

**VILLAGE OF THE HILLS  
ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2018**

# VILLAGE OF THE HILLS

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
Village of The Hills, Texas

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Village of The Hills, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 and the business-type activities of Village of The Hills, as of September 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and page 23 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.

*Jansen and Gregorczyk*  
Jansen and Gregorczyk

Kyle, Texas  
January 2, 2019

# VILLAGE OF THE HILLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### September 30, 2018

Our discussion and analysis of Village of The Hills (The Village), financial performance provides an overview of The Village's financial activities for the year ended September 30, 2018. Please read it in conjunction with The Village's financial statements, which follow this section.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements: The Statement of Net Position and the Statement of Activities provide information about the activities of The Village as a whole and present a longer-term view of The Village's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report The Village's operations in more detail than the government-wide statements by providing information about activities for which The Village acts solely as a trustee or agent for the benefit of those outside of the government.

#### **FINANCIAL HIGHLIGHTS**

- During the year, The Village's general fund had revenues of \$599,454 compared to total general fund expenses of \$477,404. This results in an increase of revenue over current expenses of \$122,060 for the year ended September 30, 2018.
- The Village's Solid Waste fund gross revenue amounted to \$242,881 for the year, expenses were \$231,523 for a net income of \$11,358.

#### **Reporting The Village as a Whole**

One of the most important questions asked about The Village's finances is, "Is The Village as a whole better off or worse off as a result of the year's activities"? The Statement of Net Assets and the Statement of Activities report information about The Village as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual method of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report The Village's *net position* and changes in them. *Net position* represents the difference between total assets and liabilities and are similar to the total owners' equity presented by a commercial enterprise. The changes in The Village's net assets are one way to measure The Village's financial health, or *financial position*. Over time, increases or decreases in The Village's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other nonfinancial factors, such as changes in the property tax, also impact the *overall health* of The Village.

In the Statement of Net Position and the Statement of Activities, we divide The Village into two kinds of activities:

**Governmental activities-** Most of The Village's basic services are reported here, including traffic control, law enforcement, deer control, maintenance of the park and perimeter fence, and general administration. Property taxes and franchise fees finance most of these activities.

**Business-type activities-** The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's solid waste disposal system is reported here.

## **Reporting the Village's Most Significant Funds**

The fund financial statements provide detailed information about the most significant funds. The Village as a whole. Some funds are required to be established by State law. However, The Village City Council establishes other funds to help it control and manage money for particular purposes. The Village's two kinds of funds - *governmental* and *proprietary*- use different accounting approaches.

Governmental funds- Most of The Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of The Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance The Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the right of the fund financial statements. During the fiscal year the Village City Council established two additional funds – Capital Projects Fund and Street Maintenance Fund. These are shown as separate funds on the financial statements.

Proprietary funds - When The Village charges customers for the services it provides whether to customers or to other units of The Village. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statements of Net Assets and the Statement of Activities. In fact, The Village's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

## **OVERVIEW OF CITY'S FINANCIAL POSITION AND OPERATIONS**

The Village's net assets increased by \$133,408 in the year ended September 30, 2018. Table 1 and Table 2 reflect the net assets and changes in net assets of governmental activities and business-type activities separately.

**Table 1**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 438,602	\$ 298,219	\$ 65,147	\$ 53,789	\$ 503,749	\$ 352,008
Capital assets	614,772	597,725	-	-	614,772	597,725
Total assets	<u>1,053,374</u>	<u>895,944</u>	<u>65,147</u>	<u>53,789</u>	<u>1,118,521</u>	<u>949,733</u>
Long-term debt outstanding						
Other liabilities	14,127	8,988	16,233	16,233	30,360	25,221
Total liabilities	<u>14,127</u>	<u>8,988</u>	<u>16,233</u>	<u>16,233</u>	<u>30,360</u>	<u>25,221</u>
Net assets:						
Invested in capital assets	614,772	595,787	-	-	614,772	597,725
Unrestricted	424,474	289,231	48,914	37,556	473,388	363,359
Total net assets	<u>\$ 1,039,246</u>	<u>\$ 885,018</u>	<u>\$ 48,914</u>	<u>\$ 37,556</u>	<u>\$ 1,088,160</u>	<u>\$ 961,084</u>

**Table 2****Revenues****Program revenues:**

Charges for services	\$ -	\$ -	\$ 242,881	\$ 221,615	\$ 242,881	\$ 221,615
<b>General revenues</b>						
Property and other taxes	405,343	431,388	-	-	405,343	431,388
Franchise fees	144,296	142,954	-	-	144,296	142,954
Other general revenues	49,815	22,235	-	-	49,815	22,235
Total revenues	<u>\$ 599,454</u>	<u>\$ 596,577</u>	<u>\$ 242,881</u>	<u>\$ 221,615</u>	<u>\$ 842,335</u>	<u>\$ 818,192</u>

**Program expenses:**

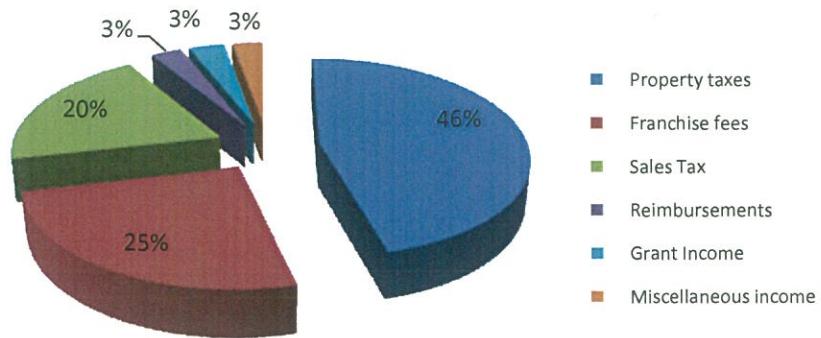
General administration	\$ 342,880	\$ 417,698	\$ -	\$ -	\$ 342,880	\$ 417,698
Public safety	134,524	94,207	-	-	134,524	94,207
Waste disposal	-	-	231,523	219,850	231,523	219,850
Total expenses	<u>\$ 477,404</u>	<u>\$ 511,905</u>	<u>\$ 231,523</u>	<u>\$ 219,850</u>	<u>\$ 708,927</u>	<u>\$ 731,755</u>

**Increase (decrease) in net assets**

	<u>\$ 122,050</u>	<u>\$ 84,672</u>	<u>\$ 11,358</u>	<u>\$ 1,765</u>	<u>\$ 133,408</u>	<u>\$ 86,437</u>
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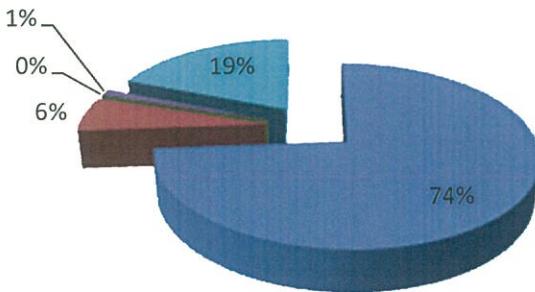
## GOVERNMENTAL ACTIVITIES

### REVENUES



### EXPENSES

■ General administration ■ Capital Outlay ■ Depreciation  
■ Wildfire Mitigation ■ Public safety



Total assets of the total primary governmental fund of The Village increased by \$122,050, primarily due to an increase in sales tax revenue and franchise fees. Investment in capital assets increased from \$595,725 to \$614,772 while unrestricted assets, those funds available for day-to-day operations, increased by \$135,243 from prior year. The Village has no debt and has sufficient funds to pay the expenses of its operations.

The net assets of the business-type activities increased by \$11,358 from the prior year.

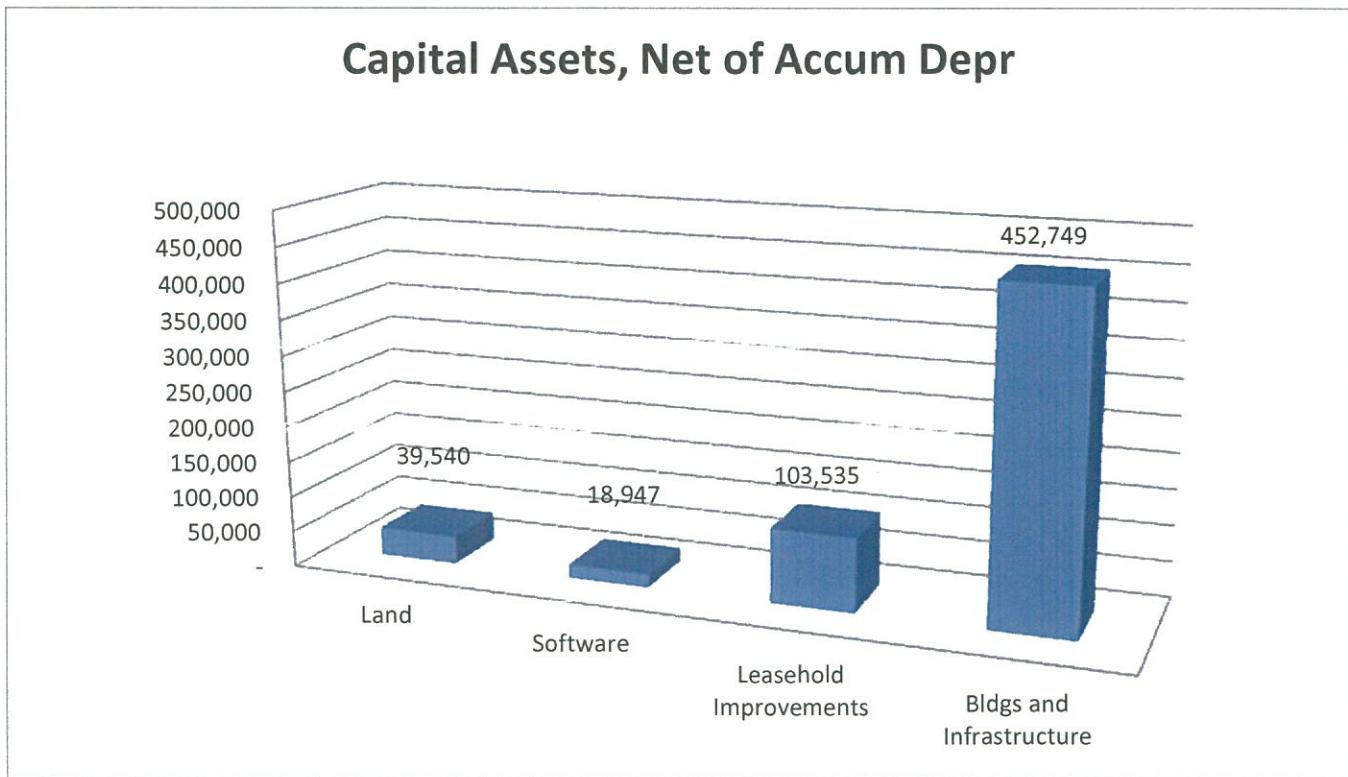
## General Fund Budgetary Highlights

The Village prepares an annual operating budget in August for the coming fiscal year which begins in October. The City Council may revise, if necessary, the Budget during the year to allocate additional resources identified during the year for additional needs that develop. The analysis of the revisions is reflected on the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-(Budgetary)-General Fund following the Notes to the Combined Financial Statements.

### Capital Asset and Debt Administration

#### Capital Assets

At September 30, 2018, The Village had \$614,772 net of depreciation, invested in a broad range of capital assets, including the perimeter fence, deer trapping equipment, and park facilities. Additions in the current year were improvements to the infrastructure.



As of September 30, 2018, The Village has not incurred any long-term debt since its inception.

#### Economic Factors and Next Year's Budgets and Rates

The Village's elected and appointed officials considered many factors when setting the fiscal year 2017-2018 budget, tax rates and fees that will be charged for the business-type activities. Costs of subcontracting services, such as law enforcement and solid waste pick-up, are particularly impacted by fuel and labor costs. Increases in taxable valuation are also factored into the tax rate paid by property owners.

### **Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of The Village's Finances and to show The Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact The City Manager office at:

Wendy Smith, City Manager  
Village of The Hills  
102 Trophy Drive The Hills, TX 78738  
(512) 261-6281

**VILLAGE OF THE HILLS**  
**STATEMENT OF NET POSITION**  
September 30, 2018

	<u>GOVERN- MENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>2018 TOTAL</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 432,879	\$ 37,031	\$ 469,910
Net Receivables	5,723	28,116	33,839
Total current assets	<u>438,602</u>	<u>65,147</u>	<u>503,749</u>
Non-current assets:			
Capital assets not subject to depreciation	39,540	-	39,540
Capital assets, net	575,232	-	575,232
Total non-current assets	<u>614,772</u>	<u>-</u>	<u>614,772</u>
Total assets	<u>1,053,374</u>	<u>65,147</u>	<u>1,118,521</u>
<b>LIABILITIES</b>			
Accounts payable	14,127	16,233	30,360
Total liabilities	<u>14,127</u>	<u>16,233</u>	<u>30,360</u>
<b>NET POSITION</b>			
Net investment in capital assets	614,772	-	614,772
Unrestricted	424,474	48,914	473,388
Total net position	<u>\$ 1,039,246</u>	<u>\$ 48,914</u>	<u>\$ 1,088,160</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF THE HILLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE &amp; CHANGES IN NET ASSETS</u>			2018 Total
	Charges for Services	Contributions	Govern- ment- al Activities	Business- Type Activities			
	Expenses						
<b>Functions/Programs</b>							
Primary government							
Government activities							
Public safety	\$ 87,814	\$ -	\$ (87,814)	\$ -	\$ (87,814)		
Administrative services	342,880	-	(342,880)	-	(342,880)		
Wildfire mitigation	5,000	-	(5,000)	-	(5,000)		
Depreciation	41,710	-	(41,710)	-	(41,710)		
Total governmental services	<u>477,404</u>	<u>-</u>	<u>(477,404)</u>	<u>-</u>	<u>(477,404)</u>		
Business type activities							
Waste disposal fund	231,523	242,881	-	11,358	11,358		
Total business type activities	<u>231,523</u>	<u>242,881</u>	<u>-</u>	<u>11,358</u>	<u>11,358</u>		
Total Primary Government	<u><u>\$ 708,927</u></u>	<u><u>\$ 242,881</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (477,404)</u></u>	<u><u>\$ 11,358</u></u>	<u><u>\$ (466,046)</u></u>	
 General revenues:							
Property taxes	\$ 262,175	\$ -	\$ 262,175				
Franchise fees	144,296	-	144,296				
Sales tax	143,168	-	143,168				
Grant income	18,354	-	18,354				
Reimbursements	15,750	-	15,750				
Miscellaneous	15,711	-	15,711				
Total general revenues	<u>599,454</u>	<u>-</u>	<u>599,454</u>				
 Other financing sources/operating transfers in (out)							
Change in net position	122,050	11,358	133,408				
Net position - beginning	917,196	37,556	954,752				
Net position - ending	<u>\$ 1,039,246</u>	<u>\$ 48,914</u>	<u>\$ 1,088,160</u>				

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF THE HILLS**  
**STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS**  
**AS OF SEPTEMBER 30, 2018**

	Statement of Net Position				
	Gen Fund	Cap Proj	Street Maint	Adjustments	2018
			Note 3		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 298,803	\$ 80,369	\$ 53,707		\$ 432,879
Net receivables	5,723	-	-		5,723
Total current assets	<u>304,526</u>	<u>80,369</u>	<u>53,707</u>		<u>438,602</u>
Non-current assets:					
Capital assets not subject to depreciation	-	-	-	39,540	39,540
Capital assets, net	-	-	-	575,232	575,232
Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>		<u>614,772</u>
Total assets	<u>304,526</u>	<u>80,369</u>	<u>53,707</u>		<u>1,053,374</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	14,127	-	-		14,127
Total liabilities	<u>14,127</u>				<u>14,127</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	5,723	-	-	(5,723)	-
Total deferred inflows of resources	<u>5,723</u>	<u>-</u>	<u>-</u>		<u>14,127</u>
Total liabilities and deferred inflows of resources	<u>19,850</u>				<u>14,127</u>
<b>NET POSITION</b>					
Net investment in capital assets	-				614,772
Unrestricted	284,675	80,369	53,707		424,474
Total net position	<u>\$ 284,675</u>	<u>\$ 80,369</u>	<u>\$ 53,707</u>		<u>\$ 1,039,246</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF THE HILLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018**

	Total Govern- ment- al Funds 2018	Cap Proj	Street Maintenance	Adjustments (Note 3)	Statement of Activities 2018
<b>Revenues</b>					
Property taxes	\$ 261,654	\$ -	\$ -	\$ 521	\$ 262,175
Franchise fees	144,296	-	0		144,296
Sales tax	112,684	-	30,484		143,168
Reimbursements	15,750	-	-		15,750
Grant income	18,354	-	-		18,354
Miscellaneous income	15,711	-	-		15,711
<b>Total revenues</b>	<b>568,449</b>	<b>-</b>	<b>30,484</b>		<b>\$ 599,454</b>
<b>Expenditures</b>					
General administration	342,390	-	490		342,880
Capital outlay	28,517	-	-	(28,517)	-
Depreciation	-	-	-	41,710	41,710
Wildfire mitigation	5,000	-	-		5,000
Public safety	87,814	0	-		87,814
<b>Total expenditures</b>	<b>463,721</b>	<b>-</b>	<b>490</b>		<b>477,404</b>
Excess revenues and other sources over expenditures and other uses	104,728	-	29,994		122,050
Transfers in	-	80,000	-		80,000
Transfers out	(80,000)	-	-		(80,000)
<b>Fund balances - beginning</b>	<b>283,660</b>	<b>369</b>	<b>23,713</b>		<b>917,196</b>
<b>Fund balances - ending</b>	<b>\$ 308,388</b>	<b>\$ 80,369</b>	<b>\$ 53,707</b>		<b>\$ 1,039,246</b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF THE HILLS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2018**

**Business-type Activities-**  
**Enterprise Fund - Waste Disposal**

	<u>2018</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 37,031
Customer accounts receivable	<u>28,116</u>
 Total Assets	 <u>65,147</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	16,233
Total Liabilities	<u>16,233</u>
<b>NET POSITION</b>	
Invested in capital assets	-
Unassigned	48,914
Total net position	<u>\$ 48,914</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF THE HILLS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<b>Business-type Activities-</b>	
<b>Enterprise Fund - Waste Disposal</b>	
	<b>2018</b>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 242,881
<b>TOTAL OPERATING REVENUE</b>	<b><u>242,881</u></b>
 <b>OPERATING EXPENSE</b>	
Administrative fees	15,846
Refuse removal	198,427
Miscellaneous	17,250
<b>TOTAL OPERATING EXPENSE</b>	<b><u>231,523</u></b>
 <b>OPERATING INCOME</b>	 <b>11,358</b>
 <b>OTHER EXPENSES</b>	
Transfer to General Fund for Pooled Cash	-
Change in net assets, before transfers	11,358
 Transfers to general fund	-
Change in net position	11,358
 Net position - beginning	37,556
Net position - ending	<b><u>\$ 48,914</u></b>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF THE HILLS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**Business-type Activities**  
**Enterprise Fund - Waste Disposal**

	<u>2018</u>
Cash flows from operating activities:	
Cash received from customers	\$ 214,765
Cash paid to suppliers	<u>(231,523)</u>
Net cash provided by operating activities	<u>(16,758)</u>
Net decrease in cash and cash equivalents	(16,758)
Cash and cash equivalents, beginning of period	<u>53,789</u>
Cash and cash equivalents, end of period	<u><u>\$ 37,031</u></u>

The accompanying notes are an integral part of the financial statements.

## **Village of The Hills**

### **Notes to the Financial Statements as of September 30, 2018**

#### **NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Village of The Hills (The Village) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of The Village's accounting policies are described below.

##### **A. Financial Reporting Entity**

Village of The Hills was incorporated in 1997 and is a general law city. The Village provides the following services: Public Safety, Refuse Collection, Recreation Facilities, Public Improvements, and General Administrative Services. Following The Village's incorporation, the pre-existing operations of the Hurst Creek Municipal Utility District (M.U.D.), which operates both within and outside of The Village's corporate boundaries, have continued unchanged. Accordingly, the accounts of the M.U.D. are not included in the accompanying basic financial statements of The Village.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of The Village's operations include how the budget is adopted, whether debt is secured by general obligation of The Village, The Village's duty to cover any deficits that may occur, and supervision over the accounting functions. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from The Village reporting entity.

##### **B. Basis of Presentation-Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Village's funds are grouped into a general fund and a business like fund for financial statement presentations purposes. Governmental funds include the general fund. Proprietary funds include the solid waste disposal enterprise fund.

##### **C. Basis of Accounting**

#### **Government Wide Financial Statements**

The statement of net position and the statement of activities display information about The Village, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual method of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between government-wide statements and the statements for governmental funds.

## **NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **D. Fund Financial Statements**

Fund financial statements report detailed information about The Village. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

#### **Governmental Funds**

Governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

#### **Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisitions, construction or improvements of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the organization or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the organization's policy to use restricted resources first and then unrestricted resources as they are needed. When both unassigned and committed or assigned funds are available for expenditure, committed or assigned funds are used first.

#### **Estimates**

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

#### **Revenue Recognition**

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectable within the current year or within one month of year-end available to pay obligations of the current period). This includes investment earnings and state-levied locally shared taxes.

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded and deferred until they become available.

Other revenues, including licenses and permits, are recorded as revenue when received in cash because they are generally not measurable until actually received.

#### **Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of The Village as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable assets are as follows: buildings - 40 years; improvements - 10 to 15 years; equipment- 5 years.

### **Proprietary Funds**

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

### **Cash and Cash Equivalents**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash in all funds.

### **Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

### **Receivables**

Receivables at September 30, 2018 consist of delinquent property taxes, and accounts (billings for user charged services). Taxes and utility charges are deemed collectible in full.

## **NOTE 2-COMPLIANCE AND ACCOUNTABILITY**

### **Budget Requirements, Accounting, and Reporting**

Annual budgets are adopted for all Village funds. Under State law, the mayor submits an annual budget to the Board for consideration and approval no later than the beginning of the fiscal year in which the budget applies. Such budget is based on expected expenditures by program within a fund and estimated resources by source for all funds. All budget revisions at this level are subject to final review and approval by the Board of Aldermen. Within these control levels, the Mayor may transfer appropriations without Board approval. Unencumbered appropriation balances lapse at year-end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

### NOTE 3-ADJUSTMENTS TO CONVERT FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE

Adjustments to convert fund statements to government wide statements.

Total fund balances - governmental funds	\$ 338,382
Capital assets used in governmental activities are not financial resources and, therefore, are reported as unavailable in the funds	-
Subject to depreciation	39,540
Not subject to depreciation	575,232
Funds designated for Capital Projects	80,369
Taxes receivables deferred in the fund financial statements and not in the government-wide financial statements	<u>5,723</u>
Net position of governmental activities	<u><u>\$ 1,039,246</u></u>
Net change in fund balance - governmental fund	\$ 134,722
Net increase in tax receivable deferred in the fund financial statements and not in the government-wide financial statements	521
Depreciation expense not recognized in the fund financial statements	(41,710)
Capital outlays recognized as expenditures in the fund financial statements	<u>28,517</u>

### NOTE 4-DEPOSITS AND INVESTMENTS

The Village's deposits exposed to concentrations of credit risk consist of cash, which is deposited in a local financial institution. At September 30, 2018 all of the Village's cash was covered by FDIC insurance or pledged securities. All cash for The Village was consolidated into a pooled cash account.

At September 30, 2018, the Governmental Fund had \$432,879 invested in cash and cash equivalents.

At September 30, 2018 the Proprietary Fund had \$37,031 invested in cash and cash equivalents.

**Interest Rate Risk.** The Village has a formal investment policy in place. The Village's cash and cash equivalents are currently invested in short-term instruments such as certificates of deposits, money market funds and an interest-bearing checking account.

### NOTE 5-CAPITAL ASSETS AND DEPRECIATION

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of The Village as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Estimated useful lives of the various classes of fixed assets are as follows:

Buildings and infrastructure assets	40 years
Improvements	10-15 years
Equipment	5 years

## NOTE 6-CHANGES IN FIXED ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	9/30/17 Beginning Balance				9/30/18 Ending Balance
		Increases	Decreases		
Governmental activities					
Not being depreciated:					
Land	\$ 39,540	\$ -	\$ -	\$ 39,540	
Other Capital Assets:					
Leasehold Improvements	31,831	-	-	31,831	
Infrastructure Improvements	442,433	9,570	-	452,003	
Equipment	369,523	18,947	-	388,470	
Buildings	115,380	-	-	115,380	
Subtotal	589,644	28,517	-	987,684	
Accumulated Depreciation:					
Buildings and Equipment	(370,742)	-	(41,710)	(412,452)	
Subtotal	(370,742)	-	(41,710)	(412,452)	
Net other capital assets	218,902	28,517	(41,710)	575,232	
Net capital assets	\$ 258,442	\$ 28,517	\$ (41,710)	\$ 614,772	

## NOTE 7-PROPERTY TAXES

The Village's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in The Village. The tax assessed value for October 2017 was \$439,025,300. The initial tax levy of October 1, 2017 set a tax rate of \$.06 per \$100 of assessed valuation at 100% of assumed market value. The total levy was \$247,971. Taxes are due in January following the October 1 statement date. Tax collections during the year ended September 30, 2018 for the tax year 2017 were 97.5% of the total tax levy for that year. Delinquent property taxes receivable at year-end that are deemed to be ultimately collectible are recorded as deferred revenue. Assessed values are established by the County-wide Appraisal District at 100% of its appraised value and must be reviewed every three years. The Village sets tax rates on City property. If the effective tax rate, excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of The Village may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

## NOTE 8 – SUBSEQUENT EVENTS

The Village has evaluated subsequent events as of January 2, 2019, the date the financial statements were available to be issued.

## NOTE 9 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which The Village carries commercial insurance. The Village has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

## NOTE 10 – NET POSITION and FUND BALANCES

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is categorized as net investment in capital assets, restricted and unrestricted.

1. **Net Investment in Capital Assets** is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital assets related debt.
2. **Restricted Assets** are liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant, or granting agency) limitations on their use. The Village would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.
3. **Unrestricted Assets** represent unrestricted liquid assets. The Village's management may have plans or tentative commitments to expend resources for certain purposes in future periods. Further legal action will be required to authorize the actual expense or expenditures.

#### **NOTE 11 – OTHER MATTERS**

At the end of the fiscal year, a budget amendment was made to transfer \$80,000 to the Capital Projects Fund for major improvements to The Village.

**VILLAGE OF THE HILLS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**GENERAL FUND**

	<u>ORIGINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Revenues: Net assets - governmental activities			
Franchise fees	\$ 145,000	\$ 144,296	\$ (704)
Property and other taxes	259,933	261,654	1,721
Sales Tax	114,300	112,684	(1,616)
Reimbursements from other Funds	18,000	15,750	(2,250)
Miscellaneous revenue	16,400	34,065	17,665
Total revenue	<u>\$ 553,633</u>	<u>\$ 568,449</u>	<u>\$ 14,816</u>
Expenditures:			
Interlocal agreement-management fees	\$ 95,000	\$ 80,225	14,775
Insurance and bonds	3,150	3,200	(50)
Law enforcement	89,757	87,814	1,943
Legal and professional	24,000	24,234	(234)
Payroll and related expenses	107,024	108,864	(1,840)
Dues and memberships	4,000	4,988	(988)
Park Maintenance	108,315	97,088	11,227
Park Improvements	29,000	4,021	24,979
Fence Maintenance	10,000	6,595	3,405
Wildlife Management	600	-	600
Wildfire Mitigation	5,000	5,000	-
TCAD/ TAX AC	532	1,241	(709)
Website	2,500	1,635	865
Miscellaneous	11,218	8,968	2,250
Capital Expenditures	19,500	28,517	(9,017)
Contingency	6,000	-	6,000
Office supplies	7,000	1,331	5,669
Total expenditures	<u>\$ 522,596</u>	<u>\$ 463,721</u>	<u>\$ 58,875</u>
Excess revenues over expenditures	31,037	104,728	73,691
Transfers Out	-	(80,000)	(80,000)
Beginning Net Position	283,660	283,660	-
Ending Net Position	<u>\$ 314,697</u>	<u>\$ 308,388</u>	<u>\$ (6,309)</u>