

*ANNUAL FINANCIAL REPORT*

of the

**CITY OF  
HUNTERS CREEK VILLAGE,  
TEXAS**

For the Year Ended  
December 31, 2009

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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, 2009, 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, 2009, 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
May 25, 2010

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

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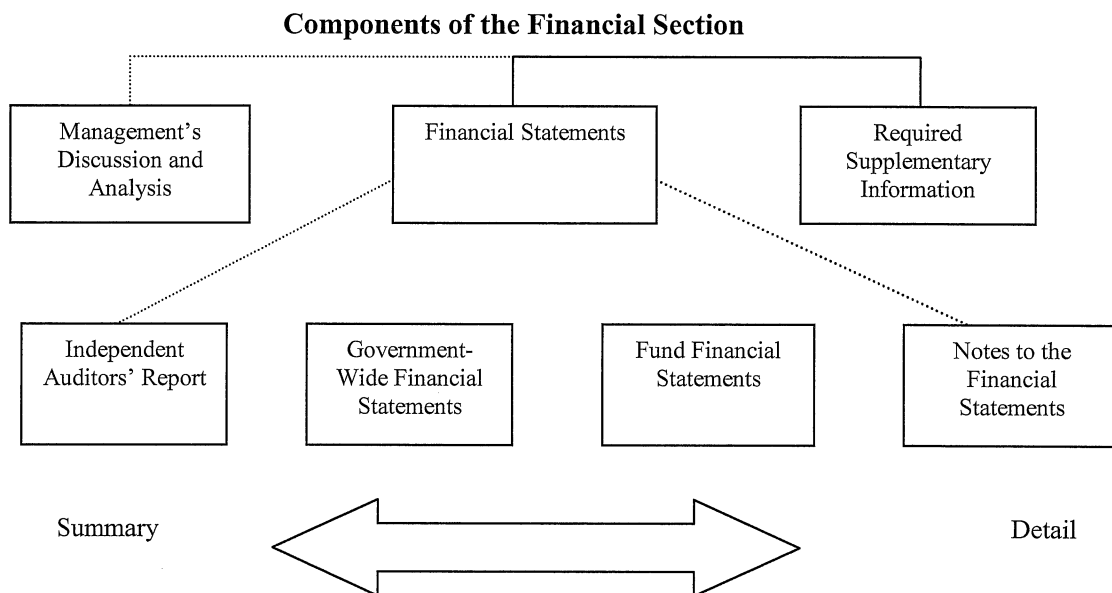
# CITY OF HUNTERS CREEK VILLAGE, TEXAS

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

December 31, 2009

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, 2009

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), public works, and sanitation. 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, 2009

### 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 \$28,298,025 as of year end.

The largest portion of the City's net assets (74%) 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	
	2009	2008
Current and other assets	\$ 11,694,084	\$ 13,144,025
Capital assets, net	20,881,601	18,570,108
<b>Total Assets</b>	<b>32,575,685</b>	<b>31,714,133</b>
Long-term liabilities	9,487	7,728
Other liabilities	4,268,173	3,981,404
<b>Total Liabilities</b>	<b>4,277,660</b>	<b>3,989,132</b>
Net assets:		
Invested in capital assets	20,881,601	18,570,108
Restricted	2,558,563	1,736,935
Unrestricted	4,857,861	7,417,958
<b>Total Net Assets</b>	<b>\$ 28,298,025</b>	<b>\$ 27,725,001</b>

A portion of the City's net assets, \$2,558,563, 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, \$4,857,861, 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 franchise fees.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

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

December 31, 2009

### Statement of Activities:

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

	Governmental Activities	
	2009	2008
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 647,655	\$ 727,427
Grants and contributions	619,952	6,954,446
General revenues:		
Property taxes	3,149,645	2,829,683
Sales taxes	286,997	302,239
Franchise and local taxes	517,282	432,023
Investment income	70,149	193,733
Other	55,136	76,101
<b>Total Revenues</b>	<u>5,346,816</u>	<u>11,515,652</u>
<b>Expenses</b>		
General government	904,643	2,352,015
Municipal court	118,841	124,739
Public safety	2,501,912	2,347,485
Public works	1,248,396	1,131,708
<b>Total Expenses</b>	<u>4,773,792</u>	<u>5,955,947</u>
<b>Change in Net Assets</b>	573,024	5,559,705
Beginning net assets	<u>27,725,001</u>	<u>22,165,296</u>
<b>Ending Net Assets</b>	<u>\$ 28,298,025</u>	<u>\$ 27,725,001</u>

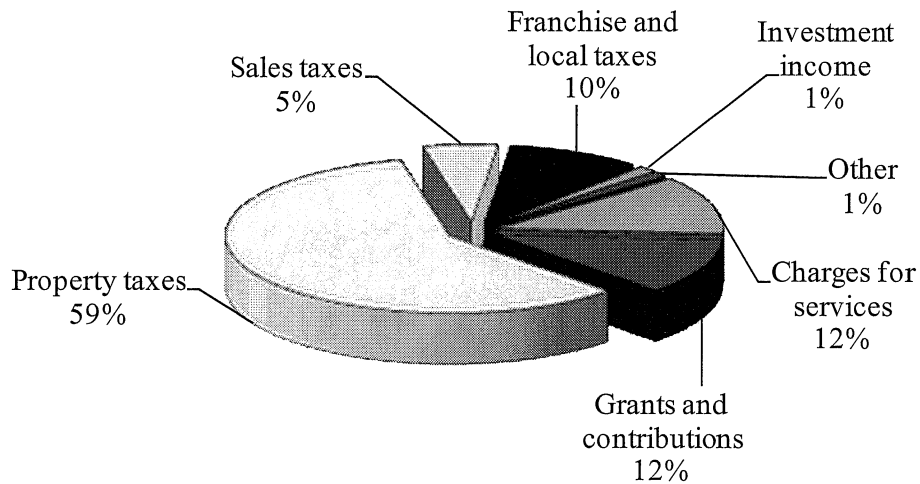
# CITY OF HUNTERS CREEK VILLAGE, TEXAS

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

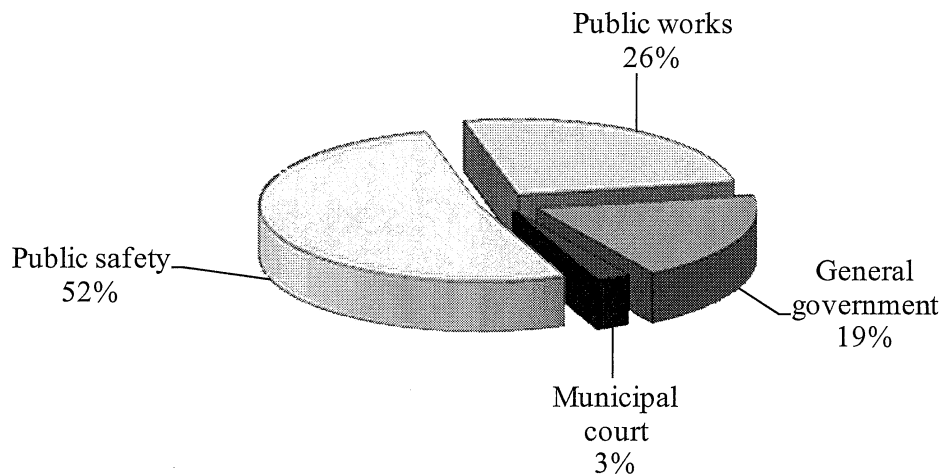
December 31, 2009

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 \$5,346,816, decrease of \$6,168,836 or 54 percent in comparison to 2008. This decrease is primarily the result of less grant and contribution revenue for 2009. For 2009, property taxes was the City's largest revenue source. Revenues from property taxes totaled \$3,149,645 which increased 11 percent compared to the prior year due to increases in assessed valuations.

For the year, expenses for governmental activities totaled \$4,773,792, a decrease of 20 percent compared to the prior year because the City did not experience a hurricane as in the prior year.

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

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

December 31, 2009

### **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 Fund – The focus of the City's governmental fund 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 \$4,876,754. Of this, \$49,570 is reserved for various purposes and \$1,000,000 is designated for contingency. The remaining balance of \$3,827,184 is unreserved and undesignated.

There was an increase in the general fund balance of \$326,695 over the prior year, which was the primarily due to a transfer of \$238,650 from the capital projects fund and an increase of \$332,995 in property tax revenue.

As of year end, the City's capital fund project had a total fund balance of \$2,508,993. There was a decrease in fund balance of \$2,045,885 over the prior year, which was primarily due to a capital outlay of \$2,754,487.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues exceeded budgeted revenues by \$223,651, due largely to actual franchise and local taxes revenues exceeding what was originally forecasted by \$147,282. Actual expenditures were less than planned expenditures by \$342,367 primarily because actual public works expenditures was \$258,677 less than what was budgeted.

During the year, City Council amended the budget for the following purposes:

- To re-appropriate expenditures for general government, municipal court, and public works.

### **CAPITAL ASSETS**

At the end of the year, the City's governmental activities funds had invested \$20,881,601 (net of depreciation) in a variety of capital assets and infrastructure. This represents a net increase of \$2,311,493 over 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 include the following:

- Construction progress related to the construction of Creekside Manor/Tara Oaks Outfall project to Metro City Construction
- Construction progress related to the construction of Long Shadows/Smithdale paving and drainage
- Construction progress related to the construction of Kemwood paving and drainage project
- Construction progress related to the construction of Storywood/Saddlewood paving and drainage project
- Completion of Camelot/County Lane
- Completion of Bridge Rails on Memorial
- Completion of Inwood Oaks April Way paving and drainage project
- Completion of guard rail at Bingle Road Curve

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

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

**December 31, 2009**

- Completion of design engineering future projects

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

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

In preparing the 2010 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 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, 2009

	<u>Primary Government Governmental Activities</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 8,944,666
Receivables	2,749,418
	<u>11,694,084</u>
Capital assets:	
Non-depreciable	2,606,401
Net depreciable	18,275,200
	<u>32,575,685</u>
<b>Total Assets</b>	<u>32,575,685</u>
<b><u>Liabilities</u></b>	
Accounts payable and accrued liabilities	911,288
Deferred taxes	3,356,885
	<u>4,268,173</u>
Long-Term liabilities:	
Due within one year	9,487
	<u>4,277,660</u>
<b>Total Liabilities</b>	<u>4,277,660</u>
<b><u>Net Assets</u></b>	
Invested in capital assets	20,881,601
Restricted for:	
Court technology	21,926
Court security	27,644
Capital projects	2,508,993
Unrestricted	4,857,861
	<u>4,857,861</u>
<b>Total Net Assets</b>	<u>\$ 28,298,025</u>

See Notes to Financial Statements.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

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	\$ 904,643	\$ -	\$ -	\$ (904,643)
Municipal court	118,841	306,058	-	187,217
Public safety	2,501,912	37,439	-	(2,464,473)
Public works	1,248,396	304,158	619,952	(324,286)
<b>Total Governmental Activities</b>	<b>\$ 4,773,792</b>	<b>\$ 647,655</b>	<b>\$ 619,952</b>	<b>(3,506,185)</b>
 <b>General Revenues:</b>				
Taxes				
Property taxes				3,149,645
Sales taxes				286,997
Franchise and local taxes				517,282
Investment income				70,149
Other revenues				55,136
			<b>Total General Revenues</b>	<b>4,079,209</b>
			<b>Change in Net Assets</b>	<b>573,024</b>
			Beginning Net Assets	<b>27,725,001</b>
			<b>Ending Net Assets</b>	<b>\$ 28,298,025</b>

See Notes to Financial Statements.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

December 31, 2009

	General Fund	Capital Projects	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 6,065,996	\$ 2,878,670	\$ 8,944,666
Receivables	2,749,418	-	2,749,418
<b>Total Assets</b>	8,815,414	2,878,670	11,694,084
<b>Liabilities</b>			
Accounts payable and accrued liabilities	541,611	369,677	911,288
Deferred property tax revenue	3,397,049	-	3,397,049
<b>Total Liabilities</b>	3,938,660	369,677	4,308,337
<b>Fund Balances</b>			
Reserved for:			
Court technology	21,926	-	21,926
Court security	27,644	-	27,644
Capital projects	-	2,508,993	2,508,993
Unreserved			
Designated for contingency	1,000,000	-	1,000,000
Undesignated	3,827,184	-	3,827,184
<b>Total Fund Balance</b>	4,876,754	2,508,993	7,385,747
<b>Total Liabilities and Fund Balance</b>	8,815,414	2,878,670	

Adjustments for the Statement of Net Assets:

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

Capital assets - non-depreciable	2,606,401
Capital assets - net depreciable	18,275,200

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental fund.	40,164
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Some liabilities are not reported as liabilities in the governmental fund.

Compensated absences	(9,487)
	\$ 28,298,025

See Notes to Financial Statements.

# CITY OF HUNTERS CREEK VILLAGE

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

For the Year Ended December 31, 2009

	General Fund	Capital Projects	Totals Projects
<b>Revenues</b>			
Property taxes	\$ 3,167,165	\$ -	\$ 3,167,165
Sales taxes	286,997	-	286,997
Franchise and local taxes	517,282	-	517,282
Fines and forfeitures	306,058	-	306,058
Licenses and permits	304,158	-	304,158
Charges for services	37,439	-	37,439
Intergovernmental	150,000	469,952	619,952
Investment income	70,149	-	70,149
Other	55,136	-	55,136
<b>Total Revenues</b>	<b>4,894,384</b>	<b>469,952</b>	<b>5,364,336</b>
<b>Expenditures</b>			
<b>Current:</b>			
General government	896,381	-	896,381
Municipal court	116,403	-	116,403
Public safety	2,498,931	-	2,498,931
Public works	817,324	-	817,324
<b>Capital outlay</b>	-	2,754,487	2,754,487
<b>Total Expenditures</b>	<b>4,329,039</b>	<b>2,754,487</b>	<b>7,083,526</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	238,650	-	238,650
Transfers (out)	-	(238,650)	(238,650)
<b>Total Other Financing Sources</b>	<b>238,650</b>	<b>(238,650)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	326,695	(2,045,885)	(1,719,190)
Beginning Fund Balance	4,550,059	4,554,878	9,104,937
<b>Ending Fund Balance</b>	<b>\$ 4,876,754</b>	<b>\$ 2,508,993</b>	<b>\$ 7,385,747</b>

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, 2009**

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

Net change in fund balance - governmental fund	\$ (1,719,190)
<p>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.</p>	
Capital outlay	2,754,487
Depreciation expense	(442,994)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(17,520)
<p>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 fund.</p>	
Compensated absences	<u>(1,759)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u>573,024</u></b>

See Notes to Financial Statements.

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# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

### 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), public works, and sanitation.

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, 2009

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 one governmental fund, the general 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, public works, and sanitation. 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, 2009

### Capital Projects Funds

The capital projects funds are used to account for the expenditures of resources accumulated from revenues and related interest earnings for capital improvement projects. The capital projects funds 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 type. 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, 2009

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 government 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, 2009

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, 2009

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

As of December 31, 2009, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
State Pool (TexPool)	\$ <u>3,767,499</u>	N/A
Portfolio weighted average maturity		N/A

*Credit risk.* State law and the City’s investment policy limit 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. As of December 31, 2009, the City’s investment in TexPool was rated AAAM by Standard & Poor’s.

*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 and FDIC insurance. As of year end, FDIC insurance and collateral pledged exceeded bank balances.

#### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas 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 rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2009

### B. Receivables

The following comprises receivable balances at year end:

	<b>General</b>
Property taxes	\$ 1,721,209
Sales/Franchise taxes	138,014
Due from FEMA	148,234
Due from tax assessor	741,961
	\$ 2,749,418

### C. Capital Assets

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

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>(Decreases)</b>	
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Construction in progress	1,025,100	2,754,487	(1,673,186)	2,106,401
Total capital assets not being depreciated	1,525,100	2,754,487	(1,673,186)	2,606,401
Other capital assets:				
Infrastructure	17,760,544	1,673,186	-	19,433,730
Buildings and improvements	438,083	-	-	438,083
Furniture and equipment	136,561	-	-	136,561
Total other capital assets	18,335,188	1,673,186	-	20,008,374
Less accumulated depreciation for:				
Infrastructure	(1,016,998)	(431,861)	-	(1,448,859)
Buildings and improvements	(148,950)	(8,762)	-	(157,712)
Furniture and equipment	(124,232)	(2,371)	-	(126,603)
Total accumulated depreciation	(1,290,180)	(442,994)	-	(1,733,174)
Other capital assets, net	17,045,008	1,230,192	-	18,275,200
<b>Totals</b>	\$ 18,570,108	\$ 3,984,679	\$ (1,673,186)	\$ 20,881,601

Depreciation was charged to governmental functions as follows:

General government	\$ 6,503
Municipal court	2,438
Public safety	2,981
Public works	431,072
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 442,994</b>

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2009

### D. Long-Term Liabilities

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
<b>Governmental Activities</b>					
Compensated absences	\$ 7,728	\$ 11,052	\$ 9,293	\$ 9,487	\$ 9,487
<b>Total Governmental Activities</b>	<b>\$ 7,728</b>	<b>\$ 11,052</b>	<b>\$ 9,293</b>	<b>\$ 9,487</b>	<b>\$ 9,487</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ -</b>	

The City is not obligated for special assessment debt.

### E. 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:

	<b>Reserved</b>	<b>Designated</b>
<b>General Fund</b>		
Reserved for:		
Court security	\$ 21,926 *	
Court technology	27,644 *	
Designated for:		
Contingency		\$ 1,000,000
<b>Capital Projects Fund</b>		
Reserved for capital projects	2,508,993	
Total Governmental Funds	<b>\$ 2,558,563</b>	<b>\$ 1,000,000</b>

\* Restricted by enabling legislation

## 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 purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or



# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2009

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.

### **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 827 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount 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 which 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.

Members can retire at ages 60 and above with five or more years of service or with 25 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2009

### Contributions

The contribution rate for the employees is seven percent, and the City's matching ratio is currently two to one, both as adopted by City Council. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 24-year amortization period. The projected unit credit actuarial cost method is used for determining the City's contribution 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 one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2007 valuation is effective for rates beginning January 2010).

All assumptions for the 12/31/08 valuations are contained in the 2008 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153. The following is a summary of the actuarial assumptions:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarial Valuation Date	12/31/2008	12/31/2007	12/31/2006
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	24 Years - Closed	25 Years - Closed	25 Years - Open
Asset Valuation Method	Amortized cost	Amortized cost	Amortized cost
Investment Rate of Return	7.5%	7.0%	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%	None

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Req. Contrib. (ARC)	\$ 33,896	\$ 42,901	\$ 29,548
Contributions Made	33,896	42,901	29,548
<b>NPO at the End of Period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2009

The funded status as of December 31, 2008, the most recent valuation date, is as follows:

	<u>2009</u>
Actuarial Valuation Date	12/31/2008
Actuarial Value of Assets	\$ 200,941
Actuarial Accrued Liability	\$ 472,237
Percentage Funded	42.6%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 271,296
Annual Covered Payroll	\$ 322,312
UAAL as a Percentage of Covered Payroll	84%

The schedule of funding progress, presented as Required Supplementary Information 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 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 Village Fire Department's approved budget.

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

# CITY OF HUNTERS CREEK VILLAGE, TEXAS

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2009

	<b>VFD Total</b>		<b>City's Portion (22.25%)</b>	
	<u>Net Assets</u>	<u>Balance Sheet</u>	<u>Net Assets</u>	<u>Balance Sheet</u>
Total assets	\$ 2,203,492	\$ 396,441	\$ 490,277	\$ 88,208
Total liabilities	531,088	38,868	118,167	8,648
Total participants' equity	<u>\$ 1,672,404</u>	<u>\$ 357,573</u>	<u>\$ 372,110</u>	<u>\$ 79,560</u>
	<u>Change in</u>	<u>Revenues and</u>	<u>Change in</u>	<u>Revenues and</u>
	<u>Net Assets</u>	<u>Expenditures</u>	<u>Net Assets</u>	<u>Expenditures</u>
Total revenues	\$ 5,320,039	\$ 5,320,039	\$ 1,183,709	\$ 1,183,709
Total expenditures/expenses	<u>5,059,563</u>	<u>5,050,964</u>	<u>1,125,753</u>	<u>1,123,839</u>
Revenues over (under) expenditures/expens	260,476	269,075	57,956	59,869
Surplus refund to cities	(192,103)	(192,103)	(42,743)	(42,743)
Beginning participants' equity	1,604,031	280,601	356,897	62,434
Ending participants' equity	<u>\$ 1,672,404</u>	<u>\$ 357,573</u>	<u>\$ 372,110</u>	<u>\$ 79,560</u>
Unfunded Actuarial Accrued				
Liability at 12/31/08 with TMRS	\$ 2,644,542		\$ 1,032,774	

The City has also entered into an inter local 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 the Department.

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>Total MVPD</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	334,911	122,618	110,521	40,464
Total participants' equity	<u>\$ 1,903,195</u>	<u>\$ 282,668</u>	<u>\$ 628,054</u>	<u>\$ 93,280</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	\$ 4,787,627	\$ 4,195,826	\$ 1,579,918	\$ 1,384,623
Total expenditures/expenses	<u>4,965,246</u>	<u>4,269,671</u>	<u>1,638,531</u>	<u>1,408,991</u>
Revenues over (under) expenditures/expenses	(177,619)	(73,845)	(58,613)	(24,369)
Beginning participants' equity	2,080,813	349,313	686,668	115,273
Ending participants' equity	<u>\$ 1,903,194</u>	<u>\$ 275,468</u>	<u>\$ 628,055</u>	<u>\$ 90,904</u>
Unfunded Actuarial Accrued				
Liability at 12/31/08 with TMRS	\$ 5,791,063		\$ 1,928,424	

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

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

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

**December 31, 2009**

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, 2009. During the current year, the City received a total of \$150,000 from METRO under this agreement which was spent on eligible projects.

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

On December 7, 2007 the City entered into an agreement with METRO for a roadway improvement project titled: "Pifer Road: Beinhorn to Bridgewood Project." Under this agreement, METRO is willing to contribute an amount up to, but not to exceed, \$1,850,000 toward the total cost of the project. This agreement was made specific to and limited to the METRO's remaining \$600,000 obligation to the project. METRO has made payments totaling \$1,250,000 towards this commitment.

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 this 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 Bryn Mawr, Inwood Oaks, April Way, Kemwood, Storywood, Saddlewood and Kuhlman Roads. METRO will contribute up to \$5,250,000 towards the total cost of the projects.

Upon completion of the projects, the City shall render to METRO all interest earned upon the sum paid by 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.

#### **Flood Control Agreement with Harris County Flood Control District**

On June 26, 2007, the City entered into an interlocal agreement with Harris County Flood Control District (the "District") for the purpose of obtaining funding for drainage improvements to the District Unit W141-00-00 and associated storm sewers, consisting of a storm sewer interceptor system along Camelot Lane, Country Lane, and Gawain Lane (the "Project"). Under the terms of the agreement, the District will contribute a maximum contribution of \$1,500,000 toward this project and the City is to administer construction of the project. The total estimated construction costs are \$5,800,000. Upon completion of the project, the City shall maintain improvements of the project.

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

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

**December 31, 2009**

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

On November 21, 2006, 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 Memorial Drive Drainage Improvements Phases 3 & 4 (the "Project"). 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.

***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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended		
<b>Revenues</b>				
Property taxes	\$ 3,066,733	\$ 3,066,733	\$ 3,167,165	\$ 100,432
Sales taxes	250,000	250,000	286,997	36,997
Franchise and local taxes	370,000	370,000	517,282	147,282
Fines and forfeitures	214,000	214,000	306,058	92,058
Licenses and permits	350,000	350,000	304,158	(45,842)
Charges for services	40,000	40,000	37,439	(2,561)
Intergovernmental	150,000	150,000	150,000	-
Investment income	160,000	160,000	70,149	(89,851)
Other	70,000	70,000	55,136	(14,864)
<b>Total Revenues</b>	<b>4,670,733</b>	<b>4,670,733</b>	<b>4,894,384</b>	<b>223,651</b>
<b>Expenditures</b>				
Current:				
General government	881,412	896,690	896,382	308
Municipal court	121,500	131,884	116,403	15,481
Public safety	2,570,832	2,566,832	2,498,931	67,901
Public works	1,030,000	1,076,000	817,323	258,677
<b>Total Expenditures</b>	<b>4,603,744</b>	<b>4,671,406</b>	<b>4,329,039</b>	<b>342,367</b>
<b>Other Financing Sources</b>				
Transfers in	-	-	238,650	(238,650)
<b>Revenues</b>				
<b>(Under) Expenditures</b>	<b>\$ 66,989</b>	<b>\$ (673)</b>	<b>326,695</b>	<b>\$ 327,368</b>
Beginning Fund Balance			4,550,059	
<b>Ending Fund Balance</b>			<b>\$ 4,876,754</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

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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarial Valuation Date	12/31/2008	12/31/2007	12/31/2006	12/31/2005
Actuarial Value of Assets	\$ 200,941	\$ 146,648	\$ 116,968	\$ 114,372
Actuarial Accrued Liability	\$ 472,237	\$ 395,854	\$ 261,174	\$ 260,945
Percentage Funded	42.6%	37.0%	44.8%	43.8%
Unfunded Actuarial				
Accrued Liability	\$ 271,296	\$ 249,206	\$ 144,206	\$ 146,573
Annual Covered Payroll	\$ 322,312	\$ 313,958	\$ 253,695	\$ 270,188
Unfunded Actuarial Accrued Liability				
(UAAL) % of Covered Payroll	84%	79%	57%	54.2%
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 33,896	\$ 42,901	\$ 29,548	\$ 16,260
Contributions Made	33,896	42,901	29,548	16,260
<b>NPO at the End of Period</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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