The Village of Tiki Island, Texas

Financial Statements
and Independent Auditors' Report
for the year ended September 30, 2021

The Village of Tiki Island, Texas

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Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Mayor and
Board of Aldermen of
The Village of Tiki Island, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Village of Tiki Island, Texas (the Village), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

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Restatement of Fund Balance

As discussed in Note 4 to the financial statements, the Village's 2020 net position and fund balances were restated for corrections made in assets and liabilities. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-6 and the required supplementary information on pages 30-33 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.

Blazek & Vetterling

September 19, 2022

The Village of Tiki Island, Texas
Management's Discussion and Analysis
For the year ended September 30, 2021
(unaudited)

The following discussion and analysis of The Village of Tiki Island, Texas' (the Village) financial performance provides an overview of the financial activities for the year ended September 30, 2021. This discussion and analysis should be read in conjunction with the Village's financial statements, which follow this section.

Financial Highlights

- The Village's total net position increased by $1.5 million largely due to contributed street improvements by Galveston County of $1.0 million. General revenue including property taxes totaled $3.0 million and expenses totaled $1.5 million.
- The Village's capital assets increased by $1.6 million as a result of street improvements of $1.6 million and canal dredging construction of $225,000, offset by depreciation of $249,000.
- The Village's long-term liabilities decreased by $300,000 due to scheduled principal payments on Certificates of Obligation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The basic financial statements present the government-wide and governmental fund financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the basic financial statements.

Government-Wide Financial Statements

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

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

The *statement of activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in the 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 expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods. Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

Governmental Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

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 are prepared on the modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Village maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund and the Debt Service Fund.

At September 30, 2021, the Village's general fund reported a fund balance of $2.5 million, a decrease of $414,000 from the prior year. A key factor in this decrease is $729,000 of capital outlay expenditures for street improvements and dredging projects out of a total $826,000 in capital expenditures. Approximately 80% of the fund balance constitutes unassigned fund balance, which is available for spending at the Village's discretion, with the remainder of the balance representing restricted funds, for tourism and marketing of $60,000, other restricted purposes of $21,000, and committed funds for economic uncertainty of $400,000.

Condensed Government-Wide Financial Information and Financial Analysis

Condensed Statements of Net Position:

	AS OF SEPTEMBER 30	
	2021	2020
Current and other assets	$ 2,770,606	$ 3,013,963
Capital assets	3,643,156	2,073,012
Total assets	$ 6,413,762	$ 5,086,975
Deferred outflows of resources	$ 5,975	$ 3,625
Noncurrent liabilities	$ 1,126,636	$ 1,427,755
Current liabilities	186,881	34,840
Total liabilities	$ 1,313,517	$ 1,462,595
Deferred inflows of resources	$ 26,418	$ 26,532
Net position:		
Net investments in capital assets	$ 2,573,156	$ 708,011
Restricted	181,996	171,355
Unrestricted	2,324,650	2,722,107
Total net position	$ 5,079,802	$ 3,601,473

As the presentation appearing above demonstrates, a large portion of the Village's net position (51%) is invested in capital assets. Net position invested in capital assets consist of land, canal and bridge improvements, buildings, and equipment less any debt used to acquire the assets that remains outstanding.

Condensed Statements of Revenue, Expenses and Changes in Net Position:

	YEAR ENDED SEPTEMBER 30	
	2021	2020
REVENUE:		
Taxes	$ 1,650,770	$ 1,570,215
Program service fees	147,759	118,981
Grants and contributions	1,167,812	26,287
Other income	10,163	31,786
Total revenue	2,976,504	1,747,269
EXPENSES:		
General government	467,557	318,562
Public safety	625,978	573,977
Neighborhood services	129,753	116,800
Canal and island maintenance	247,810	213,310
Interest on debt	27,077	27,086
Total expenses	1,498,175	1,249,735
CHANGES IN NET POSITION	1,478,329	497,534
Net position, beginning of year	3,601,473	3,103,939
Net position, end of year	$ 5,079,802	$ 3,601,473

Fiscal Year 2021

The Village's increase in net position of $1.5 million in fiscal year 2021 is largely due to contributed street improvements by Galveston County of $1.0 million, total taxes of $1.7 million and permit revenue of $136,000 in contrast to expenses of $1.5 million. Total taxes increased to $1.7 million in fiscal year 2021 from $1.6 million in fiscal year 2020 as a result of property taxes increasing by $80,000 due to increased property values. Permit revenues increased by $30,000 in fiscal year 2021 from $119,000 in fiscal year 2020 due to more home renovation and construction activity. Expenses increased slightly from $1.2 million in fiscal year 2020 to $1.5 million in fiscal year 2021 due to greater depreciation expense of $160,000 from accelerated depreciation of obsolete canal dredging projects as construction of a new canal project began in fiscal year 2021 and granting of federal CARES Act of approximately $132,000 to GCFWSD #6.

Governmental Fund Budget Highlights

The actual governmental fund revenues of the general fund for the year ended September 30, 2021 were $180,000 more than the final budget of $1.5 million. The primary reason for the favorable variance includes the greater licenses and permits revenues of $60,000 and receipt of Federal CARES Act grant funds of $132,000, which was granted to GCFWSD #6. Actual governmental fund expenditures for the year ended September 30, 2021 were $175,000 less than the final budget of $2.2 million. This favorable variance is primarily due to the delay of capital projects as a result of the COVID-19 pandemic.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Village's investment in capital assets for its governmental activities as of September 30, 2021 totaled $3.6 million (net of accumulated depreciation). This amount represents a net increase (including additions, deductions, and depreciation) of $1.6 million from the prior year. The investment in capital assets includes land, streets and bridge improvements, building, canal projects, equipment and vehicles.

Long-Term Debt

At September 30, 2021, the Village had total long-term debt outstanding of $1.1 million; a decrease of $295,000 from the prior year's ending debt balance.

Changes in long-term debt are due to principal payments on various issues. Debt instruments are as follows:

	2021	2020
Series 2011 Certificate of Obligation		$ 60,000
Series 2012 Certificate of Obligation		40,000
Series 2016 Certificate of Obligation	$ 1,070,000	1,265,000
Total debt instruments	$ 1,070,000	$ 1,365,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Village's Board of Aldermen adopts a budget annually, which serves as the basis for the Village's allocation of resources.

The Village is projecting revenue of $1.8 million for fiscal year 2022. The approved budget is based on a property tax rate of $.276883 and is projected to generate property tax revenue of $1.4 million. Franchise and sales taxes are expected to generate $125,000 and $80,000, respectively. Permit revenue is expected to generate revenue of $91,000.

Expenditures for 2022 are projected to be $1.9 million with $393,000 due to capital outlays for the continued canal dredging project.

Contacting the Village's Financial Management

The financial report is designed to discuss issues that may be material to the operation of the Village. Questions concerning any of the information in this report or requests for additional information should be addressed to The Village of Tiki Island, Texas, 802 Tiki Drive, Tiki Island, Texas 77554.

BASIC FINANCIAL STATEMENTS

The Village of Tiki Island, Texas

Statement of Net Position as of September 30, 2021

ASSETS	
Cash and investments *(Note 5)*	$ 2,735,999
Property taxes receivable, net	34,607
Capital assets *(Note 7)*:	
Capital assets not being depreciated	236,016
Capital assets net of depreciation	3,407,140
TOTAL ASSETS	$ 6,413,762
DEFERRED OUTFLOWS OF RESOURCES	
Deferred OPEB outflows	$ 5,975
LIABILITIES	
Accounts payable and accrued liabilities	$ 29,364
Refundable bond deposits	25,500
Funds held for others	132,017
Noncurrent liabilities *(Note 9)*:	
Due within one year	200,000
Due in more than one year	926,636
TOTAL LIABILITIES	1,313,517
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	26,418
NET POSITION	
Net investment in capital assets	2,573,156
Restricted for debt service	100,603
Restricted for tourism and marketing	60,255
Restricted for other	21,138
Unrestricted	2,324,650
TOTAL NET POSITION	$ 5,079,802

See accompanying notes to financial statements.

The Village of Tiki Island, Texas

Statement of Activities for the year ended September 30, 2021

	EXPENSES	PROGRAM REVENUE: CHARGES FOR SERVICES	PROGRAM REVENUE: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUE: CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Governmental activities:					
General government	$ 467,557	$ 11,750	$ 131,946		$ (323,861)
Public safety	625,978		26,782		(599,196)
Neighborhood services	129,753	136,009			6,256
Canal and island maintenance	247,810			$ 1,009,084	761,274
Interest on debt	27,077				(27,077)
Total governmental activities	$ 1,498,175	$ 147,759	$ 158,728	$ 1,009,084	(182,604)
General revenue:					
Taxes:					
Property					1,434,363
Franchise					118,998
Sales					97,409
Other					10,163
Total general revenue					1,660,933
CHANGES IN NET POSITION					1,478,329
Net position, beginning of year, as restated *(Note 4)*					3,601,473
Net position, end of year					$ 5,079,802

See accompanying notes to financial statements.

The Village of Tiki Island, Texas

Balance Sheet – Governmental Funds as of September 30, 2021

	GENERAL	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and investments *(Note 5)*	$ 2,637,012	$ 98,987	$ 2,735,999
Property taxes receivable, net	27,067	7,540	34,607
TOTAL ASSETS	$ 2,664,079	$ 106,527	$ 2,770,606
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 29,364		$ 29,364
Refundable bond deposits	25,500		25,500
Funds held for others	132,017		132,017
Total liabilities	186,881		186,881
Deferred inflows of resources:			
Unavailable property tax	23,729	$ 5,924	29,653
Fund balances:			
Restricted for debt service		100,603	100,603
Restricted for tourism and marketing	60,255		60,255
Restricted for other	21,138		21,138
Committed for economic uncertainty	400,000		400,000
Unassigned	1,972,076		1,972,076
Total fund balances	2,453,469	100,603	2,554,072
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,664,079	$ 106,527	$ 2,770,606

See accompanying notes to financial statements.

The Village of Tiki Island, Texas

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
as of September 30, 2021

Total fund balances, governmental funds	$ 2,554,072
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources; therefore, are not reported in the fund financial statements. The cost of the assets is $4,607,830 and the accumulated depreciation is $964,674.	3,643,156
Deferred inflows are not available to pay for current period expenditures; therefore, are reported as unavailable revenue in the governmental funds.	
Unavailable property tax	29,653
Certain assets and deferred outflows of resources included in the statement of net position are not available to pay current period expenditures; therefore, are not reported as assets in the governmental fund financial statements.	
Deferred OPEB outflows	5,975
Certain liabilities and deferred inflows of resources that are not due and payable in the current period are not reported as liabilities in the governmental fund financial statements, but are reported in the governmental activities of the statement of net position.	
Certificates of obligation payable	(1,070,000)
Pension plan liability	(27,742)
OPEB plan liability	(28,894)
Deferred pension inflows	(26,418)
Net position of governmental activities in the statement of net position	$ 5,079,802

See accompanying notes to financial statements.

The Village of Tiki Island, Texas

Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds
for the year ended September 30, 2021

	GENERAL	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUE:			
Taxes:			
Property	$ 1,091,317	$ 313,393	$ 1,404,710
Franchise	118,998		118,998
Sales	97,409		97,409
Licenses and permits	136,009		136,009
Federal grants	131,946		131,946
Contributions	26,782		26,782
Rental income	11,750		11,750
Other	10,163		10,163
Total revenue	1,624,374	313,393	1,937,767
EXPENDITURES:			
General government	454,643		454,643
Public safety	599,558		599,558
Neighborhood services	129,753		129,753
Canal and island maintenance	28,301		28,301
Debt service:			
Principal payments on debt		295,000	295,000
Interest and fees		38,986	38,986
Capital outlay	826,019		826,019
Total expenditures	2,038,274	333,986	2,372,260
EXCESS OF REVENUES UNDER EXPENDITURES	(413,900)	(20,593)	(434,493)
Fund balance, beginning of year, as restated *(Note 4)*	2,867,369	121,196	2,988,565
Fund balance, end of year	$ 2,453,469	$ 100,603	$ 2,554,072

See accompanying notes to financial statements.

The Village of Tiki Island, Texas

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities for the year ended September 30, 2021

Changes in fund balances	$ (434,493)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. The statement of activities recognizes the cost of outlays allocated over estimated useful lives as depreciation expense.	
Capital outlay	826,019
Depreciation expense	(249,111)
Governmental funds do not recognize as revenue contributions of real property and contributions do not increase current financial resources.	
Contributed street improvements from Galveston County	1,009,084
Governmental funds do not recognize revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	29,653
Government funds report repayment of bond principal as an expenditure and bond proceeds as funding sources. The statement of activities treats such repayments as a reduction in long-term liabilities and proceeds as an increase in long-term liabilities.	
Principal repayments on debt	295,000
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	
Changes in pension liabilities and related deferred outflows and inflows of resources	(14,536)
Changes in OPEB liabilities and related deferred outflows and inflows of resources and deferred outflows	16,713
Change in net position of governmental activities	$ 1,478,329

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION

The Village of Tiki Island, Texas (the Village) was incorporated on August 14, 1982 by virtue of an election held before its residents. The Village is a Type A general municipality and operates under the aldermanic plan of government in accordance with statutes applicable to Type A general law municipalities. The governing body consists of the Mayor and five Aldermen, all elected at large by voters of the Village and holding office for a term of two years.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's significant accounting policies are described below.

As an independent political subdivision of the State of Texas, the Village is considered a Primary Government for financial reporting purposes; its activities are not considered a part of any other governmental or other type of reporting entity. Considerations in determining the Village's financial reporting entity status as a primary government include: a separate elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include a statement of net position and a statement of activities. The government-wide statement of activities demonstrate the degree to which the direct expenses of a given function or activity are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenue are reported instead as general revenue. These statements present information on all of the activities of the primary government.

The governmental fund financial statements include a balance sheet and a statement of revenue, expenditures and changes in fund balances. Accompanying schedules are presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenue 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 donor have been met.

Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Revenue susceptible to accrual includes property tax, franchise taxes, sales tax, permit fees and grants. Under the modified accrual basis of accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for debt service expenditures, which are recognized when due. Investment earnings are recorded on the accrual basis of accounting.

Government Fund Types

The Village reports the following major governmental funds as separate columns in the fund financial statements:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on the debt of the Village. The primary source of revenue for debt service is property tax.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCES

Cash and Investments

Cash and investments consist of cash on hand, demand deposits, and short-term investments in privately managed public fund investment pools.

Receivables

Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets

Purchases of capital assets used in governmental activities are recorded as expenditures of the appropriate fund in governmental fund financial statements, and as assets in the government-wide financial statements, to the extent the Village's capitalization threshold is met. Depreciation is recorded on capital assets on a government-wide basis. All assets (donated and purchased) are recorded at cost or at the estimated acquisition value at the date of acquisition or donation. Capital assets and improvements are capitalized as constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at the government-wide level.

The Village does not use the modified approach for infrastructure reporting. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and the resulting gain or loss is included in the statement of activities.

The Village's Board has adopted a capitalization policy for reporting capital assets which exceeds $5,000 in cost and has a useful life greater than one year. The straight-line method of depreciation is applied over the following estimated useful life for the type of asset:

ASSET DESCRIPTION	ESTIMATED USEFUL LIFE
Street and bridge improvements	25 to 39 years
Canal projects	10 years
Equipment	7 to 15 years
Vehicles	7 years
Land	Not applicable
Construction in progress	Not applicable

Fund Balances and Net Position

Fund balances are classified based upon the relative strength of spending constraints placed upon the purposes for which resources can be used, as follows:

- *Nonspendable fund balance* includes amounts that are either not in spendable form or are legally or contractually required to be maintained intact.
- *Restricted fund balance* includes amounts constrained to specific purposes by resource providers, through constitutional provisions, or by enabling legislation.
- *Committed fund balance* includes amounts constrained to specific purposes by the resolution of its highest level of decision-making authority, which is the Board of Aldermen (the Board). Similarly, the Board may modify or rescind by resolution previously committed funds.
- *Assigned fund balance* includes amounts that are set aside by the Village for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* includes amounts that are available for the Village future use for any purpose.

Net position represents the difference between the Village's total assets and deferred outflows and total liabilities and deferred inflows. Restricted net position can only be used for purposes specified by resource providers. Unrestricted net position is available for general use. When both restricted and unrestricted net position are available for use, it is the Village's policy to use restricted net position first, and then unrestricted net position. The Village reports three categories of net position, as follows:

- *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- *Restricted net position* – Net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Village's certificates of obligation. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
- *Unrestricted net position* consists of all other net position that does not meet the definition of the above two categories and is available for general use by the Village.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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. The Village only has two items that qualify for reporting in this category. These are deferred amounts related to pension and other post-employment benefits (OPEB).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future reporting period and thus, will not be recognized as an inflow of resources (revenue) until that time. The Village has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds reports unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount become available. In the government-wide financial statements the Village reports deferred amounts related to pension and OPEB.

The deferred amounts related to pension and OPEB relate primarily to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB-related charges, and will be amortized over the expected remaining service lives of all employees (active and inactive) that are provided benefits through these plans.

Pension

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

Other Post-Employment Benefits

The Village participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by TMRS. The Village reports the total liability for this plan on the government-wide fund financial statements.

Program Revenue

Program revenue primarily represents fees for services related to the use of the Village's neighborhood services and donations for public safety.

Estimates

Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Budgets

The Village legally adopts annual appropriated budgets for its governmental activities. The budget is reviewed by management and the Board throughout the year to control and enhance the Village's operating results. The Village does not utilize encumbrances.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

New Accounting Standards

The Village adopted the following GASB statements during the year ended September 30, 2021:

Statement No. 89*, Accounting for Interest Cost Incurred Before the End of a Construction Period,* was adopted during the year ended September 30, 2021, although the required effective date is for years beginning after December 15, 2020. The statement allows for early adoption. The statement establishes accounting requirements for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported.

Statement No. 92, *Omnibus 2020*, is effective for varying periods by topic. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements.

The GASB has issued the following statements which will be effective in future years, as described below. The Village has not yet determined the impact of implementing these new statements.

Statement No. 91, *Conduit Debt Obligations*, is effective for reporting periods beginning after December 15, 2020. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

Statement No. 93, *Replacement of Interbank Offered Rates*, is effective for various periods by provision. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, is effective for varying periods by requirement. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Statement No. 98, *The Annual Comprehensive Financial Report*, is effective for fiscal years ending after December 15, 2021. This statement establishes the term *annual comprehensive financial report* and its acronym *ACFR.* The new term and acronym replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments.

Statement No. 87, *Leases,* is effective for fiscal year 2022. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements.

Statement No. 96, *Subscription-Based Information Technology Arrangements,* is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

NOTE 4 – RESTATEMENT

The Village recorded prior period adjustments restating net position as of September 30, 2020 as follows:

Net position at September 30, as previously reported	$ 5,389,301
Correct asset balances	(2,202,327)
Correct liability balances	414,499
Net position at September 30, as restated	$ 3,601,473

The Village recorded prior period adjustments restating fund balance as of September 30, 2020 as follows:

Fund balance at September 30, as previously reported	$ 2,712,018
Correct asset balances	(3,168,200)
Correct liability balances	3,444,747
Fund balance at September 30, as restated	$ 2,988,565

NOTE 5 – CASH AND INVESTMENTS

The Village's cash and investments at September 30, 2021 consist of the following:

Cash on hand	$ 1,130
Demand deposits	280,473
Investments:	
LOGIC	2,218,353
TexPool	236,043
Total cash and investments	$ 2,735,999

Authorization for Deposits and Investments

The Public Funds Investment Act, as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the Village. The Village's Investment Policy addresses safety of principal, liquidity, yield, maturity and legality, with emphasis on safety of principal. In accordance with the Village's Investment Policy, authorized investments include the following:

- Certificates of deposits issued by state and national banks domiciled in the state that are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by government obligations.
- Texas Local Government Investment Pools (LGIPs) provided that investments are specifically authorized by the Village's Board of Aldermen.

The Village invests in LOGIC and TexPool, which are LGIPs created under the Interlocal Cooperation Act, Texas Government Code Chapter 791, and the Public Funds Investment Act, Texas Government Code Chapter 2256. These two acts provide for the creation of LGIPs and authorize eligible governmental entities to invest their public funds through the investment pools. The LGIPs follow all requirements of the Public Funds Investment Act, including being rated by a nationally recognized rating agency, using amortized cost valuation, and, to the extent reasonably possible, stabilize at $1 net asset value.

Local Government Investment Cooperative (LOGIC) is organized and exists as a business trust under the laws of the State of Texas and managed in trust by a Board of Trustees. The Board of Trustees is comprised of employees, and officers or elected officials of participant government entities. LOGIC is administered by Hilltop Securities and JPMorgan Chase. LOGIC's general investment objectives are safety of principal, liquidity in accordance with the operating requirements of the participants, and a competitive rate of return. LOGIC is a "constant dollar" net asset value pool and is rated AAAm by Standard and Poor's; however, an investment in LOGIC is not insured or guaranteed by the FDIC or any other government agency. LOGIC units are subject to same day redemption.

The State Comptroller of Public Accounts exercises oversight responsibilities for 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. Federated Hermes is the full service provider to the pool managing the assets, providing participant services and arranging all custody and other functions in support of the pool's operations under a contract with the Comptroller. TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pool seeks to maintain a $1.00 value per share as required by the Texas Public Funds Investment Act; however, an investment in TexPool is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. TexPool investments consist exclusively of U. S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAm by Standard & Poor's. The weighted average maturities of the pool cannot exceed 60 days, with the maximum maturity of any investment is limited to 13 months. TexPool has a redemption notice period of one day and may redeem daily.

Deposit and Investment Risk Disclosures

GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires disclosure information related to common risks inherent in deposit and investment transactions. Investments are subject to certain types of risks, including custodial credit risk, concentration of credit risk, and interest rate risk. Exposure of deposited funds and invest risks are disclosed in the following sections of this note.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Village will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Village's policy for deposits requires that they be insured by the FDIC, and to the extent not insured, be secured by collateral pledged to the extent of the fair market value of the amount deposited, plus accrued interest.

The carrying value of demand deposits at September 30, 2021 was $280,473 and the related bank balances were $320,385. Securities of the Village's financial institution have been pledged to the Village as collateral for deposits in excess of FDIC coverage; demand balances are fully collateralized.

Concentration of Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Village's investment policy does not specifically limit investment in securities based on an NRSRO credit rating, but the policy does designate authorized investments by type.

The following table presents each applicable investment type grouped by rating:

INVESTMENT TYPE	2021	RATING	WEIGHTED AVERAGE MATURITY (DAYS)
Local Government Investment Pools:			
TexPool	$ 236,043	AAAm	1 day
LOGIC	2,218,353	AAAm	1 day
Total investments	$ 2,454,396		

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio. The table below summarizes the Village's segmented time distribution of investment maturities in years by investment type.

		YEARS			
	SEPTEMBER 30, 2021	< 1	1 - 5	6 - 10	> 10
LOGIC Investment Pool	$ 2,218,353	$ 2,218,353			
TexPool Investment Pool	236,043	236,043			
Total investments	$ 2,454,396	$ 2,454,396	$ 0	$ 0	$ 0

NOTE 6 – PROPERTY TAXES

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Central Appraisal District (CAD) of Galveston County, Texas, establishes appraised values. The Galveston County Tax Office performs billing and collection of the Village's tax levies. Taxes are levied by the Board based on the appraised values and in accordance with the adopted budget. Property tax receivables as of September 30, 2021 include penalties and interest totaling $34,607, net of an allowance for uncollectible receivables of $1,480. Governmental funds record deferred inflows of resources in the balance sheet related to unavailable revenue, which total $29,653 as of September 30, 2021.

NOTE 7 – CAPITAL ASSETS

The Village's investment in capital assets at September 30, 2021 consists of the following:

	BALANCE OCTOBER 1,2020	ADDITIONS	COMPLETIONS/ DISPOSALS	BALANCE SEPTEMBER 30, 2021
Depreciable capital assets:				
Streets and bridge improvements	$ 1,583,946	$ 1,553,161		$ 3,137,107
Buildings	1,023,609			1,023,609
Canal projects	159,647		$ (159,647)	
Equipment	111,752	13,478		125,230
Vehicles	123,612	43,748	(81,492)	85,868
Depreciable capital assets, at cost	3,002,566	1,610,387	(241,139)	4,371,814
Accumulated depreciation:				
Streets and bridge improvements	423,046	82,805		505,851
Buildings	321,054	26,113		347,167
Canal projects	28,146	131,501	(159,647)	
Equipment	104,753	886		105,639
Vehicles	63,855	7,806	(65,644)	6,017
Accumulated depreciation	940,854	249,111	(225,291)	964,674
Total depreciable capital assets, net	2,061,712	1,361,276	(15,848)	3,407,140
Nondepreciable capital assets:				
Land	11,300			11,300
Construction in progress		224,716		224,716
Total nondepreciable capital assets	11,300	224,716		236,016
Total capital assets, net	$ 2,073,012	$ 1,585,992	$ (15,848)	$ 3,643,156

For the year ended September 30, 2021, depreciation expense was charged to the following functions:

General government	$ 886
Public safety	28,717
Canal and island maintenance	219,508
Total depreciation expense	$ 249,111

In 2019, the Village executed an interlocal agreement with Galveston County to fund street improvement projects in the Village's jurisdiction. Galveston County allocated up to $510,000 in road bond funds, with an additional $510,000 of funding provided the Village matches the additional contribution dollar for dollar up to $510,000. Through September 30, 2021, Galveston County has contributed $1,009,084 and the Village has matched $504,542 related to the aforementioned project agreement.

NOTE 8 – CAPITAL PROJECTS AND COMMITMENTS

As of September 30, 2021, the Village had the following commitments:

PROJECT AUTHORIZED	COMMITMENT	AMOUNT SPENT TO DATE	REMAINING COMMITMENT
Canal dredging project	$393,444	$224,716	$168,728

Subsequent to September 30, 2021, the Village entered into engineering and construction contracts for the canal dredging project.

NOTE 9 – LONG-TERM LIABILITIES

The following is a summary of the Village's long-term liabilities for the year ended September 30, 2021:

	BALANCE SEPTEMBER 30, 2020	INCREASES	DECREASES	BALANCE SEPTEMBER 30, 2021	PAYABLE WITHIN ONE YEAR
OPEB liabilities	$ 22,942	$ 5,952		$ 28,894	
Pension liabilities	39,813	3,408	$ (15,479)	27,742	
Certificates of Obligation	1,365,000		(295,000)	1,070,000	$ 200,000
Total	$ 1,427,755	$ 9,360	$ (310,479)	$ 1,126,636	$ 200,000

The following table displays the total principal debt outstanding by issuance as of September 30, 2021:

DESCRIPTION	ISSUANCE DATE	INTEREST RATE	FINAL MATURITY DATE	OUTSTANDING PRINCIPAL AMOUNT
Series 2016 Certificate of Obligation	July 19, 2016	1.81%	August 15, 2026	$1,070,000

Annual debt service requirements to maturity are as follows:

	PRINCIPAL	INTEREST	TOTAL
2022	$ 200,000	$ 19,367	$ 219,367
2023	210,000	15,747	225,747
2024	215,000	11,946	226,946
2025	220,000	8,055	228,055
2026	225,000	4,073	229,073
Total	$ 1,070,000	$ 59,188	$ 1,129,188

NOTE 10 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

Texas Municipal Retirement System

Plan Description and Provisions

The Village participates as 1 of 895 plans in the defined benefit cash-balance pension plan administered by TMRS. TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmrs.com. All eligible employees of the Village are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Village, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated based on the sum of the employee's contributions, with interest, and the Village-financed monetary credits with interest. Members may choose to receive their retirement benefit in one of seven monthly benefit payment options. Members also may choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's total contributions and interest. On the date the plan began, the Village granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

A summary of plan provisions for the Village is as follows:

Employee deposit rate	5.00%-7.00%
Matching ratio (Village to employee)	1 to 1, 1.5 to 1, 2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	Any/20, 60/5
Updated service credit	100% repeating, transfers
Annuity increase (to retirees)	2.50% per year prospectively
Supplemental death benefit active employees and retirees	Yes

At the December 31, 2020 plan valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	1
Inactive employees entitled to, but not yet receiving benefits	8
Active employees	8
Total	17

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Village matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Village. Under the State law governing TMRS, the contribution rate for each municipality is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The Village's contribution rate is based on the liabilities created from the benefit plan options selected by the Village and any changes in benefits or actual experience over time. Employees for the Village were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Village was 4% in the calendar year 2021. For fiscal year 2021, the Village made contributions of $21,277, which were equal to the required contributions.

Net Pension Liability

The Village's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.50%
Overall payroll growth:	2.75% per year
Investment rate of return:	6.75%, net of pension plan investment and administrative expenses, 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 is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future 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.

	2021
Changes in the net pension liability:	
Interest	$ 52,140
Service costs	43,859
Differences between expected and actual experience	(1,497)
Benefit payments, including refunds of employee contributions	(8,625)
Net change in total pension liability	85,877
Total pension liability – beginning	754,822
Total pension liability – ending	$ 840,699
Plan fiduciary net position:	
Employer contributions	$ 20,237
Employee contributions	32,288
Net investment return	54,413
Benefit payments, including refunds of employee contributions	(8,625)
Administrative expense	(365)
Net changes in plan fiduciary net position	97,948
Plan fiduciary net position – beginning	715,009
Plan fiduciary net position – ending	$ 812,957
Net pension liability – ending	$ 27,742

Sensitivity of the Net Pension Liability

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

	1% DECREASE 5.75%	CURRENT DISCOUNT RATE 6.75%	1% INCREASE 7.75%
Net pension liability	$137,765	$27,742	($64,134)

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 at www.tmrs.com.

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

For the year ended September 30, 2021, the Village recognized a decrease in net pension liability of $14,536. At September 30, 2021, the Village reported deferred inflows of resources of $26,418, for the net difference in experiences and changes in assumptions.

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense for the year ended September 30, 2021 as follows:

2022	$ 3,117
2023	12,424
2024	10,877
Total	$ 26,418

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions

The Village offers other post-employment benefits through cost sharing, multiple-employer, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The Village elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Village may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. Contributions are made monthly based on the covered payroll of the participating municipalities. The contractually required contribution rate is determined annually. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the Village. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments become net position available for benefits.

There were no required retiree contributions to the SDBF in calendar year 2021. The Village's contributions to the SDBF for the year ended December 31, 2020 was $54 and were equal to the required contributions.

Benefits Provided

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. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

At the December 31, 2020 plan valuation date, the number of employees covered by the benefit terms were as follows:

Retirees or beneficiaries currently receiving benefits	1
Inactive employees entitled to, but not yet receiving benefits	2
Active employees	8
Total	11

Actuarial Assumptions

The total OPEB liability at December 31, 2020 was determined using the following actuarial assumptions:

Inflation:	2.50%
Overall payroll growth:	3.50% to 11.50% per year
Discount rate:	2.00% – based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.
Retirees' share of benefit-related cost:	$0

The actuarial assumptions were developed primarily from an actuarial experience study of the four-year period from December 31, 2014 through December 31, 2018. 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 is based on a 4-year set-forward for males and a 3-year set-forward for females, with a 3.5% and 3% minimum mortality rate applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. The Entry Age Normal actuarial cost method is used.

Changes in Total OPEB Liability:

	2021
Total OPEB liability – December 31, 2019	$ 22,942
Service costs	1,776
Interest on total OPEB liability	505
Changes of benefit terms	0
Differences between expected and actual experience	(435)
Changes in assumptions or other inputs	4,160
Benefit payments, including refunds of employee contributions	(54)
Total OPEB liability – December 31, 2020	$ 28,894

Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% DECREASE 1.00%	CURRENT DISCOUNT RATE 2.00%	1% INCREASE 3.00%
Total OPEB liability	$35,985	$29,044	$23,680

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

For the year ended September 30, 2021, the Village recognized an increase in total OPEB liability of $5,952. At September 30, 2021, the Village reported deferred outflows of resources of $5,975, for the net difference in experiences and changes in assumptions.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense for the year ended September 30, 2021 as follows:

2022	$	2,727
2023		1,244
2024		1,257
2025		724
Total	$	5,952

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the Village passed a resolution authorizing issuance of $9.8 million in Certificates of Obligation and entered into agreements of $8.0 million related to continuation of the canal dredging project disclosed in Note 8.

The Village of Tiki Island, Texas

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios –
Texas Municipal Retirement System
Year Ended December 31, 2021

	2021	2020	2019	2018
Pension liability:				
Service cost	$ 43,859	$ 44,027	$ 39,606	$ 37,447
Interest	52,140	47,276	42,095	38,030
Changes in benefit terms				
Difference between expected and actual experience	(1,497)	(2,603)	7,661	(2,244)
Changes in assumptions		(4,511)		
Contribution				
Benefit payments, including refunds of employees' contributions	(8,625)	(15,479)	(14,163)	(14,006)
Net change in pension liability	85,877	68,710	75,199	59,227
Pension liability, beginning of year	754,822	686,112	610,913	551,686
Pension liability, end of year	$ 840,699	$ 754,822	$ 686,112	$ 610,913
Plan fiduciary net position:				
Contributions – employer	$ 20,237	$ 18,825	$ 17,256	$ 16,223
Contributions – employee	32,288	31,560	28,840	27,334
Net investment income	54,413	91,330	(17,079)	65,859
Benefit payments, including refunds of employees' contributions	(8,625)	(15,479)	(14,163)	(14,006)
Administrative expense	(351)	(515)	(333)	(345)
Other	(14)	(14)	(18)	(18)
Net change in plan fiduciary net position	97,948	125,707	14,503	95,047
Plan net position, beginning of year	715,009	589,302	574,799	479,752
Plan net position, end of year	$ 812,957	$ 715,009	$ 589,302	$ 574,799
Net pension (asset) liability	$ 27,742	$ 39,813	$ 96,810	$ 36,114
Plan net position as a percentage of total pension (asset) liability	96.70%	94.73%	85.89%	94.09%
Covered payroll	$538,142	$526,004	$480,659	$455,565
Net pension (asset) liability as a percentage of covered payroll	5.16%	7.57%	20.14%	7.93%

(continued)

Notes to Schedule:

Valuation Date – Actuarially determined contribution rates are calculated at December 31 and become effective January 13 months later.

Methods and Assumptions Used:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	16 years
Asset Valuation Method:	10-year smoothed market, 15.0% soft corridor
Inflation:	2.5%
Salary Increases:	3.5% to 11.5%, including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience based table of rates that are specific to the Village plan of benefits. Updated for the 2019 valuation pursuant to experience study of the period 2014-2018.
Mortality:	Post retirement: 2019 Municipal Retirees of Texas Mortality Tables. 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 Generational Employment table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	There were no benefit changes during the year.

The schedule is intended to provide information for 10 years and will be built as the information becomes available.

The Village of Tiki Island, Texas

Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Major Fund – General Fund
For the Fiscal Year Ended September 30, 2021

	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
REVENUES:				
Taxes	$ 1,095,321	$ 1,095,321	$ 1,091,317	$ (4,004)
Franchise	120,000	120,000	118,998	(1,002)
Sales	79,000	79,000	97,409	18,409
Licenses and permits	77,430	77,430	136,009	58,579
Federal grants			131,946	131,946
Contributions	25,000	25,000	26,782	1,782
Rental income	12,600	12,600	11,750	(850)
Other	39,127	39,127	10,163	(28,964)
Total revenues	1,448,478	1,448,478	1,624,374	175,896
EXPENDITURES:				
General government	397,478	397,478	454,643	(57,165)
Public safety	610,176	610,176	599,558	10,618
Neighborhood services	124,164	124,164	129,753	(5,589)
Canal and island maintenance	31,327	31,327	28,301	3,026
Capital outlay	1,066,444	1,066,444	826,019	240,425
Total expenditures	2,229,589	2,229,589	2,038,274	191,315
Excess (deficiency) of revenues over expenditures	(781,111)	(781,111)	(413,900)	367,211
Fund balance, beginning of year, as restated	2,867,369	2,867,369	2,867,369	
Fund balance, end of year	$ 2,086,258	$ 2,086,258	$ 2,453,469	$ 367,211

The Notes to the Required Supplementary Information are an integral part of this schedule.

The Village of Tiki Island, Texas

Notes to Required Supplementary Information
For the Fiscal Year Ended September 30, 2021

Budgetary Compliance:

The Village of Tiki Island, Texas (the Village) has complied with all material budget requirements for the year ended September 30, 2021. The Village did not budget for a federal grant of $131,946 that was provided to the Village and utilized by GCFWSD #6 for water and sewerage expenditures.

Annual appropriated budgets are adopted for the General Fund using a budgetary basis of accounting consistent with the modified accrual basis of accounting, which is the basis used for financial reporting for these funds. All annual appropriations lapse at fiscal year end.

Expenditures may not legally exceed budgeted appropriations at the fund level. Expenditure requests that require an increase in total budgeted appropriation must be approved by Village Council (the Council) through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public safety.

The annual budget process for the Village begins in June of each year. An Aldermen, who has been assigned by the mayor to be the budget representative for the Village, and the Tiki Island Secretary/Administrator are responsible for determining the baseline for the next fiscal year's budget. The process begins by conducting a detail review of the current year income and expenditures which becomes the basis, along with known projects or changes, for the proposed upcoming year's budget. The preliminary budget is presented to the Aldermen at the July budget workshop meeting. At this meeting, each line item is reviewed and compared to the previous years' budget. Each Aldermen has an opportunity to request changes, additions, or deletions to the budget. After the meeting, all changes are incorporated into the budget and presented at a subsequent budget workshop for final approval. Once the budget is approved, the Village determines the maintenance and operation and debt tax rate for the next fiscal year. Once the fiscal year begins, the Tiki Island Secretary/Administrator provides the Aldermen with regular monthly statements of revenues and expenditures for the previous month and major budget deviations are discussed.

Amounts reported in the accompanying schedule represent the original budgeted amount plus all supplemental appropriations.