



ANNUAL FINANCIAL REPORT 2021

FOR FISCAL YEAR ENDED
DECEMBER 31, 2021

CITY OF
PINEY POINT VILLAGE, TX

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ANNUAL FINANCIAL REPORT

of the

City of Piney Point Village, Texas

**For the Year Ended
December 31, 2021**

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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

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Piney Point Village, Texas, as of December 31, 2021, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Piney Point Village, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison information, the

schedule of changes in net pension liability and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liability and related ratios, 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.

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

Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
May 23, 2022

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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, 2021

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, 2021.

Financial Highlights

- The City's total combined net position is \$34,107,811 at December 31, 2021. Of this, \$3,936,115 (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 \$4,234,307, a decrease of \$357,309.
- As of the end of the year, the unassigned fund balance of the general fund was \$3,702,509 or 46% of total general fund expenditures.
- The City had an overall increase in net position of \$1,418,574. The majority of the City's net position is invested in capital assets and restricted for specific purposes.

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.

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

City of Piney Point Village, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

December 31, 2021

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 four 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 and debt service fund as well as nonmajor funds capital projects fund and special revenue fund.

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.

City of Piney Point Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
December 31, 2021

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 \$34,107,811 as of December 31, 2021, in the primary government.

The largest portion of the City's net position, \$29,624,644, 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, 2021

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities	
	2021	2020
Current and other assets	\$ 11,761,719	\$ 12,303,271
Long-term assets	34,074,879	33,648,227
Total Assets	45,836,598	45,951,498
Deferred Outflows of Resources	45,144	47,069
Other liabilities	1,211,556	1,890,487
Long-term liabilities	3,583,328	4,409,821
Total Liabilities	4,794,884	6,300,308
Deferred Inflows of Resources	6,979,047	7,009,022
Net Position:		
Net investment in capital assets	29,624,644	27,752,537
Restricted	547,052	280,704
Unrestricted	3,936,115	4,655,996
Total Net Position	\$ 34,107,811	\$ 32,689,237

City of Piney Point Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
December 31, 2021

Statement of Activities:

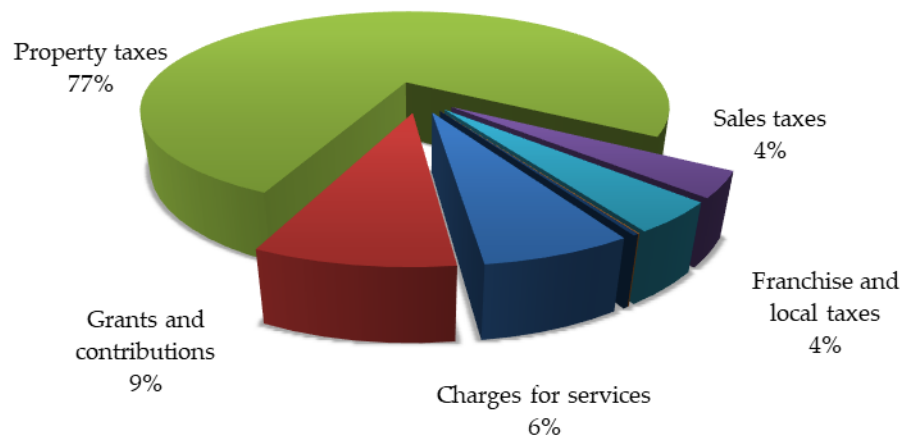
The following table provides a summary of the City's changes in net position:

	Governmental Activities	
	2021	2020
Revenues		
Program revenues:		
Charges for services	\$ 591,196	\$ 500,737
Grants and contributions	780,738	136,398
General revenues:		
Property taxes	7,082,537	7,123,898
Sales taxes	325,009	261,210
Franchise and local taxes	379,744	383,715
Investment income	4,388	47,002
Other revenues	23,224	51,655
Total Revenues	9,186,836	8,504,615
Expenses		
General government	1,571,088	1,367,002
Police	2,036,481	1,865,396
Fire	1,461,876	1,685,349
Sanitation	529,439	566,708
Municipal court	70,144	45,506
Public works	2,035,545	2,240,342
Interest and fiscal charges	63,689	103,332
Total Expenses	7,768,262	7,873,635
Change in Net Position	1,418,574	630,980
Beginning Net Position	32,689,237	32,058,257
Ending Net Position	\$ 34,107,811	\$ 32,689,237

City of Piney Point Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
December 31, 2021

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

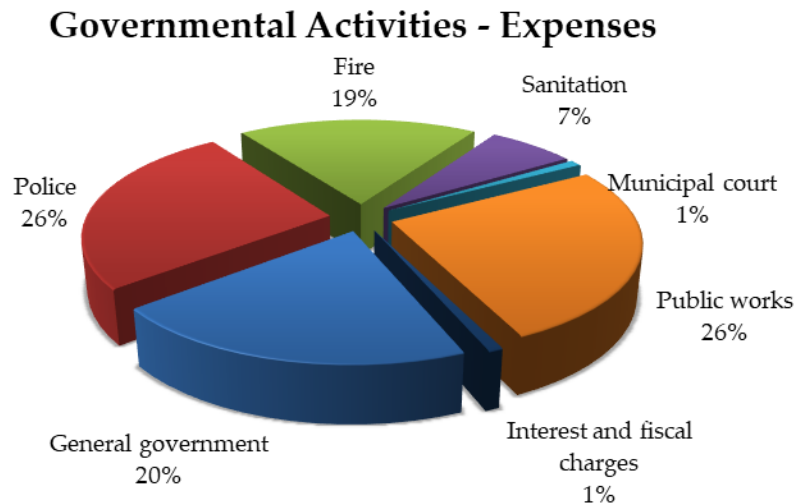
Governmental Activities - Revenues



For the year ended December 31, 2021, revenues from governmental activities totaled \$9,186,836. Property tax is the City's largest revenue source at \$7,082,537. Charges for services increased \$90,459 or 18%, which is primarily a result of additional permit fees during the year compared to last. Grants and contributions increased \$644,340 or 83% due to some nonrecurring contributions received in the current year from the American Rescue Plan and from Harris County. Sales taxes increased \$63,799 or 24% due to added online sales. In addition, investment income decreased \$42,614 or 91% primarily due to lower interest rates caused by changing market conditions and change in interest bearing account balances. Other revenues decreased by \$28,431 primarily due to nonrecurring reimbursements received in the previous 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, 2021

This graph shows the governmental function expenses of the City:



For the year ended December 31, 2021, expenses for governmental activities totaled \$7,768,262. This represents a decrease of \$105,373 from the prior year. The City's largest functional expense is police in the amount of \$2,036,481, which increased by \$171,085 or 9% from the previous year. The increase is primarily due to an increase in personnel costs at the Memorial Village Police Department during the current year. General government expenses increased \$204,086 or 15% due primarily to the added costs of professional services for engineering and interim city administrator expenses during the year. Fire expenses decreased by \$223,473 or 13% due to the nonrecurring development costs in the previous year. Municipal court expenses increased \$24,638 due to an increase in personnel costs, as well as the nonrecurring utilization of available municipal court child safety funds in the current year. Public works expenses decreased by \$204,797 or 9% primarily due to fewer repairs and maintenance costs in the current year. Interest and fiscal charges decreased \$39,643 or 38%, which is consistent with debt service schedules for long-term debt. 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 \$3,702,509. The general fund decreased by \$626,555 primarily due to the utilization of available funds for planned capital expenditures.

City of Piney Point Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
December 31, 2021

The debt service fund reflected a total balance of \$39,163, a decrease of \$131,368. The change was due to the City utilizing available funds to service the debt.

There was a decrease in governmental fund balance of \$357,309 from the prior year. The change is primarily attributable to the utilization of funds on hand for capital expenditures. The total of all governmental funds reflected a total fund balance of \$4,234,307. Of this, \$73,591 is restricted for municipal court, \$39,163 is restricted for debt service, and \$419,044 is restricted for capital improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$550,988 in the general fund. This is a combination of a positive revenue variance of \$606,041 and a negative expenditures variance of \$55,053. Expenditures exceeded appropriations for general government by \$134,088, police by \$5,500, and municipal court by \$17,010.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$34,072,963 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 \$1,470,656. 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 \$4,075,000. During the year, the City experienced a net decrease in the long-term debt of \$1,365,000. 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 2021 tax rate for 2022.

The City adopted a budget similar to last year's budget for 2022, 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 2022 budget will continue to provide necessary services. Long-

City of Piney Point Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
December 31, 2021

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

City of Piney Point Village, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

December 31, 2021

	Primary Government Governmental Activities
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 7,464,418
Receivables, net	4,297,301
Total Current Assets	11,761,719
Net pension asset	1,916
Capital assets:	
Non-depreciable	1,427,140
Net depreciable capital assets	32,645,823
Total Noncurrent Assets	34,074,879
Total Assets	45,836,598
<u>Deferred Outflows of Resources</u>	
Pension contributions	37,200
Pension difference in experience	3,604
OPEB contributions	550
OPEB changes in assumptions	3,790
Total Deferred Outflows of Resources	\$ 45,144

City of Piney Point Village, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

December 31, 2021

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	\$ 251,203
Customer deposits	136,485
Accrued interest payable	45,713
Compensated absences due within one year	13,155
Long-term debt due within one year	765,000
Total Current Liabilities	1,211,556

Noncurrent liabilities:

Compensated absences due in more than one year	1,462
Long-term debt due in more than one year	3,545,942
OPEB liability	35,924
Total Noncurrent Liabilities	3,583,328
Total Liabilities	4,794,884

Deferred Inflows of Resources

Pension difference in earnings	20,258
OPEB difference in experience	4,059
Unavailable revenue - property taxes	6,954,730
Total Deferred Inflows of Resources	6,979,047

Net Position

Net investment in capital assets	29,624,644
Restricted for:	
Municipal court	73,591
Debt service	39,163
Capital improvements	419,044
Pension	15,254
Unrestricted	3,936,115
Total Net Position	\$ 34,107,811

See Notes to Financial Statements.

City of Piney Point Village, Texas

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 1,571,088	\$ -	\$ 49,000
Police	2,036,481	-	-
Fire	1,461,876	-	-
Sanitation	529,439	-	-
Municipal court	70,144	70,086	-
Public works	2,035,545	521,110	731,738
Interest and fiscal charges	63,689	-	-
Total Governmental Activities	7,768,262	591,196	780,738

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

Primary
Government

Governmental
Activities

\$ (1,522,088)
 (2,036,481)
 (1,461,876)
 (529,439)
 (58)
 (782,697)
 (63,689)

 (6,396,328)

7,082,537
 325,009
 379,744
 4,388
 23,224

 7,814,902

 1,418,574
 32,689,237

 \$ 34,107,811

City of Piney Point Village, Texas

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2021

	General	Debt Service	Nonmajor Capital Projects	Nonmajor Special Revenue
<u>Assets</u>				
Cash and cash equivalents	\$ 3,157,505	\$ 2,851,407	\$ 419,044	\$ 73,591
Cash with fiscal agent	778,026	184,845	-	-
Receivables, net	3,483,762	813,539	-	-
Due from other funds	2,440,927	-	-	-
Total Assets	\$ 9,860,220	\$ 3,849,791	\$ 419,044	\$ 73,591
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 251,203	\$ -	\$ -	\$ -
Customer deposits	136,485	-	-	-
Due to other funds	-	2,440,927	-	-
Total Liabilities	387,688	2,440,927	-	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	5,770,023	1,369,701	-	-
Total Deferred Inflows of Resources	5,770,023	1,369,701	-	-
<u>Fund Balances</u>				
Restricted:				
Municipal court	-	-	-	73,591
Debt service	-	39,163	-	-
Capital improvements	-	-	419,044	-
Unassigned:	3,702,509	-	-	-
Total Fund Balances	3,702,509	39,163	419,044	73,591
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,860,220	\$ 3,849,791	\$ 419,044	\$ 73,591

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	6,501,547
	962,871
	4,297,301
	2,440,927
<hr/>	
\$	14,202,646
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\$	251,203
	136,485
	2,440,927
<hr/>	
	2,828,615
<hr/>	

	7,139,724
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	7,139,724
<hr/>	

	73,591
	39,163
	419,044
	3,702,509
<hr/>	
	4,234,307
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\$	14,202,646
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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, 2021

Fund Balances - Total Governmental Funds	\$ 4,234,307
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	1,427,140
Capital assets - net depreciable	32,645,823
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivables	184,994
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.	
Pension contributions	37,200
Pension difference in earnings	(20,258)
Pension difference in experience	3,604
OPEB contributions	550
OPEB difference in experience	(4,059)
OPEB change in assumptions	3,790
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(45,713)
Compensated absences	(14,617)
Bond premium	(235,942)
Long-term debt	(4,075,000)
Net pension liability	1,916
OPEB liability	(35,924)
Net Position of Governmental Activities	\$ 34,107,811

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, 2021

	General	Debt Service	Nonmajor Capital Projects	Nonmajor Special Revenue
<u>Revenues</u>				
Property tax	\$ 5,783,512	\$ 1,374,237	\$ -	\$ -
Sales tax	325,009	-	-	-
Franchise and local taxes	400,195	-	-	-
License and permits	521,110	-	-	-
Intergovernmental	305,051	-	426,687	-
Fines and forfeitures	65,382	-	-	4,704
Investment income	2,468	1,920	-	-
Other revenue	72,224	-	-	-
Total Revenues	7,474,951	1,376,157	426,687	4,704
<u>Expenditures</u>				
Current:				
General government	1,571,788	-	-	-
Police	2,036,481	-	-	-
Fire	1,461,876	-	-	-
Sanitation	529,439	-	-	-
Municipal court	47,010	-	-	23,134
Public works	565,121	-	-	-
Capital outlay	1,889,791	-	7,643	-
Debt Service:				
Principal	-	1,365,000	-	-
Interest and fiscal charges	-	142,525	-	-
Total Expenditures	8,101,506	1,507,525	7,643	23,134
Net Change in Fund Balances	(626,555)	(131,368)	419,044	(18,430)
Beginning fund balances	4,329,064	170,531	-	92,021
Ending Fund Balances	\$ 3,702,509	\$ 39,163	\$ 419,044	\$ 73,591

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	7,157,749
	325,009
	400,195
	521,110
	731,738
	70,086
	4,388
	72,224
	<hr/> 9,282,499 <hr/>

1,571,788
2,036,481
1,461,876
529,439
70,144
565,121
1,897,434

1,365,000
142,525

<hr/> 9,639,808 <hr/>

(357,309)

4,591,616

\$	<hr/> 4,234,307 <hr/>
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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, 2021

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

Net changes in fund balances - total governmental funds	\$ (357,309)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,470,656
Depreciation expense	(1,043,646)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(95,663)
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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.

Compensated absences	2,773
Accrued interest	15,544

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.

Amortization of deferred charges on refunding	(3,897)
Amortization of premium	67,189
Principal payments	1,365,000
Pension expense	4,310
OPEB expense	(6,383)

Change in Net Position of Governmental Activities	\$ 1,418,574
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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, 2021

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, 2021

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 does not have an equity interest and 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 does not have an equity interest and 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.

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

The government reports the following governmental funds:

Governmental Funds

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

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 capital projects fund is a nonmajor fund 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, 2021

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

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

qualifying expenditures have been incurred and all other eligibility requirements have been 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"

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

(i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” 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.

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

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.

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.

Asset Description	Estimated Useful Life
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.

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

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 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

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

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.

12. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

13. 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.

14. 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

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

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.

15. 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.

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

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. No supplemental budget appropriations were made during the year. For the year ended December 31, 2021, expenditures exceeded appropriations at the legal level of control within the general fund for general government by \$134,088, police by \$5,500, and municipal court by \$17,010.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of December 31, 2021, the primary government had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External investment pools	\$ 6,885,712	0.11
Total carrying value	<u>\$ 6,885,712</u>	
Portfolio weighted average maturity		0.11

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

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

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.

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, 2021, the market values of pledged securities and FDIC exceeded bank balances.

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

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. There were no limitations or restrictions on withdrawals.

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. There were no limitations or restrictions on withdrawals.

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

B. Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Property taxes	\$ 3,429,097	\$ 813,539	\$ 4,242,636
Sales tax	31,043	-	31,043
Franchise & local taxes	20,808	-	20,808
Other	2,814	-	2,814
	<u>\$ 3,483,762</u>	<u>\$ 813,539</u>	<u>\$ 4,297,301</u>

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	\$ 2,505,278	\$ 1,470,656	\$ (2,548,794)	\$ 1,427,140
Total capital assets not being depreciated	<u>2,505,278</u>	<u>1,470,656</u>	<u>(2,548,794)</u>	<u>1,427,140</u>
Capital assets, being depreciated:				
Infrastructure	39,288,827	-	2,548,794	41,837,621
Equipment	78,924	-	-	78,924
Total capital assets being depreciated	<u>39,367,751</u>	<u>-</u>	<u>2,548,794</u>	<u>41,916,545</u>
Less accumulated depreciation				
Infrastructure	8,148,152	1,043,646	-	9,191,798
Equipment	78,924	-	-	78,924
Total accumulated depreciation	<u>8,227,076</u>	<u>1,043,646</u>	<u>-</u>	<u>9,270,722</u>
Net capital assets being depreciated	<u>31,140,675</u>	<u>(1,043,646)</u>	<u>2,548,794</u>	<u>32,645,823</u>
Total Capital Assets	<u><u>\$ 33,645,953</u></u>	<u><u>\$ 427,010</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,072,963</u></u>

Depreciation was charged to governmental functions as follows:

Public works	<u>\$ 1,043,646</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 1,043,646</u></u>

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

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
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 5,440,000	\$ -	\$ (1,365,000)	\$ 4,075,000	\$ 765,000
Premium	303,131	-	(67,189)	235,942	-
Total Governmental Activities	<u>\$ 5,743,131</u>	<u>\$ -</u>	<u>\$ (1,432,189)</u>	<u>\$ 4,310,942</u>	<u>\$ 765,000</u>
Long-term liabilities due in more than one year				<u>\$ 3,545,942</u>	

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:

\$3,910,000 General Obligation Bond, Series 2015, due in installments through 2025, interest at 2-2.5%	\$ 1,660,000
\$3,735,000 General Obligation Bond, Series 2017, due in installments through 2027, interest 2-4%	2,415,000
Total General Obligation bonds	<u>\$ 4,075,000</u>
Premiums	\$ 235,942
Total Deferred Amounts	<u>\$ 235,942</u>
Total Debt	<u>\$ 4,310,942</u>

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

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

Year ending December 31,	General Obligation Bonds	
	Principal	Interest
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
Total	\$ 4,075,000	\$ 317,225

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. Other Long-term Liabilities

The following summarizes the changes in the compensated absences balances of the primary government during the year. In general, the City uses the general fund to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Compensated absences	\$ 17,390	\$ 18,245	\$ (21,018)	\$ 14,617	\$ 13,155
Total Governmental Activities	\$ 17,390	\$ 18,245	\$ (21,018)	\$ 14,617	\$ 13,155
Other long-term liabilities due in more than one year				\$ 1,462	

F. 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 were eliminated with current year amortization expense totaling \$3,897.

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

G. Customer Deposits

The City had customer deposits of \$136,485 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.

H. Interfund Transactions

The composition of internal balances as of the year ended December 31, 2021 is as follows:

Due to:	Due from:	
	Debt	
	Service	Total
General Fund	\$ 2,440,927	\$ 2,440,927
Total	\$ 2,440,927	\$ 2,440,927

I. 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:

	Restricted Fund Balance
Municipal court	* \$ 73,591
Debt service	39,163
Capital improvements	419,044
Total	\$ 531,798

*Restricted by enabling legislation.

J. 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

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

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 \$117,759 in rental expense during the year. The City's lease obligations are as follows:

Period ending:	Operating Leases
December 31, 2022	\$ 122,769
December 31, 2023	125,275
December 31, 2024	117,132
Total Minimum Lease Payments	\$ 365,176

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.

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

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

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.

D. Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Piney Point Village, Texas participates as one of 895 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 annual comprehensive annual financial report that can be obtained at 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, 2021

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 2020</u>	<u>Plan Year 2019</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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>7</u>
Total	<u>21</u>

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 6.76% in calendar year 2020. The City's contributions to TMRS for the year ended December 31, 2021, were \$37,598, and were equal to the required contributions.

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2020, 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, 2020 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 are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

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

Discount Rate

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

<u>1% Decrease 5.75%</u>	<u>Current Single Rate Assumption 6.75%</u>	<u>1% Increase 7.75%</u>
<u>\$ 91,388</u>	<u>\$ (1,916)</u>	<u>\$ (80,537)</u>

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

Changes in the Net Pension (Asset) Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
Balance at 12/31/19	\$ 702,935	\$ 705,209	\$ (2,274)
Changes for the year:			
Service cost	60,242	-	60,242
Interest	48,618	-	48,618
Difference between expected and actual experience	8,225	-	8,225
Changes of assumptions	-	-	-
Contributions – employer	-	36,826	(36,826)
Contributions – employee	-	26,609	(26,609)
Net investment income	-	53,652	(53,652)
Benefit payments, including refunds of emp. contributions	(25,587)	(25,587)	-
Administrative expense	-	(346)	346
Other changes	-	(14)	14
Net changes	91,498	91,140	358
Balance at 12/31/20	<u>\$ 794,433</u>	<u>\$ 796,349</u>	<u>\$ (1,916)</u>

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.

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

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

For the year ended December 31, 2021, the City recognized pension expense of \$36,826.

At December 31, 2021, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and actual earnings	\$ -	\$ 20,258
Differences between expected and actual economic experience	3,604	-
Contributions subsequent to the measurement date	37,200	-
Total	\$ 40,804	\$ 20,258

The City reported \$36,826 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ (3,436)
2022	(538)
2023	(11,471)
2024	(1,209)
2025	-
Thereafter	-
Total	\$ (16,654)

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

6. Other Postemployment Benefits

The City also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The 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 SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees.

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.

Employees covered by benefit terms

At the December 31, 2020 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	1
Active employees	7
Total	13

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

The City's contributions to the TMRS SDBF for the years ended 2021, 2020, and 2019 were \$452, \$201, and \$111 respectively, which equaled the required contributions each year.

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2019	0.03%	0.03%	100.0%
2020	0.04%	0.04%	100.0%
2021	0.10%	0.10%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Mortality rates for active members, retirees, and beneficiaries were based on the 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

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

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

1% Decrease 1.00%	Current Single Rate Assumption 2.00%	1% Increase 3.00%
\$ 43,358	\$ 35,924	\$ 30,078

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2019	\$ 29,951
Changes for the year:	
Service Cost	5,694
Interest	899
Change in benefit terms	-
Difference between expected and actual experience	(4,901)
Changes of assumptions	4,494
Benefit payments	(213)
Net changes	5,973
Balance at 12/31/2020	\$ 35,924

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$6,934.

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 4,059
Change in assumption	3,790	-
Contributions subsequent to measurement date	550	-
Total	\$ 4,340	\$ 4,059

The City reported \$550 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending December 31, 2022.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2021	\$ (151)
2022	(118)
2023	-
2024	-
2025	-
Thereafter	-
	<u>\$ (269)</u>

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2021

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, 2021, the City paid \$1,461,856 to the VFD.

Consolidated financial information of the VFD extracted from the audited financial statements for the year ended December 31, 2020, on which VFD's auditors expressed an unmodified opinion, are as follows:

	Net Position
Total assets	\$ 8,098,025
Total deferred outflows of resources	483,891
Total liabilities	942,339
Total deferred inflows of resources	820,411
Total Net Position	\$ 6,819,166
	Change in
	Net Position
Total revenues	\$ 8,671,058
Total expenses	6,158,092
Change in Net Position	2,512,966
Beginning net position	4,306,200
Ending Net Position	\$ 6,819,166

City of Piney Point Village, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended December 31, 2021

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, 2021 the City paid \$2,036,481 to the MVPD.

Consolidated financial information of the MVPD extracted from the MVPD's audited financial statements for the year ended December 31, 2020, on which the MVPD's auditors expressed an unmodified opinion, are as follows:

	Net Position
Total assets	\$ 1,450,423
Total deferred outflows of resources	877,430
Total liabilities	3,456,063
Total deferred inflows of resources	416,774
Total Net Position	\$ (1,544,984)
	Change in
	Net Position
Total revenues	\$ 5,738,694
Total expenditures/expenses	5,894,217
Change in Net Position	(155,523)
Beginning net position	(1,389,461)
Ending Net Position	\$ (1,544,984)

F. Subsequent Events

There are no material subsequent events through May 23, 2022, the date the financial statements were issued.

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, 2021

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 5,557,210	\$ 5,783,512	\$ 226,302
Sales tax	230,000	325,009	95,009
Franchise and local taxes	408,000	400,195	(7,805)
License and permits	356,000	521,110	165,110
Intergovernmental	136,000	305,051	169,051
Fines and forfeitures	101,000	65,382	(35,618)
Investment income	50,000	2,468	(47,532)
Other revenue	30,700	72,224	41,524
Total Revenues	6,868,910	7,474,951	606,041
<u>Expenditures</u>			
Current:			
General government	1,437,700	1,571,788	(134,088) *
Police	2,030,981	2,036,481	(5,500) *
Fire	1,461,876	1,461,876	-
Sanitation	536,500	529,439	7,061
Municipal court	30,000	47,010	(17,010) *
Public works	573,000	565,121	7,879
Capital outlay	1,976,396	1,889,791	86,605
Total Expenditures	8,046,453	8,101,506	(55,053)
Net Change in Fund Balance	\$ (1,177,543)	(626,555)	\$ 550,988
Beginning fund balance			
		4,329,064	
Ending Fund Balance		\$ 3,702,509	

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 (ASSET) AND RELATED RATIOS

Years Ended:

	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Total pension liability				
Service cost	\$ 60,242	\$ 54,795	\$ 58,644	53,851
Interest	48,618	43,255	38,860	34,623
Differences between expected and actual experience	8,225	(3,007)	(6,997)	(8,987)
Changes of assumptions	-	8,547	-	-
Benefit payments, including refunds of participant contributions	(25,587)	(28,151)	(18,787)	(19,429)
Net change in total pension liability	91,498	75,439	71,720	60,058
Total pension liability - beginning	702,935	627,496	555,776	495,718
Total pension liability - ending (a)	794,433	702,935	627,496	555,776
Plan fiduciary net position				
Contributions - employer	\$ 36,826	\$ 32,745	\$ 36,410	36,304
Contributions - members	26,609	23,557	25,497	23,977
Net investment income	53,652	90,902	(16,820)	63,354
Benefit payments, including refunds of participant contributions	(25,587)	(28,151)	(18,787)	(19,429)
Administrative expenses	(346)	(513)	(325)	(328)
Other	(14)	(14)	(16)	(17)
Net change in plan fiduciary net position	91,140	118,526	25,959	103,861
Plan fiduciary net position - beginning	705,209	586,683	560,724	456,863
Plan fiduciary net position - ending (b)	\$ 796,349	\$ 705,209	\$ 586,683	560,724
Fund's net pension liability (asset) - ending (a) - (b)	\$ (1,916)	\$ (2,274)	\$ 40,813	(4,948)
Plan fiduciary net position as a percentage of the total pension liability	100.24%	100.32%	93.50%	100.89%
Covered payroll	\$ 532,171	\$ 471,149	\$ 509,946	479,531
Fund's net position as a percentage of covered payroll	-0.36%	-0.48%	8.00%	-1.03%

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.

<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u> ¹
\$ 44,402	\$ 44,331	\$ 38,858
32,502	29,095	25,044
(21,689)	8,742	20,456
-	13,192	-
(37,623)	(21,424)	(37,007)
<u>17,592</u>	<u>73,936</u>	<u>47,351</u>
<u>478,126</u>	<u>404,190</u>	<u>356,839</u>
<u>495,718</u>	<u>478,126</u>	<u>404,190</u>
\$ 25,738	\$ 24,090	\$ 17,566
19,238	20,041	19,183
28,490	588	21,588
(37,623)	(21,424)	(37,007)
(322)	(358)	(225)
(17)	(18)	(19)
<u>35,504</u>	<u>22,919</u>	<u>21,086</u>
<u>421,359</u>	<u>398,440</u>	<u>377,354</u>
<u>\$ 456,863</u>	<u>\$ 421,359</u>	<u>\$ 398,440</u>
<u>\$ 38,855</u>	<u>\$ 56,767</u>	<u>\$ 5,750</u>
92.16%	88.13%	98.58%
\$ 384,769	\$ 400,824	\$ 383,660
10.10%	14.16%	1.50%

City of Piney Point Village, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Actuarially determined employer contributions	\$ 37,598	\$ 36,882	\$ 32,778	\$ 36,328
Contributions in relation to the actuarially determined contribution	\$ 37,598	\$ 36,882	\$ 32,778	\$ 36,328
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 550,289	\$ 532,172	\$ 471,149	\$ 509,947
Employer contributions as a percentage of covered payroll	6.83%	6.93%	6.96%	7.12%

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	23 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	¹
\$ 36,300	\$ 25,738	\$ 24,090	
\$ 36,300	\$ 25,738	\$ 24,090	
\$ -	\$ -	\$ -	
\$ 479,531	\$ 384,770	\$ 400,823	
7.57%	6.69%	6.01%	

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City of Piney Point Village, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u> ¹
Total OPEB liability				
Service cost	\$ 5,694	\$ 1,743	\$ 2,142	\$ 1,774
Interest	899	997	858	814
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(4,901)	(2,874)	147	-
Changes of assumptions	4,494	4,167	(1,877)	1,959
Benefit payments, including refunds of participant	(213)	(141)	(153)	(480)
Net change in total OPEB liability	<u>5,973</u>	<u>3,892</u>	<u>1,117</u>	<u>4,067</u>
Total OPEB liability - beginning	<u>\$ 29,951</u>	<u>\$ 26,059</u>	<u>\$ 24,942</u>	<u>\$ 20,875</u>
Total OPEB liability - ending	<u><u>\$ 35,924</u></u>	<u><u>\$ 29,951</u></u>	<u><u>\$ 26,059</u></u>	<u><u>\$ 24,942</u></u> ²
 Covered payroll	 \$ 532,171	 \$ 471,149	 \$ 509,946	 \$ 479,531
City's total OPEB liability as a percentage of covered payroll	6.75%	6.36%	5.11%	5.20%

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.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

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