

ANNUAL FINANCIAL REPORT

of the

**CITY OF
HUNTERS CREEK VILLAGE,
TEXAS**

**For the Year Ended
December 31, 2020**

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CITY OF HUNTERS CREEK VILLAGE, TEXAS

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December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Hunters Creek Village, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Hunters Creek Village, Texas (the "City"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 City'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 City'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 City as of December 31, 2020, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension and total other postemployment benefits liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
May 28, 2021

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

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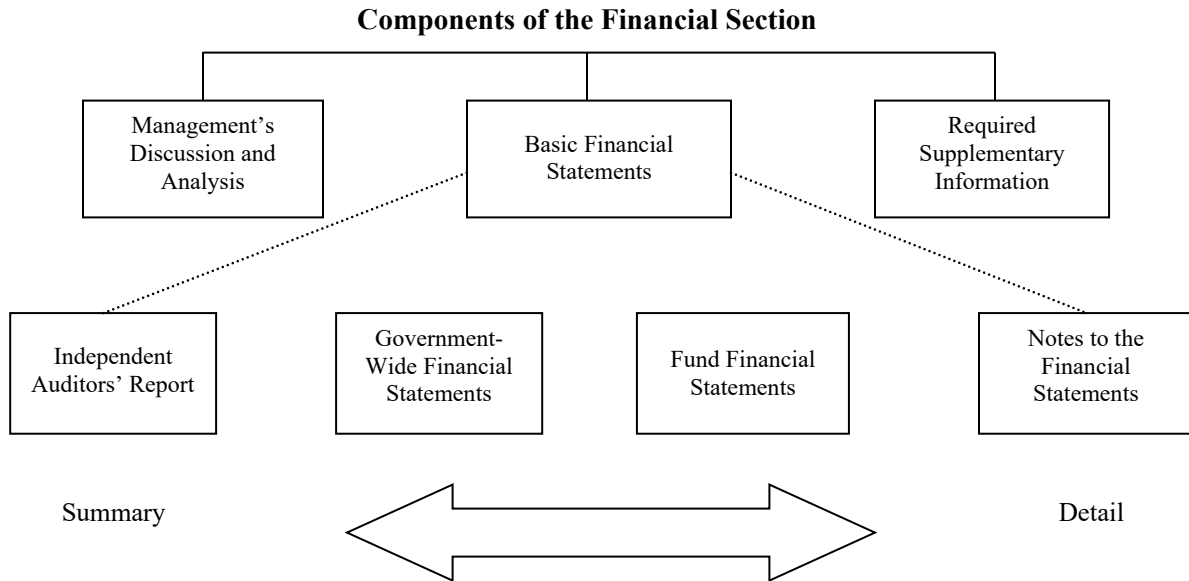
CITY OF HUNTERS CREEK VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2020

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Hunters Creek Village, Texas (the "City") for the year ending December 31, 2020. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the 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 statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change

CITY OF HUNTERS CREEK VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2020

occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities present the City's financials in one class of activities:

1. *Governmental Activities* – All of the City's basic services are reported here including general government, municipal court, public safety (including police, fire, and emergency medical services on a contract basis), and public works. Property taxes, sales taxes, franchise fees, municipal court fines, and permit fees finance most of these activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The City has one category of funds, governmental.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term outflows and inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains two individual governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund. The capital projects fund is considered a major fund for reporting purposes.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

CITY OF HUNTERS CREEK VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2020

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$33,314,441 as of December 31, 2020. The largest portion of the City's net position, \$28,011,161, or 84%, reflects its net investment in capital assets (e.g. land, City hall, equipment, and streets). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 11,962,620	\$ 10,728,963
Capital assets, net	<u>28,011,161</u>	<u>28,124,107</u>
Total Assets	<u>39,973,781</u>	<u>38,853,070</u>
Deferred outflows - pensions	190,640	222,309
Deferred outflows - OPEB	<u>7,924</u>	<u>3,049</u>
Total Deferred Outflows of Resources	<u>198,564</u>	<u>225,358</u>
Long-term liabilities	650,353	678,139
Other liabilities	<u>282,125</u>	<u>253,648</u>
Total Liabilities	<u>932,478</u>	<u>931,787</u>
Deferred inflows - property taxes	5,884,632	5,777,352
Deferred inflows - pensions	34,312	-
Deferred inflows - OPEB	<u>6,482</u>	<u>2,462</u>
Total Deferred Inflows of Resources	<u>5,925,426</u>	<u>5,779,814</u>
Net Position		
Net investment in capital assets	28,011,161	28,124,107
Restricted	83,636	77,554
Unrestricted	<u>5,219,644</u>	<u>4,165,166</u>
Total Net Position	<u>\$ 33,314,441</u>	<u>\$ 32,366,827</u>

CITY OF HUNTERS CREEK VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2020

A portion of the City's net position, \$83,636, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$5,219,644, may be used to meet the City's ongoing obligations to citizens and creditors. The ending net position of the City increased by \$947,614.

Current and other assets increased by \$1,233,657 compared to the prior year largely due to an increase in cash and cash equivalents related to an operating surplus and an increase in property tax receivables related to an increase in the assessed values of properties within the City. Total liabilities increased by \$691 mainly due to the increase of accounts payable, and partially offset by the decrease of net pension liability. Deferred inflows increased by \$145,612 mainly due to property tax and pensions.

Statement of Activities

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

	Governmental Activities	
	2020	2019
Revenues		
Program revenues:		
Charges for services	\$ 550,200	\$ 491,603
Grants and contributions	266,049	252,880
General revenues:		
Property taxes	5,798,293	5,361,448
Sales taxes	550,903	517,909
Local taxes	19,528	14,623
Franchise fees and local taxes	383,473	409,893
Investment income	38,959	133,885
Other	101,118	103,157
Total Revenues	7,708,523	7,285,398
Expenses		
General government	1,263,184	1,263,016
Municipal court	16,038	56,791
Public safety	3,791,465	3,823,536
Public works	1,690,222	1,914,510
Total Expenses	6,760,909	7,057,853
Change in Net Position	947,614	227,545
Beginning net position	32,366,827	32,139,282
Ending Net Position	\$ 33,314,441	\$ 32,366,827

For the year, revenues from governmental activities totaled \$7,708,523, an increase of \$423,125 in comparison to the prior year. This increase is mainly due to an increase in sales taxes, licenses and permits fees, and property taxes. Sales taxes increased due to an increase in sales, licenses and permits fees increased due to a large construction permit, and property taxes increased due to an increase in assessed values. Property taxes continue to be the City's largest revenue source. Revenues from property taxes totaled \$5,798,293, which increased \$436,845 compared to the prior year.

CITY OF HUNTERS CREEK VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2020

For the year, expenses for governmental activities totaled \$6,760,909, which is a decrease of \$296,944 compared to the prior year. This decrease was mainly due to decreases in garbage service expenses due to the decreased rates from a new contract, and public safety contributions.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of December 31, 2020, the City's general fund had a total fund balance of \$5,624,212. Of this, \$12,736 is nonspendable in the form of prepaid items, \$83,636 is restricted for enabling legislation. The remaining balance of \$5,527,840 is unassigned.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 95% of the total general fund expenditures, while total fund balance represents 96% of the total general fund expenditures. The fund balance of the general fund increased \$1,122,764.

General fund revenues increased \$534,988 compared to the prior year largely due to an increase in property tax revenue from an increase in assessed values, licenses and permits fees from new construction permits issued in the current year, and other revenues from grant proceeds and ambulance revenues. The increase in revenues were partially offset by the decrease in fines and forfeitures due to less citations issued and a decrease investment income due to decreased interest rates. General fund expenditures decreased by \$261,891 compared to the prior year due to decreases in expenditures related to public works due to a decrease in contracted garbage collection costs, and public safety contributions.

As of December 31, 2020, the City's capital projects fund had a fund balance of \$0 as transfers are made each year from the general fund to cover expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were greater than budgeted revenues by \$306,752. This was the result of more revenue than anticipated from sales tax, franchise fees and local taxes, licenses and permits, intergovernmental, and other revenue. Actual expenditures were less than planned expenditures by \$916,916 mainly due to lower expenditures than anticipated for capital outlay and public works.

CAPITAL ASSETS

At the end of the year, the City's governmental activities had invested \$28,011,161 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net decrease of \$112,946 from the prior year.

CITY OF HUNTERS CREEK VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2020

Major capital asset events during the current year included the following:

- Current year costs related to the 2020 street improvements project totaling \$200,079
- Current year costs related to the outfall 32 rehabilitation project totaling \$139,475
- Current year costs related to the traffic light project totaling \$158,626

More detailed information about the City's capital assets are presented in III. C. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the 2021 fiscal year budget, management considered certain economic factors:

- Maintenance of the property tax rate at \$0.194082/\$100 of valuation
- Commitments to improving existing City infrastructure

The City adopted a general fund budget with revenues of \$7,406,080 and expenditures of \$6,561,119. The City budgeted capital improvement expenditures of \$3,312,500.

COVID-19

The continued spread of the COVID-19 pandemic has given a rise in uncertainties that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are uncertain.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Tom Fullen, City Administrator, One Hunters Creek Place, Houston, Texas, 77024; telephone (713) 465-2150.

BASIC FINANCIAL STATEMENTS

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CITY OF HUNTERS CREEK VILLAGE, TEXAS

STATEMENT OF NET POSITION

December 31, 2020

	Primary Government Governmental Activities
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 7,670,561
Prepaid items	12,736
Receivables, net	4,279,323
Total Current Assets	11,962,620
Capital assets:	
Nondepreciable	1,088,711
Net depreciable	26,922,450
Total Capital Assets	28,011,161
Total Assets	39,973,781
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	190,640
Deferred outflows - OPEB	7,924
Total Deferred Outflows of Resources	198,564
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued liabilities	281,122
Unearned revenue	1,003
Total Current Liabilities	282,125
Noncurrent liabilities:	
Long-term liabilities due within one year	27,314
Long-term liabilities due in more than one year	623,039
Total Noncurrent Liabilities	650,353
Total Liabilities	932,478
<u>Deferred Inflows of Resources</u>	
Deferred inflows - property taxes	5,884,632
Deferred inflows - pensions	34,312
Deferred inflows - OPEB	6,482
Total Deferred Inflows of Resources	5,925,426
<u>Net Position</u>	
Net investment in capital assets	28,011,161
Restricted for:	
Enabling legislation	83,636
Unrestricted	5,219,644
Total Net Position	\$ 33,314,441

See Notes to Financial Statements.

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CITY OF HUNTERS CREEK VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Capital Grants and Contributions	Primary Governmental Activities
Primary Government				
Governmental Activities				
General government	\$ 1,263,184	\$ -	\$ -	\$ (1,263,184)
Municipal court	16,038	85,949	-	69,911
Public safety	3,791,465	35,478	-	(3,755,987)
Public works	1,690,222	428,773	266,049	(995,400)
Total Governmental Activities	\$ 6,760,909	\$ 550,200	\$ 266,049	(5,944,660)
General Revenues:				
Taxes:				
Property taxes				5,798,293
Sales taxes				550,903
Local taxes				19,528
Franchise fees				383,473
Investment income				38,959
Other revenues				101,118
			Total General Revenues	6,892,274
			Change in Net Position	947,614
Beginning net position				32,366,827
			Ending Net Position	\$ 33,314,441

See Notes to Financial Statements.

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CITY OF HUNTERS CREEK VILLAGE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2020

	General	Capital Projects	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 7,525,081	\$ 145,480	\$ 7,670,561
Prepaid items	12,736	-	12,736
Receivables, net	4,279,323	-	4,279,323
Total Assets	\$ 11,817,140	\$ 145,480	\$ 11,962,620
Liabilities			
Accounts payable and accrued liabilities	\$ 135,642	\$ 145,480	\$ 281,122
Unearned revenue	1,003	-	1,003
Total Liabilities	136,645	145,480	282,125
Deferred Inflows of Resources			
Unavailable revenue - property taxes	6,056,283	-	6,056,283
Total Deferred Inflows of Resources	6,056,283	-	6,056,283
Fund Balances			
Nonspendable:			
Prepays	12,736	-	12,736
Restricted for:			
Enabling legislation	83,636	-	83,636
Unassigned	5,527,840	-	5,527,840
Total Fund Balances	5,624,212	-	5,624,212
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,817,140	\$ 145,480	
Adjustments for the Statement of Net Position:			
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in governmental funds.			
Capital assets - nondepreciable			1,088,711
Capital assets - net depreciable			26,922,450
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in governmental funds.			
Unavailable revenue related to property taxes			171,651
Long-term liabilities are not due and payable in the current period, therefore, are not reported in governmental funds.			
Compensated absences			(30,348)
Net pension liability			(560,598)
Total OPEB liability			(59,407)
Deferred outflows of resources - pensions			190,640
Deferred inflows of resources - pensions			(34,312)
Deferred outflows of resources - OPEB			7,924
Deferred inflows of resources - OPEB			(6,482)
Net Position of Governmental Activities			\$ 33,314,441

See Notes to Financial Statements.

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CITY OF HUNTERS CREEK VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 5,740,169	\$ -	\$ 5,740,169
Sales taxes	550,903	-	550,903
Franchise fees and local taxes	403,001	-	403,001
Fines and forfeitures	85,949	-	85,949
Licenses and permits	428,773	-	428,773
Charges for services	35,478	-	35,478
Intergovernmental	266,049	-	266,049
Investment income	38,959	-	38,959
Other	184,106	-	184,106
Total Revenues	<u>7,733,387</u>	<u>-</u>	<u>7,733,387</u>
Expenditures			
Current:			
General government	1,161,409	-	1,161,409
Municipal court	15,705	-	15,705
Public safety	3,789,078	-	3,789,078
Public works	859,037	-	859,037
Capital outlay	5,835	779,559	785,394
Total Expenditures	<u>5,831,064</u>	<u>779,559</u>	<u>6,610,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,902,323</u>	<u>(779,559)</u>	<u>1,122,764</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	-	779,559	779,559
Transfers (out)	(779,559)	-	(779,559)
Total Other Financing Sources (Uses)	<u>(779,559)</u>	<u>779,559</u>	<u>-</u>
Net Change in Fund Balances	1,122,764	-	1,122,764
Beginning fund balances	4,501,448	-	4,501,448
Ending Fund Balances	<u>\$ 5,624,212</u>	<u>\$ -</u>	<u>\$ 5,624,212</u>

See Notes to Financial Statements.

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CITY OF HUNTERS CREEK VILLAGE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

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

Net changes in fund balances - total governmental funds	\$	1,122,764
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		746,896
Depreciation expense		(859,842)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
Unavailable revenue related to property taxes		58,124
Unavailable revenue related to ambulance fees		(82,988)
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 the governmental funds.		
Compensated absences		4,399
Net pension liability		26,372
Total OPEB liability		(2,985)
Deferred outflows of resources - pensions		19,984
Deferred outflows of resources - OPEB		4,875
Deferred inflows of resources - pensions		(85,965)
Deferred inflows of resources - OPEB		(4,020)
Change in Net Position of Governmental Activities	\$	<u>947,614</u>

See Notes to Financial Statements.

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CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Hunters Creek Village, Texas (the “City”) was incorporated under the laws of the State of Texas (the “State”) in 1954. The City operates as a “General Law” city, which provides for a “Mayor-Council” form of government.

The City provides the following services: general government, municipal court, public safety (including police, fire, and emergency medical services on a contract basis), and public works.

The City is an independent political subdivision of the State governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it 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.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the 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 for support. The City has no business-type activities.

C. Basis of Presentation – Government-Wide Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include property taxes, sales and use taxes, franchise fees, licenses and permits, charges for services, and fines and forfeitures. Expenditures include general government, municipal court, public safety, and public works. The general fund is always considered a major fund for reporting purposes.

The *capital projects fund* is used to account for the expenditures of resources accumulated from revenues and related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

During the course of operations, the City 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 are eliminated.

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

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

Property taxes, sales taxes, and franchise fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulation and are reported at amortized cost.

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

- Direct obligations of the U.S. government

- Fully collateralized certificates of deposit and money market accounts

- Local government investment pools

- Savings and loan association deposits backed by FSLIC

3. Receivables

All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. All trade receivables are shown net of an allowance for uncollectibles.

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).

Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) and are recognized as expenditures when utilized.

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets, other than personal property, are defined by the City as assets with an initial,

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

individual cost of more than \$25,000 and an estimated useful life in excess of one year. Personal property is capitalized if the individual asset cost is greater than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 City are depreciated using the straight-line method over the following estimated useful years:

<u>Asset</u>	<u>Estimated Useful Life</u>
Buildings	5-40 years
Infrastructure	10-45 years
Machinery and equipment	5-15 years
Vehicles	9-18 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. 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.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- Deferred inflows of resources are recognized for the portion of property taxes that were collected for use in the subsequent period.

At the fund level, the City has only one type of item, which raises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and ambulance fees. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

7. Compensated Employee Absences

It is the City's policy to permit full-time employees to accumulate earned but unused vacation, sick leave, and compensatory time. Amounts accumulated for vacation time may be paid to employees upon termination of employment in accordance with the City's personnel policy.

The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

8. Long-Term Obligations

In the government-wide financial statements, other long-term obligations are reported as liabilities in governmental activities on the Statement of Net Position.

9. Net Position Flow Assumption

Sometimes the City 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

10. Fund Balance Flow Assumptions

Sometimes the City 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 City'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.

11. Fund Balance Policies

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Council is the highest level of decision-making authority for the City that can, by adoption of a resolution

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City 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.

12. 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

13. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. 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. Benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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.

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

2. Property Taxes

All taxes due to the City on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31 of the subsequent year, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest as the Council may provide by ordinance.

Property taxes attach as an enforceable lien on property as of January 1 each year. Spring Branch Independent School District Tax Assessor-Collector bills and collects taxes on behalf of the City.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects fund, which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget is the department level in the general fund and all others are the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. No supplemental budget appropriations were made for the year ended December 31, 2020.

A. Expenditures in Excess of Appropriations

For the year ended December 31, 2020, expenditures exceeded appropriations at the legal level of control as follow:

General Fund	
Public works	\$ 53,424
Transfer out	779,559

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of December 31, 2020, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 2,200,220	0.10
Texas CLASS	3,425,705	0.24
Total Fair Value	<u>\$ 5,625,925</u>	
Portfolio weighted average maturity		0.18

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit risk. The City's investment policy limits investments in public funds investment pools rated as to investment quality not less than 'AAA' or 'AAA-m', or at an equivalent rating by at least one nationally recognized rating service. As of December 31, 2020, the City's investments in investment pools were rated 'AAA-m' by Standard & Poor's.

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102%. As of December 31, 2020, the City's bank balances exceeded the market values of pledged securities and FDIC coverage, leaving \$458,063 exposed to custodial credit risk.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAA-m'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at www.texasclass.com.

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

B. Receivables

The following comprises the receivable balances at year end:

	General
Property taxes	\$ 3,473,353
Sales taxes/franchise fees	220,735
Due from tax collector	533,734
Other	51,501
	\$ 4,279,323

C. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Construction in progress	635,049	531,221	(577,559)	588,711
Total capital assets not being depreciated	1,135,049	531,221	(577,559)	1,088,711
Other capital assets:				
Infrastructure	34,196,647	765,560	-	34,962,207
Buildings and improvements	981,178	-	-	981,178
Furniture and equipment	535,834	27,674	-	563,508
Total other capital assets	35,713,659	793,234	-	36,506,893
Less accumulated depreciation for:				
Infrastructure	(7,954,049)	(817,096)	-	(8,771,145)
Buildings and improvements	(315,708)	(20,536)	-	(336,244)
Furniture and equipment	(454,844)	(22,210)	-	(477,054)
Total accumulated depreciation	(8,724,601)	(859,842)	-	(9,584,443)
Other capital assets, net	26,989,058	(66,608)	-	26,922,450
Governmental Activities Capital Assets, Net	\$ 28,124,107	\$ 464,613	\$ (577,559)	\$ 28,011,161

Depreciation was charged to governmental functions as follows:

General government	\$ 25,937
Municipal court	333
Public safety	2,387
Public works	831,185
Total Governmental Activities Depreciation Expense	\$ 859,842

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

D. Long-Term Liabilities

A summary of changes in the City's total governmental long-term liabilities at year end is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Compensated absences	\$ 34,747	\$ 31,582	\$ (35,981)	\$ 30,348	\$ 27,314
Net pension liability	586,970	-	(26,372)	560,598	-
Total OPEB liability	56,422	2,985	-	59,407	-
Total Governmental Activities	\$ 678,139	\$ 34,567	\$ (62,353)	\$ 650,353	\$ 27,314
Long-term liabilities due in more than one year				\$ 623,039	

The City is not obligated in any manner for special assessment debt.

E. Interfund Transactions

Transfers between the primary governmental funds during the year were as follows:

Transfer In	Transfer Out	Amount
Capital projects fund	General fund	\$ 779,559

The amount transferred relates to revenue from the general fund to the capital projects fund for the City's construction projects.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pool (the "Pool"). The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

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

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the “Plan”) created in accordance with Internal Revenue Code Section 457. The Plan, available to all City 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 unforeseeable emergency. The Plan’s trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan and makes investments decisions and disburses funds to employees in accordance with Plan provisions. There was no contribution to the Plan during the fiscal year.

D. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by TMRS. TMRS is an agency created by the State 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. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the “Board”). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State. 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 that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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

	2020	2019
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	0% of CPI Repeating	0% of CPI Repeating

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to, but not yet receiving, benefits	3
Active employees	8
Total	19

Contributions

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

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.23% and 17.15% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended December 31, 2020 were \$106,003, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3.0 percent minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, the actuary 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 are summarized in the following table:

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

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

Discount Rate

The discount rate used to measure the TPL 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 TPL.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 93,000	\$ -	\$ 93,000
Interest	105,741	-	105,741
Difference between expected and actual experience	55,371	-	55,371
Change of assumptions	3,425	-	3,425
Contributions - employer	-	93,931	(93,931)
Contributions - employee	-	40,510	(40,510)
Net investment income	-	150,342	(150,342)
Benefit payments, including refunds of employee contributions	(77,158)	(77,158)	-
Administrative expense	-	(849)	849
Other changes	-	(25)	25
Net Changes	180,379	206,751	(26,372)
Balance at December 31, 2018	1,558,606	971,636	586,970
Balance at December 31, 2019	\$ 1,738,985	\$ 1,178,387	\$ 560,598

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	(5.75%)	(6.75%)	(7.75%)
City's Net Pension Liability	\$ 788,471	\$ 560,598	\$ 371,107

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.

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

For the fiscal year ended December 31, 2020, the City recognized pension expense of \$145,613.

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

At December 31, 2020, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 82,171	\$ -
Changes in assumptions	2,466	-
Net difference between projected and actual investment earnings	-	34,312
Contributions subsequent to the measurement date	106,003	-
Total	\$ 190,640	\$ 34,312

\$106,003 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending December 31, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense
2021	\$ 40,770
2022	15,178
2023	11,330
2023	(16,953)
Thereafter	-
Total	\$ 50,325

E. Other Postemployment Benefits

TMRS Supplemental Death Benefit

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

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). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2019 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to, but not yet receiving, benefits	2
Active employees	8
Total	19

Total OPEB Liability

The City's total OPEB liability of \$59,407 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.75%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2020

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 1,331
Interest	2,090
Difference between expected and actual experience	(6,894)
Changes of assumptions	7,963
Benefit payments	(1,505)
Net Changes	2,985
Balance at December 31, 2018	56,422
Balance at December 31, 2019	\$ 59,407

The discount rate decreased from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
City's Total OPEB Liability	\$ 69,089	\$ 59,407	\$ 51,600

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$3,737. The City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 5,167
Changes in actuarial assumptions	6,317	1,315
Contributions subsequent to the measurement date	1,607	-
Total	\$ 7,924	\$ 6,482

\$1,607 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending December 31, 2021.

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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

<u>Year Ended December 31</u>	<u>OPEB Expenses</u>
2021	\$ (58)
2022	(276)
2023	169
Thereafter	-
Total	\$ (165)

F. Related Organizations and Joint Ventures

On December 20, 1978, the City entered into an interlocal cooperation agreement (the "Agreement") with the cities of Bunker Hill Village, Hilshire Village, Hedwig Village, Piney Point Village, and Spring Valley Village, Texas, creating the Village Fire Department (the "Department"). The Agreement ran for a period of 12 years beginning January 1, 1979 and ending December 31, 1990. Effective January 1, 1991, the Agreement automatically renewed for a period of 5 years and will continue to renew on each expiration date unless terminated by at least one of the contracting cities. Under the terms of this Agreement, the City is liable for 22.25% of the Department's approved budget.

The Department's Agreement was amended in December 2019. Effective January 1, 2020, the city of Bunker Hill Village ("Bunker Hill Village") is no longer a participating member but considered a customer. As a customer, Bunker Hill Village continues receiving fire protection and emergency services from the Department. Bunker Hill Village will remain responsible for the 19% of assessments charged by the Department. In addition, Bunker Hill Village is to remain responsible for the 19% proportionate share of the Department's pension and OPEB liabilities. Following the Agreement term, Bunker Hill Village may become a participating member, but will not be eligible to serve as the Chairman or Vice Chairman of the Board of Commissioners.

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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

	Village Fire Department		City's Portion (22.25%)	
	Net Position	Balance Sheet	Net Position	Balance Sheet
Total assets	\$ 8,098,025	\$ 4,505,112	\$ 1,801,811	\$ 1,002,387
Total deferred outflows of resources	483,891	-	107,666	-
Total liabilities	942,339	645,679	209,670	143,664
Total deferred inflows of resources	820,411	-	182,541	-
Total participants' equity	\$ 6,819,166	\$ 3,859,433	\$ 1,517,266	\$ 858,723
	Change in	Revenues and	Change in	Revenues and
	Net Position	Expenditures	Net Position	Expenditures
Total revenues/other financing sources	\$ 8,671,058	\$ 8,817,858	\$ 1,929,310	\$ 1,961,973
Total expenditures/expenses	6,158,092	8,879,749	1,370,175	1,975,744
Revenues over (under)				
expenditures/expenses	2,512,966	(61,891)	559,136	(13,772)
Beginning participants' equity	4,306,200	3,921,324	958,130	872,495
Ending participants' equity	\$ 6,819,166	\$ 3,859,433	\$ 1,517,266	\$ 858,723
Net pension (Asset) at				
12/31/19 with TMRS	\$ (117,325)		\$ (26,105)	
Total OPEB Liability - SDBF				
at 12/31/19 with TMRS	\$ 168,209		\$ 37,427	

CITY OF HUNTERS CREEK VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

The City has also entered into an interlocal agreement (the “Agreement”) with the cities of Piney Point Village and Bunker Hill Village to create the Memorial Village Police Department (MVPD). Under the terms of the Agreement, the City is liable for 33% of MVPD’s budget. Separate financial statements may be obtained directly from MVPD.

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

	<u>Memorial Village Police Department</u>		<u>City's Portion (33%)</u>	
	<u>Net Position</u>	<u>Balance Sheet</u>	<u>Net Position</u>	<u>Balance Sheet</u>
Total assets	\$ 1,450,423	\$ 674,783	\$ 478,640	\$ 222,678
Total deferred outflows of resources	877,430	-	289,552	-
Total liabilities	3,456,063	481,258	1,140,501	158,815
Total deferred inflows of resources	416,774	-	137,535	-
Total participants' equity	<u>\$ (1,544,984)</u>	<u>\$ 193,525</u>	<u>\$ (509,844)</u>	<u>\$ 63,863</u>
	<u>Change in Net Position</u>	<u>Revenues and Expenditures</u>	<u>Change in Net Position</u>	<u>Revenues and Expenditures</u>
Total revenues	\$ 5,738,694	\$ 5,710,334	\$ 1,893,769	\$ 1,884,410
Total expenditures/expenses	5,894,217	5,770,046	1,945,092	1,904,115
Revenues (under)				
expenditures/expenses	(155,523)	(59,712)	(51,322)	(19,706)
Other financing sources	-	28,360	-	9,359
Beginning participants' equity	(1,389,461)	224,877	(458,522)	74,209
Ending participants' equity	<u>\$ (1,544,984)</u>	<u>\$ 193,525</u>	<u>\$ (509,844)</u>	<u>\$ 63,862</u>
Net pension liability				
at 12/31/19 with TMRS	\$ 2,370,228		\$ 782,175	
Total OPEB liability - SDBF				
at 12/31/19 with TMRS	\$ 224,029		\$ 73,930	
Total OPEB liability - Health				
at 12/31/19 with TMRS	\$ 124,003		\$ 40,921	

In September 2007, the City entered into an agreement (the “Insurance Agreement”) by and between the Memorial Villages Water Authority, the cities of Hedwig Village and Spring Valley Village, and the Village Fire Department to provide employee health insurance for the participants. The Insurance Agreement expired on December 31, 2008 and was automatically renewed for successive one-year terms on January 1 of each succeeding year. Under the terms of the Insurance Agreement, each party is responsible for the monthly premiums covering that entity’s employees and no entity is liable for any losses or damages caused by another participant.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF HUNTERS CREEK VILLAGE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property taxes	\$ 5,821,835	\$ 5,821,835	\$ 5,740,169	\$ (81,666)
Sales taxes	450,000	450,000	550,903	100,903
Franchise fees and local taxes	370,000	370,000	403,001	33,001
Fines and forfeitures	186,400	186,400	85,949	(100,451)
Licenses and permits	225,000	225,000	428,773	203,773
Charges for services	31,000	31,000	35,478	4,478
Intergovernmental	225,000	225,000	266,049	41,049
Investment income	100,000	100,000	38,959	(61,041)
Other	17,400	17,400	184,106	166,706
Total Revenues	<u>7,426,635</u>	<u>7,426,635</u>	<u>7,733,387</u>	<u>306,752</u>
Expenditures				
Current:				
General government	1,285,726	1,285,726	1,161,409	124,317
Municipal court	126,600	126,600	15,705	110,895
Public safety	3,735,654	3,735,654	3,789,078	(53,424) *
Public works	1,391,000	1,391,000	859,037	531,963
Capital Outlay	<u>209,000</u>	<u>209,000</u>	<u>5,835</u>	<u>203,165</u>
Total Expenditures	<u>6,747,980</u>	<u>6,747,980</u>	<u>5,831,064</u>	<u>916,916</u>
Excess of Revenues Over Expenditures	<u>678,655</u>	<u>678,655</u>	<u>1,902,323</u>	<u>1,223,668</u>
Other Financing Sources (Uses)				
Transfers (out)	-	-	(779,559)	(779,559) *
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(779,559)</u>	<u>(779,559)</u>
Net Change in Fund Balance	<u>\$ 678,655</u>	<u>\$ 678,655</u>	<u>1,122,764</u>	<u>\$ 444,109</u>
Beginning fund balance			<u>4,501,448</u>	
Ending Fund Balance			<u>\$ 5,624,212</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 2.* Expenditures exceeded appropriations at the legal level of control.

CITY OF HUNTERS CREEK VILLAGE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended December 31, 2020

	Measurement Year *			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 66,802	\$ 57,819	\$ 71,854	\$ 87,415
Interest (on the total pension liability)	73,476	74,959	79,201	85,806
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(10,536)	22,904	22,442	46,928
Changes in assumptions	-	37,311	-	-
Benefit payments, including refunds of employee contributions	(96,653)	(111,500)	(83,498)	(83,362)
Net Change in Total Pension Liability	33,089	81,493	89,999	136,787
Beginning total pension liability	1,064,588	1,097,677	1,179,170	1,269,169
Ending Total Pension Liability	\$ 1,097,677	\$ 1,179,170	\$ 1,269,169	\$ 1,405,956
Plan Fiduciary Net Position				
Contributions - employer	\$ 36,912	\$ 51,560	\$ 59,364	\$ 87,912
Contributions - employee	26,529	25,327	29,904	37,311
Net investment income	44,719	1,170	51,245	112,925
Benefit payments, including refunds of employee contributions	(96,653)	(111,500)	(83,498)	(83,362)
Administrative expense	(467)	(712)	(579)	(585)
Other	(38)	(36)	(31)	(30)
Net Change in Plan Fiduciary Net Position	11,002	(34,191)	56,405	154,171
Beginning plan fiduciary net position	781,682	792,684	758,493	814,898
Ending Plan Fiduciary Net Position	\$ 792,684	\$ 758,493	\$ 814,898	\$ 969,069
Net Pension Liability	\$ 304,993	\$ 420,677	\$ 454,271	\$ 436,887
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.21%	64.32%	64.21%	68.93%
Covered Payroll	\$ 378,979	\$ 361,821	\$ 427,193	\$ 533,016
Net Pension Liability as a Percentage of Covered Payroll	80.48%	116.27%	106.34%	81.97%

*Only six years of information is currently available. The City will build this schedule over the next four-year period.

Measurement Year*

2018		2019	
\$	85,341	\$	93,000
	94,744		105,741
	-		-
	62,575		55,371
	-		3,425
	(90,010)		(77,158)
	152,650		180,379
	1,405,956		1,558,606
\$	1,558,606	\$	1,738,985

\$	85,172	\$	93,931
	37,036		40,510
	(29,040)		150,342
	(90,010)		(77,158)
	(561)		(849)
	(30)		(25)
	2,567		206,751
	969,069		971,636
\$	971,636	\$	1,178,387
\$	586,970	\$	560,598

	62.34%		67.76%
\$	529,081	\$	578,716
	110.94%		96.87%

CITY OF HUNTERS CREEK VILLAGE, TEXAS

SCHEDULE OF CONTRIBUTIONS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended December 31, 2020

	Fiscal Year*			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 36,912	\$ 51,560	\$ 59,364	\$ 87,912
Contributions in relation to the actuarially determined contribution	36,912	51,560	59,364	87,912
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 378,979	\$ 361,821	\$ 427,194	\$ 533,016
Contributions as a percentage of covered payroll	9.74%	14.25%	13.90%	16.49%

*Only seven years of information is currently available. The City will build this schedule over the next three-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period Dec. 31, 2014 - Dec. 31, 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table.

3. Other Information:

There were no benefit changes during the year.

Fiscal Year*		
2018	2019	2020
\$ 84,812	\$ 93,931	\$ 106,003
<u>84,812</u>	<u>93,931</u>	<u>106,003</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 529,081</u>	<u>\$ 578,716</u>	<u>\$ 618,093</u>
16.03%	16.22%	17.15%

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CITY OF HUNTERS CREEK VILLAGE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended December 31, 2020

	Measurement Year*		
	2017	2018	2019
Total OPEB Liability			
Service cost	\$ 1,333	\$ 1,481	\$ 1,331
Interest (on the total OPEB liability)	1,978	1,915	2,090
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	(458)	(6,894)
Change in assumptions	3,462	(2,947)	7,963
Benefit payments**	(1,279)	(1,376)	(1,505)
Net Change in Total OPEB Liability	<u>5,494</u>	<u>(1,385)</u>	<u>2,985</u>
Beginning total OPEB liability	<u>52,313</u>	<u>57,807</u>	<u>56,422</u>
Ending Total OPEB Liability	<u>\$ 57,807</u>	<u>\$ 56,422</u>	<u>\$ 59,407</u>
Covered Payroll	\$ 533,016	\$ 529,081	\$ 578,716
Total OPEB Liability as a Percentage of Covered Payroll	10.85%	10.66%	10.27%

* Only three years of information is currently available. The City will build this schedule over the next seven-year period.

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated being equal to the employer's yearly contributions for retirees.

Notes to Required Supplementary Information:

Valuation Date:

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
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

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

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Change in assumptions is the annual change in the municipal bond index rate.

There were no benefit changes during the year.

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