

*ANNUAL FINANCIAL REPORT*

of the

**CITY OF  
HUNTERS CREEK VILLAGE,  
TEXAS**

For the Year Ended  
December 31, 2010

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# CITY OF HUNTERS CREEK VILLAGE, TEXAS

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## INDEPENDENT AUDITORS' REPORT

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

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standard in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The Management's Discussion and Analysis, the budgetary comparison information, and the pension information are not required parts of the basic financial statements but are supplementary information required by generally accepted accounting principles in the United States of America. 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, LLP*

*Certified Public Accountants*

Houston, Texas

May 27, 2011

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

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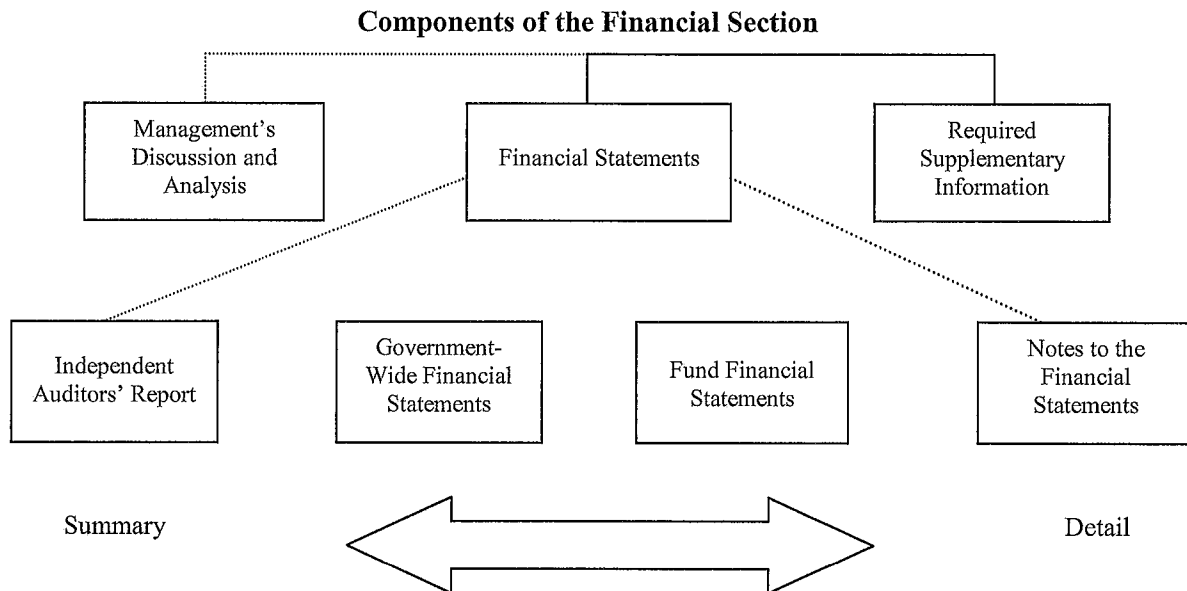
# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 31, 2010

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. 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. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

### THE STRUCTURE OF OUR ANNUAL REPORT



The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. This financial reporting model requires governments to present certain basic financial statements as well as the MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

#### 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 Assets 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 Assets presents information on all of the City's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors,

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued*

December 31, 2010

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 assets changed during the most recent year. All changes in the net assets 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 Assets and the Statement of Activities present the City 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 tax, franchise taxes, municipal court fines, and permit fees finance most of these activities.

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

### 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 governmental funds.

#### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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 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.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), Continued

December 31, 2010

### 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 can be found after the financial statements within this report.

### Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain RSI. The RSI that GASB Statement No. 34 requires include a budgetary comparison schedule for the general fund and schedule of funding progress for the Texas Municipal Retirement System. The RSI can be found after the notes to the financial statements within this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the City, assets exceed liabilities by \$28,673,357 as of year end.

The largest portion of the City's net assets, 80 percent, reflects its investments 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 Assets:

The following table reflects the condensed Statement of Net Assets:

	Governmental Activities	
	2010	2009
Current and other assets	\$ 9,961,811	\$ 11,694,084
Capital assets, net	22,937,410	20,931,248
<b>Total Assets</b>	<b>32,899,221</b>	<b>32,625,332</b>
Long-term liabilities	22,013	9,487
Other liabilities	4,203,851	4,268,173
<b>Total Liabilities</b>	<b>4,225,864</b>	<b>4,277,660</b>
Net assets:		
Invested in capital assets	22,937,410	20,931,248
Restricted	378,389	2,558,563
Unrestricted	5,357,558	4,857,861
<b>Total Net Assets</b>	<b>\$ 28,673,357</b>	<b>\$ 28,347,672</b>

A portion of the City's net assets, \$378,389, represents resources that are subject to external restriction on how they may be used. The restricted net assets decreased over the prior year due to the completion of several capital projects. The remaining balance of unrestricted net assets, \$5,357,558, may be used to meet the City's ongoing obligations to citizens and creditors. The overall condition of the City improved primarily due to increases in property taxes and investment income.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued*

December 31, 2010

### Statement of Activities:

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

	Governmental Activities	
	2010	2009
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 608,016	\$ 647,655
Grants and contributions	330,056	619,952
General revenues:		
Property taxes	3,386,424	3,149,645
Sales taxes	271,978	286,997
Franchise and local taxes	475,266	517,282
Investment income	76,725	70,149
Other	52,570	55,136
<b>Total Revenues</b>	<u>5,201,035</u>	<u>5,346,816</u>
<b>Expenses</b>		
General government	1,044,574	904,643
Municipal court	141,203	118,841
Public safety	2,461,731	2,501,912
Public works	1,227,842	1,198,749
<b>Total Expenses</b>	<u>4,875,350</u>	<u>4,724,145</u>
<b>Change in Net Assets</b>	325,685	622,671
Beginning net assets	<u>28,347,672</u>	<u>27,725,001</u>
<b>Ending Net Assets</b>	<u>\$ 28,673,357</u>	<u>\$ 28,347,672</u>

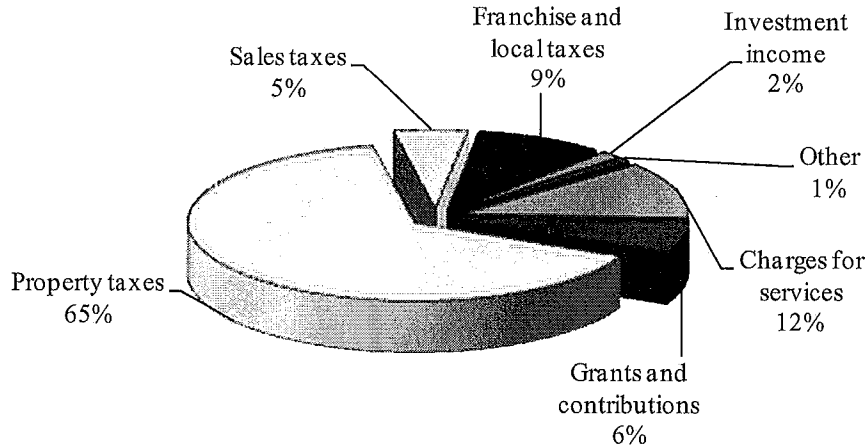
# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), Continued

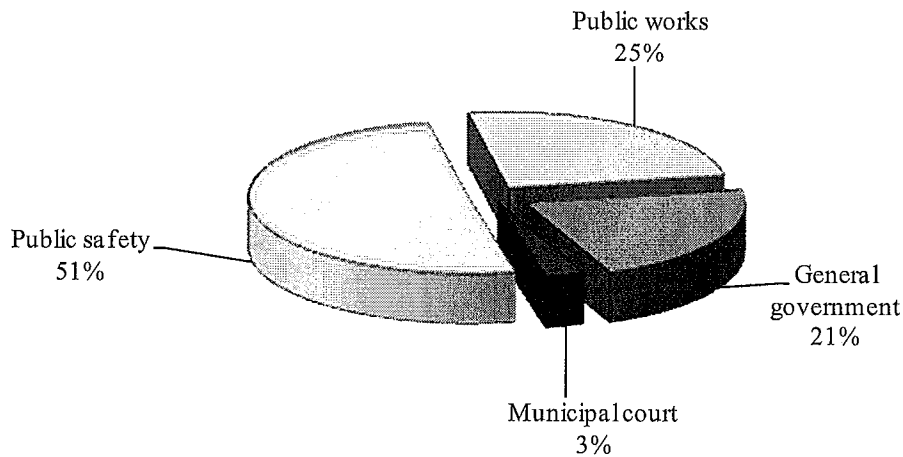
December 31, 2010

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

### Governmental Revenues



### Governmental Expenses



For the year, revenues from governmental activities totaled \$5,201,035, a decrease of \$145,781 or three percent in comparison to 2009. This decrease is primarily the result of less grant and contribution revenue for 2010. Property taxes continue to be the City's largest revenue source. Revenues from property taxes totaled \$3,386,424, which increased seven percent compared to the prior year due to increases in assessed valuations.

For the year, expenses for governmental activities totaled \$4,875,350, an increase of three percent compared to the prior year due to an increase in engineering expenditures in general government.

# **CITY OF HUNTERS CREEK VILLAGE, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued***

December 31, 2010

### **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 unreserved 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 year end, the City's general fund had a total fund balance of \$5,368,254. Of this, \$47,021 is reserved for various purposes and \$1,100,000 is designated for contingency. The remaining balance of \$4,221,233 is unreserved and undesignated.

There was an increase in the general fund balance of \$491,500 over the prior year. Contributing factors for this positive change were increases in sales tax, fines and forfeitures revenues, and a decrease in public safety expenditures.

As of year end, the City's capital projects fund had a total fund balance of \$331,368. There was a decrease in fund balance of \$2,177,625 from the prior year, which was due to capital outlay expenditures of \$2,612,120 related to the completion of construction projects for Creekside Manor, Tara Oaks Outfall, Long Shadows, and Smithdale.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were less than budgeted revenues by \$117,448. This negative net variance was the result of less revenue than anticipated for property taxes, franchise taxes, charges for services, intergovernmental, investment income, and other revenues. Actual expenditures were less than planned expenditures by \$214,947.

### **CAPITAL ASSETS**

At the end of the year, the City's governmental activities funds had invested \$22,937,410 in a variety of capital assets and infrastructure. This represents a net increase of \$2,006,162 from the prior year. Governmental capital assets are reported net of accumulated depreciation as required by GASB Statement No. 34.

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

- Completion of Creekside Manor/Tara Oaks Outfall project by Metro City Construction
- Completion of Long Shadows/Smithdale paving and drainage
- Construction in progress related to the construction of Storywood/Saddlewood paving and drainage project
- Construction in progress related to the construction of Kemwood paving and drainage project

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

# **CITY OF HUNTERS CREEK VILLAGE, TEXAS**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), Continued***

**December 31, 2010**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In preparing the 2011 fiscal year budget, management considered certain economic factors:

- Property tax rates were maintained at .1850/\$100 and property values increased, resulting in an overall increase in total property tax revenue compared to the prior year
- Commitments to improving existing City infrastructure
- Prevailing interest rates on the City's investments

### **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 Deborah Loesch, City Administer/City Secretary, One Hunters Creek Place, Houston, Texas, 77024, telephone (713) 465-2150.

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***FINANCIAL STATEMENTS***

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# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## STATEMENT OF NET ASSETS

December 31, 2010

	<u>Primary Government Governmental Activities</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 7,996,381
Receivables	1,965,430
	<u>9,961,811</u>
Capital assets:	
Non-depreciable	1,254,543
Net depreciable	21,682,867
	<u>32,899,221</u>
<b>Total Assets</b>	<u>32,899,221</u>
<b><u>Liabilities</u></b>	
Accounts payable and accrued liabilities	853,120
Deferred taxes	3,350,731
	<u>4,203,851</u>
Long-term liabilities due within one year	2,201
Long-term liabilities due in more than one year	19,812
	<u>4,225,864</u>
<b>Total Liabilities</b>	<u>4,225,864</u>
<b><u>Net Assets</u></b>	
Invested in capital assets	22,937,410
Restricted for:	
Court technology	22,728
Court security	24,293
Capital projects	331,368
Unrestricted	5,357,558
	<u>5,357,558</u>
<b>Total Net Assets</b>	<u>\$ 28,673,357</u>

See Notes to Financial Statements.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Capital Grants and Contributions	Primary Governmental Activities
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 1,044,574	\$ -	\$ -	\$ (1,044,574)
Municipal court	141,203	249,502	-	108,299
Public safety	2,461,731	37,958	-	(2,423,773)
Public works	1,227,842	320,556	330,056	(577,230)
<b>Total Governmental Activities</b>	<b>\$ 4,875,350</b>	<b>\$ 608,016</b>	<b>\$ 330,056</b>	<b>(3,937,278)</b>
 <b>General Revenues:</b>				
Taxes				
Property taxes				3,386,424
Sales taxes				271,978
Franchise and local taxes				475,266
Investment income				76,725
Other revenues				52,570
			<b>Total General Revenues</b>	<b>4,262,963</b>
			<b>Change in Net Assets</b>	<b>325,685</b>
			Beginning Net Assets	<b>28,347,672</b>
			<b>Ending Net Assets</b>	<b>\$ 28,673,357</b>

See Notes to Financial Statements.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2010

	General Fund	Capital Projects	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 7,346,374	\$ 650,007	\$ 7,996,381
Receivables	1,965,430	-	1,965,430
<b>Total Assets</b>	<b>\$ 9,311,804</b>	<b>\$ 650,007</b>	<b>\$ 9,961,811</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	534,481	318,639	853,120
Deferred property tax revenue	3,409,069	-	3,409,069
<b>Total Liabilities</b>	<b>3,943,550</b>	<b>318,639</b>	<b>4,262,189</b>
<b>Fund Balances</b>			
Reserved for:			
Court technology	22,728	-	22,728
Court security	24,293	-	24,293
Capital projects	-	331,368	331,368
Unreserved			
Designated for contingency	1,100,000	-	1,100,000
Undesignated	4,221,233	-	4,221,233
<b>Total Fund Balance</b>	<b>5,368,254</b>	<b>331,368</b>	<b>5,699,622</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 9,311,804</b>	<b>\$ 650,007</b>	

Adjustments for the Statement of Net Assets:

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

Capital assets - non-depreciable	1,254,543
Capital assets - net depreciable	21,682,867

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in governmental funds.	58,338
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Some liabilities are not reported as liabilities in governmental funds.

Compensated absences	(22,013)
	<b>\$ 28,673,357</b>

See Notes to Financial Statements.

**CITY OF HUNTERS CREEK VILLAGE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
For the Year Ended December 31, 2010

	General Fund	Capital Projects	Totals Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 3,368,250	\$ -	\$ 3,368,250
Sales taxes	271,978	-	271,978
Franchise and local taxes	475,266	-	475,266
Fines and forfeitures	249,502	-	249,502
Licenses and permits	320,556	-	320,556
Charges for services	37,958	-	37,958
Intergovernmental	150,000	180,056	330,056
Investment income	76,725	-	76,725
Other	52,570	-	52,570
<b>Total Revenues</b>	5,002,805	180,056	5,182,861
<b>Expenditures</b>			
<b>Current:</b>			
General government	872,863	-	872,863
Municipal court	138,621	-	138,621
Public safety	2,458,574	-	2,458,574
Public works	771,261	-	771,261
<b>Capital outlay</b>	15,547	2,612,120	2,627,667
<b>Total Expenditures</b>	4,256,866	2,612,120	6,868,986
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	-	254,439	254,439
Transfers (out)	(254,439)	-	(254,439)
<b>Total Other Financing Sources (uses)</b>	(254,439)	254,439	-
<b>Net Change in Fund Balances</b>	491,500	(2,177,625)	(1,686,125)
Beginning Fund Balance	4,876,754	2,508,993	7,385,747
<b>Ending Fund Balances</b>	\$ 5,368,254	\$ 331,368	\$ 5,699,622

See Notes to Financial Statements.

**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, 2010**

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

Net change in fund balance - governmental funds	\$ (1,686,125)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,475,370
Depreciation expense	(469,208)

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	<u>(12,526)</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 325,685</u></u></b>
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See Notes to Financial Statements.

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# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### 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 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 of Texas 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. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the City's activities;
- Fund financial statements focusing on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2010

These classifications are defined as follows:

- **Invested in capital assets, net of related debt** – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, 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.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The City maintains two governmental funds, the general fund and the capital projects fund.

#### Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

#### General Fund

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 taxes, licenses and permits, 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.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2010

### Capital Projects Fund

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.

#### **D. Measurement Focus and Basis of Accounting**

The government-wide Statements of Net Assets and Statements of Activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund types. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, and franchise taxes associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

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

#### **E. Assets, Liabilities, and Net Assets or Fund Equity**

##### **1. Deposits and Investments**

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.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with

# **CITY OF HUNTERS CREEK VILLAGE, TEXAS**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

**December 31, 2010**

the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

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 Governmental 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
- Statewide investment pools

### **2. Receivables**

All trade receivables are shown net of an allowance for uncollectibles.

### **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.

### **3. 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.

### **4. 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. 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 estimated fair market 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.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2010

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Furniture and equipment	5 to 20 years
Infrastructure	20 to 50 years
Buildings and improvements	20 to 50 years

### 5. 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.

### 6. Long-Term Liabilities

In the government-wide financial statements, long-term liabilities are reported in the governmental activities Statement of Net Assets. The long-term liabilities consist of accrued compensated absences.

### 7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### 8. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). 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 as defined by the charter 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. Supplemental budget appropriations were made for the year ended.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2010

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the 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 percent. As of December 31, 2010, market values of pledged securities exceeded bank balances.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all securities bought be held in safekeeping by either the City, the City's designated depository, a City account in an independent third-party financial institution, or with the Federal Reserve Bank. Furthermore, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

*Credit risk.* State law and the City's investment policy provide limits for investments to obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

#### B. Receivables

The following comprises receivable balances at year end:

	<u>General</u>
Property taxes	\$ 1,603,350
Sales/franchise taxes	111,903
Due from FEMA	130,664
Due from tax assessor	119,513
	<u>\$ 1,965,430</u>

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2010

### C. Capital Assets

A summary of changes in capital assets at year end was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)	
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Construction in progress	2,106,401	2,393,730	(3,745,588)	754,543
Total capital assets not being depreciated	<u>2,606,401</u>	<u>2,393,730</u>	<u>(3,745,588)</u>	<u>1,254,543</u>
Other capital assets:				
Infrastructure	19,433,730	3,780,438	-	23,214,168
Buildings and improvements	438,083	5,500	-	443,583
Furniture and equipment	238,242	41,290	-	279,532
Total other capital assets	<u>20,110,055</u>	<u>3,827,228</u>	<u>-</u>	<u>23,937,283</u>
Less accumulated depreciation for:				
Infrastructure	(1,448,860)	(432,635)	-	(1,881,495)
Buildings and improvements	(157,710)	(8,762)	-	(166,472)
Furniture and equipment	(178,638)	(27,811)	-	(206,449)
Total accumulated depreciation	<u>(1,785,208)</u>	<u>(469,208)</u>	<u>-</u>	<u>(2,254,416)</u>
Other capital assets, net	18,324,847	3,358,020	-	21,682,867
<b>Totals</b>	<u>\$ 20,931,248</u>	<u>\$ 5,751,750</u>	<u>\$ (3,745,588)</u>	<u>\$ 22,937,410</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 6,888
Municipal court	2,582
Public safety	3,157
Public works	456,581
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 469,208</u>

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2010

### D. Long-Term Liabilities

The following is a summary of changes in the City's total governmental long-term liabilities for the year.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 9,487	\$ 14,988	\$ 2,462	\$ 22,013	\$ 19,812
<b>Total Governmental Activities</b>	\$ 9,487	\$ 14,988	\$ 2,462	\$ 22,013	\$ 19,812
<b>Long-term liabilities due in more than one year</b>				\$ 2,201	

The City is not obligated for special assessment debt.

### E. Interfund Transactions

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

Transfer In	Transfer Out	Amounts
Capital projects fund	General fund	\$ 254,439

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

### F. Fund Equity

The City records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balance reservations or designations as recognized by the City:

	Reserved	Designated
<b>General Fund</b>		
Reserved for:		
Court technology	\$ 22,728	* \$
Court security	24,293	*
Designated for:		
Contingency		1,100,000
<b>Capital Projects Fund</b>		
Reserved for capital projects	331,368	
<b>Total Governmental Funds</b>	\$ 378,389	\$ 1,100,000

\* Restricted by enabling legislation



# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2010

### Change in Beginning Net Assets/Fund Balance

The City has restated beginning net assets for governmental activities to correct capital assets as a result of a physical inventory and revised cost estimates.

	<u>Governmental Activities Net Assets</u>
Prior year ending net assets as reported	\$ 28,298,025
Increase capital assets	<u>49,647</u>
New beginning net assets	<u>\$ 28,347,672</u>

## 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 2,539 other entities in the Texas Municipal League's Intergovernmental Risk Pools (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 which 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 which 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.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2010

### C. Pension Plans

#### Texas Municipal Retirement System

##### Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and Required Supplementary Information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8611. In addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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>2010</u>	<u>2009</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	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

##### Benefits

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. City financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence, and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2010

### Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2008 valuation is effective for rates beginning January 2010).

Three-year trend information for the annual pension cost (APC) is as follows:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Annual Req. Contrib. (ARC)	\$ 44,775	\$ 33,896	\$ 42,901
Contributions Made	44,775	33,896	42,901
<b>NPO at the End of Period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2008 actuarial valuation. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Actuarial Valuation Date	12/31/2009	12/31/2008	12/31/2007
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	23 Years - Closed	24 Years - Closed	25 Years - Closed
Asset Valuation Method	10-year Smoothed Market	Amortized cost	Amortized cost
Investment Rate of Return	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	0.00%	0.00%	0.00%

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2010

The funded status as of December 31, 2009, the most recent valuation date, is as follows:

	<u>2010</u>
Actuarial Valuation Date	12/31/2009
Actuarial Value of Assets	\$ 221,748
Actuarial Accrued Liability	\$ 541,531
Percentage Funded	41%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 319,783
Annual Covered Payroll	\$ 336,669
UAAL as a Percentage of Covered Payroll	95%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

### **D. Related Organizations and Joint Ventures**

On December 20, 1978, the City entered into an interlocal cooperation 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 twelve years beginning January 1, 1979 and ended December 31, 1990. Effective January 1, 1991, the agreement automatically renewed for a period of five 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 percent of the Department's approved budget.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2010

Consolidated financial information extracted from the Department's audited financial statement for the year ended December 31, 2010, on which the Department's auditors expressed an unqualified opinion, is as follows:

	Village Fire Department		City's Portion (22.25%)	
	Net Assets	Balance Sheet	Net Assets	Balance Sheet
Total assets	\$ 2,262,637	\$ 637,723	\$ 503,437	\$ 141,893
Total liabilities	601,369	67,231	133,805	14,959
Total participants' equity	\$ 1,661,268	\$ 570,492	\$ 369,632	\$ 126,934
	Change in Net Assets	Revenues and Expenditures	Change in Net Assets	Revenues and Expenditures
Total revenues	\$ 5,338,959	\$ 5,338,959	\$ 1,187,918	\$ 1,187,918
Total expenditures/expenses	5,183,893	5,012,342	1,153,416	1,115,246
Revenues over (under) expenditures/expenses	155,066	326,617	34,502	72,672
Surplus refund to cities	(113,698)	(113,698)	(25,298)	(25,298)
Beginning participants' equity	1,619,900	357,573	360,428	79,560
Ending participants' equity	\$ 1,661,268	\$ 570,492	\$ 369,632	\$ 126,934
Unfunded Actuarial Accrued Liability at 12/31/08 with TMRS	\$ 2,644,542		\$ 588,411	
Unfunded Actuarial Accrued Liability at 12/31/09 with TMRS	\$ 2,355,073		\$ 524,004	
Unfunded Actuarial Accrued Liability at 12/31/10 with TMRS	\$ 840,595		\$ 187,032	
Actuarial Accrued Liability at 1/01/09 for OPEB	\$ 608,857		\$ 135,471	

The City has also entered into an interlocal 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 percent of MVPD's budget. Separate financial statements may be obtained directly from MVPD.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2010

Consolidated financial information of the MVPD extracted from the MVPD's audited financial statement for the year ended December 31, 2009, on which the MVPD's auditors expressed an unqualified opinion, is as follows:

	<b>Memorial Village Police Department</b>		<b>City's Portion (33%)</b>	
	<u>Net Assets</u>	<u>Balance Sheet</u>	<u>Balance Sheet</u>	<u>Balance Sheet</u>
Total assets	\$ 2,238,106	\$ 405,286	\$ 738,575	\$ 133,744
Total liabilities	477,689	122,620	157,637	40,465
Total participants' equity	<u>\$ 1,760,417</u>	<u>\$ 282,666</u>	<u>\$ 580,938</u>	<u>\$ 93,279</u>
	<u>Change in</u>	<u>Revenues and</u>	<u>Revenues and</u>	<u>Revenues and</u>
	<u>Net Assets</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Total revenues	\$ 4,336,884	\$ 4,203,026	\$ 1,431,173	\$ 1,386,999
Total expenditures/expenses	4,657,281	4,269,673	1,536,903	1,408,992
Revenues over (under) expenditures/expenses	(320,397)	(66,647)	(105,730)	(21,994)
Beginning participants' equity	2,080,814	349,313	686,669	115,273
Ending participants' equity	<u>\$ 1,760,417</u>	<u>\$ 282,666</u>	<u>\$ 580,939</u>	<u>\$ 93,279</u>
Unfunded Actuarial Accrued Liability at 12/31/08 with TMRS	\$ 5,791,063		\$ 1,928,424	
Unfunded Actuarial Accrued Liability at 12/31/09 with TMRS	\$ 3,040,423		\$ 1,012,461	
Unfunded Actuarial Accrued Liability at 12/31/10 with TMRS	\$ 2,319,453		\$ 772,378	
Actuarial Accrued Liability at 10/01/08 for OPEB	\$ 1,112,966		\$ 370,618	

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 expires on December 31, 2008, and shall be 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.

### E. Revenue Agreements

#### Revenue Allocation Agreement

On August 3, 1999, the City entered into a Congestion Mitigation/Traffic Management Agreement (the "Agreement") with the Metropolitan Transit Authority of Harris County (METRO). Under the terms of the Agreement, METRO is to provide the City annual funding of \$150,000 for eligible transportation projects through September 30, 2014. During the current year, the City received a total of \$150,000 from METRO under this agreement which was spent on eligible projects.

# **CITY OF HUNTERS CREEK VILLAGE, TEXAS**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

**December 31, 2010**

### **Transportation Improvement Agreements with METRO**

On February 2, 2007, the City entered into an agreement with METRO for paving improvements on Memorial Drive from west of Creekside to east of Lindenwood, including the reconstruction of approximately 2,200 feet of the existing two lane asphalt open ditch section into a two lane reclaimed asphalt roadway with storm sewers (“the Project”). The total construction cost of the Project is estimated to be \$2,633,412. METRO will contribute up to \$1,750,000 toward the total cost. The City is willing to administer construction and contribute up to \$883,412 toward the cost of the Project.

On February 19, 2008, the City entered into an agreement with METRO for roadway improvements on Creekside, Long Shadows, Smithdale, Inwood Oaks, April Way, Kemwood, Saddlewood, and Wellesley Roads. METRO will contribute up to \$5,250,000 towards the total cost of these projects.

Upon completion of the projects, the City shall render to METRO all interest earned upon the sum paid by Harris County (the “County”) to the City. If the sum paid by the County exceeds the total construction costs, the City shall pay over such excess to METRO. Any costs that exceed the total estimated costs shall be paid by the City.

### **Paving and Drainage Improvements Agreement with Memorial Villages Water Authority**

On August 4, 2009, the City entered into a paving and drainage improvement agreement with Memorial Villages Water Authority (the “Authority”) for the mutual benefit of obtaining certain paving, drainage, water system and sanitary sewer system improvements within the right-of-ways of the City. The City is responsible for administering all aspects of the Project and the Authority will reimburse the City its share of the cost of the water system and sanitary sewer system improvements of the Project plus ten percent for administrative costs and other customary costs incurred solely because of the construction of the Project.

Upon completion of the Project, the City shall assign any rights that they may have under the warranties of the construction contract and the Authority shall assume full ownership of and responsibility for the maintenance and repair of its facilities. The City shall have no responsibility for the condition or maintenance of the Authority’s facilities.

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***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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended		
<b>Revenues</b>				
Property taxes	\$ 3,400,478	\$ 3,400,478	\$ 3,368,250	\$ (32,228)
Sales taxes	250,000	250,000	271,978	21,978
Franchise and local taxes	513,000	513,000	475,266	(37,734)
Fines and forfeitures	234,000	234,000	249,502	15,502
Licenses and permits	300,000	300,000	320,556	20,556
Charges for services	40,000	40,000	37,958	(2,042)
Intergovernmental	150,000	227,775	150,000	(77,775)
Investment income	85,000	85,000	76,725	(8,275)
Other	70,000	70,000	52,570	(17,430)
<b>Total Revenues</b>	<b>5,042,478</b>	<b>5,120,253</b>	<b>5,002,805</b>	<b>(117,448)</b>
<b>Expenditures</b>				
Current:				
General government	948,585	973,585	872,863	100,722
Municipal court	147,000	152,000	138,621	13,379
Public safety	2,520,228	2,520,228	2,458,574	61,654
Public works	809,000	809,000	771,261	37,739
Capital outlay	17,000	17,000	15,547	1,453
<b>Total Expenditures</b>	<b>4,441,813</b>	<b>4,471,813</b>	<b>4,256,866</b>	<b>214,947</b>
<b>Revenues Over (Under) Expenditures</b>	<b>600,665</b>	<b>648,440</b>	<b>745,939</b>	<b>97,499</b>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	-	-	(254,439)	(254,439)
<b>Net Change in Fund Balance</b>	<b>\$ 600,665</b>	<b>\$ 648,440</b>	<b>491,500</b>	<b>\$ (156,940)</b>
Beginning Fund Balance			4,876,754	
		<b>Ending Fund Balance</b>	<b>\$ 5,368,254</b>	

**Notes to Required Supplementary Information:**

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

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# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## SCHEDULE OF FUNDING PROGRESS

### TEXAS MUNICIPAL RETIREMENT SYSTEM

December 31, 2010

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

Fiscal Year	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarial Valuation Date	12/31/2009	12/31/2009	12/31/2008	12/31/2007
Actuarial Value of Assets	\$ 221,748	\$ 221,748	\$ 200,941	\$ 146,648
Actuarial Accrued Liability	\$ 541,531	\$ 541,531	\$ 472,237	\$ 395,854
Percentage Funded	40.9%	40.9%	42.6%	37.0%
Unfunded Actuarial				
Accrued Liability	\$ 319,783	\$ 319,783	\$ 271,296	\$ 249,206
Annual Covered Payroll	\$ 336,669	\$ 336,669	\$ 322,312	\$ 313,958
Unfunded Actuarial Accrued Liability				
(UAAL) % of Covered Payroll	95%	95%	84%	79%
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	44,775	44,775	33,896	42,901
Contributions Made	44,775	44,775	33,896	42,901
<b>NPO at the End of Period</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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