

CITY OF HILL COUNTRY VILLAGE, TEXAS

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2016



ABIP
CERTIFIED PUBLIC ACCOUNTANTS and ADVISORS

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ANNUAL FINANCIAL REPORT
of the
CITY OF HILL COUNTRY VILLAGE, TEXAS
YEAR ENDED SEPTEMBER 30, 2016

OFFICIALS:

MAYOR

GABRIEL DURAND-HOLLIS

CITY COUNCIL MEMBERS

MAYOR PRO TEMPORE/PLACE 1

CARL REGISTER

PLACE 2

MATTHEW ACOCK

PLACE 3

ELIZABETH WORLEY

PLACE 4

GEORGE F. EVANS

PLACE 5

BRETT ROWE

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Hill Country Village, Texas

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hill Country Village, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hill Country Village, Texas, as of September 30, 2016 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 3 through 3F, pages 31 through 37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Hill Country Village, Texas's basic financial statements. The combining and individual non-major fund financial statements and schedules and additional information are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

January 19, 2017

CITY OF HILL COUNTRY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016

This section of the City of Hill Country Village, Texas, (City) annual audit is a discussion and analysis of the City's financial activities for the fiscal year ending September 30, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the accompanying basic financial statements.

This discussion and analysis is designed to:

- assist the reader in focusing on significant financial issues,
- provide an overview of the City's financial activity,
- identify changes in the City's financial position (its ability to address the next and subsequent year challenges),
- identify any material deviations from the financial plan (approved budget), and
- identify individual fund issues or concerns.

FINANCIAL HIGHLIGHTS

- The City's net position is \$4,312,727 for the fiscal year reported. This compares to the previous year's net position of \$3,867,864.
 1. Net Investment in Capital Assets of \$2,533,913 are capital assets net of related debt and include all property and equipment, net of accumulated depreciation, and are reduced for outstanding debt related to the purchase or construction of these assets.
 2. Net position of \$65,906 is restricted by constraints imposed by internal and external sources such as grantors, laws, and regulations.
 3. Unrestricted net position of \$1,712,908 represents the portion available to maintain the City's ongoing obligations to citizens and creditors.
- The City's governmental funds reported combined ending fund balances of \$1,625,691, a decrease of \$203,417 over the September 30, 2015 fund balance of \$1,829,108.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,216,407 or 83% of the total general fund expenditures.
- The City's total debt decreased by \$140,000 or 19.66% due to this year's payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts:

- Management's discussion and analysis (this section),
- The basic financial statements,
- Required supplementary information, and
- Additional section that presents combining statements for non-major governmental funds.

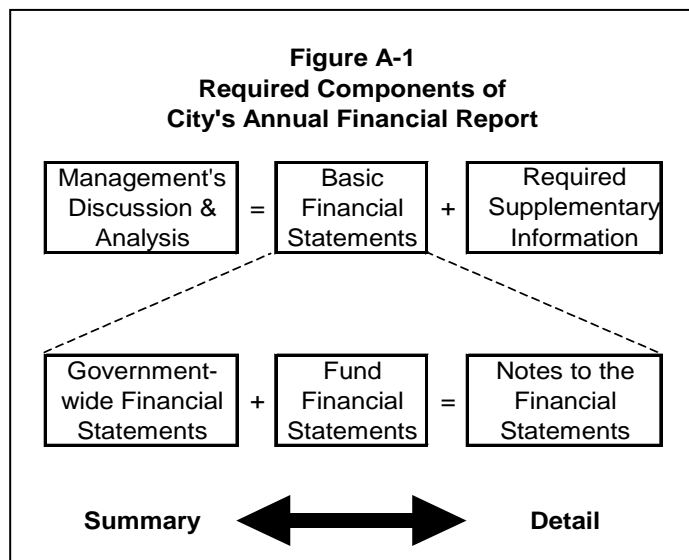
The basic financial statements, as represented by figure A-1 below, include two types of statements that present different views of the City, government-wide financial statements and fund financial statements.

Government-Wide Financial Statements

These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these two government-wide statements is the **statement of net position**. This is the city-wide statement of financial position presenting information that includes all of the government's assets and liabilities, with the difference between the two reported as net position.

The second government-wide statement is the **statement of activities**, which reports how the City's net position changed during the current fiscal year. All of the current year's revenue and expenses are accounted for in this statement regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.



Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from the City's component unit. The governmental activities of the City of Hill Country Village include public safety, public works and general and administrative services. The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hill Country Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Hill Country Village are considered governmental funds.

Governmental funds are reported in the fund financial statements and contain essentially the same functions as governmental activities in the government-wide financial statements. These statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on the schedules immediately following the governmental funds statements that explain the relationship or differences between them. The basic governmental fund financial statements can be found on pages 9 through 12 of this report.

Notes to the Financial Statements

The accompanying notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 28 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules for the general fund, grant fund, road maintenance fund, and TMRS pension schedules as required supplementary information. These schedules demonstrate compliance with the City's adopted and final amended budgets, and can be found on pages 31 through 37 of this report.

Combining statements of the City's non-major governmental funds and their related schedules of budgetary activity are presented immediately following the required supplementary information. Combining and individual fund statements and budget schedules can be found on pages 42 through 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position at fiscal year-end is \$4,435,789. This is a \$447,442 increase over last year's net position of \$3,988,347. The following table provides a summary of the City's net position at September 30:

Table 1 - Summary of Net Position

| | GOVERNMENTAL ACTIVITIES | | COMPONENT UNIT (EDC) | | TOTAL | | AMOUNT CHANGE | % CHANGE |
|------------------------|----------------------------|---------------------|-------------------------|------------------|---------------------|---------------------|-------------------|-------------|
| | 2015-2016 | 2014-2015 | 2015-2016 | 2014-2015 | 2015-2016 | 2014-2015 | | |
| ASSETS | | | | | | | | |
| Current and | | | | | | | | |
| Other Assets | \$ 1,861,009 | \$ 2,053,367 | \$123,061 | \$120,483 | \$ 1,984,070 | \$ 2,173,850 | \$ (189,780) | (8.73) % |
| Noncurrent Assets | <u>3,131,982</u> | <u>2,734,161</u> | - | - | <u>3,131,982</u> | <u>2,734,161</u> | <u>397,821</u> | 14.55 |
| TOTAL ASSETS | <u>4,992,991</u> | <u>4,787,528</u> | <u>123,061</u> | <u>120,483</u> | <u>5,116,052</u> | <u>4,908,011</u> | <u>208,041</u> | 4.24 |
| Deferred Outflows of | | | | | | | | |
| Resources - TMRS | <u>161,014</u> | <u>36,358</u> | - | - | <u>161,014</u> | <u>36,358</u> | <u>124,656</u> | 342.86 |
| LIABILITIES | | | | | | | | |
| Current Liabilities | 269,462 | 272,471 | - | - | 269,462 | 272,471 | (3,010) | (1.10) |
| Noncurrent Liabilities | <u>482,007</u> | <u>617,150</u> | - | - | <u>482,007</u> | <u>617,150</u> | <u>(135,144)</u> | (21.90) |
| TOTAL LIABILITIES | <u>751,468</u> | <u>889,621</u> | - | - | <u>751,468</u> | <u>889,621</u> | <u>(138,153)</u> | (15.53) |
| Deferred Inflows of | | | | | | | | |
| Resources - TMRS | <u>89,809</u> | <u>66,401</u> | - | - | <u>89,809</u> | <u>66,401</u> | <u>23,408</u> | 35.25 |
| NET POSITION | | | | | | | | |
| Net Investment in | | | | | | | | |
| Capital Assets | 2,533,913 | 1,891,146 | - | - | 2,533,913 | 1,891,146 | 642,767 | 39.99 |
| Restricted | 65,906 | 52,359 | - | - | 65,906 | 52,359 | 13,547 | 25.87 |
| Unassigned | <u>1,712,909</u> | <u>1,924,359</u> | <u>123,061</u> | <u>120,483</u> | <u>1,835,970</u> | <u>2,044,842</u> | <u>(208,872)</u> | (10.21) |
| TOTAL NET POSITION | <u>\$ 4,312,728</u> | <u>\$ 3,867,864</u> | <u>\$123,061</u> | <u>\$120,483</u> | <u>\$ 4,435,789</u> | <u>\$ 3,988,347</u> | <u>\$ 447,442</u> | 11.22 % |

At the end of the current fiscal year, the City of Hill Country Village is able to report positive balances in net position for the government activities and for its component unit (Hill Country Village Economic Development Corporation) activities.

A large portion of the City's net position is restricted as to the purpose they can be used for or are invested in capital assets (land, buildings, streets, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. There are four basic transactions that will affect the comparability of the Statement of Net Position summary presentation as reflected below:

1. Net results of activities will impact (increase/decrease) current assets and unrestricted net position.
2. Spending of non-borrowed current assets on new capital will reduce current assets, increase capital assets, reduce unrestricted net position, and increase net investment in capital assets.
3. Principal payment on debt will reduce current assets, reduce long-term debt, reduce unrestricted net position, and increase net investment in capital assets.
4. Reduction of capital assets through depreciation will reduce capital assets and net investment in capital assets.

The City had an combined increase in governmental revenues of \$455,260, or 24.92%, as combined expenses increased a total of \$172,430 or 10.37%. The following provides a summary of the City's changes in net position for the year ended September 30:

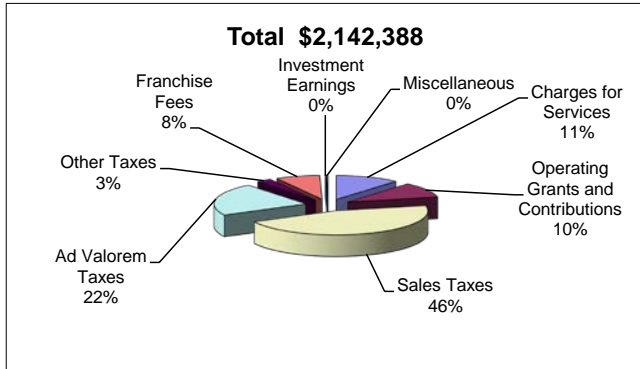
Table 2 - Summary of Changes In Net Position

| | GOVERNMENTAL ACTIVITIES | | COMPONENT UNIT (EDC) | | TOTAL | | AMOUNT CHANGE | % CHANGE |
|-------------------------------------|----------------------------|--------------------|-------------------------|-------------------|--------------------|--------------------|------------------|----------------|
| | 2015-2016 | 2014-2015 | 2015-2016 | 2014-2015 | 2015-2016 | 2014-2015 | | |
| REVENUES | | | | | | | | |
| Program Revenues | | | | | | | | |
| Charges for Services | \$ 241,620 | \$ 138,879 | \$ - | \$ - | \$ 241,620 | \$ 138,879 | \$102,741 | 73.98 % |
| Operating Grants and Contributions | 221,643 | 100,494 | - | - | 221,643 | 100,494 | 121,149 | 120.55 |
| Taxes | | | | | | | | |
| Sales | 979,086 | 943,222 | 139,870 | 134,746 | 1,118,956 | 1,077,968 | 40,988 | 3.80 |
| Ad Valorem | 468,860 | 288,412 | - | - | 468,860 | 288,412 | 180,448 | 62.57 |
| Venue Tax | 40,040 | 39,542 | - | - | 40,040 | 39,542 | 498 | 1.26 |
| Liquor Tax | 15,352 | 11,556 | - | - | 15,352 | 11,556 | 3,796 | 32.85 |
| Franchise Fees | 166,895 | 164,174 | - | - | 166,895 | 164,174 | 2,721 | 1.66 |
| Investment Earnings | 3,662 | 2,517 | 31 | 11 | 3,693 | 2,528 | 1,165 | 46.08 |
| Miscellaneous | 5,230 | 3,476 | - | - | 5,230 | 3,476 | 1,754 | 50.46 |
| Total Revenues | <u>2,142,388</u> | <u>1,692,272</u> | <u>139,901</u> | <u>134,757</u> | <u>2,282,289</u> | <u>1,827,029</u> | <u>455,260</u> | <u>24.92</u> |
| EXPENSES | | | | | | | | |
| General Government | 394,435 | 357,199 | - | - | 394,435 | 357,199 | 37,236 | 10.42 |
| Fire Department Services | 265,000 | 265,000 | - | - | 265,000 | 265,000 | - | 0.00 |
| Public Works | 151,258 | 109,218 | - | - | 151,258 | 109,218 | 42,040 | 38.49 |
| Police Department | 879,943 | 825,422 | - | - | 879,943 | 825,422 | 54,521 | 6.61 |
| Interest and Other Fees | 6,888 | 7,780 | - | - | 6,888 | 7,780 | (892) | (11.47) |
| Component Unit | - | - | 137,323 | 97,799 | 137,323 | 97,799 | 39,524 | 40.41 |
| Total Expenses | <u>1,697,524</u> | <u>1,564,619</u> | <u>137,323</u> | <u>97,799</u> | <u>1,834,847</u> | <u>1,662,418</u> | <u>172,429</u> | <u>10.37</u> |
| Change in Net Position | 444,864 | 127,653 | 2,578 | 36,958 | 447,442 | 164,611 | 282,831 | 171.82 |
| BEGINNING NET POSITION | <u>3,867,864</u> | <u>3,657,629</u> | <u>120,483</u> | <u>83,525</u> | <u>3,988,347</u> | <u>3,741,154</u> | <u>247,193</u> | <u>6.61</u> |
| RESTATEMENT OF NET POSITION | - | 82,582 | - | - | - | 82,582 | (82,582) | (100.00) |
| BEGINNING NET POSITION, AS RESTATED | <u>3,867,864</u> | <u>3,740,211</u> | <u>120,483</u> | <u>83,525</u> | <u>3,988,347</u> | <u>3,823,736</u> | <u>164,611</u> | <u>4.30</u> |
| ENDING NET POSITION | <u>\$4,312,728</u> | <u>\$3,867,864</u> | <u>\$ 123,061</u> | <u>\$ 120,483</u> | <u>\$4,435,789</u> | <u>\$3,988,347</u> | <u>\$447,442</u> | <u>11.22 %</u> |

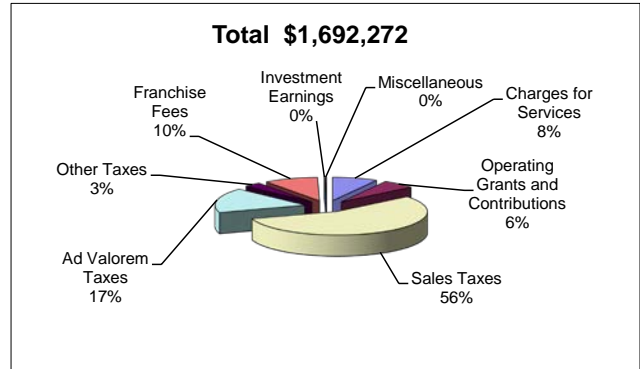
Graphic presentations of selected data from the summary table above follow to assist in the analysis of the City's activities for fiscal years 2016 and 2015.

Governmental Revenues

2016



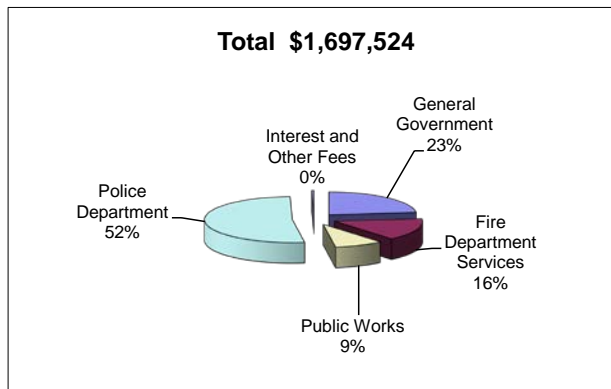
2015



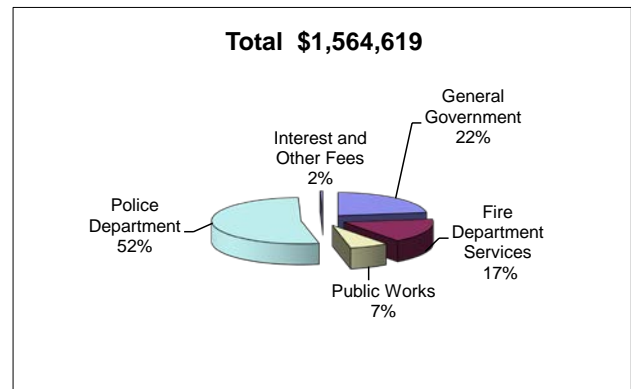
As shown in the summary data on the previous page, the City is heavily reliant on various taxes and franchise fees to support governmental operations. Taxes accounted for 70% and 76% of the City's total governmental revenues in fiscal years 2016 and 2015, respectively. The majority of franchise fees are received from CPS Energy, Time Warner Cable, and AT&T.

Governmental Functional Expenses

2016



2015



The largest portion of the City's expenses continues to be for public safety.

FUND FINANCIAL ANALYSIS

For the fiscal year ended September 30, 2016, the City's governmental funds reported combined fund balances of \$1,625,691. Of this year-end total, approximately \$1,217,275 is unassigned, indicating availability for continuing city service requirements. Restricted fund balance is \$65,906 and is restricted for special revenue funds such as court security and court technology and for the use of Public Education Grant receipts. Committed fund balances include: \$230,074 for the replacement/acquisition of capital assets and \$112,436 committed to the replacement of vehicles.

The total ending fund balance of governmental funds shows a decrease of \$203,417 over last year's combined fund balance of \$1,829,108. This decrease is primarily the result of construction costs for the completion of the City's drainage project.

Major Governmental Funds

The general fund is the City's primary operating fund. This fund is primarily funded through sales tax and ad valorem (property) tax. Other notable revenue sources include user fees (permit fees, court fees, sewer use fees, and franchise fees) and interest income. The general fund supports police, fire, ambulance, municipal court, finance, administrative support for the City Council and its boards and commissions, as well as building and health inspections.

The grant fund accounts for the proceeds from various grant programs the City has applied for to be used strictly for purposes outlined in the grants.

The road maintenance fund is funded solely by sales taxes which are then used to repair and reconstruct existing roads within the City's limits.

The capital projects accounts for proceeds from investment interest along with transfers from the other funds to be used for the acquisition and construction of major capital facilities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Hill Country Village's investment in capital assets for its governmental type activities as of September 30, 2016, totaled \$3,105,913, net of accumulated depreciation. Investments in capital assets include land, buildings, machinery and equipment, streets and signs, and automobiles.

Table 3—Capital Assets, Net of Accumulated Depreciation

| | FISCAL YEAR | | AMOUNT CHANGE | % CHANGE |
|--------------------------|---------------------|---------------------|-------------------|----------------|
| | 2015-2016 | 2014-2015 | | |
| Land | \$ 829,875 | \$ 829,875 | \$ - | 0.00 % |
| Construction in Progress | - | 1,072,085 | (1,072,085) | 0.00 |
| Streets | 2,044,231 | 456,536 | 1,587,695 | 77.67 |
| Signs | 9,704 | 11,465 | (1,761) | (18.15) |
| Buildings | 87,130 | 55,138 | 31,992 | 36.72 |
| Automobiles | 82,071 | 133,834 | (51,763) | (63.07) |
| Machinery and Equipment | 52,902 | 44,213 | 8,689 | 16.42 |
| TOTALS | \$ 3,105,913 | \$ 2,603,146 | \$ 502,767 | 16.19 % |

During the fiscal year 2015-2016 the City's capital asset carrying value increased a net amount of \$502,767. This amount includes depreciation expense of \$214,082, additional construction costs for the completion of the 2014-2016 drainage project of \$638,210, new police vehicles equipment of \$26,708, building improvements of \$37,506 for ADA compliance, and security equipment of \$14,499. See Note 4 for more information.

Long-Term Debt

The City of Hill Country Village issues bonds to fund needed capital improvement projects such as road construction and rehabilitation projects. These projects are budgeted in the capital projects fund. The budgeted amounts in the debt service fund reflect the actual principal and interest payments on all outstanding debt. The outstanding principal and interest payments are scheduled to be paid out between 2017 and 2020. See Note 6 for more information.

Table 4—Long-Term Debt Outstanding

| | FISCAL YEAR | | AMOUNT CHANGE | % CHANGE |
|--------------------------------------|-------------------|-------------------|---------------------|-----------------|
| | 2015-2016 | 2014-2015 | | |
| General Obligation Bonds - Principal | \$ 572,000 | \$ 712,000 | \$ (140,000) | (19.66) % |
| General Obligation Bonds - Interest | <u>14,887</u> | <u>22,010</u> | <u>(7,123)</u> | <u>(32.36)</u> |
| TOTALS | <u>\$ 586,887</u> | <u>\$ 734,010</u> | <u>\$ (147,123)</u> | <u>(20.04)%</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As in years past, the City has set money aside in the vehicle replacement fund for the future purchase of police vehicles. In fiscal year 2006-07, the City also began to allocate funds for the future purchase of vehicles in the Public Works Department. For fiscal year 2016 and forward, the citizens of Hill Country Village approved an increase of \$0.05 in property taxes to be maintained in the road maintenance fund to be committed to future capital projects.

REQUESTS FOR INFORMATION

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact City Officials at the City Offices located at 116 Aspen Lane, San Antonio, Texas 78232, (210) 494-3671.

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BASIC FINANCIAL STATEMENTS

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CITY OF HILL COUNTRY VILLAGE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

| | GOVERNMENTAL ACTIVITIES | COMPONENT UNIT | TOTAL REPORTING ENTITY |
|---------------------------------------|----------------------------|-------------------|------------------------------|
| <u>ASSETS</u> | | | |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,663,335 | \$ 111,561 | \$ 1,774,896 |
| Receivables | | | |
| Taxes, Net | 1,673 | - | 1,673 |
| Accounts and Other | 196,001 | 11,500 | 207,501 |
| Total Current Assets | 1,861,009 | 123,061 | 1,984,070 |
| NONCURRENT ASSETS | | | |
| Capital Assets | | | |
| Land | 829,875 | - | 829,875 |
| Streets | 3,307,142 | - | 3,307,142 |
| Signs | 35,224 | - | 35,224 |
| Improvements Other than Buildings | 32,617 | - | 32,617 |
| Buildings | 258,059 | - | 258,059 |
| Furniture and Fixtures | 2,725 | - | 2,725 |
| Automobiles | 247,389 | - | 247,389 |
| Software | 35,449 | - | 35,449 |
| Machinery and Equipment | 105,407 | - | 105,407 |
| Accumulated Depreciation | (1,747,974) | - | (1,747,974) |
| Net Pension Asset - TMRS | 26,069 | - | 26,069 |
| Total Noncurrent Assets | 3,131,982 | - | 3,105,913 |
| TOTAL ASSETS | 4,992,991 | 123,061 | 5,089,983 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred Outflows of Resources - TMRS | 161,014 | - | 161,014 |
| <u>LIABILITIES</u> | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | 101,346 | - | 101,346 |
| Accrued Salaries and Benefits | 11,136 | - | 11,136 |
| Compensated Absences | 16,336 | - | 16,336 |
| Current Portion of Long-Term Debt | 139,000 | - | 139,000 |
| Accrued Interest Payable | 1,644 | - | 1,644 |
| Total Current Liabilities | 269,462 | - | 269,462 |
| NONCURRENT LIABILITIES | | | |
| Compensated Absences | 49,007 | - | 49,007 |
| Long-Term Debt | 433,000 | - | 433,000 |
| Total Noncurrent Liabilities | 482,007 | - | 482,007 |
| Total Liabilities | 751,468 | - | 751,468 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred Inflows of Resources - TMRS | 89,809 | - | 89,809 |
| <u>NET POSITION</u> | | | |
| Net Investment in Capital Assets | 2,533,913 | - | 2,533,913 |
| Restricted for: | | | |
| Public Education Grants | 14,169 | - | 14,169 |
| Special Revenue | 51,737 | - | 51,737 |
| Unassigned | 1,712,909 | 123,061 | 1,835,970 |
| Total Net Position | \$ 4,312,728 | \$ 123,061 | \$ 4,435,789 |

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF HILL COUNTRY VILLAGE, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSE) | COMPONENT UNIT- EDC | TOTAL REPORTING ENTITY |
|---------------------------|---------------------|----------------------|------------------------------------|----------------------------------|--|---------------------|------------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT | | |
| <u>Primary Government</u> | | | | | | | |
| General Government | \$ 394,435 | \$ 125,439 | \$ 175,013 | \$ - | \$ (93,983) | \$ - | \$ (93,983) |
| Fire Department Services | 265,000 | - | - | - | (265,000) | - | (265,000) |
| Public Works | 151,258 | - | - | - | (151,258) | - | (151,258) |
| Police Department | 879,943 | 116,181 | 46,630 | - | (717,132) | - | (717,132) |
| Interest and Other Fees | 6,888 | - | - | - | (6,888) | - | (6,888) |
| Total Primary Government | <u>\$ 1,697,524</u> | <u>\$ 241,620</u> | <u>\$ 221,643</u> | <u>\$ -</u> | <u>(1,234,261)</u> | <u>-</u> | <u>(1,234,261)</u> |
| Component Unit | <u>\$ 137,323</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | <u>(137,323)</u> | <u>(137,323)</u> |
| <u>General Revenues</u> | | | | | | | |
| Taxes | | | | | | | |
| Sales | | | | | 979,086 | 139,870 | 1,118,956 |
| Ad Valorem | | | | | 468,860 | - | 468,860 |
| Venue Tax | | | | | 40,040 | - | 40,040 |
| Liquor Tax | | | | | 15,352 | - | 15,352 |
| Franchise Fees | | | | | 166,895 | - | 166,895 |
| Investment Earnings | | | | | 3,662 | 31 | 3,693 |
| Miscellaneous | | | | | 5,230 | - | 5,230 |
| Total General Revenues | | | | | <u>1,679,125</u> | <u>139,901</u> | <u>1,819,026</u> |
| Change in Net Position | | | | | 444,864 | 2,578 | 447,442 |
| NET POSITION - BEGINNING | | | | | <u>3,867,864</u> | <u>120,483</u> | <u>3,988,347</u> |
| NET POSITION - ENDING | | | | | <u>\$ 4,312,728</u> | <u>\$ 123,061</u> | <u>\$ 4,435,789</u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

| | MAJOR FUNDS | | | | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---------------------|------------------|---------------------|-----------------------------|--------------------------------|--------------------------------|
| | GENERAL | GRANT FUND | ROAD MAINTENANCE | CAPITAL PROJECTS FUND | | |
| <u>ASSETS</u> | | | | | | |
| Cash and Cash Equivalents | \$ 1,294,469 | \$ - | \$ 187,988 | \$ 27,093 | \$ 153,785 | \$ 1,663,335 |
| Receivables | | | | | | |
| Taxes, Net | 1,276 | - | 397 | - | - | 1,673 |
| Accounts and Other | 196,001 | - | - | - | - | 196,001 |
| Due from Other Funds | - | 11,599 | 16,753 | - | 10,512 | 38,864 |
| | | | | | | |
| TOTAL ASSETS | <u>\$ 1,491,746</u> | <u>\$ 11,599</u> | <u>\$ 205,138</u> | <u>\$ 27,093</u> | <u>\$ 164,297</u> | <u>\$ 1,899,873</u> |
| <u>LIABILITIES</u> | | | | | | |
| Accounts Payable | \$ 99,243 | \$ 231 | \$ - | \$ 1,760 | \$ 112 | \$ 101,346 |
| Accrued Salaries and Benefits | 11,136 | - | - | - | - | 11,136 |
| Compensated Absences | 65,342 | - | - | - | - | 65,342 |
| Due to Other Funds | 28,352 | 10,512 | - | - | - | 38,864 |
| Total Liabilities | <u>204,073</u> | <u>10,743</u> | <u>-</u> | <u>1,760</u> | <u>112</u> | <u>216,688</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | | |
| Unearned Revenue - Taxes | 1,276 | - | 397 | - | - | 1,673 |
| Unearned Revenue - Warrants | 55,821 | - | - | - | - | 55,821 |
| Total Deferred Inflows of Resources | <u>57,097</u> | <u>-</u> | <u>397</u> | <u>-</u> | <u>-</u> | <u>57,494</u> |
| <u>FUND BALANCES</u> | | | | | | |
| Restricted for: | | | | | | |
| Public Education Grants | 14,169 | - | - | - | - | 14,169 |
| Special Revenue | - | - | - | - | 51,737 | 51,737 |
| Committed for: | | | | | | |
| Capital Projects | - | - | 204,741 | 25,333 | - | 230,074 |
| Vehicle Replacement | - | - | - | - | 112,436 | 112,436 |
| Unassigned: | | | | | | |
| General Fund | 1,216,407 | - | - | - | - | 1,216,407 |
| Grants Fund | - | 856 | - | - | - | 856 |
| Debt Service | - | - | - | - | 12 | 12 |
| Total Fund Balances | <u>1,230,576</u> | <u>856</u> | <u>204,741</u> | <u>25,333</u> | <u>164,185</u> | <u>1,625,691</u> |
| | | | | | | |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES | <u>\$ 1,491,746</u> | <u>\$ 11,599</u> | <u>\$ 205,138</u> | <u>\$ 27,093</u> | <u>\$ 164,297</u> | <u>\$ 1,899,873</u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
RECONCILIATION OF BALANCE SHEET
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,625,691

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 3,105,913

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds. 57,494

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:

| | | |
|--------------------------|----------------|------------------|
| Bonds Payable | \$ (572,000) | |
| Accrued Interest Payable | <u>(1,644)</u> | <u>(573,644)</u> |

Recognition of the City's net pension asset required by GASB 68 and the changes in deferred outflows and inflows of resources related to the TMRS pension liability:

| | | |
|---------------------------------------|----------------|---------------|
| Net Pension Asset | 26,069 | |
| Deferred Inflow of Resources - TMRS | (89,809) | |
| Deferred Outflows of Resources - TMRS | <u>161,014</u> | <u>97,274</u> |

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 4,312,728

CITY OF HILL COUNTRY VILLAGE, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

| | MAJOR FUNDS | | | | | TOTAL GOVERNMENTAL FUNDS |
|--|---------------------|-----------------|---------------------|-----------------------------|--------------------------------|--------------------------------|
| | GENERAL | GRANT FUND | ROAD MAINTENANCE | CAPITAL PROJECTS FUND | OTHER GOVERNMENTAL FUNDS | |
| <u>REVENUE</u> | | | | | | |
| Taxes | | | | | | |
| Sales Taxes | \$ 839,217 | \$ - | \$ 139,869 | - | \$ - | \$ 979,086 |
| Ad Valorem Taxes | 303,545 | - | 166,307 | - | - | 469,852 |
| Venue Tax | - | - | - | - | 40,040 | 40,040 |
| Liquor Tax | 15,352 | - | - | - | - | 15,352 |
| Franchise Fees | 166,895 | - | - | - | - | 166,895 |
| Municipal Court Revenues | 100,245 | - | - | - | 5,967 | 106,212 |
| Sewer Service Revenues | 64,109 | - | - | - | - | 64,109 |
| Licenses and Permits | 61,330 | - | - | - | - | 61,330 |
| Grants and Contributions | 10,000 | 46,630 | - | - | 165,013 | 221,643 |
| Interest | 2,664 | 2 | 536 | 95 | 365 | 3,662 |
| Other | 5,230 | - | - | - | - | 5,230 |
| Total Revenue | <u>1,568,587</u> | <u>46,632</u> | <u>306,712</u> | <u>95</u> | <u>211,385</u> | <u>2,133,411</u> |
| <u>EXPENDITURES</u> | | | | | | |
| Current | | | | | | |
| General and Administrative | 339,275 | 3,762 | - | - | - | 343,037 |
| Fire Department Services | 235,000 | - | - | - | 30,000 | 265,000 |
| Public Works | 68,876 | - | - | - | - | 68,876 |
| Police Department | 789,276 | - | - | - | 6,593 | 795,869 |
| Capital Outlay | 35,746 | 14,499 | - | 639,970 | 26,708 | 716,923 |
| Debt Service | | | | | | |
| Principal | - | - | - | - | 140,000 | 140,000 |
| Interest | - | - | - | - | 7,123 | 7,123 |
| Total Expenditures | <u>1,468,173</u> | <u>18,261</u> | <u>-</u> | <u>639,970</u> | <u>210,424</u> | <u>2,336,828</u> |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | <u>100,414</u> | <u>28,371</u> | <u>306,712</u> | <u>(639,875)</u> | <u>961</u> | <u>(203,417)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | | |
| Transfers In | - | - | - | 631,508 | 55,299 | 686,807 |
| Transfers Out | (55,299) | - | (631,508) | - | - | (686,807) |
| Total Other Financing Sources (Uses) | <u>(55,299)</u> | <u>-</u> | <u>(631,508)</u> | <u>631,508</u> | <u>55,299</u> | <u>-</u> |
| Net Change in Fund Balances | 45,115 | 28,371 | (324,796) | (8,367) | 56,260 | (203,417) |
| <u>FUND BALANCES – BEGINNING</u> | <u>1,185,461</u> | <u>(27,515)</u> | <u>529,537</u> | <u>33,700</u> | <u>107,925</u> | <u>1,829,108</u> |
| FUND BALANCES – ENDING | <u>\$ 1,230,576</u> | <u>\$ 856</u> | <u>\$ 204,741</u> | <u>\$ 25,333</u> | <u>\$ 164,185</u> | <u>\$ 1,625,691</u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
RECONCILIATION OF CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS TO
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2016

| | |
|--|-------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (203,417) |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | |
| <p>Governmental funds report capital outlays as expenditures (\$716,923). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$214,082) as well as the disposals of assets with remaining costs of (\$74). This is the amount by which capital outlays exceeded depreciation expense in the current period.</p> | 502,767 |
| <p>Revenues in the statement of activities that do not provide current financial resources and are not reported as deferred inflows of resources in the funds.</p> | 8,977 |
| <p>The change in net pension liability and deferred inflows and outflows related to the City's TMRS pension liability.</p> | (3,698) |
| <p>Repayment of bond principal is an expenditure in the funds but is not an expense in the statement of activities.</p> | 140,000 |
| <p>Certain long-term liabilities are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities. (accrued interest)</p> | <u>235</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 444,864</u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Hill Country Village is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the City and its discretely presented component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely presented component unit - The component unit column in the government-wide financial statements includes the financial data of the non-major component unit of the City of Hill Country Village, Texas. The component unit is presented as a governmental fund type. Following is a summary of the component unit:

1. Economic Development Corporation - The Corporation was organized for the purpose of promoting economic development in order to eliminate unemployment and underemployment and to promote and encourage employment and public welfare of, for, and on behalf of the City. The board of directors consists of five (5) members appointed by the city council.

Complete financial statements of the component unit may be obtained at City Hall located at 116 Aspen Lane, San Antonio, Texas 78232.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges of customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

Property and sales taxes, utility franchises, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The grant fund accounts for the proceeds from various grant programs the City has applied for to be used strictly for purposes outlined in the grants.

The road maintenance fund is funded solely by sales taxes which are then used to repair and reconstruct existing roads within the City's limits.

The capital projects accounts for proceeds from investment interest along with transfers from the other funds to be used for the acquisition and construction of major capital facilities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the City's general government function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as program revenues include 1) charges to customers or applications for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings and all other revenues that can't be attributed to a specific functional expense.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and deposits in local government investment pools.

The City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated of not less than "AA" or its equivalent; (5) certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, or secured by obligations mentioned above; and (6) fully collateralized direct repurchase agreements having a defined termination date. In addition, the City is authorized to invest in local government investment pools. The investment pools operate in accordance with appropriate state laws and regulations and have regulatory oversight from the Texas Public Funds Investment Act Sec. 2256.0016. The fair value of the City's position in each pool is the same as the fair value of the pool shares.

E. Receivables and Payables

Activities between the funds that are representative of interfund loans outstanding at the end of the fiscal year are referred to as due to/from other funds.

Accounts receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based upon experience and historical trends.

Property taxes for the City are levied each October 1 on the taxable value as of the preceding January 1, the date a lien attaches, for all taxable real and personal property located in the City. Taxes are due by January 31 following the October 1 assessment date and become delinquent on February 1, at which time they begin accruing penalty and interest. The enforceable legal claim date for property taxes is the assessment date; therefore, the City did not record a receivable for accrual of future taxes at year end.

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables and Payables (Continued)

Taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Tax revenues are recognized as they become available. Accordingly, an amount equal to taxes not yet available has been reported as deferred inflows of resources at the governmental fund level.

F. Capital Assets

Capital assets, which include land, buildings and improvements, machinery, equipment, vehicles, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Capital assets are valued at cost where historical records are available and at an estimated cost where no records exist. Donated capital assets are valued at their estimated fair market value at the date of donation.

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.

Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction will not be capitalized in the governmental activities on the government-wide financial statements.

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

| <u>ASSETS</u> | <u>YEARS</u> |
|------------------------------------|--------------|
| Buildings and Improvements | 20 - 50 |
| Machinery, Equipment, and Vehicles | 2 - 20 |
| Infrastructure | 15 - 30 |

G. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off, holiday, and compensatory time benefits. Paid time off, holiday, and compensatory time are accrued when incurred in the government-wide and reported in governmental funds.

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Outflows/Inflows of Resources

Pensions

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, unavailable revenues, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and municipal court warrants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as a liability.

J. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Balance

The City has implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid expenditures) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose, positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is delegated by the City Council to the City Administrator.

NOTE 2: DEPOSITS AND INVESTMENTS

As of September 30, 2016, the City had the following investments:

| <u>INVESTMENT TYPE</u> | <u>FAIR VALUE</u> | <u>WEIGHTED AVERAGE MATURITY (YEARS)</u> |
|-------------------------------------|-------------------|--|
| TexPool Investment Pool | \$ 161,100 | - |
| Texas CLASS Investment Pool | <u>447,007</u> | - |
| TOTAL | <u>\$ 608,107</u> | - |
| Portfolio Weighted Average Maturity | - | |

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The City's formal policy on managing credit risk and state law limits investments in pooled investments to a rating of no lower than AAA by at least one nationally recognized rating service. The City investments in Texpool and Texas CLASS are rated AAA by Standard & Poor's.

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be 102 percent (102%) secured by collateral less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The City Council approves and designates a list of authorized depository institutions based on audited financial statements, proof of National Association of Security Dealers certification, and depository agreements provided by the financial institution.

During the year, the City's carrying amount of bank balance was \$1,166,789 and the bank balance was \$1,104,185.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy provides that investments are matched with anticipated cash flows. The policy also states that the City will generally not directly invest in securities with maturities more than one year from the date of purchase, although the City Administrator may elect to invest no more than 50% of excess funds in investments with maturities from 1 to 3 years.

Fair Value Measurement is measured by the City categorizes using the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City's investments carried at fair value are valued using quoted market prices (Level 1 inputs).

NOTE 3: RECEIVABLES

The following is a summary of the gross taxes receivable and the allowances for uncollectible taxes:

| | <u>TAXES</u> | <u>ALLOWANCE FOR UNCOLLECTIBLE TAXES</u> | <u>NET TAXES</u> |
|-----------------------|-----------------|--|----------------------|
| Taxes | | | |
| General Fund | \$ 1,730 | \$ 454 | \$ 1,276 |
| Road Maintenance Fund | <u>397</u> | <u>-</u> | <u>397</u> |
| Total Taxes | <u>\$ 2,127</u> | <u>\$ 454</u> | <u>\$ 1,673</u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 3: RECEIVABLES (CONTINUED)

Other receivables as of year-end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>GENERAL</u> |
|--------------------------|--------------------------|
| Sales Taxes | \$ 95,545 |
| Franchise Fees | 44,411 |
| Municipal Court Warrants | 111,641 |
| Other | <u>225</u> |
| Gross Receivables | 251,822 |
| Less: Allowance | <u>(55,821)</u> |
| NET TOTAL RECEIVABLES | <u><u>\$ 196,001</u></u> |

NOTE 4: CAPITAL ASSETS

| | <u>BEGINNING BALANCE</u> | <u>INCREASE</u> | <u>DECREASE</u> | <u>ENDING BALANCE</u> |
|---|------------------------------|----------------------------|----------------------------|----------------------------|
| <u>Governmental Activities</u> | | | | |
| Capital Assets, not being Depreciated | | | | |
| Land | \$ 829,875 | \$ - | \$ - | \$ 829,875 |
| Construction in Progress - Drainage | <u>1,072,085</u> | <u>638,210</u> | <u>1,710,295</u> | <u>-</u> |
| Total Capital Assets, not being Depreciated | <u>1,901,960</u> | <u>638,210</u> | <u>1,710,295</u> | <u>829,875</u> |
| Capital Assets, being Depreciated | | | | |
| Streets | 1,596,847 | 1,710,295 | - | 3,307,142 |
| Signs | 35,224 | - | - | 35,224 |
| Improvements Other than Buildings | 32,617 | - | - | 32,617 |
| Buildings | 220,553 | 37,506 | - | 258,059 |
| Furniture and Fixtures | 3,234 | - | 509 | 2,725 |
| Automobiles | 324,800 | 26,708 | 104,119 | 247,389 |
| Software | 35,449 | - | - | 35,449 |
| Machinery and Equipment | <u>94,869</u> | <u>14,499</u> | <u>3,961</u> | <u>105,407</u> |
| Total Capital Assets, being Depreciated | <u>2,343,593</u> | <u>1,789,008</u> | <u>108,589</u> | <u>4,024,012</u> |
| Less: Accumulated Depreciation for | | | | |
| Streets | 1,140,311 | 122,600 | - | 1,262,911 |
| Signs | 23,759 | 1,761 | - | 25,520 |
| Improvements Other than Buildings | 32,617 | - | - | 32,617 |
| Buildings | 165,415 | 5,514 | - | 170,929 |
| Furniture and Fixtures | 3,234 | - | 509 | 2,725 |
| Automobiles | 190,966 | 78,397 | 104,045 | 165,318 |
| Software | 35,449 | - | - | 35,449 |
| Machinery and Equipment | <u>50,656</u> | <u>5,810</u> | <u>3,961</u> | <u>52,505</u> |
| Total Accumulated Depreciation | <u>1,642,407</u> | <u>214,082</u> | <u>108,515</u> | <u>1,747,974</u> |
| Total Capital Assets, being Depreciated - Net | <u>701,186</u> | <u>1,574,926</u> | <u>74</u> | <u>2,276,038</u> |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET | <u><u>\$ 2,603,146</u></u> | <u><u>\$ 2,213,136</u></u> | <u><u>\$ 1,710,369</u></u> | <u><u>\$ 3,105,913</u></u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | | |
|--|--------|--------------------|
| Governmental Activities | | |
| General and Administrative | \$ | 50,662 |
| Public Works | | 82,188 |
| Police Department | | <u>81,232</u> |
| TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES | \$ | <u>214,082</u> |

NOTE 5: INTERFUND BALANCES AND TRANSFERS

In the fund financial statements, interfund balances are the result of normal transactions and will be liquidated in the subsequent fiscal year.

The composition of interfund balances as of September 30, 2016, is as follows:

| <u>RECEIVABLE FUND</u> | <u>PAYABLE FUND</u> | <u>AMOUNT</u> |
|------------------------|---------------------|------------------|
| Road Maintenance Fund | General Fund | \$ 16,753 |
| Venue Tax Fund | Grant Fund | 10,512 |
| Grant Fund | General Fund | <u>11,599</u> |
| TOTAL | | <u>\$ 38,864</u> |

The composition of interfund transfers during the year ended September 30, 2016 are as follows:

| <u>TRANSFER IN</u> | <u>TRANSFER OUT</u> | <u>AMOUNT</u> |
|--------------------------|-----------------------|-------------------|
| Capital Projects Fund | Road Maintenance Fund | \$ 631,508 |
| Vehicle Replacement Fund | General Fund | 35,500 |
| Debt Service Fund | General Fund | <u>19,799</u> |
| TOTAL | | <u>\$ 686,807</u> |

NOTE 6: LONG-TERM DEBT

The City had the following changes in long-term debt outstanding for the year ended September 30, 2016:

| | <u>ORIGINAL AMOUNT</u> | <u>INTEREST RATES</u> | <u>BALANCE OUTSTANDING OCTOBER 1, 2015</u> | <u>ISSUED</u> | <u>RETIRED</u> | <u>BALANCE OUTSTANDING SEPTEMBER 30, 2016</u> | <u>AMOUNTS DUE IN ONE YEAR</u> |
|---|----------------------------|---------------------------|--|---------------|-------------------|---|--|
| Governmental Activities | | | | | | | |
| General Obligation Refunding Bonds, Series 2014 | \$ 868,000 | 0.65-1.5% | \$ 712,000 | \$ - | \$ 140,000 | \$ 572,000 | \$ 139,000 |
| Total Governmental Activities | | | <u>\$ 712,000</u> | <u>\$ -</u> | <u>\$ 140,000</u> | <u>\$ 572,000</u> | <u>\$ 139,000</u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 6: LONG-TERM DEBT (CONTINUED)

Annual debt service requirements as of September 30, 2016, are as follows:

| <u>FISCAL YEAR ENDING</u> <u>SEPTEMBER 30,</u> | <u>GOVERNMENTAL ACTIVITIES</u> | | |
|---|--------------------------------|------------------|-------------------|
| | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
| 2017 | \$ 139,000 | \$ 6,097 | \$ 145,097 |
| 2018 | 142,000 | 4,767 | 146,767 |
| 2019 | 146,000 | 3,008 | 149,008 |
| 2020 | <u>145,000</u> | <u>1,015</u> | <u>146,015</u> |
| | <u>\$ 572,000</u> | <u>\$ 14,887</u> | <u>\$ 586,887</u> |

Redemption

Bonded debt of the City consists of one (1) series of general obligation bonds. General obligation bonds are direct obligations of the City for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the City. The bonds stated to mature on and after January 1, 2015, are subject to redemption prior to stated maturity, at the option of the City, on January 1, 2014, or any date thereafter, in whole, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest to the date of redemption.

NOTE 7: RETIREMENT PLAN

A. Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits Provided

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

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 7: RETIREMENT PLAN (CONTINUED)

B. Benefits Provided (Continued)

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty-five (25) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 5%, and the City matching percent is currently 2 to 1.

Employees Covered by Benefit Terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive Employees or beneficiaries currently receiving benefits | 4 |
| Inactive employees entitled to but not yet receiving benefits | 16 |
| Active employees | <u>13</u> |
| | <u>33</u> |

C. Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.03% and 3.27% for calendar years 2015 and 2016 respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$24,768, and were equal to the required contributions.

D. Net Pension Asset

The City's Net Pension Asset was measured as of December 31, 2015, and the Total Pension Liability used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 7: RETIREMENT PLAN (CONTINUED)

D. Net Pension Asset (Continued)

Actuarial Assumptions:

The Total Pension Asset in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. In addition, smaller city methodologies were used by lower termination rates, with a maximum multiplier of 115% for employers. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustments are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both male and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investment from 7.00% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 7: RETIREMENT PLAN (CONTINUED)

D. Net Pension Asset (Continued)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|-----------------------|------------------------------|--|
| Domestic Equity | 17.5% | 4.55% |
| International Equity | 17.5% | 6.10% |
| Core Fixed Income | 10.0% | 1.00% |
| Non-Core Fixed Income | 20.0% | 3.65% |
| Real Return | 10.0% | 4.03% |
| Real Estate | 10.0% | 5.00% |
| Absolute Return | 10.0% | 4.00% |
| Private Equity | 5.0% | 8.00% |
| Total | <u>100.0%</u> | |

Discount Rate

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

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 7: RETIREMENT PLAN (CONTINUED)

D. Net Pension Asset (Continued)

Changes in the Net Pension Liability (Asset)

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
|--|-----------------------------------|--|---|
| Balance at December 31, 2014 | \$ 1,452,168 | \$ 1,583,183 | \$ (131,015) |
| Changes for the year: | | | |
| Service Cost | 63,156 | - | 63,156 |
| Interest | 101,728 | - | 101,728 |
| Change of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | (54,991) | - | (54,991) |
| Changes of Assumptions | 60,138 | - | 60,138 |
| Contributions - Employer | - | 28,070 | (28,070) |
| Contributions - Employee | - | 36,172 | (36,172) |
| Net Investment Income | - | 2,336 | (2,336) |
| Benefit Payments, Including Refunds of Employee Contributions | (60,986) | (60,986) | - |
| Administrative Expense | - | (1,423) | 1,423 |
| Other Changes | - | (70) | 70 |
| Net Changes | <u>109,045</u> | <u>4,099</u> | <u>104,946</u> |
| Balance at December 31, 2015 | <u>\$ 1,561,213</u> | <u>\$ 1,587,282</u> | <u>\$ (26,069)</u> |

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

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

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|--------------------------------------|---|-----------------------|---|
| City's Net Pension (Asset) Liability | \$ 239,353 | \$ (26,069) | \$ (240,111) |

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$27,678.

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 7: RETIREMENT PLAN (CONTINUED)

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows Of Resources</u> | <u>Deferred Inflows Of Resources</u> |
|---|---|--|
| Difference Between Expected and Actual Economic Experience | \$ - | \$ (89,809) |
| Changes in Actuarial Assumptions | 45,751 | - |
| Difference Between Projected and Actual Investment Earnings | 98,176 | - |
| Contributions Subsequent to the Measurement Date | <u>17,087</u> | <u>-</u> |
| Total | <u>\$ 161,014</u> | <u>\$ (89,809)</u> |

The City reported \$17,087 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|------------|------------------|
| 2016 | \$ 8,296 |
| 2017 | 8,296 |
| 2018 | 15,605 |
| 2019 | 21,921 |
| 2020 | - |
| Thereafter | <u>-</u> |
| Total | <u>\$ 54,118</u> |

F. Other Post-Employment Benefits

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

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE 7: RETIREMENT PLAN (CONTINUED)

F. Other Post-Employment Benefits (Continued)

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

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2016, 2015, and 2014 were \$1,004, \$1,039, \$995, respectively, which equaled the required contribution each year.

NOTE 8: 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. The City contracts with the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program providing insurance coverage in the following areas: general liability, automobile liability and physical damage, worker's compensation, real and personal property, and errors and omissions liability. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the pool will be self-sustaining through member premiums and will be adjusted annually through an experience modifier.

There were no reductions in insurance coverage from the prior year. Settled claims have not exceeded coverage for each of the past three (3) years.

The pooling agreement requires the pool to be self-sustaining. It is not possible to estimate the amount of any losses for which the City might be liable. The Texas Municipal League Intergovernmental Risk Pool has published its own financial report for the year ended September 30, 2016, which can be obtained from the Texas Municipal League.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF HILL COUNTRY VILLAGE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|--|-------------------------|------------------|------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUE</u> | | | | |
| Sales Tax | \$ 810,000 | \$ 810,000 | \$ 839,217 | \$ 29,217 |
| Ad Valorem Tax | 309,144 | 309,144 | 303,545 | (5,599) |
| Liquor Tax | 12,000 | 12,000 | 15,352 | 3,352 |
| Interest Income | 2,200 | 2,200 | 2,664 | 464 |
| Franchise Fees | 172,627 | 172,627 | 166,895 | (5,732) |
| Municipal Court Revenue | 60,000 | 60,000 | 100,245 | 40,245 |
| Sewer Use Fees | 50,000 | 50,000 | 64,109 | 14,109 |
| Permits | 44,000 | 44,000 | 61,330 | 17,330 |
| Miscellaneous Income | 8,080 | 8,080 | 5,230 | (2,850) |
| Contribution – Economic Development Corporation | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> | <u>-</u> |
| Total Revenue | <u>1,478,051</u> | <u>1,478,051</u> | <u>1,568,587</u> | <u>90,536</u> |
| <u>EXPENDITURES</u> | | | | |
| General and Administrative | | | | |
| Personnel Services | 154,260 | 154,263 | 153,391 | 872 |
| Travel, Training, and Professional Dues | 2,270 | 2,270 | 1,850 | 420 |
| Operational Costs | 149,655 | 149,655 | 169,021 | (19,366) |
| Supplies and Materials | 15,025 | 15,025 | 9,539 | 5,486 |
| Capital Outlay | <u>70,000</u> | <u>70,000</u> | <u>35,746</u> | <u>34,254</u> |
| Total General and Administrative | <u>391,210</u> | <u>391,213</u> | <u>369,547</u> | <u>21,666</u> |
| Fire Department Services | <u>235,000</u> | <u>235,000</u> | <u>235,000</u> | <u>-</u> |
| Police | | | | |
| Personnel Services | 734,304 | 734,305 | 708,150 | 26,155 |
| Travel, Training, and Professional Dues | 4,865 | 4,865 | 2,946 | 1,919 |
| Operational Costs | 29,502 | 29,502 | 28,197 | 1,305 |
| Supplies and Materials | <u>47,200</u> | <u>47,200</u> | <u>35,457</u> | <u>11,743</u> |
| Total Police | <u>815,871</u> | <u>815,872</u> | <u>774,750</u> | <u>41,122</u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|---|-------------------------|--------------------|---------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>EXPENDITURES (CONTINUED)</u> | | | | |
| Public Works | | | | |
| Personnel Services | \$ 47,638 | \$ 47,638 | \$ 48,488 | \$ (850) |
| Operational Costs | 10,325 | 10,325 | 10,232 | 93 |
| Supplies and Materials | <u>14,100</u> | <u>14,100</u> | <u>10,156</u> | <u>3,944</u> |
| Total Public Works | <u>72,063</u> | <u>72,063</u> | <u>68,876</u> | <u>3,187</u> |
| | | | | |
| Total Expenditures | <u>1,514,144</u> | <u>1,514,148</u> | <u>1,448,173</u> | <u>65,975</u> |
| | | | | |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | (36,093) | (36,097) | 120,414 | 156,511 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Merit Pool | (20,000) | (20,000) | (20,000) | - |
| Transfer Out | | | | |
| Debt Service | - | - | (19,799) | (19,799) |
| Vehicle Replacement Fund | <u>(35,500)</u> | <u>(35,500)</u> | <u>(35,500)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(55,500)</u> | <u>(55,500)</u> | <u>(75,299)</u> | <u>(19,799)</u> |
| | | | | |
| Net Change in Fund Balance | <u>\$ (91,593)</u> | <u>\$ (91,597)</u> | 45,115 | <u>\$ 136,712</u> |
| <u>FUND BALANCE AT OCTOBER 1, 2015</u> | | | <u>1,185,461</u> | |
| FUND BALANCE AT SEPTEMBER 30, 2016 | | | <u>\$ 1,230,576</u> | |

CITY OF HILL COUNTRY VILLAGE, TEXAS
GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|--|-------------------------|---------------|-----------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUE</u> | | | | |
| Grant Income | \$ 2,900 | \$ 2,900 | \$ 46,630 | \$ 43,730 |
| Interest Income | <u>10</u> | <u>10</u> | <u>2</u> | <u>(8)</u> |
| Total Revenue | <u>2,910</u> | <u>2,910</u> | <u>46,632</u> | <u>43,722</u> |
| <u>EXPENDITURES</u> | | | | |
| Travel, Training and Professional Dues | 1,480 | 1,480 | 2,355 | (875) |
| Supplies and Materials | 1,200 | 1,200 | 1,407 | (207) |
| Capital Outlay | <u>-</u> | <u>-</u> | <u>14,499</u> | <u>(14,499)</u> |
| Total Expenditures | <u>2,680</u> | <u>2,680</u> | <u>18,261</u> | <u>(15,581)</u> |
| Net Change in Fund Balance | <u>\$ 230</u> | <u>\$ 230</u> | 28,371 | <u>\$ 28,141</u> |
| <u>FUND BALANCE AT OCTOBER 1, 2015</u> | | | <u>(27,515)</u> | |
| FUND BALANCE AT SEPTEMBER 30, 2016 | | | <u>\$ 856</u> | |

CITY OF HILL COUNTRY VILLAGE, TEXAS
ROAD MAINTENANCE SPECIAL REVENUE FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|--|-------------------------|---------------------|-------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUE</u> | | | | |
| Sales Taxes | \$ 147,612 | \$ 147,612 | \$ 139,869 | \$ (7,743) |
| Property Tax | 162,708 | 162,708 | 166,307 | 3,599 |
| Interest Income | <u>900</u> | <u>900</u> | <u>536</u> | <u>(364)</u> |
| Total Revenue | <u>311,220</u> | <u>311,220</u> | <u>306,712</u> | <u>(4,508)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfer Out - Capital Projects Fund | <u>(450,742)</u> | <u>(450,742)</u> | <u>(631,508)</u> | <u>(180,766)</u> |
| Net Change in Fund Balance | <u>\$ (139,522)</u> | <u>\$ (139,522)</u> | (324,796) | <u>\$ (185,274)</u> |
| <u>FUND BALANCE AT OCTOBER 1, 2015</u> | | | <u>529,537</u> | |
| FUND BALANCE AT SEPTEMBER 30, 2016 | | | <u>\$ 204,741</u> | |

CITY OF HILL COUNTRY VILLAGE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
*LAST 10 FISCAL YEARS

| | <u>2015</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Total Pension Liability (Asset) | | |
| Service Cost | \$ 60,464 | \$ 63,156 |
| Interest on the Total Pension Liability (Asset) | 99,920 | 101,728 |
| Changes of Benefit Terms | - | - |
| Difference Between Expected and Actual Experience | (84,828) | (54,991) |
| Change of Assumptions | - | 60,138 |
| Benefit Payments, Including Refunds of Employee Contributions | <u>(41,157)</u> | <u>(60,986)</u> |
| Net Change in Total Pension Liability (Asset) | 34,399 | 109,045 |
| Total Pension Liability - Beginning | <u>1,417,769</u> | <u>1,452,168</u> |
| Total Pension Liability - Ending (a) | <u>\$ 1,452,168</u> | <u>\$ 1,561,213</u> |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | \$ 21,938 | \$ 28,070 |
| Contributions - Employee | 34,716 | 36,172 |
| Net Investment Income | 84,886 | 2,336 |
| Benefit Payments, Including Refunds of Employee Contributions | (41,157) | (60,986) |
| Administrative Expense | (886) | (1,423) |
| Other | <u>(73)</u> | <u>(70)</u> |
| Net Change in Plan Fiduciary Net Position | 99,424 | 4,099 |
| Plan Fiduciary Net Position - Beginning | <u>1,483,759</u> | <u>1,583,183</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 1,583,183</u> | <u>\$ 1,587,282</u> |
| Net Pension Liability (Asset) (a) - (b) | <u>\$ (131,015)</u> | <u>\$ (26,069)</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) | 109.02% | 101.67% |
| Covered Employee Payroll | 694,325 | 723,461 |
| Net Pension Liability (Asset) as a Percentage of Total Covered Employee Payroll | (18.87%) | (3.60%) |

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the second year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF HILL COUNTRY VILLAGE, TEXAS
SCHEDULE OF CONTRIBUTIONS
*LAST 10 FISCAL YEARS

| | <u>2015</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Actuarially Determined Contributions | \$ 26,527 | \$ 24,768 |
| Contributions in Relation to the Actuarially Determined Contributions | <u>26,527</u> | <u>24,768</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered Employee Payroll | <u>\$ 718,523</u> | <u>\$ 742,117</u> |
| Contributions as a Percentage of Covered Employee Payroll | 3.69% | 3.34% |

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the second year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF HILL COUNTRY VILLAGE, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

NOTE 1: BUDGETARY INFORMATION

The budgets for the general fund, grant fund, and road maintenance fund are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year-end.

The original budgets for the general fund, grant fund, and road maintenance fund are adopted by the city council by September 30. Budgetary preparation and control is exercised at the department level. The City Administrator is authorized to transfer budget amounts between line items within a department; however, any transfer or supplemental appropriation that amends the total expenditures of a department or total budget requires city council approval. Both the original and final budgets are included.

NOTE 2: SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 25 Years |
| Asset Valuation Method | 10 Year Smoothed Market, 15% Soft Corridor |
| Inflation | 2.5% |
| Salary Increases | 3.5% to 10.5% Including Inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | |
| | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB |

Other Information:

There were no benefit changes during the year.

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COMBINING AND INDIVIDUAL FUND

STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds are used to account for the proceeds of specific revenue sources that are legally restricted to expend for specified purposes and to provide funds for capital asset purchases, respectively.

Special Revenue Funds:

Security Fund – Accounts for specific proceeds from municipal court revenue and is to be used for security upgrades benefiting the City's court system.

Technology Fund – Accounts for specific proceeds from municipal court revenue and is to be used for technological upgrades benefiting the City's court system.

Venue Tax Fund – Accounts for proceeds from the City's venue (motor vehicle rental) tax and is to be used for assisting the general fund in purchasing fire department services from a neighboring city.

Judicial Efficiency Fund – Accounts for specific proceeds from municipal court revenue and is to be used for upgrades benefiting the City's court system.

Debt Service Fund:

Debt Service Fund – Accounts for payments for principal and interest and other fees supporting payment of the City's bond. Revenues for this fund come through a transfer from the Economic Development Corporation, which is funded by sales taxes, and the general fund.

Capital Project Fund:

Vehicle Replacement Fund – Accounts for proceeds from investment interest along with transfers from the general fund to be used to replace certain capital assets such as vehicles and computers.

CITY OF HILL COUNTRY VILLAGE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

| | <u>SPECIAL REVENUE FUNDS</u> | | | | | <u>CAPITAL PROJECTS FUND</u> | <u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u> |
|--|------------------------------|----------------------------|---------------------------|---|-------------------------|---|--|
| | <u>SECURITY FUND</u> | <u>TECHNOLOGY FUND</u> | <u>VENUE TAX FUND</u> | <u>JUDICIAL EFFICIENCY FUND</u> | <u>DEBT SERVICE</u> | <u>VEHICLE REPLACEMENT FUND</u> | |
| <u>ASSETS</u> | | | | | | | |
| Cash and Cash Equivalents | \$ 3,155 | \$ 2,362 | \$ 35,719 | \$ 101 | \$ 12 | \$ 112,436 | \$ 153,785 |
| Due from Other Funds | - | - | 10,512 | - | - | - | 10,512 |
| TOTAL ASSETS | <u>\$ 3,155</u> | <u>\$ 2,362</u> | <u>\$ 46,231</u> | <u>\$ 101</u> | <u>\$ 12</u> | <u>\$ 112,436</u> | <u>\$ 164,297</u> |
| <u>LIABILITIES</u> | | | | | | | |
| Accounts Payable | \$ 112 | - | - | - | - | - | \$ 112 |
| <u>FUND BALANCES</u> | | | | | | | |
| Restricted for: | | | | | | | |
| Court Security | 3,043 | - | - | - | - | - | 3,043 |
| Court Technology | - | 2,362 | - | - | - | - | 2,362 |
| Venue | - | - | 46,231 | - | - | - | 46,231 |
| Judicial Efficiency | - | - | - | 101 | - | - | 101 |
| Committed for: | | | | | | | |
| Vehicle Replacement | - | - | - | - | - | 112,436 | 112,436 |
| Unassigned | - | - | - | - | 12 | - | 12 |
| TOTAL FUND BALANCES | <u>3,043</u> | <u>2,362</u> | <u>46,231</u> | <u>101</u> | <u>12</u> | <u>112,436</u> | <u>164,185</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 3,155</u> | <u>\$ 2,362</u> | <u>\$ 46,231</u> | <u>\$ 101</u> | <u>\$ 12</u> | <u>112,436</u> | <u>\$ 164,297</u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

| | <u>SPECIAL REVENUE FUNDS</u> | | | | | <u>CAPITAL PROJECTS FUND</u> | <u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u> |
|--|------------------------------|----------------------------|---------------------------|---|-------------------------|---|--|
| | <u>SECURITY FUND</u> | <u>TECHNOLOGY FUND</u> | <u>VENUE TAX FUND</u> | <u>JUDICIAL EFFICIENCY FUND</u> | <u>DEBT SERVICE</u> | <u>VEHICLE REPLACEMENT FUND</u> | |
| <u>REVENUE</u> | | | | | | | |
| Taxes | \$ - | \$ - | \$ 40,040 | \$ - | \$ - | \$ - | \$ 40,040 |
| Municipal Court Revenue | 2,526 | 3,368 | - | 73 | - | - | 5,967 |
| Interest | 1 | - | 17 | - | 2 | 345 | 365 |
| Grants and Contributions | - | - | - | - | 127,323 | 37,690 | 165,013 |
| Total Revenue | <u>2,527</u> | <u>3,368</u> | <u>40,057</u> | <u>73</u> | <u>127,325</u> | <u>38,035</u> | <u>211,385</u> |
| <u>EXPENDITURES</u> | | | | | | | |
| Fire Department Services | - | - | 30,000 | - | - | - | 30,000 |
| Police Department | 1,113 | 2,059 | - | - | - | 3,421 | 6,593 |
| Capital Outlay | - | - | - | - | - | 26,708 | 26,708 |
| Debt Service | | | | | | | |
| Principal | - | - | - | - | 140,000 | - | 140,000 |
| Interest | - | - | - | - | 7,123 | - | 7,123 |
| Total Expenditures | <u>1,113</u> | <u>2,059</u> | <u>30,000</u> | <u>-</u> | <u>147,123</u> | <u>30,129</u> | <u>210,424</u> |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | 1,414 | 1,309 | 10,057 | 73 | (19,798) | 7,906 | 961 |
| <u>OTHER FINANCING SOURCES</u> | | | | | | | |
| Transfers In | - | - | - | - | 19,799 | 35,500 | 55,299 |
| Sources (Uses) | - | - | - | - | 19,799 | 35,500 | 55,299 |
| Net Change in Fund Balances | 1,414 | 1,309 | 10,057 | 73 | 1 | 43,406 | 56,260 |
| FUND BALANCES - BEGINNING | <u>1,629</u> | <u>1,053</u> | <u>36,174</u> | <u>28</u> | <u>11</u> | <u>69,030</u> | <u>107,925</u> |
| FUND BALANCES - ENDING | <u>\$ 3,043</u> | <u>\$ 2,362</u> | <u>\$ 46,231</u> | <u>\$ 101</u> | <u>\$ 12</u> | <u>\$ 112,436</u> | <u>\$ 164,185</u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
SECURITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|-------------------------|---------------|-----------------|--|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUE</u> | | | | |
| Municipal Court Revenue | \$ 1,600 | \$ 1,600 | \$ 2,526 | \$ 926 |
| Interest Income | <u>5</u> | <u>5</u> | <u>1</u> | <u>(4)</u> |
| Total Revenue | <u>1,605</u> | <u>1,605</u> | <u>2,527</u> | <u>922</u> |
| <u>EXPENDITURES</u> | | | | |
| Operational Costs | <u>925</u> | <u>925</u> | <u>1,113</u> | <u>(188)</u> |
| Net Change in Fund Balance | <u>\$ 680</u> | <u>\$ 680</u> | 1,414 | <u>\$ 734</u> |
| <u>FUND BALANCE AT OCTOBER 1, 2015</u> | | | <u>1,629</u> | |
| FUND BALANCE AT SEPTEMBER 30, 2016 | | | <u>\$ 3,043</u> | |

CITY OF HILL COUNTRY VILLAGE, TEXAS
TECHNOLOGY SPECIAL REVENUE FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|-------------------------|---------------|-----------------|--|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUE</u> | | | | |
| Municipal Court Revenue | \$ 2,100 | \$ 2,100 | \$ 3,368 | \$ 1,268 |
| Interest Income | <u>1</u> | <u>1</u> | <u>-</u> | <u>(1)</u> |
| Total Revenue | <u>2,101</u> | <u>2,101</u> | <u>3,368</u> | <u>1,267</u> |
| <u>EXPENDITURES</u> | | | | |
| Operational Costs | <u>1,341</u> | <u>1,341</u> | <u>2,059</u> | <u>(718)</u> |
| Net Change in Fund Balance | <u>\$ 760</u> | <u>\$ 760</u> | 1,309 | <u>\$ 549</u> |
| <u>FUND BALANCE AT OCTOBER 1, 2015</u> | | | <u>1,053</u> | |
| FUND BALANCE AT SEPTEMBER 30, 2016 | | | <u>\$ 2,362</u> | |

CITY OF HILL COUNTRY VILLAGE, TEXAS
VENUE TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|--|-------------------------|-----------------|------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUE</u> | | | | |
| Motor Vehicle Rental – Venue Tax | \$ 36,480 | \$ 36,480 | \$ 40,040 | \$ 3,560 |
| Interest Income | <u>50</u> | <u>50</u> | <u>17</u> | <u>(33)</u> |
| Total Revenue | <u>36,530</u> | <u>36,530</u> | <u>40,057</u> | <u>3,527</u> |
| <u>EXPENDITURES</u> | | | | |
| Fire Department Services | <u>30,000</u> | <u>30,000</u> | <u>30,000</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ 6,530</u> | <u>\$ 6,530</u> | 10,057 | <u>\$ 3,527</u> |
| <u>FUND BALANCE AT OCTOBER 1, 2015</u> | | | <u>36,174</u> | |
| FUND BALANCE AT SEPTEMBER 30, 2016 | | | <u>\$ 46,231</u> | |

CITY OF HILL COUNTRY VILLAGE, TEXAS
JUDICIAL EFFICIENCY SPECIAL REVENUE FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|-------------------------|----------------|---------------|--|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>(NEGATIVE)</u> |
| <u>REVENUE</u> | | | | |
| Municipal Court Revenue | \$ 56 | \$ 56 | \$ 73 | \$ 17 |
| <u>EXPENDITURES</u> | | | | |
| Travel, Training and Professional Dues | 100 | 100 | - | 100 |
| Net Change in Fund Balance | <u>\$ (44)</u> | <u>\$ (44)</u> | 73 | <u>\$ 117</u> |
| <u>FUND BALANCE AT OCTOBER 1, 2015</u> | | | <u>28</u> | |
| FUND BALANCE AT SEPTEMBER 30, 2016 | | | <u>\$ 101</u> | |

CITY OF HILL COUNTRY VILLAGE, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|---|-------------------------|----------------|----------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUE</u> | | | | |
| Interest Income | \$ 1 | \$ 1 | \$ 2 | \$ 1 |
| Contribution from Economic Development Corporation | <u>147,122</u> | <u>147,122</u> | <u>127,323</u> | <u>(19,799)</u> |
| Total Revenue | <u>147,123</u> | <u>147,123</u> | <u>127,325</u> | <u>(19,798)</u> |
| <u>EXPENDITURES</u> | | | | |
| Interest Expense | 7,122 | 7,122 | 7,123 | (1) |
| Principal Payment | <u>140,000</u> | <u>140,000</u> | <u>140,000</u> | <u>-</u> |
| Total Expenditures | <u>147,122</u> | <u>147,122</u> | <u>147,123</u> | <u>(1)</u> |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | 1 | 1 | (19,798) | (19,799) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfer In - General Fund | <u>-</u> | <u>-</u> | <u>19,799</u> | <u>19,799</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>19,799</u> | <u>19,799</u> |
| Net Change in Fund Balance | <u>\$ 1</u> | <u>\$ 1</u> | 1 | <u>\$ -</u> |
| <u>FUND BALANCE AT OCTOBER 1, 2015</u> | | | <u>11</u> | |
| FUND BALANCE AT SEPTEMBER 30, 2016 | | | <u>\$ 12</u> | |

CITY OF HILL COUNTRY VILLAGE, TEXAS
VEHICLE REPLACEMENT FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | VARIANCE |
|--|-------------------------|--------------------|-------------------|--|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | WITH FINAL BUDGET POSITIVE (NEGATIVE) |
| <u>REVENUE</u> | | | | |
| Interest Income | \$ 325 | \$ 325 | \$ 345 | \$ 20 |
| Other Income | <u>-</u> | <u>-</u> | <u>37,690</u> | <u>37,690</u> |
| Total Revenue | <u>325</u> | <u>325</u> | <u>38,035</u> | <u>37,710</u> |
| <u>EXPENDITURES</u> | | | | |
| Capital Outlay | 87,000 | 87,000 | 26,708 | 60,292 |
| Operational Costs | <u>-</u> | <u>-</u> | <u>3,421</u> | <u>(3,421)</u> |
| Total Expenditures | <u>87,000</u> | <u>87,000</u> | <u>30,129</u> | <u>56,871</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (86,675) | (86,675) | 7,906 | 94,581 |
| <u>OTHER SOURCES</u> | | | | |
| Transfer In | <u>35,500</u> | <u>35,500</u> | <u>35,500</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ (51,175)</u> | <u>\$ (51,175)</u> | 43,406 | <u>\$ 94,581</u> |
| <u>FUND BALANCE AT OCTOBER 1, 2015</u> | | | <u>69,030</u> | |
| FUND BALANCE AT SEPTEMBER 30, 2016 | | | <u>\$ 112,436</u> | |

CITY OF HILL COUNTRY VILLAGE, TEXAS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|---|-------------------------|--------------------|------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUE</u> | | | | |
| Interest Income | \$ 50 | \$ 50 | \$ 95 | \$ 45 |
| <u>EXPENDITURES</u> | | | | |
| Capital Outlay | <u>520,741</u> | <u>520,741</u> | <u>639,970</u> | <u>(1,160,711)</u> |
| Total Expenditures | <u>520,741</u> | <u>520,741</u> | <u>639,970</u> | <u>(1,160,711)</u> |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | (520,691) | (520,691) | (639,875) | (119,184) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfer In - Road Maintenance Fund | <u>450,742</u> | <u>450,742</u> | <u>631,508</u> | <u>1,082,250</u> |
| Net Change in Fund Balance | <u>\$ (69,949)</u> | <u>\$ (69,949)</u> | (8,367) | <u>\$ (78,416)</u> |
| <u>FUND BALANCE AT OCTOBER 1, 2015</u> | | | <u>33,700</u> | |
| FUND BALANCE AT SEPTEMBER 30, 2016 | | | <u>\$ 25,333</u> | |

CITY OF HILL COUNTRY VILLAGE, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
YEAR ENDED SEPTEMBER 30, 2016

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|--|-------------------------|-------------------|-------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUE</u> | | | | |
| Sales Tax | \$ 147,612 | \$ 147,612 | \$ 139,870 | \$ (7,742) |
| Interest Income | <u>14</u> | <u>14</u> | <u>31</u> | <u>17</u> |
| Total Revenue | <u>147,626</u> | <u>147,626</u> | <u>139,901</u> | <u>(7,725)</u> |
| <u>EXPENDITURES</u> | | | | |
| Operational Costs | 70 | 70 | - | 70 |
| Contribution to General Fund | 10,000 | 10,000 | 10,000 | - |
| Contribution to Debt Service Fund | <u>147,122</u> | <u>147,122</u> | <u>127,323</u> | <u>19,799</u> |
| Total Expenditures | <u>157,192</u> | <u>157,192</u> | <u>137,323</u> | <u>19,869</u> |
| Net Change in Fund Balance | <u>\$ (9,566)</u> | <u>\$ (9,566)</u> | 2,578 | <u>\$ 12,144</u> |
| <u>FUND BALANCE AT OCTOBER 1, 2015</u> | | | <u>120,483</u> | |
| FUND BALANCE AT SEPTEMBER 30, 2016 | | | <u>\$ 123,061</u> | |

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ADDITIONAL INFORMATION

(All Governmental Funds Combined with EDC)

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CITY OF HILL COUNTRY VILLAGE, TEXAS
COMPARATIVE BALANCE SHEET - ALL FUNDS
SEPTEMBER 30, 2016 AND 2015

| | <u>2016</u> <u>ACTUAL</u> | <u>2015</u> <u>ACTUAL</u> | <u>INCREASE</u> <u>(DECREASE)</u> |
|--|------------------------------|------------------------------|--------------------------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 1,774,896 | \$ 1,984,002 | \$ (209,106) |
| Receivables | | | |
| Taxes | 1,673 | 2,665 | (992) |
| Accounts and Other | 207,501 | 187,183 | 20,318 |
| Due from Other Funds | <u>38,864</u> | <u>10,508</u> | <u>28,356</u> |
| | | | |
| TOTAL ASSETS | <u>\$ 2,022,934</u> | <u>\$ 2,184,358</u> | <u>\$ (161,424)</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$ 101,346 | \$ 80,393 | \$ 20,953 |
| Accrued Salaries and Benefits | 11,136 | 35,149 | (24,013) |
| Compensated Absences | 65,342 | 60,200 | 5,142 |
| Deferred Revenue | - | - | - |
| Due to Other Funds | <u>38,864</u> | <u>10,508</u> | <u>28,356</u> |
| Total Liabilities | <u>216,688</u> | <u>186,250</u> | <u>30,438</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Unearned Revenue - Taxes | 1,673 | 2,665 | (992) |
| Unearned Revenue - Warrants | <u>55,821</u> | <u>45,852</u> | <u>9,969</u> |
| Total Deferred Inflows of Resources | <u>57,494</u> | <u>48,517</u> | <u>8,977</u> |
| <u>FUND BALANCES</u> | | | |
| Restricted | 65,906 | 52,359 | 13,547 |
| Committed for Capital | 342,510 | 632,267 | (289,757) |
| Unassigned | <u>1,340,336</u> | <u>1,264,965</u> | <u>75,371</u> |
| Total Fund Balances | <u>1,748,752</u> | <u>1,949,591</u> | <u>(200,839)</u> |
| | | | |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 2,022,934</u> | <u>\$ 2,184,358</u> | <u>\$ (161,424)</u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
COMPARATIVE SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES -ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2016 AND 2015

| | <u>2016</u> <u>ACTUAL</u> | <u>2015</u> <u>ACTUAL</u> | <u>INCREASE</u> <u>(DECREASE)</u> |
|---|------------------------------|------------------------------|--------------------------------------|
| <u>REVENUE</u> | | | |
| Taxes | \$ 1,644,200 | \$ 1,416,970 | \$ 227,230 |
| Franchise Fees | 166,895 | 164,174 | 2,721 |
| Interest Income | 3,693 | 2,528 | 1,165 |
| Municipal Court | 106,212 | 42,872 | 63,340 |
| Other | <u>352,312</u> | <u>195,347</u> | <u>156,965</u> |
| Total Revenue | <u>2,273,312</u> | <u>1,821,891</u> | <u>451,421</u> |
| <u>EXPENDITURES</u> | | | |
| Personnel Services | 930,029 | 903,796 | 26,233 |
| Travel, Training and Professional Dues | 7,151 | 5,585 | 1,566 |
| Operational Costs | 351,366 | 291,551 | 59,815 |
| Supplies and Materials | 56,559 | 80,268 | (23,709) |
| Capital Expenditures and Projects | 716,923 | 1,084,815 | (367,892) |
| Fire Department Services | 265,000 | 265,000 | - |
| Debt Service | | | |
| Principal | 140,000 | 136,000 | 4,000 |
| Interest | <u>7,123</u> | <u>8,041</u> | <u>(918)</u> |
| Total Expenditures | <u>2,474,151</u> | <u>2,775,056</u> | <u>(300,905)</u> |
| Net Change in Fund Balances | (200,839) | (953,165) | 752,326 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfer In | 686,807 | 1,041,613 | (354,806) |
| Transfer Out | <u>(686,807)</u> | <u>(1,041,613)</u> | <u>354,806</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>BEGINNING FUND BALANCES</u> | <u>1,949,591</u> | <u>2,902,756</u> | <u>(953,165)</u> |
| ENDING FUND BALANCES | <u>\$ 1,748,752</u> | <u>\$ 1,949,591</u> | <u>\$ (200,839)</u> |

CITY OF HILL COUNTRY VILLAGE, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET TO ACTUAL – ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

| | <u>ACTUAL</u> | <u>BUDGET</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|---|---------------------|---------------------|---|
| <u>REVENUE</u> | | | |
| Taxes | \$ 1,644,200 | \$ 1,625,556 | \$ 18,644 |
| Franchise Fees | 166,895 | 172,627 | (5,732) |
| Interest Income | 3,693 | 3,556 | 137 |
| Municipal Court | 106,212 | 63,756 | 42,456 |
| Other | <u>352,312</u> | <u>262,102</u> | <u>90,210</u> |
| Total Revenue | <u>2,273,312</u> | <u>2,127,597</u> | <u>145,715</u> |
| <u>EXPENDITURES</u> | | | |
| Personnel Services | 910,029 | 936,206 | 26,177 |
| Travel, Training and Professional Dues | 7,151 | 8,715 | 1,564 |
| Operational Costs | 351,366 | 348,940 | (2,426) |
| Supplies and Materials | 56,559 | 77,525 | 20,966 |
| Capital Expenditures and Projects | 716,923 | 677,741 | (39,182) |
| Fire Department Services | 265,000 | 265,000 | - |
| Merit Pool | 20,000 | 20,000 | - |
| Debt Service | | | |
| Principal | 140,000 | 140,000 | - |
| Interest | 7,123 | 7,122 | (1) |
| Bond Issue Costs | - | - | - |
| Total Expenditures | <u>2,474,151</u> | <u>2,481,249</u> | <u>7,098</u> |
| Net Change in Fund Balance | (200,839) | (353,652) | 152,813 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfer In | 686,807 | 486,242 | (200,565) |
| Transfer Out | <u>(686,807)</u> | <u>(486,242)</u> | <u>200,565</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>BEGINNING FUND BALANCE</u> | <u>1,949,591</u> | <u>1,949,591</u> | <u>-</u> |
| ENDING FUND BALANCE | <u>\$ 1,748,752</u> | <u>\$ 1,595,939</u> | <u>\$ (152,813)</u> |