

ANNUAL FINANCIAL REPORT

of the

Memorial Villages Police Department

**For the Year Ended
December 31, 2019**

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Memorial Villages Police Department

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December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
Memorial Villages Police Department:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Memorial Villages Police Department (the "Department"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 and each major fund of the Department as of December 31, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.F., the Department has restated beginning net position within governmental activities to correct a liability recorded in the prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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



Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
May 8, 2020

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

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Memorial Villages Police Department

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 31, 2019

As management of the Memorial Villages Police Department (the "Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities of the Department for the fiscal year ended December 31, 2019.

Financial Highlights

- The Department's total combined net position was a deficit \$(1,389,461) at December 31, 2019.
- At the close of the current fiscal year, the Department's governmental funds reported combined fund balances of \$224,877, a decrease of (\$57,493).
- As of the end of the year, the unassigned fund balance of the general fund was \$60,000 and participant assessment refunds totaled \$253,774 for the year.
- The Department had an overall decrease in net position of \$573,710.
- The Department closed the year with a net pension liability of \$3,305,765.

Overview of the Financial Statements

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

Government-Wide Statements

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

The *statement of net position* presents information on all of the Department's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating. Other non-financial factors, such as the Department's property tax base and the condition of the Department's infrastructure, need to be considered in order to assess the overall health of the Department.

The *statement of activities* presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues

Memorial Villages Police Department

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

December 31, 2019

and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Department that are principally supported by charges for services (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Department include public safety.

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. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Department maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, vehicle replacement, youth services and special capital assets funds, which are considered to be major funds.

The Department adopts an annual appropriated budget for its general, vehicle replacement, and capital asset funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Memorial Villages Police Department

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

December 31, 2019

Proprietary Funds

The Department's proprietary funds consist of an internal service fund. The Department's internal service fund is used to account for health benefit services provided to the Department's employees, as well as those of the cities of Bunker Hill Village, Texas and Piney Point Village, Texas. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, billing and collection. The Department's intent is that costs of providing the services to the individual funds on a continuing basis is financed through charges.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the health benefits fund.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund, schedule of changes in the net pension liability and related ratios, schedule of employer contributions for the Texas Municipal Retirement System, and the schedule of changes in the OPEB liability and related ratios. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the Department's financial position. For the Department, liabilities exceed assets by \$(1,389,461) as of December 31, 2019, in the primary government.

The largest portion of the Department's net position, \$816,385, reflects its investments in capital assets (e.g., land, police station, equipment and vehicles), less any debt used to acquire those assets that are still outstanding. The Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Memorial Villages Police Department
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
December 31, 2019

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		
	2019	2018	\$
	Governmental Activities	Governmental Activities	Variance
Revenues			
Program revenues:			
Charges for services	\$ 5,191,952	\$ 4,861,462	\$ 330,490
Grants and contributions	-	36,191	(36,191)
General revenues:			
Investment income	5,145	3,863	1,282
Other revenues	19,564	27,351	(7,787)
Total Revenues	5,216,661	4,928,867	287,794
Expenses			
Public safety	5,790,371	5,352,792	437,579
Total Expenses	5,790,371	5,352,792	437,579
Change in Net Position	(573,710)	(423,925)	(149,785)
Beginning Net Position	(815,751)	(391,826)	(423,925)
Ending Net Position	\$ (1,389,461)	\$ (815,751)	\$ (573,710)

Current and other assets for governmental activities decreased by \$98,768 when compared to the prior year. This decrease is primarily attributed to the Department's increased investment in capital assets during the year. Deferred outflows of resources for the Department increased by \$494,239 when compared to the prior year. This increase is directly related to the current year changes in actuarial valuation of the Department net pension liability and related deferred outflows. Other liabilities decreased by \$43,121 primarily due to a lower accrual for participant refunds at the end of the current year. Total long-term liabilities increased by \$1,221,366 primarily due to increase in the Department's net pension liability. Deferred inflows of resources for the Department decreased by \$312,645 when compared to the prior year. This decrease is attributable to pension actuarial losses, which was classified as a deferred inflow in the prior year and is a deferred outflow in the current year.

Memorial Villages Police Department
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
December 31, 2019

Statement of Activities:

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

	Governmental Activities		
	2019	2018	\$
	Governmental	Governmental	Variance
	Activities	Activities	
Current and other assets	\$ 689,720	\$ 788,488	\$ (98,768)
Capital assets, net	816,385	919,966	(103,581)
Total Assets	<u>1,506,105</u>	<u>1,708,454</u>	<u>(202,349)</u>
Deferred Outflows of Resources	<u>1,302,489</u>	<u>808,250</u>	<u>494,239</u>
Other liabilities	595,516	638,637	(43,121)
Long-term liabilities	3,599,079	2,377,713	1,221,366
Total Liabilities	<u>4,194,595</u>	<u>3,016,350</u>	<u>1,178,245</u>
Deferred Inflows of Resources	<u>3,460</u>	<u>316,105</u>	<u>(312,645)</u>
Net Position:			
Net investment in capital assets	816,385	919,966	(103,581)
Unrestricted	(2,205,846)	(1,735,717)	(470,129)
Total Net Position	<u>\$ (1,389,461)</u>	<u>\$ (815,751)</u>	<u>\$ (573,710)</u>

Memorial Villages Police Department

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

December 31, 2019

For the year ended December 31, 2019, revenues from governmental activities totaled \$5,216,661. Charges for services increased by \$330,490 or 6% to account for the assessments needed to fund the department's operational costs. All other revenues remained relatively stable when compared to the previous year.

For the year ended December 31, 2019, expenses for governmental activities totaled \$5,790,371. This represents an increase of \$437,579 or 8% from the prior year. The primary reason for the increase was related to increased salary and related benefit expenses and an increase in the net pension liability. The Department's only functional expense is public safety which accounts for the total operations of the police department.

There was an overall decrease in net position of \$573,710 for the year.

FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUNDS

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

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

As of the end of the year the general fund reflected a total fund balance of \$97,683. Of this, \$37,683 is considered nonspendable due to prepaid assets. Each participating entity has contributed \$20,000 in working capital which remains as unassigned fund balance at the end of the year totaling \$60,000. The general fund balance increased \$5,467 from the prior year. The increase is primarily related to investment income and other revenue exceeding operational expenditures in the current year.

The vehicle replacement fund reflected a fund balance of \$26,582. This is a decrease of \$59,128 compared to the prior year, as current year capital outlay expenditures exceeded revenues.

There was an overall decrease in governmental fund balance of \$57,493 from the prior year.

Proprietary Funds - The Department's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Memorial Villages Police Department

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

December 31, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total negative revenue variance of \$244,166 and a positive expenditure variance of \$249,833 for the year. This negative revenue variance was the result of participant refunds totaling \$253,774 for excess assessments received over final operating expenditures. There was a total positive expenditure variance of \$249,633 due to less than anticipated expenditures for all expenditure categories. Several supplemental budget amendments were made during the year.

CAPITAL ASSETS

As of the end of the year, the Department's governmental activities funds had invested \$816,385 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

Major capital asset additions during the current year include the following:

- Purchase of three new Dodge Durango police vehicles and equipment totaling for \$131,844.

More detailed information about the Department's capital assets is presented in note IV.C to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Police Commissionaires are committed to maintaining and improving the overall wellbeing of the Department and improving services provided to their public citizens. The Department is budgeting for growth in the upcoming year.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the Department's finances. Questions concerning this report or requests for additional financial information should be directed to the Chief of Police, Memorial Villages Police Department, 11981 Memorial Drive, Houston, Texas 77024; telephone (713) 365-3700.

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FINANCIAL STATEMENTS

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Memorial Villages Police Department

STATEMENT OF NET POSITION

December 31, 2019

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 598,597
Prepays	91,123
Total Current Assets	689,720
Capital assets:	
Net depreciable capital assets	816,385
Total Noncurrent Assets	816,385
Total Assets	1,506,105
 <u>Deferred Outflows of Resources</u>	
Deferred outflows-pensions	1,300,455
Deferred outflows-OPEB	2,034
Total Deferred Outflows of Resources	1,302,489
 <u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued liabilities	154,940
Due to other governments	253,774
Compensated absences, current	186,802
Total Current Liabilities	595,516
Noncurrent liabilities:	
Net pension liability	3,305,765
OPEB liability-SDBF	191,397
OPEB liability-Health benefits	81,161
Compensated absences, noncurrent	20,756
Total Noncurrent Liabilities	3,599,079
Total Liabilities	4,194,595
 <u>Deferred Inflows of Resources</u>	
Deferred inflows-OPEB	3,460
Total Deferred Inflows of Resources	3,460
 <u>Net Position</u>	
Net investment in capital assets	816,385
Unrestricted	(2,205,846)
Total Net Position	\$ (1,389,461)

See Notes to Financial Statements.

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Memorial Villages Police Department

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Grants and Contributions	Primary Governmental Activities
Primary Government				
Governmental Activities				
Public safety	\$ 5,790,371	\$ 5,191,952	\$ -	\$ (598,419)
Total Governmental Activities	5,790,371	5,191,952	-	(598,419)
		General Revenues:		
				5,145
				8,584
				10,980
			Total General Revenues	24,709
			Change in Net Position	(573,710)
			Beginning Net Position	(815,751)
			Ending Net Position	\$ (1,389,461)

See Notes to Financial Statements.

Memorial Villages Police Department

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2019

	General	Vehicle Replacement	Youth Services	Special Capital Assets
<u>Assets</u>				
Cash and cash equivalents	\$ 467,872	\$ 26,582	\$ 17,675	\$ 83,668
Prepays	37,683	-	-	-
Total Assets	\$ 505,555	\$ 26,582	\$ 17,675	\$ 83,668
 <u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 154,098	\$ -	\$ 729	\$ 2
Due to other governments	253,774	-	-	-
Total Liabilities	407,872	-	729	2
 <u>Fund Balances</u>				
Nonspendable:				
Prepays	37,683	-	-	-
Assigned for:				
Vehicle replacement	-	26,582		
Youth services	-	-	16,946	-
Capital projects	-	-	-	83,666
Unassigned reported in:				
General fund	60,000	-	-	-
Total Fund Balances	97,683	26,582	16,946	83,666
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 505,555	\$ 434,454	\$ 424,818	\$ 491,538

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 595,797
37,683

\$ 633,480

\$ 154,829
253,774

408,603

37,683

26,582

16,946

83,666

60,000

224,877

\$ 632,749

Memorial Villages Police Department

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

December 31, 2019

Fund Balances - Total Governmental Funds

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - net depreciable

Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.

Pension contributions

Pension investment earnings

Pension actuarial (gains) losses

Difference in assumption changes

OPEB contributions-SDBF

Internal service funds are used by management to charge the cost of equipment services and replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Net position - governmental activities

Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

OPEB actuarial (gains) losses

OPEB changes in assumptions

Some liabilities, including bonds payable and capital leases, are not reported as liabilities in the governmental funds.

Compensated absences

Net pension liability

OPEB liability-SDBF

OPEB liability-Health benefits

Net Position of Governmental Activities

See Notes to Financial Statements.

\$ 224,877

816,385

373,906

659,545

206,426

60,578

2,034

56,129

(1,712)

(1,748)

(207,558)

(3,305,765)

(191,397)

(81,161)

\$ (1,389,461)

Memorial Villages Police Department

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

For the Year Ended December 31, 2019

	General	Vehicle Replacement	Youth Services	Special Capital Assets
<u>Revenues</u>				
Participant assessments, net	\$ 5,103,952	\$ 88,000	\$ -	\$ -
Investment income	4,468	224	85	368
Other revenue	5,140	-	3,444	-
Total Revenues	5,113,560	88,224	3,529	368
<u>Expenditures</u>				
Current:				
Public safety	5,108,093	153	7,209	520
Capital outlay	-	158,179	-	-
Total Expenditures	5,108,093	158,332	7,209	520
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	5,467	(70,108)	(3,680)	(152)
<u>Other Financing Sources (Uses)</u>				
Proceeds from sale of capital assets	-	10,980	-	-
Total	-	10,980	-	-
Net Change in Fund Balances	5,467	(59,128)	(3,680)	(152)
Beginning fund balances	92,216	85,710	20,626	83,818
Ending Fund Balances	\$ 97,683	\$ 26,582	\$ 16,946	\$ 83,666

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 5,191,952
5,145
8,584

5,205,681

5,115,975
158,179

5,274,154

(68,473)

10,980

10,980

(57,493)
282,370

\$ 224,877

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Memorial Villages Police Department

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

For the Year Ended December 31, 2019

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

Net changes in fund balances - total governmental funds	\$ (57,493)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	131,844
Depreciation expense	(235,425)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(20,647)
Pension expense	(462,331)
OPEB expense-SDBF	(10,363)
OPEB expense-Health benefits	60,277

Internal service funds are used by management to charge the cost of health benefits to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

	20,428
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Change in Net Position of Governmental Activities	\$ (573,710)
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See Notes to Financial Statements.

Memorial Villages Police Department

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2019

	<u>Governmental Activities</u> <u>Internal</u> <u>Service Fund</u> <u>Health Benefits</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 2,800
Prepays	53,440
Total Current Assets	<u>56,240</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	111
Total Current Liabilities	<u>111</u>
<u>Net Position</u>	
Unrestricted	56,129
Total Net Position	<u>\$ 56,129</u>

See Notes to Financial Statements.

Memorial Villages Police Department

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

For the Year Ended December 31, 2019

		Governmental Activities
		<u>Internal Service Fund</u>
		<u>Health Benefits</u>
<u>Operating Revenues</u>		
Charges for services		\$ 897,969
Total Operating Revenues		<u>897,969</u>
<u>Operating Expenses</u>		
Cost of services		877,440
Materials and supplies		101
Total Operating Expenses		<u>877,541</u>
	Change in Net Position	20,428
Beginning net position		35,701
	Ending Net Position	<u>\$ 56,129</u>

See Notes to Financial Statements.

Memorial Villages Police Department

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND (Page 1 of 2)
 For the Year Ended December 31, 2019

	Governmental Activities
	Internal Service Fund
	Health Benefits
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 897,969
Payments to suppliers	(934,146)
Net Cash Provided by Operating Activities	(36,177)
Increase (Decrease) in Cash and Cash Equivalents	(36,177)
Beginning cash and cash equivalents	38,977
Ending Cash and Cash Equivalents	\$ 2,800

See Notes to Financial Statements.

Memorial Villages Police Department

STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 2 of 2)
For the Year Ended December 31, 2019

	<u>Governmental</u> <u>Activities</u> <u>Internal</u> <u>Service Fund</u> <u>Health Benefits</u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income (Loss)	\$ 20,428
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Prepaid expenses	(53,440)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(3,165)
Net Cash Provided by Operating Activities	<u>\$ (36,177)</u>

See Notes to Financial Statements.

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Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Department has no business-type activities.

B. Reporting Entity

The Memorial Villages Police Department (the "Department") was created in 1977 through an interlocal agreement ("the Agreement") between the cities of Bunker Hill Village, Texas, Hunters Creek Village, Texas, and Piney Point Village, Texas (the "Participating Cities") pursuant to the terms of the Interlocal Cooperation Act of the 62nd legislature of the State of Texas, as amended. The Agreement provides for the Department to furnish all police and law enforcement activities to the Participating Cities.

The Department is an independent political subdivision of the State of Texas, governed by a board of six commissioners, and is considered a primary government. Each contracting city appoints a police commissioner and an alternate police commissioner to the Board of Police Commissioners (the "Board"). The Board governs all budgeting and financing operations as well as the affairs off the agency. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the Department's financial reporting entity. There are no other organizations that meet the criteria for inclusion herein as part of the financial reporting entity.

The financial objective of the Department is to cover annual operating costs and actual and anticipated capital expenditure outlays.

As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the Department's financial reporting entity. The Department has adopted Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. No other entities have been included in the Department's reporting entity. Additionally, as the Department is considered a primary government for financial reporting purposes.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the Department's financial reporting entity are based on criteria prescribed by generally

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

accepted accounting principles. These same criteria are evaluated in considering whether the Department is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the Department's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Department is not considered a component unit of the participating Cities, but is reported as a joint venture.

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

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

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

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal source of revenue is contributions from the Participating Cities. Expenditures include public safety. The general fund is always considered a major fund for reporting purposes.

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

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Youth Services Fund

The *youth services fund* is a special revenue fund used to account for the receipt and disbursement of legally restricted funds toward Drug Abuse and Resistance Education (DARE) and Gang Resistance Education and Training programs. The youth services fund did not meet the criteria to be presented as a major fund; however, the Department has elected to present it as a major fund for reporting purposes.

Special Capital Assets Fund

The special *capital assets fund* is used to account for the expenditures of resources accumulated from participant assessments and other sources, for capital purchases and improvements. The special capital assets fund is considered a major fund for reporting purposes.

Vehicle Replacement Fund

The *vehicle replacement fund* is used to account for the purchase of new vehicles and the sale of retired vehicles every year. Due to regular use, it is necessary for the Department to retire and replace a certain number of vehicles every year in order to maintain a fleet in working order. The vehicle replacement fund is considered a major fund for reporting purposes.

Additionally, the Department reports the following fund type:

Internal Services Fund

The *health benefits fund* accounts for services provided to other departments or agencies of the primary government, or to other governments, on a cost reimbursement basis. The Department's internal service fund is used to account for health benefit services provided to the Department's employees, as well as those of the cities of Bunker Hill Village, Texas and Piney Point Village, Texas.

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

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

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

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activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to when transactions are recorded in the financial records and reported on the financial statements and relates to the timing of the measurement made, regardless of the measurement focus applied.

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

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

All governmental funds and component units are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues available if they are collected within 60 days of the end of the current period. Charges for services, other revenues, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

1. Deposits and Investments

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

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

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

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

2. Fair Value

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

3. Receivables and Interfund Transactions

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

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

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reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

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

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. Capital Assets

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

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

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

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

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<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	3 to 5 years
Machinery and equipment	5 to 10 years
Buildings and improvements	20 years
Computer equipment	5 to 7 years

6. 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.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

7. Net Position Flow Assumption

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

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

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

8. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Department council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Each of the three participating entities is required to maintain \$20,000 each in working capital within in fund balance. This equates to a total unassigned fund balance of \$60,000.

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

10. Compensated Absences

The Department provides sick, holiday, and vacation leave based on length of employment. An amount equal to one year's authorized vacation may be carried over from one anniversary date to another. Sick leave may be carried over from one year to the next, but is not payable upon termination of employment. Holiday pay up to ten days may be carried over to the next year. Unused vacation leave, personal leave time, or holiday time will be compensated for the unused time at their current hourly rate at the time of separation.

The estimated amounts of vacation and personal time that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it upon maturity. Amounts of accrued vacation and personal time that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

11. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, capital leases, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and similar items are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

12. Participant Contributions

The Department collects operating revenues from the Participating Cities based on the approved operating budget, of which each Participating Department contributes 33 percent.

13. Pensions

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

14. Other Postemployment Benefits ("OPEB")

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

The Department also provides medical benefits to eligible retirees through a single-employer defined benefit plan (the "Plan"). This Plan is an unfunded, pay-as-you-go plan. Information about the Department's OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by the Department's consulting actuary.

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. Reconciling items have been presented on the balance sheet of governmental funds in the basic financial statements.

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, vehicle replacement, and capital asset funds. The original budget is adopted by the Board of Police Commissioners prior to the beginning of the year. Intra-budget transfers over \$25,000 and all nonbudgeted expenditures must be approved by the Participating Cities. Appropriations lapse at the end of the year.

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The Department's investment policy requires funds on bank deposit at the depository bank to be collateralized by securities with a collective market value (market value of the principal and accrued interest) of at least 102%. As of December 31, 2019, the market values of pledged securities and FDIC exceeded bank balances.

B. Fair Value Measurement

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are remeasured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy noted above.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Department's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Department's financial instruments consist of cash and cash equivalents, accounts receivable, accrued payables and long-term liabilities. The estimated fair value of cash and cash equivalents, accounts receivable, and accrued payables approximate their carrying amounts due to the short-term nature of these instruments.

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

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C. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,143,102	\$ -	\$ -	\$ 2,143,102
Furniture and equipment	672,957	-	-	672,957
Vehicles	522,407	131,844	(41,419)	612,832
Total capital assets being depreciated	<u>3,338,466</u>	<u>131,844</u>	<u>(41,419)</u>	<u>3,428,891</u>
Less accumulated depreciation				
Buildings and improvements	(1,610,913)	(107,155)	-	(1,718,068)
Furniture and equipment	(516,776)	(42,699)	-	(559,475)
Vehicles	(290,811)	(85,571)	41,419	(334,963)
Total accumulated depreciation	<u>(2,418,500)</u>	<u>(235,425)</u>	<u>41,419</u>	<u>(2,612,506)</u>
Net capital assets being depreciated	919,966	(103,581)	-	816,385
Total Net Capital Assets	<u>\$ 919,966</u>	<u>\$ (103,581)</u>	<u>\$ -</u>	<u>\$ 816,385</u>

All depreciation was charged to the public safety function.

E. Other Long-term Liabilities

The following is a summary of changes in the Department's total other long-term liabilities for the year ended. In general, the Department uses the general fund to liquidate governmental compensated absences. A summary of changes in other long-term liabilities for the year end was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 186,911	\$ 207,558	\$ (186,911)	\$ 207,558	\$ 186,802
Total Governmental Activities	<u>\$ 186,911</u>	<u>\$ 207,558</u>	<u>\$ (186,911)</u>	<u>\$ 207,558</u>	<u>\$ 186,802</u>

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

IV. OTHER INFORMATION

A. Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Department participates along with more than 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The Department has no additional risk or responsibility to the Pool outside of the payment of insurance premiums.

The Department has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The Department uses a number of approaches to decrease risks and protect against losses to the Department, including internal practices, employee training, and a code of ethics, which all employees are required to acknowledge

The Department owns and operates motor vehicles and may provide such vehicle to employees for business use during the course and scope of their employment. The Department is insured as to its own property losses, and the liability of loss to others.

B. Contingent Liabilities

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

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

The Department participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Department had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Department, there are no significant contingent liabilities relating to compliance with the

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

C. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The Memorial Villages Police Department participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

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

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

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

	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	0% Repeating Transfers	0% Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI
Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	24
Active employees	<u>43</u>
Total	<u>108</u>

3. Contributions

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

Employees for the Memorial Villages Police Department were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Memorial Villages Police Department were 11.08% and 11.03% in calendar years 2018 and 2019, respectively. The Department's contributions to TMRS for the year ended December 31, 2019, were \$373,906, and were equal to the required contributions.

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

4. Net Pension Liability

The Department's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

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

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2019

major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	<u>5.0%</u>	7.75%
Total	100.0%	

Discount Rate

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Department, calculated using the discount rate of 6.75%, as well as what the Department'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	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
<u>\$ 5,019,855</u>	<u>\$ 3,305,765</u>	<u>\$ 1,868,171</u>

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/17	\$ 14,724,989	\$ 12,702,575	\$ 2,022,414
Changes for the year:			
Service cost	419,425	-	419,425
Interest	973,033	-	973,033
Difference between expected and actual experience	64,280	-	64,280
Contributions – employer	-	343,838	(343,838)
Contributions – employee	-	217,319	(217,319)
Net investment income	-	(380,032)	380,032
Change of assumptions	-	-	-
Benefit payments, including refunds of emp. contributions	(1,038,784)	(1,038,784)	-
Administrative expense	-	(7,354)	7,354
Other changes	-	(384)	384
Net changes	417,954	(865,397)	1,283,351
Balance at 12/31/18	\$ 15,142,943	\$ 11,837,178	\$ 3,305,765

Pension Plan Fiduciary Net Position

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

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

For the year ended December 31, 2019, the Department recognized pension expense of \$839,094.

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

At December 31, 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ 659,545	\$ -
Differences between expected and actual economic experience	206,426	-
Differences in assumptions changes	60,578	-
Contributions subsequent to the measurement date	373,906	-
Total	\$ 1,300,455	\$ -

The Department reported \$373,906 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2020	\$	456,245
2021		119,861
2022		102,788
2023		247,655
2024		-
Thereafter		-
	\$	926,549

D. Postemployment Benefits Other Than Pensions

Supplemental Death Benefits Fund (SDBF)

The Department also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The Department elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Department may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

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

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	10
Active employees	43
Total	89

The Department's contributions to the TMRS SDBF for the fiscal years ended 2019 and 2018 were \$2,034 and \$1,552, which equaled the required contributions each year.

Schedule of Contribution Rates (*RETIREE-only portion of the rate*)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2017	0.05%	0.05%	100.00%
2018	0.05%	0.05%	100.00%
2019	0.06%	0.06%	100.00%

Total OPEB Liability

The Department's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2018, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the total OPEB liability of the Department, calculated using the discount rate of 3.71%, as well as what the Department's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

1% Decrease (2.71%)	Current Single Rate Assumption 3.71%	1% Increase (4.71%)
\$ 227,172	\$ 191,397	\$ 163,541

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/17	\$ 195,925
Changes for the year:	
Service Cost	5,899
Interest	6,557
Difference between expected and actual experience	(2,179)
Changes of assumptions	(13,253)
Benefit payments	(1,552)
Net changes	(4,528)
Balance at 12/31/18	\$ 191,397

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

For the year ended December 31, 2018, the Department recognized OPEB expense of \$12,397.

At December 31, 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	(1,712)
Change in assumptions	-	(1,748)
Contributions subsequent to measurement date	2,034	-
Total	\$ 2,034	\$ (3,460)

The Department reported \$2,034 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending December 31, 2020.

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2019

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

Year ended December 31:	
2020	\$ (59)
2021	(59)
2022	(1,130)
2023	(2,212)
2024	-
Thereafter	-
	<u>\$ (3,460)</u>

OPEB for Health Care Benefit Provided by Plan

Plan Description

The Memorial Villages Police Department Retiree Health Care Plan (the "Plan") is a single employer defined benefit healthcare plan administered by the Department. The Plan provides medical benefits to eligible retirees and their spouses.

Benefits

As of January 1, 2016, the Department will contribute \$430 towards the retiree only monthly premium and \$860 towards the retiree plus spouse monthly premium. Retiring employees, hired before January 1, 2015, who are 55 years of age or older with at least 20 years of service with the Department are eligible for this health/medical benefit. Coverage will continue until Medicare eligibility is reached. If the retiree turns 65 prior to the spouse turning 65, the spouse will be allowed to stay on the Plan until the spouse reaches age 65. There is no post-65 coverage offered to retirees.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	42
Total	45

Funding Policy

The contribution requirements of Plan members and the Department are established and may be amended by the Department's Board. Funding is provided on a pay-as-you-go basis. No current active employees may retain Police Department coverage in retirement. Active members are included for count purposes only and are creating no liability for the Employer. There is no

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

formal or informal funding policy that exists for the postretirement plan at this time, as the Total OPEB Liability is currently an unfunded obligation.

Actuarial assumptions:

The Total OPEB Liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Method Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary

Service Cost Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year

Discount Rate: 2.74%; (.49% real rate of return + 2.25% inflation)

The Total Payroll Increase assumption of 3.00% was based on a review of the TMRS December 31, 2014 Experience Study.

Health Care Cost Trend Level 5.00%

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment.

The adoption date for the new GASB 75 OPEB Accounting Standard was for the fiscal year beginning October 1, 2017. The disclosures shows the development of the Net OPEB Liability (NOL), the Total OPEB expense, the Schedule of Deferred Inflows/Outflows and the Trend and Discount Rate Sensitivity Analysis.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.74%. The discount rate was based on the Bond Buyer 20-year Bond GO Index rate as of December 26, 2019.

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

The following presents the OPEB liability of the Department, calculated using the discount rate of 2.74%, as well as what the Department's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74%) or 1-percentage-point higher (3.71%) than the current rate:

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

1% Decrease (1.74%)	Current Discount Rate (2.74%)	1% Increase (3.74%)
\$ 81,265	\$ 81,161	\$ 81,085

Below is a table illustrating the sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rates assumption. The healthcare cost trend rate varies with age and gender.

Healthcare costs trend		
Current Rate		
1% Decrease	(varies)	1% Increase
\$ 78,744	\$ 81,161	\$ 83,637

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/18	\$ 140,683
Changes for the year:	
Interest	4,883
Changes of assumptions	429
Plan changes	(21,950)
Benefit payments	(42,884)
Net changes	(59,522)
Balance at 12/31/19	\$ 81,161

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

For the year ended December 31, 2018, the Department recognized OPEB expense(gain) of (\$17,393).

At December 31, 2019, the Department reported no deferred outflows of resources and deferred inflows of resources related to the OPEB liability.

E. Deferred Compensation Plan

The Department offers its employees a deferred compensation plan (the "Plan") created in accordance with the Internal Revenue Code Section 457. The Plan, available to all Department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. For the year ended December 31, 2019, the employees contributed \$78,426 to the Plan.

Memorial Villages Police Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2019

F. Restatement

The Department restated beginning net position within governmental activities due to an accounting error concerning unearned revenue and capital assets in the prior year. The restatement of beginning fund balance/net position is as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>
Prior year ending net position, as reported	\$ (858,058)	\$ 60,000
Correction to unearned revenue	32,216	32,216
Correction to capital assets	10,091	-
Restated beginning net position	<u>\$ (815,751)</u>	<u>\$ 92,216</u>

G. Subsequent Events

There were no material subsequent events through May 8, 2020, the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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Memorial Villages Police Department
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Participant assessments	\$ 5,357,726	\$ 5,357,726	\$ 5,357,726	\$ -
Participant assessments refund (1)	-	-	(253,774)	(253,774)
Investment income	-	-	4,468	4,468
Other revenue	-	-	5,140	5,140
Total Revenues	5,357,726	5,357,726	5,113,560	(244,166)
Expenditures				
Current:				
Personnel	4,640,414	4,579,314	4,419,789	159,525
Insurance	65,280	66,730	59,378	7,352
Automotive	111,250	118,750	103,903	14,847
Building	48,000	49,000	32,277	16,723
Office and other expenditures	492,782	543,932	492,746	51,186
Total Expenditures	5,357,726	5,357,726	5,108,093	249,633
Net Change in Fund Balance	\$ -	\$ -	5,467	\$ 5,467
Beginning fund balance			92,216	
Ending Fund Balance			\$ 97,683	
(1) Participant Assessment Refunds				
Unassigned fund balance prior to participant assessment refunds			\$ 313,774	
Amount held for Department operations			(60,000)	
Participant assessment refunds			\$ 253,774	
Net Change in Individual City Assessments (1/3) (refund)			\$ 84,591	

Notes to Required Supplementary Information

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

Memorial Villages Police Department

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

December 31,

	2014	2015	2016
Total pension liability			
Service cost	\$ 355,622	\$ 381,175	\$ -
Interest	895,234	896,867	900,806
Differences between expected and actual experience	(74,525)	19,619	498,688
Changes of assumptions	-	379,409	-
Benefit payments, including refunds of participant contributions	(1,468,761)	(862,793)	(1,044,381)
Net change in total pension liability	(292,430)	814,277	355,113
Total pension liability - beginning	13,345,620	13,053,190	13,867,467
Total pension liability - ending (a)	13,053,190	13,867,467	14,222,580
Plan fiduciary net position			
Contributions - employer	\$ 277,809	\$ 302,139	\$ 281,002
Contributions - members	199,927	213,205	211,542
Net investment income	683,888	17,176	763,199
Benefit payments, including refunds of participant contributions	(1,468,761)	(862,793)	(1,044,381)
Administrative expenses	(7,142)	(10,465)	(8,627)
Other	(587)	(517)	(465)
Net change in plan fiduciary net position	(314,866)	(341,255)	202,270
Plan fiduciary net position - beginning	11,958,421	11,643,555	11,302,300
Plan fiduciary net position - ending (b)	\$ 11,643,555	\$ 11,302,300	\$ 11,504,570
Fund's net pension liability (asset) - ending (a) - (b)	\$ 1,409,635	\$ 2,565,167	\$ 2,718,010
Plan fiduciary net position as a percentage of the total pension liability	89%	82%	81%
Covered payroll	\$ 2,856,100	\$ 3,010,866	\$ 3,022,029
Fund's net position as a percentage of covered payroll	49%	85%	90%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

See Notes to Financial Statements.

	<u>2017</u>	<u>2018</u>
	\$ 437,089	\$ 419,425
	942,429	973,033
	81,319	64,280
	-	-
	<u>(658,428)</u>	<u>(1,038,784)</u>
	<u>802,409</u>	<u>417,954</u>
	<u>14,222,580</u>	<u>15,024,989</u>
	<u>15,024,989</u>	<u>15,442,943</u>
	\$ 347,619	\$ 343,838
	224,477	217,319
	1,593,018	(380,031)
	(658,428)	(1,038,784)
	(8,263)	(7,354)
	(419)	(384)
	<u>1,498,004</u>	<u>(865,396)</u>
	<u>11,504,570</u>	<u>13,002,574</u>
	<u>\$ 13,002,574</u>	<u>\$ 12,137,178</u>
	<u>\$ 2,022,415</u>	<u>\$ 3,305,765</u>

	87%	79%
\$	3,206,816	\$ 3,104,553

	63%	106%
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Memorial Villages Police Department

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Actuarially determined employer contributions	\$ 299,253	\$ 281,231	\$ 347,619	\$ 343,985
Contributions in relation to the actuarially determined contribution	\$ 299,253	\$ 281,231	\$ 347,619	\$ 343,985
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 3,010,866	\$ 3,022,029	\$ 3,204,823	\$ 3,104,559
Employer contributions as a percentage of covered payroll	9.94%	9.31%	10.85%	11.08%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

See Notes to Financial Statements.

12/31/2019 ¹

\$ 373,906

\$ 373,906

\$ -

\$ 3,389,898

11.03%

Memorial Villages Police Department
SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN
PENSIONS (OPEB) LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS PLAN
December 31,

	2017	2018
Total OPEB liability		¹
Service cost	\$ 5,131	\$ 5,899
Interest	6,520	6,557
Changes in benefit terms	-	-
Differences between expected and actual experience	-	(2,179)
Changes of assumptions	15,159	(13,253)
Benefit payments, including refunds of participant contributions	(1,603)	(1,552)
Net change in total OPEB liability	25,207	(4,528)
Total OPEB liability - beginning	170,718	195,925
Total OPEB liability - ending (a)	\$ 195,925	\$ 191,397
Covered payroll	\$ 3,206,816	\$ 3,104,553
Total OPEB liability as a percentage of covered payroll	6.11%	6.17%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

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

See Notes to Financial Statements.

Memorial Villages Police Department
SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN
PENSIONS (OPEB) LIABILITY AND RELATED RATIOS
RETIREE HEALTH PLAN
December 31,

	2017	2018
Total OPEB liability		¹
Service cost	\$ -	\$ -
Interest	5,425	4,883
Changes in benefit terms	-	(21,950)
Differences between expected and actual experience	-	-
Changes of assumptions	(808)	429
Benefit payments, including refunds of participant contributions	(42,923)	(42,884)
Net change in total OPEB liability	(38,306)	(59,522)
Total OPEB liability - beginning	178,989	140,683
Total OPEB liability - ending (a)	\$ 140,683	\$ 81,161
Covered payroll	\$ 3,109,137	\$ 3,401,015
Total OPEB liability as a percentage of covered payroll	4.52%	2.39%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

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

See Notes to Financial Statements.

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