

VILLAGE OF BAILEY'S PRAIRIE
BRAZORIA COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2016

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, 2016, 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 opinion.

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, 2016, 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
January 16, 2017

BASIC FINANCIAL STATEMENTS

VILLAGE OF BAILIE'S PRAIRIE

**STATEMENT OF NET POSITION - AND GOVERNMENTAL FUND BALANCE SHEET
September 30, 2016**

	General Fund	Adjustments (Note 1.B.)	Statement of Net Position
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash in bank:	\$ 23,640	\$ -	\$ 23,640
Receivables:			
Property taxes	819	-	819
Less - allowance for uncollectibles	(100)	-	(100)
Sales tax	803	-	803
Franchise fees	5,697	-	5,697
Other	389	-	389
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	-	(21,488)	(21,488)
Total Assets	<u>\$ 31,248</u>	<u>78,849</u>	<u>\$ 110,097</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 1,456	-	\$ 1,456
Payroll taxes	33	-	33
Payable to other local government	14,871	-	14,871
Total Liabilities	<u>16,360</u>	<u>-</u>	<u>16,360</u>
Deferred Inflows of Financial Resources			
Deferred revenue - property taxes	719	(719)	-
Total Deferred Inflows	<u>719</u>	<u>(719)</u>	<u>-</u>
Fund Balances / Net Position:			
Fund balance -			
Uncommitted, unassigned	14,169	(14,169)	-
Total Fund Balances	<u>14,169</u>	<u>(14,169)</u>	<u>-</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 31,248</u>		
Net Position:			
Invested in capital assets, net of debt		63,978	63,978
Unrestricted		29,759	29,759
Total Net Position		<u>93,737</u>	<u>93,737</u>
Total Liabilities, Inflows, and Net Position		<u>\$ 78,849</u>	<u>\$ 110,097</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, 2016**

	General Fund	Adjustments (Note 1.B.)	Statement of Activities
Revenues:			
Property taxes	\$ 32,501	\$ 719	\$ 33,220
Franchise fees	19,321	-	19,321
Sales tax	10,712	-	10,712
Tower lease	6,125	-	6,125
Building permits	1,288	-	1,288
Miscellaneous	267	-	267
Total Revenues	70,214	719	70,933
Expenditures:			
Current -			
Administrative personnel	1,849	-	1,849
Floodplain administrator	6,000	-	6,000
Utilities and telephone	5,283	-	5,283
Legal and professional fees	14,100	-	14,100
Insurance expense	1,552	-	1,552
Bldg permit expenses	1,137	-	1,137
Office and operational	1,992	1,642	3,634
Public notices	1,023	-	1,023
Facilities maintenance	7,033	3,400	10,433
Disaster response - flood	3,137	-	3,137
Support services	20,000	-	20,000
Total Expenditures	63,106	5,042	68,148
Excess of Revenues Over (Under) Expenditures	7,108	(4,323)	2,785
Fund Balance (Deficit)\ Net Position:			
Beginning of Year	7,061	83,891	90,952
End of Year	\$ 14,169	\$ 79,568	\$ 93,737

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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. Coinciding with the Village's first property tax levy in fiscal 2016, financial support is now budgeted for outside organizations providing emergency medical and fire protection services.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

included within the Village's annual financial report.

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 2016, 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

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

subsequently remitted to the Village. The Village also receives quarterly payments for tower rental.

Property Taxes - beginning in fiscal 2016 the Village levied its initial ad valorem tax each year on all real property and improvements within the District. The Board of Aldermen sets the annual rate per \$100 valuation. Valuation of such property is provided to the Village each year by certification of the Central Appraisal District of Brazoria County, Texas. The tax statements are prepared and distributed by the Brazoria County Tax Collector's Office. The Brazoria County Tax Office also collects these taxes for the Village and remits by direct deposit into the Village's approved depository.

Tax statements for each year's levy are initially prepared and distributed in October of each year. The statutory levy date is October 1, and taxes are payable without delinquency through January 31. After January 31, all unpaid tax accounts are considered late with penalty and interest added upon payment. After June 30, of each year, the unpaid taxes are legally delinquent subject to collection via tax suit initiated by the County, the cost of which may be passed to the delinquent taxpayer.

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, previously providing \$5,000 annually in the budget process, increased to \$10,000 in 2016 in connection with the Village's first tax levy.
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

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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 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, 2016.

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.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF BAILEY'S PRAIRIE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2016**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes -				
Tax revenue	\$ 33,020	\$ 32,490	\$ 32,262	\$ (228)
Penalties and interest	-	-	239	239
Franchise fees	22,500	22,901	19,321	(3,580)
Tower lease	1,500	1,500	6,125	4,625
Sales Tax	10,000	10,520	10,712	192
Building permits	1,200	1,525	1,288	(237)
Miscellaneous	-	-	267	267
Total Revenues	68,220	68,936	70,214	1,278
Expenditures:				
Current -				
Administrative personnel				
Compensation	4,000	1,586	1,700	(114)
Payroll taxes	1,000	459	149	310
Floodplain administrator	6,000	6,000	6,000	-
Utilities and telephone	6,500	5,468	5,283	185
Professional fees				
Legal	9,000	9,093	9,550	(457)
Audit	4,000	4,000	4,000	-
Accounting	-	-	550	(550)
Insurance expense	1,800	1,553	1,552	1
Bldg permit expenses	1,200	1,525	1,137	388
Office and operational -				
General	600	808	795	13
Dues and subscriptions	600	600	548	52
Tax collection and appraisal	500	652	649	3
Miscellaneous				
-	-	-	-	-
Maintenance -				
Roads and drainage	500	-	-	-
Park	13,600	5,725	5,895	(170)
City Hall	900	1,138	1,138	-
Public notices	1,000	1,024	1,023	1
Support services -				
Emergency medical services	10,000	10,000	10,000	-
Volunteer fire	10,000	10,000	10,000	-
Disaster response - flood	-	3,140	3,137	3
Total Expenditures	71,200	62,771	63,106	(335)
Excess of Revenues Over (Under) Expenditures	\$ (2,980)	\$ 6,165	\$ 7,108	\$ 943