

VILLAGE OF BAILEY'S PRAIRIE
BRAZORIA COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2015

Gratzer & Company
Certified Public Accountants

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GRATZER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Aldermen
Village of Bailey's Prairie
Brazoria County, Texas

We have audited the accompanying financial statements of the Village of Bailey's Prairie (the Village) as of and for the year ended September 30, 2015, and the related notes to 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 of the Village is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and individual governmental funds as of September 30, 2015, 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.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information (pg 11) 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 historic context.

Management has elected to omit the management discussion and analysis. Such information, although not a part of the basic financial statements, is required by the Governmental Standards Board, who considers it to be an essential part of financial reporting. Our opinion on the basic financial statements is not affected by this missing information.

We have applied certain limited procedures to the included 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.

Gratzer & Company

Gratzer & Company
February 9, 2016

BASIC FINANCIAL STATEMENTS

VILLAGE OF BAILIE'S PRAIRIE

STATEMENT OF NET POSITION - AND GOVERNMENTAL FUND BALANCE SHEET
September 30, 2015

	General Fund	Adjustments (Note 1.B.)	Statement of Net Position
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash in bank:			
Checking	\$ 31,293	\$ -	\$ 31,293
Savings	-	-	-
Receivables:			
Sales tax	611	-	611
Franchise fees	5,826	-	5,826
Other	234	-	234
Capital Assets -			
Land	-	13,000	13,000
Park Improvements	-	29,695	29,695
City Hall	-	41,042	41,042
Roads	-	16,600	16,600
Less - accumulated depreciation	-	(16,446)	(16,446)
Total Assets	<u>\$ 37,964</u>	<u>83,891</u>	<u>\$ 121,855</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 1,518	-	\$ 1,518
Payroll taxes	264	-	264
Payable to other local government	24,871	-	24,871
Total Liabilities	<u>26,653</u>	<u>-</u>	<u>26,653</u>
Deferred Inflows of Financial Resources			
Advance payments - franchise fees	4,250	-	4,250
Total Deferred Inflows	<u>4,250</u>	<u>-</u>	<u>4,250</u>
Fund Balances / Net Position:			
Fund balance -			
Uncommitted, unassigned	7,061	(7,061)	-
Total Fund Balances	<u>7,061</u>	<u>(7,061)</u>	<u>-</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 37,964</u>		
Net Position:			
Invested in capital assets, net of debt		59,020	59,020
Unrestricted		31,932	31,932
Total Net Position		<u>\$ 90,952</u>	<u>90,952</u>
Total Liabilities, Inflows, and Net Position			<u>\$ 121,855</u>

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

VILLAGE OF BAILEY'S PRAIRIE

**STATEMENT OF ACTIVITIES - AND GOVERNMENTAL FUND REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended September 30, 2015**

	General Fund	Adjustments (Note 1.B.)	Statement of Activities
Revenues:			
Franchise fees	\$ 32,485	\$ -	\$ 32,485
Sales Tax	9,755	-	9,755
Building permits	2,028	-	2,028
Total Revenues	44,268	-	44,268
Expenditures:			
Current -			
Administrative personnel	6,563	-	6,563
Floodplain administrator	6,000	-	6,000
Utilities and telephone	5,852	-	5,852
Legal and professional fees	7,194	-	7,194
Audit fees	4,000	-	4,000
Insurance expense	1,635	-	1,635
Bldg permit expenses	1,484	-	1,484
Office and operational	1,324	1,642	2,966
Dues and subscriptions	548	-	548
Road maintenance	1,000	830	1,830
Park maintenance	285	2,570	2,855
Public notices	2,449	-	2,449
Total Expenditures	38,334	5,042	43,376
Excess of Revenues Over (Under) Expenditures	5,934	(5,042)	892
Fund Balance (Deficit)\ Net Position:			
Beginning of Year	1,127	88,933	90,060
End of Year	\$ 7,061	\$ 83,891	\$ 90,952

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Bailey's Prairie (the Village) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the primary accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant principles of the Village are described below.

A. **REPORTING ENTITY** - The Village is a Type B General Law City that was incorporated November 11, 1967, covering the entire Abstract 129 within Brazoria County, Texas. The 2010 census showed a population of 727. The Village is governed by a board of Alderman, comprised of a mayor, and five Alderman, elected at-large. Elections are held annually, with the mayor and two alderman elected in even numbered years, and the remaining alderman elected during odd numbered years. Elections are conducted by the County of Brazoria, Elections Division. The Board of Aldermen meets monthly on the third Thursday of the month, at 6:30 p.m. The mayor serves as administrator for the Village, with the assistance of a part-time Village secretary. Agendas, minutes of meetings, and ordinances are available on the Village website; www.baileysprairie.org.

The Village is essentially in a rural area with all residents providing their own water and sanitary sewage treatment. Residents also subscribe individually for garbage and trash collection. There is a semi-annual city-wide large trash pick-up sponsored by the Village. The Village also provides street lighting, enforces zoning, and limited road maintenance and improvements through periodic inter-local contractual agreements with Brazoria County.

The Village participates in the National Flood Insurance Program (NFIP). This participation requires certain minimum standards for building and allows residents to obtain Flood Insurance sponsored and subsidized by the NFIP. Permits are required for all new construction and the Village contracts with a local licensed engineer (Flood Plain Administrator) to administer this process and oversee compliance with FEMA rules. Permit issuance is reported to the US Census Bureau and Brazoria County Economic Development Alliance. Permit fees are assessed and collected by the Village to offset the related cost of administration.

The Village has an Emergency Management Coordinator (EMC) and participates in the Brazoria County Emergency Management Plan for planning and protection for residents. The Village EMC attends Brazoria County Emergency Management county-wide meetings and participates in emergency management exercises.

These financial statements include all operations for which this governing body is considered to be financially accountable, and includes all functions falling within the definition of the reporting entity as contained in standards set forth by the GASB. There are no component units as defined under those standards. Basic law enforcement, fire protection, and emergency medical services are provided by other independent organizations, that are under independent control and oversight, and accordingly, not included within the Village's annual financial report.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

B. ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

Under governmental accounting standards, the accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The accounts of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The Village has only one fund - the General Fund. This fund is of the governmental fund type versus the proprietary fund type. A proprietary fund is used when a governing body intends to finance the cost of providing services through user charges.

The *Statement of Net Position* and the *Statement of Activities* (government-wide statements) combine information for Governmental Fund accounting by including capital assets and long-term debt, which are not reported within the individual fund. These statements present the financial position and operating results under the full accrual basis of accounting. The "adjustments" column shown in the financial statements represents the addition of capital assets and related depreciation. The Village currently has no long-term debt.

BASIS OF ACCOUNTING - Basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements. A *fund* is accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. Expenditures are generally recognized when related fund liability is incurred.

The accounting and reporting treatment applied to capital assets and long-term liabilities, associated with a fund, are determined by the fund's measurement focus. All governmental fund types are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and liabilities are generally included in the fund balance sheets. The reported fund balance (net current assets) is considered a measure of "available spendable resources". The operating statements of governmental fund types present increases and decreases in net current assets, and accordingly, are considered to present a summary of sources and uses of "available spendable resources." In this regard, "available," means revenue recognition is not considered for any receipts beyond sixty days from year-end.

C. SPECIFIC ACCOUNTS AND POLICIES

- 1. CASH AND TEMPORARY INVESTMENTS** - All cash and investment accounts are approved by the Village's Board of Aldermen and are within the Village's investment policy. The Village maintained account at one financial institution, with the total balance covered by federal depository insurance (FDIC).
- 2. RECEIVABLES** - Receivable balances represent the quarterly franchise tax payments, due from utility companies providing services within the Village for services provided through September 2015, and remitted to the Village after the fiscal year end. Another receivable is from the State of Texas Comptroller's Office for sales tax collections received by the State prior to September 30, and subsequently remitted to the Village. There were also several payments for permits not deposited as of September 30, 2015

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

3. **LIABILITIES** - The Village has routine payables for monthly bills such as electricity, and also a payroll tax liability related to September compensation for the part-time Village secretary. There is another liability to Brazoria County related to road improvements performed by the county in previous years through inter-local agreements. This amount accumulated as work was performed over a four year period 2007-2010, and was not actually invoiced to the Village for several years. The Village is paying this current liability based on available funds, providing \$5,000 annually in the budget process.

4. **CAPITAL ASSETS** - Capital assets encompass the land, facilities, improvements, infrastructure, and tangible long lived equipment that is owned and used by the Village. The reported balances represent a reconstruction of the estimated historical cost of the Village's assets; based upon actual expenditure records where readily available, and also estimation based upon other available records such as bids and grant documents. Amounts reported for roadways (infrastructure) represent 0.83 miles of roads within the Village, at an estimated residual value. These roads are essentially fully depreciated, yet still have useful value remaining in the road base and existing pavement. The residual value represents 20% of estimated cost. Not included are approximately six miles of roadway (Hwy 35 and FM 521) that is maintained by the State of Texas. Also not included are the majority of the other roadways within the Village, for which maintenance was assumed by Brazoria County after such roads were repaired to comply with county minimum standards.

The conversion of fund accounting for the statements of net position and activities includes the addition of capital assets and an estimate for depreciation. Depreciation has been provided on the estimated useful lives of the assets using the straight-line method, as follows:

Land	not depreciated
Buildings	25 yrs
Roadways	20 yrs
Park Improvements	10-15

5. **BUDGET** - Each year, the Village mayor prepares, reviews the budget at a scheduled public meeting, and the board of Aldermen approve the budget for the Village. The operating budget establishes estimated revenues and other resources available for appropriation. Proposed expenditures may not exceed estimated revenues and other resources. The budget of the Village is prepared in accordance with generally accepted accounting principles. Encumbrance accounting is not utilized.

6. **FUND EQUITY** - In the fund and government-wide financial statements, equity balances are classified in the following categories:

Fund Balance - Fund balance for governmental funds is reported in various categories based on the nature and limitations requiring the use of resources for specific purposes. The Village board of aldermen can establish limitations on the use of resources through either a commitment or

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

assignment. The committed classification would include amounts that can only be used for specific purposes determined by formal action of the governing board. Once adopted, the limitation imposed by board resolution remains in place until a similar action is taken to remove or revise the limitation. The board can also assign portions of fund balance through less formal action, indicating intended or generally temporary specific use. Unassigned fund balance has no restrictions, commitments, or assignments.

Invested In Capital Assets, Net of Related Debt - This amount consists of amounts invested in capital assets, reduced by a related outstanding liability balance that attributed to the acquisition, construction or improvement of such assets.

Restricted Fund Balance or Net Position - This amount is restricted by external creditors, grantors, contributors or laws and regulations of other governments or agencies. The Village currently has no such restrictions.

Unrestricted Net Position - This amount is the remainder of equity that does not meet the definition of "invested in capital assets" or "restricted net position."

NOTE 2 - COMMITMENTS AND CONTINGENCIES AND OTHER MATTERS

RETIREMENT PLAN - the Village does not participate in any employer sponsored retirement plan.

COMPENSATED ABSENCE LIABILITY - the Village does not have any compensated absence liability as of September 30, 2015.

USE OF ESTIMATES - The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported in the statements and accompanying notes. Actual results could differ from such estimates.

PROPERTY TAXES - During fiscal year 2015 the Village adopted its annual budget for the 2015-16 year, and for the first time approved ad valorem taxes with a rate of \$0.7471 per \$100 valuation. The adopted fiscal 2016 budget shows this new revenue source is intended to cover significant additions to prior year expenditures including doubling the annual payment for the liability to Brazoria County and also funding outside Emergency Services for Fire and EMS.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF BAILEY'S PRAIRIE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2015**

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Franchise fees	\$ 35,900	\$ 36,535	\$ 32,485	\$ (4,050)
Sales Tax	7,000	8,000	9,755	1,755
Building permits	1,200	2,200	2,028	(172)
Total Revenues	44,100	46,735	44,268	(2,467)
Expenditures:				
Current -				
Administrative personnel	6,900	6,459	6,563	(104)
Floodplain administrator	6,000	6,000	6,000	-
Utilities and telephone	6,500	6,350	5,852	498
Professional fees				
Legal	5,000	8,000	6,094	1,906
Accounting	-	1,000	1,100	(100)
Audit		4,000	4,000	-
Insurance expense	1,500	1,635	1,635	-
Bldg permit expenses	1,200	1,200	1,484	(284)
Office and operational	2,000	1,500	1,324	176
Dues and subscriptions	600	600	548	52
Miscellaneous	1,000	150	-	150
Maintenance -				
Roads and drainage	3,500	2,000	1,000	1,000
Park	2,000	1,000	285	715
Building	300	300	-	300
Public notices	600	3,000	2,449	551
Election expenses	1,500	-	-	-
Large trash pick-up	500	500	-	500
Total Expenditures	39,100	43,694	38,334	5,360
Excess of Revenues Over (Under) Expenditures	\$ 5,000	\$ 3,041	\$ 5,934	\$ 2,893