government	1,286,473	-	-	-
Public safety	3,508,829	-	-	-
Municipal court	38,787	-	-	-
Public works	332,896	-	-	-
Capital outlay	132,972	-	4,486,134	-
Debt Service:				
Issuance cost	-	-	82,904	-
Principal	-	910,000	-	-
Interest and fiscal charges	-	150,050	-	-
<b>Total Expenditures</b>	<b>5,299,957</b>	<b>1,060,050</b>	<b>4,569,038</b>	<b>-</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,334,505</b>	<b>91,026</b>	<b>(4,547,179)</b>	<b>5</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	35,989	-	29,811	-
Transfers (out)	-	(35,989)	-	(29,811)
Bond issued	-	-	3,735,000	-
Premium on bond issued	-	-	347,904	-
<b>Total Other Financing Sources (Uses)</b>	<b>35,989</b>	<b>(35,989)</b>	<b>4,112,715</b>	<b>(29,811)</b>
<b>Net Change in Fund Balances</b>	<b>1,370,494</b>	<b>55,037</b>	<b>(434,464)</b>	<b>(29,806)</b>
Beginning fund balances	5,635,029	102,693	522,917	98,478
<b>Ending Fund Balances</b>	<b>\$ 7,005,523</b>	<b>\$ 157,730</b>	<b>\$ 88,453</b>	<b>\$ 68,672</b>

See Notes to Financial Statements.

<u>Nonmajor Special Revenue</u>	<u>Total Governmental Funds</u>
\$ -	\$ 6,364,305
-	199,556
-	404,989
-	312,127
-	136,000
13,610	160,615
5	97,969
-	145,456
13,615	7,821,017
-	1,286,473
-	3,508,829
1,160	39,947
-	332,896
-	4,619,106
-	82,904
-	910,000
-	150,050
1,160	10,930,205
12,455	(3,109,188)
-	65,800
-	(65,800)
-	3,735,000
-	347,904
-	4,082,904
12,455	973,716
80,164	6,439,281
\$ 92,619	\$ 7,412,997

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# City of Piney Point Village, Texas

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

**For the Year Ended December 31, 2017**

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

Net changes in fund balances - total governmental funds	\$	973,716
<p>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.</p>		
Capital outlay		4,486,134
Depreciation expense		(805,825)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(17,935)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		(3,476)
Accrued interest		(56,207)
<p>The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Amortization of deferred charges on refunding		(3,901)
Amortization of premium		51,080
Bond issuance		(3,735,000)
Bond premium on new issuance		(347,904)
Principal payments		910,000
Pension expense		(5,785)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>1,444,897</u></b>

See Notes to Financial Statements.

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# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

#### B. Reporting Entity

The City of Piney Point Village, Texas (the "City") was organized in 1954 to provide municipal services such as police; fire; code enforcement; public works; street repair and maintenance; and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected five member council and a mayor 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 City's financial reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City 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 City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City'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 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 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.

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### Joint Venture

Joint Ventures are legal entities or other organizations that result from a contractual arrangement that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility. The City's two joint ventures are described as follows:

#### Village Fire Department

Village Fire Department ("VFD") was created in 1978 as part of an agreement between multiple contracting cities joined into an interlocal cooperation agreement to establish a common municipal fire department, chartered as the Village Fire Department. The City has no significant influence over VFD's administration or operation.

#### Memorial Villages Police Department

The Memorial Villages Police Department ("MVPD") was created in 1977 as part of an agreement between multiple contracting cities joined into an interlocal cooperation agreement to furnish all police services and law enforcement activities to the participating cities. The City has no significant influence over MVPD's administration or operation.

### C. Basis of Presentation Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds. Separate statements for each fund category, governmental are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The government reports the following governmental funds:

#### Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### **General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, municipal court, public safety, public works, and code enforcement. The general service fund is considered a major fund for reporting purposes.

### **Debt Service Fund**

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

### **Capital Projects Funds**

The capital project funds are used to account for the expenditures of resources accumulated from general obligation bonds, tax notes, related interest earnings, and other sources for capital improvement projects.

The METRO project fund is used for the resources granted to the City from the Metropolitan Transit Authority (METRO). These funds are spent only on projects approved by METRO. If the funds are not spent, then they must be returned to METRO with accrued interest. The capital projects fund is a City fund reserved for the use of capital projects within the City. These projects are approved by City Council. The METRO project fund and the capital projects fund are considered major funds for reporting purposes.

### **Special Revenue Fund**

The special revenue fund is used to account for the proceeds of specific revenue sources (other than expendable trusts and major capital projects) that are legally restricted, committed, or assigned for specified activities. The special revenue fund is a nonmajor fund for reporting purposes.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e.,

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### **D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

### **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

#### **1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

#### **2. Fair Value Measurement**

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

#### **3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.”

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

#### **4. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

#### **5. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

#### **6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.



# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Furniture and equipment	5 to 10 years
Infrastructure	20 to 65 years

### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

### 8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### 9. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### **10. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### **11. Pensions**

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

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### **12. Compensated Absences**

It is the City's policy to permit regular full-time employees to accumulate earned but unused vacation up to a maximum of 20 days. Vacation amounts accumulated may be paid to employees upon termination of employment or at retirement. New employees are ineligible for vacation benefits during the first six months of employment and vacation amounts will not be paid upon separation during this period. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

### **13. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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 debt issued is reported as other financing sources. 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.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### 14. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for the capital projects funds, which appropriated on a project-length basis.

The legal level of control as defined by the City Charter is the function level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year. For the year ended December 31, 2017, expenditures exceeded appropriations at the legal level of control for general government by \$152,133, public safety by \$129,419, and municipal court by \$2,887.

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

As of December 31, 2017, the primary government had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External investment pools	\$ 9,406,085	0.09
Total carrying value	\$ 9,406,085	
Portfolio weighted average maturity		0.09

*Interest rate risk* – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk* – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of December 31, 2017, the City’s investment in TexSTAR was rated AAAM by Standard & Poor’s.

*Custodial credit risk – deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of December 31, 2017, the market values of pledged securities and FDIC exceeded bank balances.

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool "AAAm". As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

### **Texas CLASS**

Texas CLASS (Texas Cooperative Liquid Assets Securities System Trust) was established in 1996, and was created as an investment pool for its Participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. According to State Code, entities may pool any of their funds, or funds under their control, in order to preserve principal, to maintain the liquidity of the funds, and to maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the "Participants"), Public Trust Advisors LLC (PTA) as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAm' by Standard and Poor's Ratings Services. The City's fair value position is stated at the value of the position upon withdrawal.

**City of Piney Point Village, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended December 31, 2017

**B. Receivables**

The following comprise receivable balances of the primary government at year end:

	<b>General</b>	<b>Debt Service</b>	<b>Total</b>
Property taxes	\$ 2,138,219	\$ 559,346	\$ 2,697,565
Sales tax	17,215	-	17,215
Franchise & local taxes	45,263	-	45,263
Other	18,828	-	18,828
	\$ 2,219,525	\$ 559,346	\$ 2,778,871

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2017

### C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 2,846,593	\$ 4,486,134	\$ (2,626,658)	\$ 4,706,069
Total capital assets not being depreciated	<u>2,846,593</u>	<u>4,486,134</u>	<u>(2,626,658)</u>	<u>4,706,069</u>
Capital assets, being depreciated:				
Infrastructure	30,129,726	-	2,626,658	32,756,384
Equipment	78,924	-	-	78,924
Total capital assets being depreciated	<u>30,208,650</u>	<u>-</u>	<u>2,626,658</u>	<u>32,835,308</u>
Less accumulated depreciation				
Infrastructure	4,572,807	804,326	-	5,377,133
Equipment	77,425	1,499	-	78,924
Total accumulated depreciation	<u>4,650,232</u>	<u>805,825</u>	<u>-</u>	<u>5,456,057</u>
Net capital assets being depreciated	25,558,418	(805,825)	2,626,658	27,379,251
<b>Total Capital Assets</b>	<u>\$ 28,405,011</u>	<u>\$ 3,680,309</u>	<u>\$ -</u>	<u>\$ 32,085,320</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 1,499
Public works	804,326
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 805,825</u>



# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2017

### D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 6,450,000	\$ 3,735,000	\$ (910,000)	\$ 9,275,000	\$ 1,230,000
Premium	207,868	347,904	(51,080)	504,692	-
Other liabilities:					
Compensated Absences	5,971	18,190	(14,714)	9,447	8,502
<b>Total Governmental Activities</b>	<b>\$ 6,663,839</b>	<b>\$ 4,101,094</b>	<b>\$ (975,794)</b>	<b>\$ 9,789,139</b>	<b>\$ 1,238,502</b>
 <b>Long-term liabilities due in more than one year</b>				<b>\$ 8,550,637</b>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-term debt at year end was comprised of the following debt issues:

**General Obligation Bonds:**

\$5,450,000 General Obligation Refunding Bond, Series 2011, due in installments through 2020, interest at 2-3%	\$ 2,350,000
\$3,910,000 General Obligation Bond, Series 2015, due in installments through 2025, interest at 2-2.5%	3,190,000
\$3,735,000 General Obligation Bond, Series 2017, due in installments through 2027, interest 2-4%	3,735,000
<b>Total General Obligation bonds</b>	<b>\$ 9,275,000</b>
Premiums	\$ 504,692
<b>Total Deferred Amounts</b>	<b>\$ 504,692</b>
<b>Compensated Absences</b>	9,447
<b>Total Debt</b>	<b>\$ 9,789,139</b>

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

The annual requirements to amortize debt issues outstanding at year ending were as follows:

Year ending December 31,	General Obligation Bonds	
	Principal	Interest
2018	\$ 1,230,000	\$ 269,114
2019	1,285,000	217,950
2020	1,320,000	179,375
2021	1,365,000	139,525
2022	765,000	107,950
2023	790,000	84,950
2024	820,000	61,050
2025	840,000	37,325
2026	425,000	19,425
2027	435,000	6,525
<b>Total</b>	<b>\$ 9,275,000</b>	<b>\$ 1,123,189</b>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

### E. Deferred Charges on Refunding

Deferred charges resulting from the issuance of the series 2011 general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. Current year balances for governmental activities totaled \$15,600. Current year amortization expense for governmental activities totaled \$3,901.

### F. Customer Deposits

The City had customer deposits of \$222,635 in the general fund as of yearend. The City requires a \$25,000 refundable gas meter deposit for all new home building permits. This amount will be refunded upon completion of the project and by meeting certain criteria set by the City.

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2017

### G. Interfund balances

The composition of transfers for the year ended December 31, 2017 is as follows:

<b>Transfer In</b>	<b>Transfer From</b>	<b>Amounts</b>
General Fund	Debt Service	\$ 35,989
Capital Projects	METRO Projects	29,811
		\$ 65,800

Transfers were used to reclassify capital assets and to transfer funds from the debt service fund to the general fund for property tax allocation.

The composition of interfund balances for the year ended December 31, 2017 is as follows:

<b>Receivable</b>	<b>Payable</b>	<b>Amounts</b>
General Fund	Capital Projects	\$ 1,004,367
General Fund	Debt Service	70,320
		\$ 1,074,687

Interfund balances were used to reclassify deficit claims on cash.

### H. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances restricted/committed by the City:

	<b>Restricted</b>
Municipal court	* \$ 92,619
Debt service	157,730
Capital improvements	157,125
<b>Total</b>	<b>\$ 407,474</b>

\*Restricted by enabling legislation.

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### I. Leases

The City's operating lease obligation is for the rental of office space to house City Hall. Basic rent shall be payable monthly in advance commencing on the commencement date of August 1, 2007 and continuing throughout the term and shall be accompanied by all applicable state and local sales or use taxes. The first monthly installment of basic rent shall be payable contemporaneously with the execution of the lease; thereafter, basic rent shall be payable on the first day of each month beginning on the first day of the second full calendar month of the term. The monthly basic rent for any partial month at the beginning of the term shall equal the product of 1/365 of the annual basic rent in effect during the partial month and the number of days in the partial month from and after the commencement date. The contract expired August 1, 2017. The contract has been renewed to November 30, 2024. The City paid \$97,715 in rental expense during the year. The City's lease obligations are as follows:

<b>Period ending:</b>	<b>Operating Leases</b>
December 31, 2018	\$ 75,165
December 31, 2019	115,253
December 31, 2020	117,759
December 31, 2021	120,264
December 31, 2022	122,769
December 31, 2023	125,275
December 31, 2024	117,132
<b>Total Minimum Lease Payments</b>	<b>\$ 793,617</b>

### V. OTHER INFORMATION

#### A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### **B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

### **C. Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2017

### D. Pension Plans

#### Texas Municipal Retirement System

##### 1. Plan Description

The City of Piney Point Village, Texas participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

##### 2. Benefits Provided

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

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

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

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

	<u>Plan Year 2016</u>	<u>Plan Year 2015</u>
Employee deposit rate	5%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	0% Repeating Transfers	0% Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

### Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>7</u>
<b>Total</b>	<b><u>17</u></b>

### 3. Contributions

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

Employees for the City of Piney Point Village, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Piney Point Village, Texas was 8.03% in calendar years 2017. The City's contributions to TMRS for the year ended December 31, 2017, were \$36,300, and were equal to the required contributions.

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### 4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions**

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

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the



# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	7.75%
<b>Total</b>	<b>100.0%</b>	

### Discount Rate

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

### Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
<u>\$ 105,200</u>	<u>\$ 38,855</u>	<u>\$ (16,285)</u>

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2017

### Changes in the Net Pension (Asset) Liability

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension (Asset) Liability (a) – (b)</b>
<b>Balance at 12/31/15</b>	\$ 478,126	\$ 421,359	\$ 56,767
Changes for the year:			
Service cost	44,402	-	44,402
Interest	32,502	-	32,502
Difference between expected and actual experience	(21,689)	-	(21,689)
Changes of assumptions	-	-	-
Contributions – employer	-	25,738	(25,738)
Contributions – employee	-	19,238	(19,238)
Net investment income	-	28,490	(28,490)
Benefit payments, including refunds of emp. contributions	(37,623)	(37,623)	-
Administrative expense	-	(322)	322
Other changes	-	(17)	17
Net changes	17,592	35,504	(17,912)
<b>Balance at 12/31/16</b>	<b>\$ 495,718</b>	<b>\$ 456,863</b>	<b>\$ 38,855</b>

### Pension Plan Fiduciary Net Position

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

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

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

For the year ended December 31, 2017, the City recognized pension expense of \$42,085.

At December 31, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Difference between projected and investment earnings	\$ 18,275	\$ -
Differences between expected and actual economic experience	-	(8,473)
Contributions subsequent to the measurement date	36,300	-
<b>Total</b>	<b>\$ 54,575</b>	<b>\$ (8,473)</b>

The City reported \$36,300 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2017	\$ 4,086
2018	277
2019	5,449
2020	(10)
Thereafter	-
	<b>\$ 9,802</b>

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### 6. Supplemental Death Benefits Plan

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City 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 death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2017, 2016, and 2015 were \$480, \$385 and \$360 respectively, which equaled the required contributions each year.

<b>Plan/ Calendar Year</b>	<b>Annual Required Contribution (Rate)</b>	<b>Actual Contribution Made (Rate)</b>	<b>Percentage of ARC Contributed</b>
2015	0.09%	0.09%	100.0%
2016	0.10%	0.10%	100.0%
2017	0.10%	0.10%	100.0%

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2017

### E. Related Organizations and Joint Ventures

The City has entered into an interlocal agreement with the cities of Hunters Creek Village, Hedwig Village, Hilshire Village, Bunker Hill Village, and Spring Valley Village to create the Village Fire Department (VFD). The agreement automatically renews for a period of five years unless terminated by at least one of the contracting cities. Under the terms of the agreement, the City is liable for 21 percent of VFD's budget. For the year ended December 31, 2017, the City paid \$1,155,825 to the VFD.

Consolidated financial information of the VFD extracted from the audited financial statements for the year ended December 31, 2016, on which VFD's auditors expressed an unmodified opinion, are as follows:

	<u>Net Position</u>
Total assets	\$ 2,292,910
Total deferred outflows of resources	1,744,292
Total liabilities	2,374,913
Total Deferred inflows - pension	13,137
<b>Total Net Position</b>	<u><u>\$ 1,649,152</u></u>
	<b>Change in</b>
	<b>Net Position</b>
Total revenues	\$ 5,485,585
Total expenses	5,725,908
<b>Change in Net Position</b>	<u>(240,323)</u>
Beginning net position	1,889,475
<b>Ending Net Position</b>	<u><u>\$ 1,649,152</u></u>

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

The City has also entered into an interlocal agreement with the cities of Bunker Hill Village and Hunters Creek Village to create the Memorial Village Police Department (MVPD). Under the terms of the agreement, the City is liable for 33 1/3 percent of MVPD's budget. Separate financial statements may be obtained directly from MVPD. For the year ended December 31, 2017 the City paid \$1,659,751 to the MVPD.

Consolidated financial information of the MVPD extracted from the MVPD's audited financial statements for the year ended December 31, 2016, on which the MVPD's auditors expressed an unmodified opinion, are as follows:

	<b>Net Position</b>
Total assets	\$ 1,557,684
Total deferred outflows of resources	1,311,151
Total liabilities	3,474,148
Total deferred inflows - pensions	27,663
<b>Total Net Position</b>	<b>\$ (632,976)</b>
	<b>Change in</b>
	<b>Net Position</b>
Total revenues	\$ 4,810,223
Total expenditures/expenses	5,314,218
<b>Change in Net Position</b>	<b>(503,995)</b>
Beginning net position	(128,981)
<b>Ending Net Position</b>	<b>\$ (632,976)</b>

# City of Piney Point Village, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### F. Restatement

The City has restated beginning fund balance within the capital projects fund due to the change in reporting of accrued liabilities. The restatement of beginning fund balance is as follows:

	<u>Capital Projects</u>
Prior year ending fund balance, as reported	\$ 462,954
Change in retainage payable	59,963
Restated beginning fund balance	<u>\$ 522,917</u>

### G. Subsequent Events

There are no material subsequent events through June 13, 2018, the date the financial statements were issued.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**City of Piney Point Village, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Property tax	\$ 5,259,792	\$ 5,215,684	\$ (44,108)
Sales tax	175,000	199,556	24,556
Franchise and local taxes	384,100	404,989	20,889
License and permits	358,500	312,127	(46,373)
Intergovernmental	136,000	136,000	-
Fines and forfeitures	125,000	147,005	22,005
Investment income	10,000	73,645	63,645
Other revenue	119,000	145,456	26,456
<b>Total Revenues</b>	6,567,392	6,634,462	67,070
<b><u>Expenditures</u></b>			
Current:			
General government	1,134,340	1,286,473	(152,133) *
Public safety	3,379,410	3,508,829	(129,419) *
Municipal court	35,900	38,787	(2,887) *
Public works	442,400	332,896	109,504
Capital outlay	1,575,342	132,972	1,442,370
<b>Total Expenditures</b>	6,567,392	5,299,957	1,267,435
<b>Revenues Over (Under) Expenditures</b>	-	1,334,505	1,334,505
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	-	35,989	35,989
<b>Total Other Financing (Uses)</b>	-	35,989	35,989
<b>Net Change in Fund Balance</b>	\$ -	1,370,494	\$ 1,370,494
Beginning fund balance		5,635,029	
<b>Ending Fund Balance</b>		\$ 7,005,523	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

\* Expenditures exceeded appropriations at legal level of control.

# City of Piney Point Village, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	12/31/2017	12/31/2016	12/31/2015 <sup>1</sup>
Total pension liability			
Service cost	\$ 44,402	\$ 44,331	\$ 38,858
Interest	32,502	29,095	25,044
Differences between expected and actual experience	(21,689)	8,742	20,456
Changes of assumptions	-	13,192	-
Benefit payments, including refunds of participant contributions	(37,623)	(21,424)	(37,007)
<b>Net change in total pension liability</b>	<b>17,592</b>	<b>73,936</b>	<b>47,351</b>
<b>Total pension liability - beginning</b>	<b>478,126</b>	<b>404,190</b>	<b>356,839</b>
<b>Total pension liability - ending (a)</b>	<b>495,718</b>	<b>478,126</b>	<b>404,190</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 25,738	\$ 24,090	\$ 17,566
Contributions - members	19,238	20,041	19,183
Net investment income	28,490	588	21,588
Benefit payments, including refunds of participant contributions	(37,623)	(21,424)	(37,007)
Administrative expenses	(322)	(358)	(225)
Other	(17)	(18)	(19)
<b>Net change in plan fiduciary net position</b>	<b>35,504</b>	<b>22,919</b>	<b>21,086</b>
<b>Plan fiduciary net position - beginning</b>	<b>421,359</b>	<b>398,440</b>	<b>377,354</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 456,863</b>	<b>\$ 421,359</b>	<b>\$ 398,440</b>
<b>Fund's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 38,855</b>	<b>\$ 56,767</b>	<b>\$ 5,750</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	92.16%	88.13%	98.58%
<b>Covered employee payroll</b>	\$ 384,769	\$ 400,824	\$ 383,660
<b>Fund's net position as a percentage of covered employee payroll</b>	10.10%	14.16%	1.50%

**Notes to schedule:**

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.

# City of Piney Point Village, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	12/31/2017	12/31/2016	12/31/2015 <sup>1</sup>
Actuarially determined employer contributions	\$ 36,300	\$ 25,738	\$ 24,090
Contributions in relation to the actuarially determined contribution	\$ 36,300	\$ 25,738	\$ 24,090
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Annual covered employee payroll	\$ 479,531	\$ 384,769	\$ 400,824
Employer contributions as a percentage of covered employee payroll	7.57%	6.69%	6.01%

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.

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

**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	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.

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