

CITY OF HUNTERS CREEK VILLAGE, TEXAS

ANNUAL FINANCIAL REPORT

For the year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and

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therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedules of changes in net pension and total other postemployment liabilities and related ratios, and schedule of contributions, on pages 3-8 and 34-38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Crowe LLP
Crowe LLP

Houston, Texas
August 23, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HUNTERS CREEK VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
For the year ended December 31, 2023

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 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 the 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 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 in the last section of the basic financial statements.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
For the year ended December 31, 2023

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, 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 \$37,323,477 as of December 31, 2023. The largest portion of the City's net position, \$30,094,546, or 81%, 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>2023</u>	<u>2022</u>
Current and other assets	\$ 16,337,403	\$ 14,481,327
Capital assets, net	<u>30,094,546</u>	<u>29,744,512</u>
Total assets	46,431,949	44,225,839
Deferred outflows - pensions	278,121	152,218
Deferred outflows - OPEB	<u>4,895</u>	<u>7,578</u>
Total deferred outflows of resources	283,016	159,796
Current liabilities	1,517,214	1,569,966
Noncurrent liabilities	<u>807,083</u>	<u>593,047</u>
Total liabilities	2,324,297	2,163,013
Deferred inflows - property taxes	7,043,279	6,220,281
Deferred inflows - pensions	10,505	115,927
Deferred inflows - OPEB	<u>13,407</u>	<u>3,592</u>
Total deferred inflows of resources	7,067,191	6,339,800
Net position		
Net investment in capital assets	30,094,546	29,744,512
Restricted	64,547	53,790
Unrestricted	<u>7,164,384</u>	<u>6,084,520</u>
Total net position	<u>\$ 37,323,477</u>	<u>\$ 35,882,822</u>

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
For the year ended December 31, 2023

A portion of the City's net position, \$64,547, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$7,164,384, may be used to meet the City's ongoing obligations to citizens and creditors. The ending net position of the City increased by \$1,440,655.

Current and other assets increased by \$1,856,076 compared to the prior year largely due to an increase in cash and cash equivalents due to an operating surplus largely attributable to increases in collections for property tax, sales tax, and investment earnings. Current liabilities decreased by \$52,752 due to the completion of several construction in progress projects that had retainage. Long-term liabilities increased \$214,036 due to an increase in the net pension liability.

Statement of Activities

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

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues:		
Charges for services	\$ 629,413	\$ 713,087
Grants and contributions	372,763	351,471
General revenues:		
Property taxes	6,234,155	5,935,827
Sales taxes	774,378	664,429
Local taxes	34,417	31,186
Franchise fees	402,131	395,755
Investment income	474,706	99,239
Other	115,530	68,297
Total revenues	<u>9,037,493</u>	<u>8,259,291</u>
Expenses		
General government	1,246,076	1,359,567
Municipal court	43,422	89,966
Public safety	4,390,112	3,972,935
Public works	1,917,228	1,789,985
Total expenses	<u>7,596,838</u>	<u>7,212,453</u>
Change in net position	1,440,655	1,046,838
Beginning net position	<u>35,882,822</u>	<u>34,835,984</u>
Ending net position	<u>\$ 37,323,477</u>	<u>\$ 35,882,822</u>

For the year, revenues from governmental activities totaled \$9,037,493, an increase of \$778,202 in comparison to the prior year. This increase is mainly due to an increase in property taxes and investment income. Property taxes increased due to an increase in assessed values. Investment income increased due to an increase in interest rates and the City's cash balances in investment pools. Property taxes continue to be the City's largest revenue source. Revenues from property taxes totaled \$6,234,155, which increased \$298,328 compared to the prior year.

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CITY OF HUNTERS CREEK VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
For the year ended December 31, 2023

For the year, expenses for governmental activities totaled \$7,596,838, which is an increase of \$384,385 compared to the prior year. This increase was mainly due to increases in public safety expenses due to an increase in 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, 2023, the City's general fund had a total fund balance of \$6,678,273. Of this, \$4,056 is nonspendable in the form of prepaid items and \$64,547 is restricted for enabling legislation. The remaining balance of \$6,609,670 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 101% of the total general fund expenditures, while total fund balance represents 102% of the total general fund expenditures. The fund balance of the general fund increased \$125,006.

General fund revenues increased \$734,164 compared to the prior year largely due to increases in property taxes, sales taxes, and investment income as a result of an increase in the assessed values of properties in the City and an increase in investment returns. General fund expenditures increased by \$410,256 compared to the prior year due to increases in expenditures related to public safety contributions.

As of December 31, 2023, the City's capital projects fund had a fund balance of \$923,000, which is assigned to future capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were greater than budgeted revenues by \$737,647. This was the result of more revenue than anticipated from sales taxes, licenses and permits, investment, and other revenue. Actual expenditures were less than planned expenditures by \$836,579 mainly due to lower expenditures than anticipated for capital outlay, general government, and public works.

CAPITAL ASSETS

At the end of the year, the City's governmental activities had invested \$30,094,546 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$350,834 from the prior year.

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

- Current year costs related to the Outfall 28 rehabilitation project totaling \$539,621
- Current year costs related to the Memorial at Lindenwood Traffic Signal project totaling \$219,800
- Current year costs related to the Shasta & Pineland reconstruction project totaling \$154,650

More detailed information about the City's capital assets are presented in Note 3 to the financial statements.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
For the year ended December 31, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the 2024 fiscal year budget, management considered certain economic factors:

- Maintenance of the property tax rate at \$0.205164/\$100 of valuation
- Commitments to improving existing City infrastructure

The City adopted a general fund budget with revenues of \$9,267,801 and expenditures of \$7,910,767. The City budgeted capital improvement expenditures of \$2,420,383.

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

CITY OF HUNTERS CREEK VILLAGE, TEXAS
STATEMENT OF NET POSITION
December 31, 2023

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 11,014,436
Prepaid items	4,056
Receivables, net	5,318,911
Total current assets	16,337,403
Capital assets	
Nondepreciable	760,323
Net depreciable	29,334,223
Total capital assets	30,094,546
Total assets	46,431,949
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	278,121
Deferred outflows - OPEB	4,895
Total deferred outflows of resources	283,016
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	307,298
Unearned revenue	1,209,916
Total current liabilities	1,517,214
Noncurrent liabilities	
Long-term liabilities due within one year	66,012
Long-term liabilities due in more than one year	741,071
Total noncurrent liabilities	807,083
Total liabilities	2,324,297
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - property taxes	7,043,279
Deferred inflows - pensions	10,505
Deferred inflows - OPEB	13,407
Total deferred inflows of resources	7,067,191
NET POSITION	
Net investment in capital assets	30,094,546
Restricted for enabling legislation	64,547
Unrestricted	7,164,384
Total net position	\$ 37,323,477

See notes to financial statement.

CITY OF HUNTERS CREEK VILLAGE, TEXAS
STATEMENT OF ACTIVITIES
For the year ended December 31, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Change in</u> <u>Net Position</u> <u>Primary</u> <u>Government</u> <u>Governmental</u> <u>Activities</u>
<u>Primary Government</u> <u>Governmental Activities</u>	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Activities</u>
General government	\$ 1,246,076	\$ -	\$ -	\$ (1,246,076)
Municipal court	43,422	147,902	-	104,480
Public safety	4,390,112	37,241	-	(4,352,871)
Public works	1,917,228	444,270	372,763	(1,100,195)
	<u>\$ 7,596,838</u>	<u>\$ 629,413</u>	<u>\$ 372,763</u>	<u>(6,594,662)</u>
<u>General Revenues</u>				
<u>Taxes</u>				
Property taxes				6,234,155
Sales taxes				774,378
Local taxes				34,417
Franchise fees				402,131
Investment income				474,706
Other revenues				115,530
Total general revenues				<u>8,035,317</u>
Change in net position				1,440,655
Beginning net position				<u>35,882,822</u>
Ending net position				<u>\$ 37,323,477</u>

See notes to financial statement.

CITY OF HUNTERS CREEK VILLAGE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 9,949,910	\$ 1,064,526	\$ 11,014,436
Prepaid items	4,056	-	4,056
Receivables, net	<u>5,318,911</u>	<u>-</u>	<u>5,318,911</u>
Total assets	15,272,877	1,064,526	16,337,403
LIABILITIES			
Accounts payable and accrued liabilities	165,772	141,526	307,298
Unearned revenue	<u>1,209,916</u>	<u>-</u>	<u>1,209,916</u>
Total liabilities	1,375,688	141,526	1,517,214
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>7,218,916</u>	<u>-</u>	<u>7,218,916</u>
Total deferred inflows of resources	7,218,916	-	7,218,916
FUND BALANCES			
Nonspendable			
Prepays	4,056	-	4,056
Restricted for			
Enabling legislation	64,547	-	64,547
Assigned to:			
Capital projects	-	923,000	923,000
Unassigned	<u>6,609,671</u>	<u>-</u>	<u>6,609,671</u>
Total fund balances	6,678,274	923,000	7,601,274
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,272,878</u>	<u>\$ 1,064,526</u>	
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			760,323
Capital assets - net depreciable			29,334,223
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			175,636
Long-term liabilities and deferred outflows and inflows related to the net position and total other postemployment benefits (OPEB) liability are not reported in the governmental funds			
Compensated absences			(73,346)
Net pension liability			(684,193)
Total OPEB liability			(49,544)
Deferred outflows of resources - pensions			278,121
Deferred inflows of resources - pensions			(10,505)
Deferred outflows of resources - OPEB			4,895
Deferred inflows of resources - OPEB			<u>(13,407)</u>
Net position of governmental activities			<u>\$ 37,323,477</u>

See notes to financial statement.

CITY OF HUNTERS CREEK VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 6,196,331	\$ -	\$ 6,196,331
Sales taxes	774,378	-	774,378
Franchise fees and local taxes	436,548	-	436,548
Fines and forfeitures	147,902	-	147,902
Licenses and permits	444,270	-	444,270
Charges for services	37,241	-	37,241
Intergovernmental	372,763	-	372,763
Investment income	474,706	-	474,706
Other	<u>115,530</u>	-	<u>115,530</u>
Total revenues	8,999,669	-	8,999,669
Expenditures			
Current			
General government	1,224,259	-	1,224,259
Municipal court	43,422	-	43,422
Public safety	4,387,599	-	4,387,599
Public works	914,434	-	914,434
Capital outlay	<u>509</u>	<u>1,381,440</u>	<u>1,381,949</u>
Total expenditures	6,570,223	1,381,440	7,951,663
Excess (deficiency) of revenues over (under) expenditures	<u>2,429,446</u>	<u>(1,381,440)</u>	<u>1,048,006</u>
Other financing sources (uses)			
Transfers in	-	2,304,440	2,304,440
Transfers (out)	<u>(2,304,440)</u>	-	<u>(2,304,440)</u>
Total other financing sources (uses)	<u>(2,304,440)</u>	<u>2,304,440</u>	<u>-</u>
Net change in fund balances	125,006	923,000	1,048,006
Beginning fund balances	<u>6,553,268</u>	-	<u>6,553,268</u>
Ending fund balances	<u>\$ 6,678,274</u>	<u>\$ 923,000</u>	<u>\$ 7,601,274</u>

See notes to financial statement.

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, 2023

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

Net changes in fund balances - total governmental funds	\$	1,048,006
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		1,381,440
Depreciation expense		(1,031,406)
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		37,824
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		16,788
Net pension liability		(247,092)
Total OPEB liability		16,268
Deferred outflows of resources - pensions		125,903
Deferred outflows of resources - OPEB		(2,683)
Deferred inflows of resources - pensions		105,422
Deferred inflows of resources - OPEB		(9,815)
		1,440,655
Change in Net Position of Governmental Activities	\$	1,440,655

See notes to financial statement.

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

Basis of Presentation – Fund Financial Statements: The fund financial statements provide information about the City’s funds. Separate statements for each governmental fund category 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.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 leases are reported as other financing sources.

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.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

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.

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.

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, 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

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenue from property taxes. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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.

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.

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.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

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.

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.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenues and Expenditures/Expenses:

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.

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.

NOTE 2 - 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, 2023.

Expenditures in Excess of Appropriations: For the year ended December 31, 2023, expenditures exceeded appropriations at the legal level of control as follow:

General Fund	
Transfers out	\$ 2,304,440

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments: The composition of cash and investments as of December 31, 2023 is as follows:

Cash in bank	\$	2,725,196
Investments		8,289,240
Total cash and investments	\$	11,014,436

As of December 31, 2023, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 5,411,406	0.11
Texas CLASS	2,877,834	0.19
Total fair value	\$ 8,289,240	
Portfolio weighted average maturity		0.14

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.

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, 2023, the City’s market values of pledged securities and FDIC coverage exceeded the bank balance.

Texas CLASS - The Texas Cooperative Liquid Assets Securities System Trust (CLASS) is a public funds investment pool under Section 2256.016 of the 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.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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 "AAAm". 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 five percent 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.

Receivables: The following comprises the receivable balances at year end:

Property taxes	\$ 4,461,153
Sales taxes/franchise fees	198,025
Due from tax collector	631,281
Ambulance fees receivable	19,059
Other	9,393
	<hr/>
	\$ 5,318,911
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CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>					
Capital assets not being depreciated					
Land	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Construction in progress	1,367,532	981,610	-	(2,088,819)	260,323
Total capital assets not being depreciated	<u>1,867,532</u>	<u>981,610</u>	<u>-</u>	<u>(2,088,819)</u>	<u>760,323</u>
Other capital assets					
Infrastructure	37,678,067	399,830	-	2,088,819	40,166,716
Buildings and improvements	981,178	-	-	-	981,178
Furniture and equipment	638,491	-	(187,405)	-	451,086
Total other capital assets	<u>39,297,736</u>	<u>399,830</u>	<u>(187,405)</u>	<u>2,088,819</u>	<u>41,598,980</u>
Less accumulated depreciation for					
Infrastructure	(10,523,265)	(972,116)	-	-	(11,495,381)
Buildings and improvements	(377,316)	(20,536)	-	-	(397,852)
Furniture and equipment	(520,175)	(38,754)	187,405	-	(371,524)
Total accumulated depreciation	<u>(11,420,756)</u>	<u>(1,031,406)</u>	<u>187,405</u>	<u>-</u>	<u>(12,264,757)</u>
Other capital assets, net	<u>27,876,980</u>	<u>(631,576)</u>	<u>-</u>	<u>2,088,819</u>	<u>29,334,223</u>
Governmental activities capital assets, net	<u>\$ 29,744,512</u>	<u>\$ 350,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,094,546</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 26,179
Public safety	18,296
Public works	986,931
Total governmental activities depreciation expense	<u>\$ 1,031,406</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities</u>					
Compensated absences	\$ 90,134	\$ 53,495	\$ (70,283)	\$ 73,346	\$ 66,012
Net pension liability	437,101	247,092	-	684,193	-
Total OPEB liability	<u>65,812</u>	<u>-</u>	<u>(16,268)</u>	<u>49,544</u>	<u>-</u>
Total governmental activities	<u>\$ 593,047</u>	<u>\$ 300,587</u>	<u>\$ (86,551)</u>	<u>\$ 807,083</u>	<u>\$ 66,012</u>
Long-term liabilities due in more than one year				<u>\$ 741,071</u>	

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

Interfund Transactions: Transfers between the governmental funds during the year were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital projects fund	General fund	<u>\$ 2,304,440</u>

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

NOTE 4 - OTHER INFORMATION

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 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.

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

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.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 4 - OTHER INFORMATION (Continued)

Pension Plan:

Texas Municipal Retirement System

Plan Description: The City participates as one of several plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS does not receive any funding from the State. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at tmrs.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.

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:

	<u>2023</u>	<u>2022</u>
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/hrs 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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to, but not yet receiving, benefits	3
Active employees	7
Total	19

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 4 - OTHER INFORMATION (Continued)

Contributions: Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching ratios are either 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), 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 actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.00% and 19.8% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended December 31, 2023 were \$124,968, which were equal to the required contributions.

Net Pension Liability: The City's Net Pension Liability (NPL) was measured as of December 31, 2022 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% 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 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% and 3.0% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 4 - OTHER INFORMATION (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global public equity	35.0 %	7.70 %
Core fixed income	6.0 %	4.90 %
Non-core fixed income	20.0 %	8.70 %
Other public and private markets	12.0 %	8.10 %
Real estate	12.0 %	5.80 %
Hedge funds	5.0 %	6.90 %
Private equity	10.0 %	11.80 %
Total	100.0 %	

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 TMRS 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.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 4 - OTHER INFORMATION (Continued)

Changes in the NPL:

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
	<u>Changes for the year</u>		
Service cost	\$ 97,392	\$ -	\$ 97,392
Interest	135,055	-	135,055
Difference between expected and actual experience	44,753	-	44,753
Change of assumptions	-		-
Contributions - employer	-	103,121	(103,121)
Contributions - employee	-	40,103	(40,103)
Net investment income	-	(113,305)	113,305
Benefit payments, including refunds of employee contributions	(67,052)	(67,052)	-
Administrative expense	-	(978)	978
Other changes	-	1,167	(1,167)
Net changes	210,148	(36,944)	247,092
Balance at December 31, 2021	1,985,650	1,548,549	437,101
Balance at December 31, 2022	\$ 2,195,798	\$ 1,511,605	\$ 684,193

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 (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 957,260	\$ 684,193	\$ 456,049

Pension Plan Fiduciary Net Position: Detailed information about the TMRS fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 4 - OTHER INFORMATION (Continued)

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions: For the fiscal year ended December 31, 2023, the City recognized pension expense of \$140,738.

For the fiscal year ending December 31, 2023, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 49,075	\$ 10,505
Net difference between projected and actual investment earnings	104,078	-
Contributions subsequent to the measurement date	124,968	-
Total	\$ 278,121	\$ 10,505

\$124,968 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, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended December 31</u>	<u>Pension Expense</u>
2024	\$ 32,881
2025	39,041
2026	27,159
2027	43,567
	\$ 142,648

Other Postemployment Benefits:

TMRS Supplemental Death Benefits

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.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 4 - OTHER INFORMATION (Continued)

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.

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 5% 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, 2022 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to, but not yet receiving, benefits	1
Active employees	7
	<hr/>
	17
	<hr/> <hr/>
Total	

Total OPEB Liability: The City's total OPEB liability of \$49,544 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 4 - OTHER INFORMATION (Continued)

Actuarial Assumptions and Other Inputs: The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	4.05%
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, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS board adopted changes to the assumptions and methodology used for calculating 2023 rates as determined in the December 31, 2022 actuarial valuation.

Changes in the Total OPEB Liability:

<u>Changes for the year</u>	<u>Total OPEB Liability</u>
Service cost	\$ 2,463
Interest	1,215
Difference between expected and actual experience	670
Changes of assumptions	(18,554)
Benefit payments	(2,062)
Net changes	<u>(16,268)</u>
Balance as December 31, 2021	<u>65,812</u>
Balance as December 31, 2022	<u>\$ 49,544</u>

The discount rate increased from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. 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.

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 4 - OTHER INFORMATION (Continued)

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 (3.05%)	Discount Rate (4.05%)	1% Increase (5.05%)
City's total OPEB liability	\$ 56,847	\$ 49,544	\$ 43,630

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the fiscal year ended December 31, 2023, the City recognized OPEB expense of \$1,056. The City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 452	\$ 897
Changes in actuarial assumptions	1,729	12,510
Contributions subsequent to the measurement date	2,714	-
Total	\$ 4,895	\$ 13,407

\$2,714 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, 2024.

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

<u>Fiscal Year Ended December 31</u>	<u>OPEB Expense</u>
2024	\$ (5,082)
2025	(5,736)
2026	(408)
	\$ (11,226)

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 4 - OTHER INFORMATION (Continued)

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 April 2022. Effective April 1, 2022, the city of Bunker Hill Village ("Bunker Hill Village") was readmitted as a full participating member of the Department. The same terms of the Agreement prior to the amended December 2019 agreement. As a member, 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. Bunker Hill Village is not be eligible to serve as the Chairman or Vice Chairman of the Board of Commissioners.

Consolidated financial information extracted from the Department's audited financial statements for the year ended December 31, 2023, on which the Department's auditors expressed an unmodified opinion, is as follows:

	Village Fire Department		City's Portion (22.25%)	
	<u>Net Position</u>	<u>Balance Sheet</u>	<u>Net Position</u>	<u>Balance Sheet</u>
Total assets	\$ 8,418,246	\$ 947,071	\$ 1,873,060	\$ 210,723
Total deferred outflows of resources	1,926,811	-	428,715	-
Total liabilities	2,503,154	544,177	556,952	121,079
Total deferred inflows of resources	<u>309,200</u>	<u>-</u>	<u>68,797</u>	<u>-</u>
 Total participants' equity	 <u>\$ 7,532,703</u>	 <u>\$ 402,894</u>	 <u>\$ 1,676,026</u>	 <u>\$ 89,644</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/other financing sources	\$ 9,821,028	\$ 9,845,438	\$ 2,185,179	\$ 2,190,610
Total expenditures/expenses	<u>9,813,740</u>	<u>9,786,904</u>	<u>2,183,557</u>	<u>2,177,586</u>
Revenues over expenditures/expenses	7,288	58,534	1,622	13,024
Beginning participants' equity	<u>7,525,415</u>	<u>344,360</u>	<u>1,674,405</u>	<u>76,620</u>
 Ending participants' equity	 <u>\$ 7,532,703</u>	 <u>\$ 402,894</u>	 <u>\$ 1,676,026</u>	 <u>\$ 89,644</u>
 Net pension liability at 12/31/22 with TMRS	 \$ 1,333,756		 \$ 296,761	
Total OPEB liability - SDBF at 12/31/22 with TMRS	\$ 147,281		\$ 32,770	

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 4 - OTHER INFORMATION (Continued)

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 Villages 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, 2023, on which the MVPD's auditors expressed an unmodified opinion, is as follows:

	Memorial Villages Police Department		City's Portion (33%)	
	<u>Net Position</u>	<u>Balance Sheet</u>	<u>Net Position</u>	<u>Balance Sheet</u>
Total assets	\$ 1,737,592	\$ 994,498	\$ 573,405	\$ 328,184
Total deferred outflows of resources	1,393,928	-	459,996	-
Total liabilities	4,191,998	470,081	1,383,359	155,127
Total deferred inflows of resources	<u>157,869</u>	<u>-</u>	<u>52,097</u>	<u>-</u>
Total participants' equity	<u>\$ (1,218,347)</u>	<u>\$ 524,417</u>	<u>\$ (402,055)</u>	<u>\$ 173,058</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	\$ 7,375,740	\$ 7,374,811	\$ 2,433,994	\$ 2,433,688
Total expenditures/expenses	<u>7,272,026</u>	<u>7,105,438</u>	<u>2,399,769</u>	<u>2,344,795</u>
Revenues over expenditures/expenses	103,714	269,373	34,226	88,893
Other financing sources	-	14,145	4,668	-
Beginning participants' equity	<u>(1,322,061)</u>	<u>240,899</u>	<u>(436,280)</u>	<u>79,497</u>
Ending participants' equity	<u>\$ (1,218,347)</u>	<u>\$ 524,417</u>	<u>\$ (397,387)</u>	<u>\$ 168,390</u>
Net pension liability				
at 12/31/22 with TMRS	\$ 3,148,978		\$ 1,039,163	
Total OPEB liability - SDBF				
at 12/31/22 with TMRS	\$ 195,813		\$ 64,618	
Total OPEB liability - health				
at 12/31/22 with TMRS	\$ 73,898		\$ 24,386	

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

CITY OF HUNTERS CREEK VILLAGE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (unaudited)
GENERAL FUND
For the year ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original Budget</u>	<u>Final Budget</u>		Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 6,367,522	\$ 6,367,522	\$ 6,196,331	\$ (171,191)
Sales taxes	650,000	650,000	774,378	124,378
Franchise fees and local taxes	420,000	420,000	436,548	16,548
Fines and forfeitures	92,500	92,500	147,902	55,402
Licenses and permits	355,000	355,000	444,270	89,270
Charges for services	35,000	35,000	37,241	2,241
Intergovernmental	315,000	315,000	372,763	57,763
Investment income	15,000	15,000	474,706	459,706
Other	12,000	12,000	115,530	103,530
Total revenues	8,262,022	8,262,022	8,999,669	737,647
Expenditures				
Current				
General government	1,363,044	1,363,044	1,224,259	138,785
Municipal court	52,100	52,100	43,422	8,678
Public safety	4,422,302	4,422,302	4,387,599	34,703
Public works	1,360,856	1,360,856	914,434	446,422
Capital outlay	208,500	208,500	509	207,991
Total expenditures	7,406,802	7,406,802	6,570,223	836,579
Excess of revenues over expenditures	855,220	855,220	2,429,446	1,574,226
Other financing sources (uses)				
Transfers (out)	-	-	(2,304,440)	(2,304,440) *
Total other financing (uses)	-	-	(2,304,440)	(2,304,440)
Net change in fund balance	\$ 855,220	\$ 855,220	125,006	\$ (730,214)
Beginning fund balance			6,553,268	
Ending fund balance			\$ 6,678,274	

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 (unaudited)
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the year ended December 31, 2023

	Measurement Year*									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Total pension liability										
Service cost	\$ 66,802	\$ 57,819	\$ 71,854	\$ 87,415	\$ 85,341	\$ 93,000	\$ 102,295	\$ 96,294	\$ 97,392	
Interest (on the total pension liability)	73,476	74,959	79,201	85,806	94,744	105,741	116,934	120,859	135,055	
Changes in benefit terms	-	-	-	-	-	-	-	-	-	
Difference between expected and actual experience	(10,536)	22,904	22,442	46,928	62,575	55,371	(66,785)	59,664	44,753	
Changes in assumptions	-	37,311	-	-	-	3,425	-	-	-	
Benefit payments, including refunds of employee contributions	(96,653)	(111,500)	(83,498)	(83,362)	(90,010)	(77,158)	(115,544)	(67,052)	(67,052)	
Net change in total pension liability	33,089	81,493	89,999	136,787	152,650	180,379	36,900	209,765	210,148	
Beginning total pension liability	1,064,588	1,097,677	1,179,170	1,269,169	1,405,956	1,558,606	1,738,985	1,775,885	1,985,650	
Ending total pension liability	<u>\$ 1,097,677</u>	<u>\$ 1,179,170</u>	<u>\$ 1,269,169</u>	<u>\$ 1,405,956</u>	<u>\$ 1,558,606</u>	<u>\$ 1,738,985</u>	<u>\$ 1,775,885</u>	<u>\$ 1,985,650</u>	<u>\$ 2,195,798</u>	
Plan fiduciary net position										
Contributions - employer	\$ 36,912	\$ 51,560	\$ 59,364	\$ 87,912	\$ 85,172	\$ 93,931	\$ 106,003	\$ 105,622	\$ 103,121	
Contributions - employee	26,529	25,327	29,904	37,311	37,036	40,510	43,267	39,814	40,103	
Net investment income	44,719	1,170	51,245	112,925	(29,040)	150,342	89,559	169,874	(113,305)	
Benefit payments, including refunds of employee contributions	(96,653)	(111,500)	(83,498)	(83,362)	(90,010)	(77,158)	(115,544)	(67,052)	(67,052)	
Administrative expense	(467)	(712)	(579)	(585)	(561)	(849)	(579)	(785)	(978)	
Other	(38)	(36)	(31)	(30)	(30)	(25)	(22)	5	1,167	
Net change in plan fiduciary net position	11,002	(34,191)	56,405	154,171	2,567	206,751	122,684	247,478	(36,944)	
Beginning plan fiduciary net position	781,682	792,684	758,493	814,898	969,069	971,636	1,178,387	1,301,071	1,548,549	
Ending plan fiduciary net position	<u>\$ 792,684</u>	<u>\$ 758,493</u>	<u>\$ 814,898</u>	<u>\$ 969,069</u>	<u>\$ 971,636</u>	<u>\$ 1,178,387</u>	<u>\$ 1,301,071</u>	<u>\$ 1,548,549</u>	<u>\$ 1,511,605</u>	
Net pension liability	<u>\$ 304,993</u>	<u>\$ 420,677</u>	<u>\$ 454,271</u>	<u>\$ 436,887</u>	<u>\$ 586,970</u>	<u>\$ 560,598</u>	<u>\$ 474,814</u>	<u>\$ 437,101</u>	<u>\$ 684,193</u>	
Plan fiduciary net position as a percentage of total pension liability	72.21%	64.32%	64.21%	68.93%	62.34%	67.76%	73.26%	77.99%	68.84%	
Covered payroll	\$ 378,979	\$ 361,821	\$ 427,193	\$ 533,016	\$ 529,081	\$ 578,716	\$ 618,095	\$ 568,777	\$ 572,893	
Net pension liability as a percentage of Covered Payroll	80.48%	116.27%	106.34%	81.97%	110.94%	96.87%	76.82%	76.85%	119.43%	

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

CITY OF HUNTERS CREEK VILLAGE, TEXAS
SCHEDULE OF CONTRIBUTIONS (unaudited)
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the year ended December 31, 2023

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 36,912	\$ 51,560	\$ 59,364	\$ 87,912	\$ 84,812	\$ 93,931	\$ 106,003	\$ 105,622	\$ 103,121	\$ 124,968
Contributions in relation to the actuarially determined contribution	<u>36,912</u>	<u>51,560</u>	<u>59,364</u>	<u>87,912</u>	<u>84,812</u>	<u>93,931</u>	<u>106,003</u>	<u>105,622</u>	<u>103,121</u>	<u>124,968</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Covered payroll	<u>\$ 378,979</u>	<u>\$ 361,821</u>	<u>\$ 427,194</u>	<u>\$ 533,016</u>	<u>\$ 529,081</u>	<u>\$ 578,716</u>	<u>\$ 618,093</u>	<u>\$ 568,775</u>	<u>\$ 572,893</u>	<u>\$ 631,153</u>
Contributions as a percentage of covered payroll	9.74%	14.25%	13.90%	16.49%	16.03%	16.22%	17.15%	18.57%	18.00%	19.80%

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	21 Years (longest amortization ladder)
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 December 31, 2014 - December 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 used for females. The rates projected on a fully generational basis with scale UMP.
3. Other Information:
There were no benefit changes during the year.

CITY OF HUNTERS CREEK VILLAGE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (unaudited)
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the year ended December 31, 2023

	Measurement Year*					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB liability						
Service cost	\$ 1,333	\$ 1,481	\$ 1,331	\$ 1,978	\$ 2,275	\$ 2,463
Interest (on the total OPEB liability)	1,978	1,915	2,090	1,639	1,258	1,215
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(458)	(6,894)	(5,640)	(29)	670
Change in assumptions	3,462	(2,947)	7,963	7,076	1,673	(18,554)
Benefit payments**	(1,279)	(1,376)	(1,505)	(1,607)	(2,218)	(2,062)
Net change in total OPEB liability	5,494	(1,385)	2,985	3,446	2,959	(16,268)
Beginning total OPEB liability	52,313	57,807	56,422	59,407	62,853	65,812
Ending total OPEB liability	\$ 57,807	\$ 56,422	\$ 59,407	\$ 62,853	\$ 65,812	\$ 49,544
Covered-employee payroll	\$ 533,016	\$ 529,081	\$ 578,716	\$ 618,095	\$ 568,777	\$ 572,893
Total OPEB liability as a percentage of covered-employee payroll	10.85%	10.66%	10.27%	10.17%	11.57%	8.65%

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

(Continued)

CITY OF HUNTERS CREEK VILLAGE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (unaudited)
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the year ended December 31, 2023

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
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	4.05%
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.
3. 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, 2022.
There were no benefit changes during the year.