



CITY OF
TERRELL HILLS
TEXAS

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

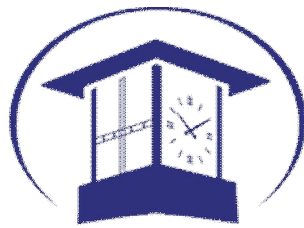
FISCAL YEAR ENDED

DECEMBER 31, 2023

OFFICIALS ISSUING REPORT

Bill Foley
City Manager

Michelle Pack
Assistant City Manager



CITY OF
TERRELL HILLS
TEXAS

CITY OF TERRELL HILLS, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

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INTRODUCTORY SECTION

City of Terrell Hills

5100 N. NEW BRAUNFELS
SAN ANTONIO, TEXAS 78209
(210) 824-7401 • FAX (210) 822-2297

April 23, 2024

To the Honorable Mayor, City Council, and the Citizens of the City of Terrell Hills:

State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (US GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Terrell Hills for the Fiscal Year ended December 31, 2023.

This report consists of management's representations concerning the finances of the City of Terrell Hills. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Terrell Hills has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Terrell Hills' financial statements in conformity with US GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Terrell Hills comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Terrell Hills' financial statements have been audited by Armstrong, Vaughan & Associates P.C. a firm of licensed professional certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Terrell Hills for the fiscal year ended December 31, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Terrell Hills' financial statements for the fiscal year ended December 31, 2023, are fairly presented in conformity with US GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Terrell Hills' MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Terrell Hills, incorporated in 1939, is located in the central part of Texas, The City of Terrell Hills currently occupies a land area of 1.6 square miles with a population of 5,048 in 2023. The City of Terrell Hills is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Terrell Hills has operated under the council-manager form of government since 1957. Policymaking and legislative authority are vested in a City Council consisting of the mayor and 4 other members. The City Council is responsible for establishing public policy on City matters by the passage of appropriate ordinances and resolutions. The City Manager is responsible for overseeing the day-to-day operations of the government, implementing policy established by City Council, and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve two-year staggered terms, with two council members elected every two years. The mayor is elected to serve a two-year term every two years. The mayor and all four council members are elected at large.

The City of Terrell Hills provides a full range of services, including police and fire protection, garbage and recycle collection, and the maintenance of streets.

The annual budget and five-year forecast serve as the foundation for the City of Terrell Hills' financial planning and control. All city departments are required to submit requests for appropriation to the City Manager by August of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents the proposed budget to the council for review before September 1st. The council then holds public hearings and community meetings on the proposed budget and to adopt a final budget by December 31st. The fiscal year for Terrell Hills is from January 1 through December 31. The appropriated budget is prepared by each department (e.g. police). Department heads may make transfers of appropriations within a department. The City Manager may make transfers between departments and funds with City Council approval. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 42 as part of the required supplementary information.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Terrell Hills operates.

Local economy. The City of Terrell Hills enjoys a favorable economic environment and leading indicators point to continued growth. In December 2023, the unemployment rate was 4.1%. While an increase from recent years, the unemployment rate is better than the national average. Within the City limits, the labor market includes a workforce of approximately 3,700 well trained workers.

The City of Terrell Hills is a primarily residential community with very little commercial activity. There is a small, steady stream of revenue from sales tax of a few local businesses and deliveries to homes.

Long-term financial planning. The community approved bond propositions in November 2010 for improvements to streets and infrastructure, and for a new City Hall Complex. The City annually funds the capital projects fund (for street improvements) and the equipment replacement fund. The City's plan is to use these annual transfers to build up funds for future capital needs, limiting the need for bonds in the future.

Financial Information

Internal Control. Management is responsible for establishing and maintaining internal controls designed to ensure that assets of the City are protected from loss, theft or misuse and to provide adequate accounting information compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The internal control system is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of an internal control should not exceed the benefits derived from the internal control. The City utilizes financial accounting software which is designed with a system of internal controls. These controls are continually being reevaluated to provide reasonable, but not absolute, assurances.

Budget Controls. The City also utilizes budgetary controls. The objective of these budgetary controls is to ensure compliance with the adopted budget approved by the City Council as mandated by the city charter and state law. Activities of all funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level. However, budgetary accounting is maintained on a line-item basis.

Other Financial Information:

Independent Audit. An independent audit is performed every year of the general ledger, accounts, financial records, and transactions of all city departments. The audit is completed by an independent certified public accounting firm selected by the City Council. The City is in compliance with this requirement and the independent auditor’s report by Armstrong, Vaughan & Associates, P.C. Certified Public Accountants, has been included in this report.

Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Terrell Hills for its annual comprehensive financial report for the fiscal year ended December 31, 2022. This was the seventh year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is for a period of one year only. We believe our current annual comprehensive financial report meets the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the staff of the finance department. We would like to express our appreciation to all staff who assisted and contributed to the preparation of this report.

In addition, without the assistance of each and every department head on staff, we would have none of the successes we’ve enjoyed. Credit also must be given to the Mayor and the City Council for their unfailing support for the City Manager and staff.

Respectfully submitted,



William Foley
City Manager



Michelle Pack
Assistant City Manager

CITY OF TERRELL HILLS, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2023

CITY OFFICIALS

MAYOR

JOHN LOW

MAYOR PRO-TEM

BILL MITCHELL

CITY COUNCIL

KATE LANFEAR
EMMY BALLANTYNE
PETER MAKO

CITY MANAGER

BILL FOLEY

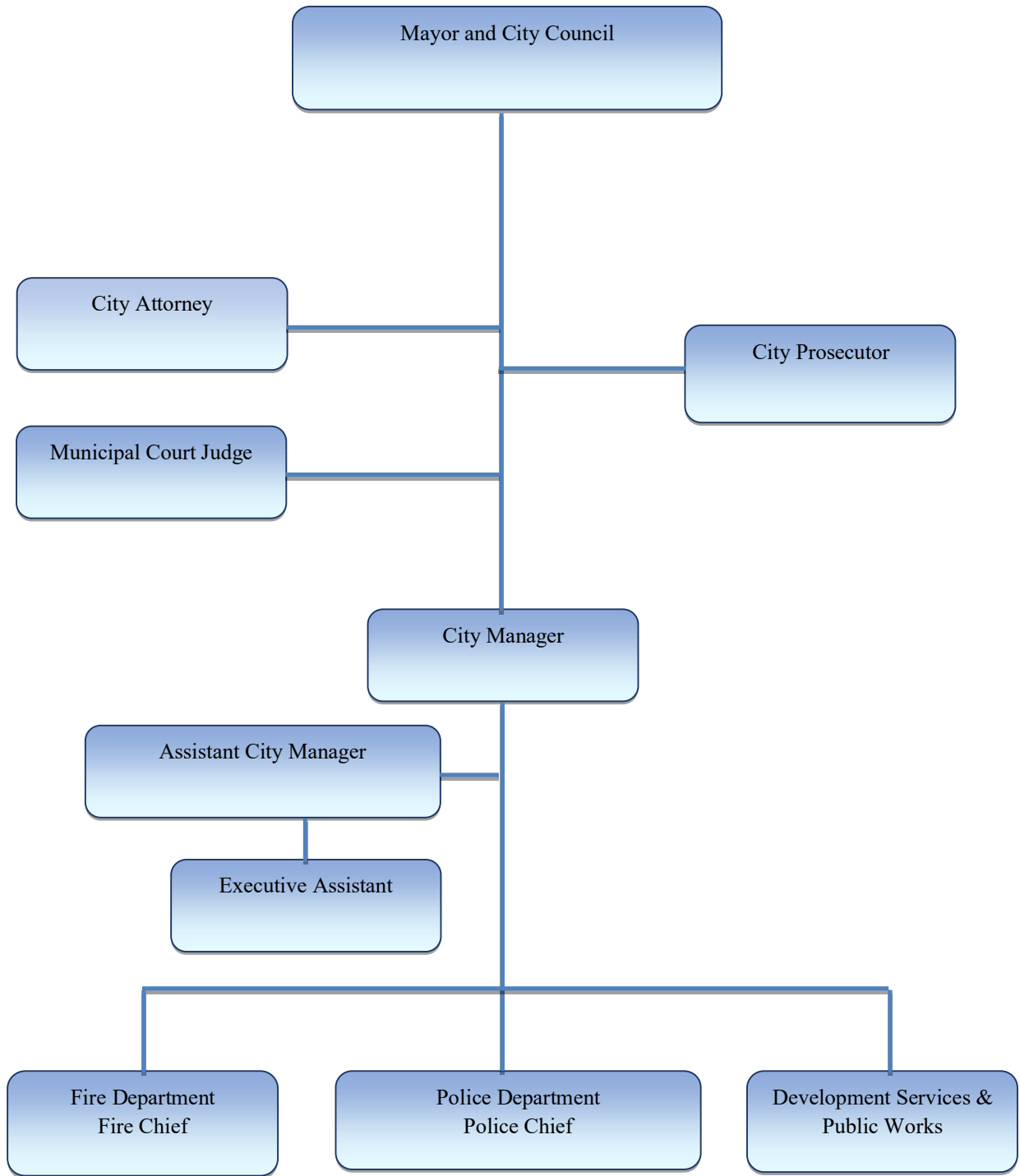
ASSISTANT CITY MANAGER

MICHELLE PACK

CITY ATTORNEY

FRANK GARZA
DAVIDSON, TROILO, REAM & GARZA, P.C.

**CITY OF TERRELL HILLS
ORGANIZATIONAL CHART**





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Terrell Hills
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Terrell Hills, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Terrell Hills, as of December 31, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of Terrell Hills' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Terrell Hills, as of December 31, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The City of Terrell Hills' 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Terrell Hills' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Terrell Hills' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Terrell Hills' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedule, schedule of changes – net pension liability, schedule of employer pension contributions and schedule of changes – total other postemployment benefit liability, as listed in the table of contents, 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 evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Terrell Hills' basic financial statements. The individual fund statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the transmittal letter and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Armstrong, Vaughan & Associates, P.C.
April 23, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Terrell Hills, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Terrell Hills for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

The assets and deferred outflows of the City of Terrell Hills exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$18.7 million (net position). Of this amount, \$9.2 million is unrestricted for the City's ongoing operations.

During the year, the City's expenses were \$1.7 million less than the \$9.1 million generated in taxes and other revenues for governmental activities. The City strategically builds resources to fund street improvements and equipment replacements. The total cost of the City's programs increased 10.7% from the prior year. The increase was largely from cost of living adjustments for employees and weaker than expected investment returns in the City's pension plan.

The general fund reported a fund balance this year of \$7.2 million, an increase of \$293 thousand. All departments were under budget for the year and revenues beat expectations, particularly interest income.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Terrell Hills is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Terrell Hills that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Terrell Hills include public safety, public works and general administration. Property taxes, sales taxes, franchise fees and charges for services finance most of these activities. The City does not currently have any business-type activities.

Fund financial statements. 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 Terrell Hills, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has only one kind of fund: governmental.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Terrell Hills maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, the debt service fund, equipment replacement fund, and ARPA grant fund, all of which are considered to be major funds. The Police Forfeiture fund is considered to be a non-major fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's general fund budgetary schedule. The City of Terrell Hills adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Terrell Hills, the total of assets and deferred outflows of resources exceeded the total of liabilities and deferred inflows of resources by \$18.7 million at the close of the most recent fiscal year.

A portion of the City's total net position (44%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding, plus bond proceeds that have not yet been spent. The City of Terrell Hills uses these capital assets to provide services to citizens; consequently, these assets are not available for operational type of 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.

An additional portion of the City's total net position (6.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9.2 million, may be used to meet the government's ongoing obligations to citizens and creditors.

Table A-1
City of Terrell Hills Net Position

	Governmental Activities		Percentage Change
	2023	2022	2023-2022
<i>Assets:</i>			
Cash and Investments	\$ 9,694,555	\$ 8,104,777	19.6%
Receivables	3,614,902	3,459,643	4.5%
Prepays and Other Assets	24,149	492,065	-95.1%
Capital Assets (Net)	13,899,475	14,484,263	-4.0%
<i>Total Assets</i>	<u>27,233,081</u>	<u>26,540,748</u>	<u>2.6%</u>
<i>Deferred Outflows:</i>	<u>1,940,135</u>	<u>1,049,175</u>	<u>84.9%</u>
<i>Liabilities:</i>			
Current Liabilities	1,487,677	2,154,457	-30.9%
Long-Term Liabilities	8,760,209	7,449,340	17.6%
<i>Total Liabilities</i>	<u>10,247,886</u>	<u>9,603,797</u>	<u>6.7%</u>
<i>Deferred Inflows:</i>	<u>232,081</u>	<u>996,091</u>	<u>-76.7%</u>
<i>Net Position:</i>			
Net Investment in Capital Assets	8,311,600	8,308,443	0.0%
Restricted	1,176,019	1,223,107	-3.8%
Unrestricted	9,205,630	7,458,485	23.4%
<i>Total Net Position</i>	<u>\$ 18,693,249</u>	<u>\$ 16,990,035</u>	<u>10.0%</u>

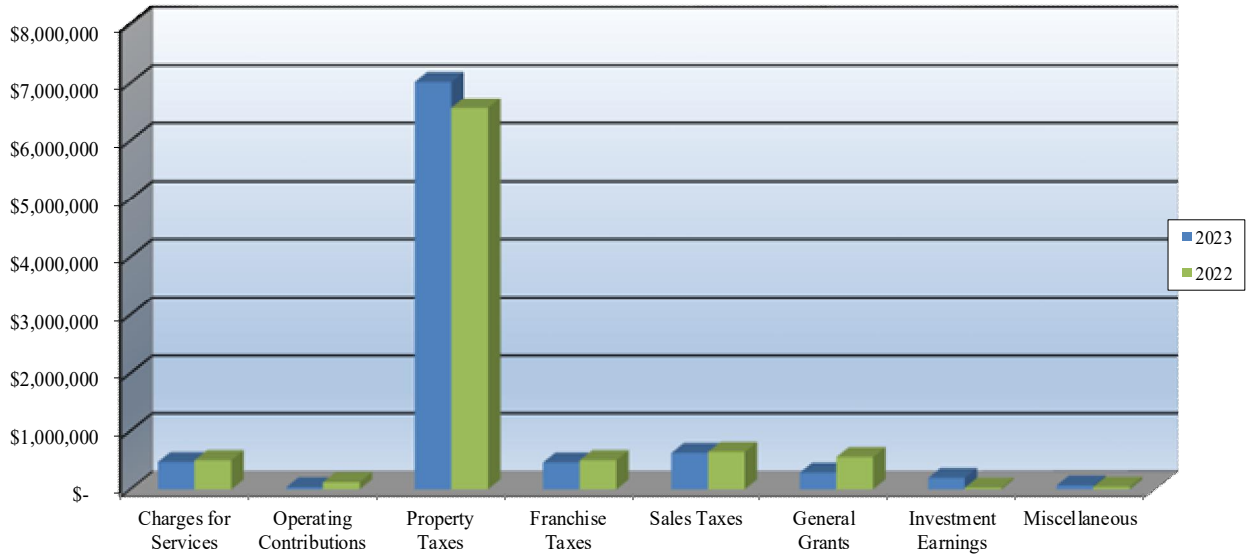
Governmental activities expenses increased 10.7%, primarily from cost of living adjustments for employees and investment performance of the City’s pension plan. Revenues increased from primarily higher property tax values and interest income. The following table indicates changes in net position for governmental activities and is followed by graphs displaying total revenues and expenses by type.

Table A-2
Changes in City of Terrell Hills Net Position

	Governmental Activities		Percentage Change
	2023	2022	2023-2022
<i>Program Revenues:</i>			
Charges for Services	\$ 464,961	\$ 497,110	-6.5%
Operating Contributions	35,950	123,193	-70.8%
<i>General Revenues</i>			
Property Taxes	7,015,362	6,558,592	7.0%
Franchise Taxes	458,363	496,734	-7.7%
Sales Taxes	620,282	639,511	-3.0%
General Grants	283,782	551,265	-48.5%
Investment Earnings	193,754	28,285	585.0%
Miscellaneous	65,699	42,578	54.3%
<i>Total Revenues</i>	<u>9,138,153</u>	<u>8,937,268</u>	<u>2.2%</u>
General Government	1,312,852	1,163,679	12.8%
Police Department	1,478,936	1,345,351	9.9%
Fire Department	1,642,642	1,419,690	15.7%
Development and Public Works	2,250,815	2,086,485	7.9%
Administration	571,303	497,330	14.9%
Interest on Long-term Debt	178,391	204,811	-12.9%
<i>Total Expenses</i>	<u>7,434,939</u>	<u>6,717,346</u>	<u>10.7%</u>
Increase (Decrease) in Net Position	1,703,214	2,219,922	-23.3%
Net Position at Beginning of Year	<u>16,990,035</u>	<u>14,770,113</u>	<u>15.0%</u>
Net Position at End of Year	<u>\$ 18,693,249</u>	<u>\$ 16,990,035</u>	<u>10.0%</u>

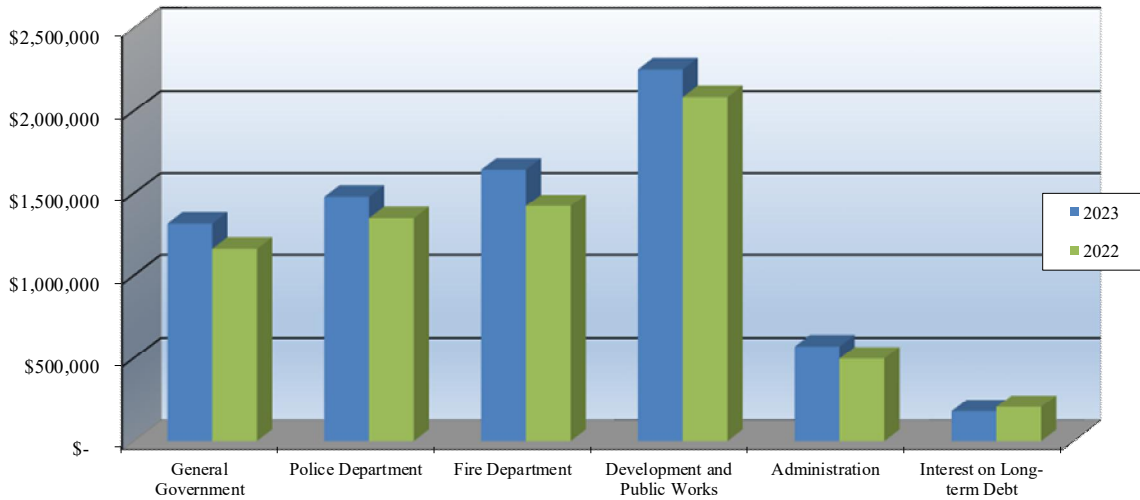
TOTAL REVENUES-GOVERNMENT-WIDE

Property Taxes continue to be the primary revenue source for the City, making up 77% of revenue.

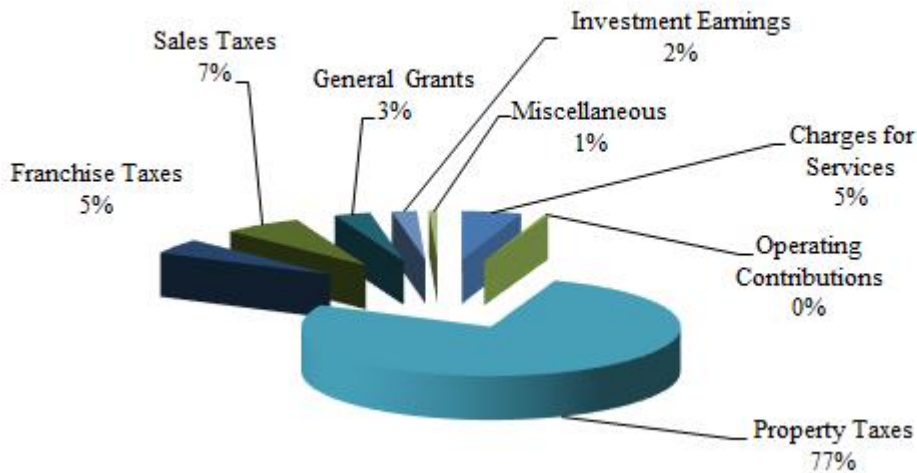


TOTAL EXPENSES-GOVERNMENT-WIDE

Expenses increased across all departments for payroll related adjustments.



Revenue by Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Terrell Hills uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11.6 million. Of this total amount, \$7.1 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, or committed to indicate that it is set aside for specific purposes (debt service, police, street maintenance, and equipment replacement).

The general fund is the chief operating fund of the City of Terrell Hills. At the end of the current fiscal year, balance of the general fund increased \$293 thousand from cost saving measures in most departments and better than expected revenues. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. Unassigned fund balance represents 123% of total general fund expenditures, not including capital.

The debt service fund has a total fund balance of \$705 thousand all of which is restricted for the payment of debt service.

The capital projects fund has a total fund balance of \$2.2 million. The equipment replacement fund has a total fund balance of \$1.1 million. The City has scheduled out replacements of vehicles and equipment. Contributions are being made from the general fund so that resources will be available to replace equipment according to the cycle and street improvements may be performed without additional debt.

General Fund Budgetary Highlights

General Fund revenues exceeded the budget by \$362 thousand as a result of property tax, sales tax and interest income exceeding expectations. The General Fund expenditures were \$482 thousand less than the \$6.3 million budget. This was the result of cost savings across the General Fund. Overall, the fund balance increased \$293 thousand compared to a budgeted decrease of \$550 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2023 the City had invested \$30.3 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant additions in 2023 include several vehicles and completion of the Crestwood Park upgrade (see Table A-3). More information about the City’s capital assets is presented in Notes A10 and D, pages 25 and 31.

Table A-3
City’s Capital Assets

	Governmental Activities		Percentage Change
	2023	2022	2023-2022
Land	\$ 641,149	\$ 641,149	0.0%
Construction in Progress	706,112	2,654,260	-73.4%
Buildings	5,102,089	4,703,193	8.5%
Vehicles and Equipment	1,973,982	1,801,999	9.5%
Infrastructure	21,680,827	19,793,944	9.5%
Furniture and Fixtures	154,333	154,333	0.0%
Totals at Historical Cost	<u>30,258,492</u>	<u>29,748,878</u>	<u>1.7%</u>
Total Accumulated Depreciation	<u>(16,359,017)</u>	<u>(15,264,615)</u>	<u>7.2%</u>
Net Capital Assets	<u>\$ 13,899,475</u>	<u>\$ 14,484,263</u>	<u>-4.0%</u>

Long-Term Debt. At year-end, the City had \$5.8 million in bonds outstanding as shown in Table A-4. No new debt was issued in 2023. More detailed information about the City’s debt is presented in Notes A14 and F, pages 26 and 32.

Table A-4
City’s Long Term Debt

	Governmental Activities		Percentage Change
	2023	2022	2023-2022
Bonds Payable	\$ 5,804,197	\$ 6,456,726	-10.1%
Total Long-Term Debt	<u>\$ 5,804,197</u>	<u>\$ 6,456,726</u>	<u>-10.1%</u>

Economic Factors and Next Year's Budgets and Rates

The 2024 budget was prepared with an estimated tax levy increase of 5.47% over the 2023 levy. The property tax rate for 2024 is estimated to decrease, but it will not be set until mid 2024. General fund revenues are expected to remain steady at \$7.6 million in the 2024 budget. General fund expenditures are expected to increase to \$6.8 million, primarily due to the salary and personnel changes. Transfers of \$1,800,000 are budgeted in 2024 to save for future equipment replacement and street projects.

Requests for Information

This financial report is designed to provide the City of Terrell Hills citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager by phone at 210-824-7401.

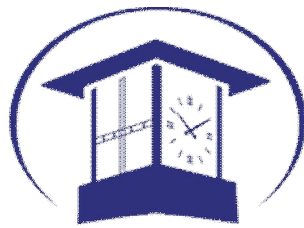
BASIC FINANCIAL STATEMENTS

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 9,694,555
Receivables (net of allowance for uncollectibles):	
Property Taxes	3,451,914
Sales and Franchise Taxes	162,988
Prepaid Expenses	<u>24,149</u>
<i>Total Current Assets</i>	<u>13,333,606</u>
 <i>Noncurrent Assets:</i>	
Land	641,149
Construction in Progress	706,112
Buildings, Infrastructure, and Equipment (net)	<u>12,552,214</u>
<i>Total Noncurrent Assets</i>	<u>13,899,475</u>
TOTAL ASSETS	<u>27,233,081</u>
 DEFERRED OUTFLOWS	
Deferred Loss on Debt Refunding	216,322
Deferred OPEB Related Outflows	35,368
Deferred Pension Related Outflows	<u>1,688,445</u>
TOTAL DEFERRED OUTFLOWS	<u>\$ 1,940,135</u>

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2023

	<u>Governmental Activities</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	\$ 139,633
Accrued Vacation Payable	163,852
Accrued Interest Payable	71,008
Unearned Grant Revenue	493,184
Bond Payable - Due within One Year	<u>620,000</u>
<i>Total Current Liabilities</i>	<u>1,487,677</u>
 <i>Noncurrent Liabilities:</i>	
Net Pension Liability	3,442,349
Total Other Postemployment Benefit (OPEB) Liability	133,663
Bond Payable - Due in more than One Year	<u>5,184,197</u>
<i>Total Noncurrent Liabilities</i>	<u>8,760,209</u>
TOTAL LIABILITIES	<u>10,247,886</u>
 DEFERRED INFLOWS	
Deferred Pension Related Inflows	151,442
Deferred OPEB Related Inflows	<u>80,639</u>
TOTAL DEFERRED INFLOWS	<u>232,081</u>
 NET POSITION	
Net Investment in Capital Assets	8,311,600
Restricted for Debt Service	757,626
Restricted for Police Department	418,393
Unrestricted	<u>9,205,630</u>
TOTAL NET POSITION	<u>\$ 18,693,249</u>



CITY OF
TERRELL HILLS
TEXAS

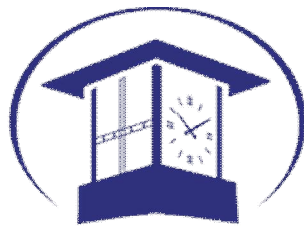
CITY OF TERRELL HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions and Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 1,312,852	\$ -	\$ -	\$ (1,312,852)
Police Department	1,478,936	9,447	35,950	(1,433,539)
Fire Department	1,642,642	-	-	(1,642,642)
Development and Public Works	2,250,815	455,514	-	(1,795,301)
Administration	571,303	-	-	(571,303)
Interest on Long-Term Debt	178,391	-	-	(178,391)
Total Governmental Activities	7,434,939	464,961	35,950	(6,934,028)
Total Government	\$ 7,434,939	\$ 464,961	\$ 35,950	(6,934,028)
General Revenues:				
Taxes:				
General Property Taxes				7,015,362
Franchise Taxes				458,363
Sales Taxes				620,282
General Grants				283,782
Interest and Investment Earnings				193,754
Miscellaneous				65,699
Total General Revenues				8,637,242
Change in Net Position				1,703,214
Net Position at Beginning of Year				16,990,035
Net Position at End of Year				\$ 18,693,249

CITY OF TERRELL HILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	Major Funds		
	General Fund	Capital Projects Fund	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 5,054,145	\$ 2,232,659	\$ 438,312
Receivables:			
Property Taxes (Net of Uncollectibles)	3,061,592	-	390,322
Sales and Franchise Taxes Receivable	148,861	14,127	-
Prepaid Items	24,149	-	-
TOTAL ASSETS	\$ 8,288,747	\$ 2,246,786	\$ 828,634
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 139,633	\$ -	\$ -
Unearned Revenue	-	-	-
<i>Total Liabilities</i>	<u>139,633</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Property Tax Revenue	976,629	-	123,433
<i>Fund Balances:</i>			
Nonspendable:			
Prepaid Items	24,149	-	-
Restricted for:			
Debt Service	-	-	705,201
Police Department	-	-	-
Committed for:			
Street Improvements	-	2,246,786	-
Equipment Replacement	-	-	-
Unassigned	7,148,336	-	-
<i>Total Fund Balances</i>	<u>7,172,485</u>	<u>2,246,786</u>	<u>705,201</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,288,747	\$ 2,246,786	\$ 828,634

Major Funds		Nonmajor		Total
Equipment Replacement Fund	ARPA Fund	Police Forfeiture	Governmental Funds	
\$ 1,057,862	\$ 493,184	\$ 418,393	\$ 9,694,555	
-	-	-	3,451,914	
-	-	-	162,988	
-	-	-	24,149	
<u>\$ 1,057,862</u>	<u>\$ 493,184</u>	<u>\$ 418,393</u>	<u>\$ 13,333,606</u>	
\$ -	\$ -	\$ -	\$ 139,633	
-	493,184	-	493,184	
-	493,184	-	1,126,001	
-	-	-	1,100,062	
-	-	-	24,149	
-	-	-	705,201	
-	-	418,393	418,393	
-	-	-	2,246,786	
1,057,862	-	-	1,057,862	
-	-	-	7,148,336	
<u>1,057,862</u>	<u>-</u>	<u>418,393</u>	<u>11,600,727</u>	
<u>\$ 1,057,862</u>	<u>\$ 493,184</u>	<u>\$ 418,393</u>	<u>\$ 13,333,606</u>	



CITY OF
TERRELL HILLS
TEXAS

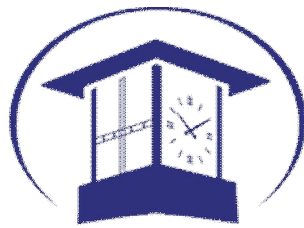
CITY OF TERRELL HILLS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 11,600,727												
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>														
<p>Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		13,899,475												
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds:</p> <p style="padding-left: 20px;">Property Taxes Receivable not Collected within 60 Days</p>		1,100,062												
<p>Long-term liabilities, including bonds and compensated absences are not due and payable in the current period and, therefore are not reported in the governmental funds.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;">Bonds Payable</td> <td style="width: 10%; text-align: right;">(5,645,000)</td> <td style="width: 30%;"></td> </tr> <tr> <td>Accrued Compensated Absences</td> <td style="text-align: right;">(163,852)</td> <td></td> </tr> <tr> <td>Deferred Loss on Debt Refunding</td> <td style="text-align: right;">216,322</td> <td></td> </tr> <tr> <td>Unamortized Premiums</td> <td style="text-align: right;"><u>(159,197)</u></td> <td style="text-align: right;">(5,751,727)</td> </tr> </table>	Bonds Payable	(5,645,000)		Accrued Compensated Absences	(163,852)		Deferred Loss on Debt Refunding	216,322		Unamortized Premiums	<u>(159,197)</u>	(5,751,727)		
Bonds Payable	(5,645,000)													
Accrued Compensated Absences	(163,852)													
Deferred Loss on Debt Refunding	216,322													
Unamortized Premiums	<u>(159,197)</u>	(5,751,727)												
<p>Net pension liabilities (and related deferred outflows and inflows of resources) do not consume current financial resources and are not reported in the funds.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;">Net Pension Liability</td> <td style="width: 10%; text-align: right;">(3,442,349)</td> <td style="width: 30%;"></td> </tr> <tr> <td>Pension Related Deferred Outflows</td> <td style="text-align: right;">1,688,445</td> <td></td> </tr> <tr> <td>Pension Related Deferred Inflows</td> <td style="text-align: right;"><u>(151,442)</u></td> <td style="text-align: right;">(1,905,346)</td> </tr> </table>	Net Pension Liability	(3,442,349)		Pension Related Deferred Outflows	1,688,445		Pension Related Deferred Inflows	<u>(151,442)</u>	(1,905,346)					
Net Pension Liability	(3,442,349)													
Pension Related Deferred Outflows	1,688,445													
Pension Related Deferred Inflows	<u>(151,442)</u>	(1,905,346)												
<p>Total other postemployment benefit (OPEB) liabilities (and related deferred outflows and inflows of resources) do not consume current financial resources and are not reported in the funds.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;">Total OPEB Liability</td> <td style="width: 10%; text-align: right;">(133,663)</td> <td style="width: 30%;"></td> </tr> <tr> <td>OPEB Related Deferred Outflows</td> <td style="text-align: right;">35,368</td> <td></td> </tr> <tr> <td>OPEB Related Deferred Inflows</td> <td style="text-align: right;"><u>(80,639)</u></td> <td style="text-align: right;">(178,934)</td> </tr> </table>	Total OPEB Liability	(133,663)		OPEB Related Deferred Outflows	35,368		OPEB Related Deferred Inflows	<u>(80,639)</u>	(178,934)					
Total OPEB Liability	(133,663)													
OPEB Related Deferred Outflows	35,368													
OPEB Related Deferred Inflows	<u>(80,639)</u>	(178,934)												
<p>Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.</p>		<u>(71,008)</u>												
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 18,693,249</u></u>												

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Major Funds		
	General Fund	Capital Projects Fund	Debt Service Fund
REVENUES			
Ad Valorem Taxes	\$ 6,044,461	\$ -	\$ 775,427
Sales Tax	496,225	124,056	-
Franchise Tax	458,363	-	-
Charges for Services	455,514	-	-
Grants	-	-	-
Fines and Forfeitures	9,447	-	-
Interest Income	193,754	-	-
Other	45,348	-	-
TOTAL REVENUES	<u>7,703,112</u>	<u>124,056</u>	<u>775,427</u>
EXPENDITURES			
Current:			
General Government	1,291,924	-	-
Police Department	1,330,263	-	-
Fire Department	1,493,072	-	-
Development and Public Works	1,242,824	-	-
Administration	437,395	-	-
Capital Outlay	14,219	2,230	-
Debt Service:			
Principal	-	-	605,000
Interest and Fiscal Charges	-	-	171,170
TOTAL EXPENDITURES	<u>5,809,697</u>	<u>2,230</u>	<u>776,170</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,893,415</u>	<u>121,826</u>	<u>(743)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	-	-	-
Transfers In (Out)	<u>(1,600,000)</u>	<u>1,150,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,600,000)</u>	<u>1,150,000</u>	<u>-</u>
Net Change in Fund Balance	293,415	1,271,826	(743)
FUND BALANCES - JANUARY 1	6,728,335	974,960	705,944
Prior Period Adjustment (See Note A21)	150,735	-	-
FUND BALANCES - DECEMBER 31	<u>\$ 7,172,485</u>	<u>\$ 2,246,786</u>	<u>\$ 705,201</u>

Major Fund		Nonmajor	Total
Equipment Replacement Fund	ARPA Fund	Police Forfeiture	Governmental Funds
\$ -	\$ -	\$ -	\$ 6,819,888
-	-	-	620,281
-	-	-	458,363
-	-	-	455,514
-	283,782	-	283,782
-	-	35,950	45,397
-	-	-	193,754
-	-	-	45,348
-	283,782	35,950	8,922,327
-	-	-	1,291,924
-	-	24,699	1,354,962
-	-	-	1,493,072
-	-	-	1,242,824
-	-	-	437,395
263,015	283,782	83,921	647,167
-	-	-	605,000
-	-	-	171,170
263,015	283,782	108,620	7,243,514
(263,015)	-	(72,670)	1,678,813
40,370	-	-	40,370
450,000	-	-	-
490,370	-	-	40,370
227,355	-	(72,670)	1,719,183
830,507	-	491,063	9,730,809
-	-	-	150,735
\$ 1,057,862	\$ -	\$ 418,393	\$ 11,600,727



CITY OF
TERRELL HILLS
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CITY OF TERRELL HILLS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,719,183

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	647,167	
Depreciation	<u>(1,211,936)</u>	(564,769)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 195,473

Governmental funds report proceeds from the sale of capital assets as other financing sources. On the statement of activities, the proceeds are reduced by the net book value of the capital asset. This amount represents that net book value. (20,019)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Principal Payments	605,000	
--------------------	---------	--

Governmental funds report required contributions to employee pensions and other post employment benefits as expenditures. However in the Statement of Activities, the cost of these plans is recorded based on the actuarially cost of the plan. This is the amount that contributions exceeded (or were exceeded by) the actuarially determined plan expenses.

Pension Plan	(208,285)	
Other Postemployment Benefits	<u>(3,031)</u>	(211,316)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Amortization of Deferred Loss on Debt Refunding	(64,584)	
Amortization of Bond Premiums	47,529	
Change in Compensated Absences Accrual	(13,117)	
Change in Accrued Interest on Long-Term Debt	<u>9,834</u>	<u>(20,338)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,703,214

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 City's accounting policies are described below:

1. REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement 14, "The Financial Reporting Entity" and GASB Statement 61 "The Financial Reporting Entity: Omnibus (an amendment of GASB 14). The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The City has no component units.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers, if any, has been removed from the government-wide statements but continues to be reflected on the fund statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects 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. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function 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 in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds. The General Fund, Capital Projects Fund, Equipment Replacement Fund, and Debt Service Fund meet the criteria of a **major governmental fund**. These funds are reflected in single columns in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

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. Revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Property taxes are recognized in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied and collected within 60 days of the fiscal period are considered revenue. Taxes receivable but not collected within 60 days are used to finance the budget of the subsequent fiscal year and, accordingly, have been reflected as unavailable revenue (a deferred inflow of resources) and in the fund financial statements. Sales and franchise tax revenues are also susceptible to accrual if expected to be received within 60 days after the fiscal year ends.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales tax, and franchise taxes. Primary expenditures are for general government, public safety, public facilities, municipal court and capital acquisition.

The Capital Projects Fund is used to account for all funds collected and disbursed for the street improvements, municipal complex renovation, and other capital projects.

The Debt Service Fund is used to account for all funds collected and disbursed in the retirement of governmental debt.

The Equipment Replacement Fund is used to account for all funds collected for equipment repair and replacement for police, emergency services, and public works.

The ARPA Fund is used to account for resources received from the American Rescue Plan. The grant is refundable to the federal government if not spent in accordance with grant provisions. The City anticipates the funds will be used for mostly capital projects.

The City reports the Police Forfeiture Fund as a nonmajor governmental fund.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. CASH AND INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies, and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (e).

Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, money market accounts, or investments in Lone Star. Earnings from these investments are added to each account monthly or quarterly. The City's investments local government investment pools. These pools are 2a7-like which means they are not registered with the Securities and Exchange Commission as an investment company, but nevertheless have a policy that they will, and do, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These pools are reported at a share price of \$1 which approximates their fair value.

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost, which approximates fair value.

Certain cash balances (such as debt service collections) are restricted for specific purposes. Unless that purpose is narrower than the purpose of the fund, cash is reported as unrestricted.

5. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1, become due October 1 and are past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables are shown net of an allowance for uncollectible.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectible.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Allowances have been established by management based on best available information for a variety of receivables. Allowances for uncollectible taxes in the General Fund and Debt Service Fund have been recorded in the amount of \$- and \$-, respectively.

7. PREPAID ITEMS/EXPENSES

Payments made to vendors for services that will benefit periods beyond December 31, 2023 are recorded under the consumption method. Payments in advance are recorded as prepaid items in both the government-wide and fund financial statements. These payments are reported as expenditures when the services or goods are consumed.

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Any residual balances between funds have been eliminated in the government-wide statements.

9. BUDGET

An operating budget is adopted each fiscal year for all City funds, however only the General and Debt Service budgets are legally adopted. The budget is adopted on the GAAP basis of accounting. Additional budgetary information is provided in the required supplementary information.

10. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the governmental type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets, donated works of art, and capital assets received in a service concession arrangement are recorded at acquisition value.

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. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 to 50 years
Drainage Improvements	40 to 50 years
Vehicles and Equipment	3 to 15 years
Streets	15 to 20 years

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

A deferred outflow of resources represents a consumption of net assets that applies to future periods while a deferred inflow of resources represents an acquisition of net assets that applies to future periods. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

12. COMPENSATED ABSENCES

The liability for compensated absences (vacation) consists of unpaid accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for employees who are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vacation benefits expire annually, but any accumulated balance is paid on termination. The liability for compensated absences is typically liquidated by the General Fund.

13. UNAVAILABLE REVENUE/UNEARNED REVENUE

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as unavailable revenue (a deferred inflow of resources).

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues, if any, received in advance of expenses/expenditures are reflected as unearned revenue.

14. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities in the statement of net position. On new bond issues, bond premiums and discounts are amortized over the life of the bond. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. PENSIONS

The net pension liability, deferred inflows, and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. OTHER POSTEMPLOYMENT BENEFITS

The total other postemployment benefit liability of the Texas Municipal Retirement System (TMRS) supplemental death benefit have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions or deductions from the fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as the OPEB is a pay-as-you-go plan.

17. FUND EQUITY

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can be used only for the specific purposes determined by a formal action (adoption of an ordinance) of the government's highest level of decision-making authority (City Council). Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council has authority to make assignments; In 2019, the council delegated to the City Manager and Assistant City Manager the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available fund balance in any particular fund.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City. The General Fund is the only fund that reports a positive unassigned fund balance amount, as it is not appropriate in other governmental funds. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

19. INTERFUND TRANSACTIONS

Legally authorized transfers, if any, are treated as interfund transfers and are included in the results of operations of Governmental Funds.

20. USE OF ESTIMATES

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

21. CHANGE IN ACCOUNTING TREATMENT

In previous annual reports, the City treated accumulated compensated absences as a liability of the General Fund because it was expected to be liquidated with current financial resources. However, this was only an estimate. Because an event triggering a payment had not occurred at the balance sheet date, it would be more consistent with generally accepted accounting principles to only record a liability in the General Fund when it is payable. This resulted in a restatement of beginning General Fund balance of \$150,735 to remove the previously reported liability. The government-wide statements are unchanged.

NOTE B -- CASH AND INVESTMENTS

1. Cash and Cash Equivalents

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At December 31, 2023, all of the City's deposits were fully collateralized.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE B -- CASH AND INVESTMENTS (CONTINUED)

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that the City’s investment practices, management reports and establishment of appropriate policies adhered to the requirements of the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City’s investments at December 31, 2023 include \$2,522,274 on deposit in Lone Star Investment Pool, a 2a7-like public funds investment pool. Lone Star operates in accordance with the provisions of the Texas Public Funds Investment Act and is rated AAAM. The investment in Lone Star is included in cash and cash equivalents and is reported at net asset value.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

- a. Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.
- b. Concentration of Credit Risk - The risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. At year end, the City was not exposed to a concentration of credit risk.
- c. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE B -- CASH AND INVESTMENTS (CONTINUED)

- d. Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.

- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

NOTE C -- PROPERTY TAXES

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District. Assessed values are reduced by lawful exemptions to arrive at taxable values. The total taxable value as of January 01, 2023, upon which the fiscal 2023 levy was based was \$2.034 billion (i.e., market value less exemptions). The market value was \$1.955 billion, making the taxable value 96.1% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended December 31, 2023, was \$0.359393 per \$100 of assessed value, which means that the City has a tax margin of \$2.140607 for each \$100 of assessed value and could increase its annual levy by approximately \$42 million based upon present assessed valuation before the limit is reached. However, the City is generally limited to a 3.5% annual increase in the property tax rate for maintenance and operations without obtaining voter approval.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE D -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

<u>Governmental Activities</u>	<u>Balances at 1/1/2023</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balances at 12/31/2023</u>
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 641,149	\$ -	\$ -	\$ 641,149
Construction in Progress	2,654,260	300,231	(2,248,379)	706,112
<i>Total Capital Assets Not Being Depreciated</i>	<u>3,295,409</u>	<u>300,231</u>	<u>(2,248,379)</u>	<u>1,347,261</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	4,703,193	37,400	361,496	5,102,089
Vehicles and Equipment	1,801,999	309,536	(137,553)	1,973,982
Infrastructure	19,793,944	-	1,886,883	21,680,827
Furniture and Fixtures	154,333	-	-	154,333
<i>Total Capital Assets Being Depreciated</i>	<u>26,453,469</u>	<u>346,936</u>	<u>2,110,826</u>	<u>28,911,231</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(944,025)	(107,590)	-	(1,051,615)
Vehicles and Equipment	(1,084,372)	(161,628)	117,534	(1,128,466)
Furniture and Fixtures	(136,708)	(8,655)	-	(145,363)
Infrastructure	(13,099,510)	(934,063)	-	(14,033,573)
<i>Total Accumulated Depreciation</i>	<u>(15,264,615)</u>	<u>(1,211,936)</u>	<u>117,534</u>	<u>(16,359,017)</u>
Total Capital Assets Being Depreciated, Net	<u>11,188,854</u>	<u>(865,000)</u>	<u>2,228,360</u>	<u>12,552,214</u>
Governmental Capital Assets, Net	<u>\$ 14,484,263</u>	<u>\$ (564,769)</u>	<u>\$ (20,019)</u>	<u>\$ 13,899,475</u>

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 20,928
Police Department	71,390
Fire Department	56,065
Development and Public Works	963,467
Administration	100,086
Total Depreciation Expense	<u>\$ 1,211,936</u>

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE E -- COMPENSATED ABSENCES

The changes in accrued compensated absences for the year ending December 31, 2023 were as follows:

Governmental Activities	Balance Outstanding 1/1/2023	Additions	Retirements	Balance Outstanding 12/31/2023	Due Within One Year
Compensated Absences	\$ 150,735	\$ 156,315	\$ (143,198)	\$ 163,852	\$ 163,852

The General Fund is responsible for liquidating compensated absences. Because the absences lapse based on employee anniversary date, the City anticipates all of the liability will be taken or paid out on termination in the subsequent reporting period.

NOTE F -- LONG-TERM DEBT

In July 2016, the City issued General Obligation Refunding Bonds, Series 2016 for \$7,375,000 to partially refund the series 2011 General Obligation Bonds. The bonds mature serially through 2031 and bear interest rates ranging from 1.95% to 4%. The bonds were privately placed with a bank and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

On advance refundings, the difference between the carrying amount of debt and the payment to the escrow agent to defease the debt is recorded as a deferred outflow of resources on the Statement of Net Position. The deferred outflow is amortized over the shorter of the defeased debts remaining term of the refunding obligations term.

Changes in the City's long-term debt during the fiscal year ending December 31, 2023 are as follows:

Governmental Activities	Balance Outstanding 1/1/2023	Additions	Retirements	Balance Outstanding 12/31/2023	Due Within One Year
2016 Series	\$ 6,250,000	\$ -	\$ (605,000)	\$ 5,645,000	\$ 620,000
Unamortized Premiums	206,726	-	(47,529)	159,197	-
Totals	<u>\$ 6,456,726</u>	<u>\$ -</u>	<u>\$ (652,529)</u>	<u>\$ 5,804,197</u>	<u>\$ 620,000</u>

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2023

NOTE F -- LONG-TERM DEBT (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2023, including interest payments, are as follows:

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 620,000	\$ 145,950	\$ 765,950
2025	650,000	120,520	770,520
2026	680,000	93,920	773,920
2027	705,000	73,446	778,446
2028	720,000	58,833	778,833
2029-2031	<u>2,270,000</u>	<u>78,184</u>	<u>2,348,184</u>
Total	<u>\$ 5,645,000</u>	<u>\$ 570,853</u>	<u>\$ 6,215,853</u>

NOTE G -- EMPLOYEE RETIREMENT SYSTEM

Texas Municipal Retirement System

Plan Description

The City participates as one of 895 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 annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS retirement system.

Benefits Provided

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

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

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2023

NOTE G -- EMPLOYEE RETIREMENT SYSTEM (Continued)

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	60
Active employees	47
	143
	143

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.

For the year ending December 31, 2023, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The City’s matching ratio is 2 to 1. The contribution rates for the City were 15.50% and 15.70% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended December 31, 2023 were \$484,769 and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.5% to 11.5%, including inflation
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE G -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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 (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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>
Global Equity	35%	7.70%
Core Fixed Income	6%	4.90%
Non-Core Fixed Income	20%	8.70%
Other Public and Private Markets	12%	8.10%
Real Estate	12%	5.80%
Hedge Funds	5%	6.90%
Private Equity	10%	11.80%
Total	<u>100%</u>	

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE G -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability 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 Liability.

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2022:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2021	\$ 17,736,251	\$ 16,295,658	\$ 1,440,593
Changes for the year:			
Service Cost	497,333	-	497,333
Interest	1,193,209	-	1,193,209
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(204,956)	-	(204,956)
Changes of Assumptions	-	-	-
Contributions - Employer	-	462,427	(462,427)
Contributions - Employee	-	208,838	(208,838)
Net Investment Income	-	(1,189,424)	1,189,424
Benefit Payments, Including Refunds of Employee Contributions	(615,497)	(615,497)	-
Administrative Expense	-	(10,293)	10,293
Other Changes	-	12,282	(12,282)
Net Changes	<u>870,089</u>	<u>(1,131,667)</u>	<u>2,001,756</u>
Balance at December 31, 2022	<u>\$ 18,606,340</u>	<u>\$ 15,163,991</u>	<u>\$ 3,442,349</u>

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE G -- EMPLOYEE RETIREMENT SYSTEM (Continued)

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability 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:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 6,537,749	\$ 3,442,349	\$ 966,080

The net pension liability will be serviced with the resources of the General Fund.

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.tmr.com.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended December 31, 2023, the City recognized pension expense of \$693,649. Also as of December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 164,197	\$ 151,442
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	1,039,479	-
Contributions Subsequent to the Measurement Date	484,769	-
	\$ 1,688,445	\$ 151,442

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2023

NOTE G -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Deferred outflows of resources in the amount of \$484,769 are related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the fiscal year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,		
2024	\$	94,972
2025		267,991
2026		231,398
2027		457,873
2028		-
Total	\$	<u><u>1,052,234</u></u>

NOTE H -- OTHER POST EMPLOYMENT BENEFIT

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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.

The General Fund is typically used to liquidate the supplemental death benefits fund liability.

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 postemployment benefit,” or OPEB. Membership in the plan at December 31, 2022 (the valuation and measurement date) consisted of:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>47</u>
	<u><u>79</u></u>

The city contributes to the SDBF at a contractually required rate. 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.

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2023

NOTE H -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

Contribution rates were as follows:

Calendar Year	Total Contribution	Retiree Portion
2021	0.22%	0.11%
2022	0.20%	0.11%
2023	0.30%	0.14%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. These assumptions are summarized below:

Inflation	2.5% per year
Overall Payroll Growth	3.5% to 11.5% per year, including inflation
Discount Rate	4.05%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE H -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

The changes in the City’s Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2022, were as follows:

	Total OPEB Liability
Balance at December 31, 2021	\$ 204,550
Changes for the year:	
Service Cost	8,950
Interest	3,816
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(14,559)
Changes of Assumptions	(65,812)
Benefit Payments, Including Refunds of Employee Contributions	(3,282)
Net Changes	(70,887)
Balance at December 31, 2022	\$ 133,663

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The following presents the TOL of the City, calculated using the discount rate of 1.84% as well as what the City’s TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate 3.05%	Discount Rate 4.05%	Discount Rate 5.05%
Total OPEB Liability (Asset)	\$ 159,024	\$ 133,663	\$ 113,864

Normally a portion of the TOL for untrusted benefits would be reported as a current for the full amount of the benefit payments expected to be paid within one year. The plan purchases term life insurance policies for retirees which are expected to be less than \$4,000. Because of the trivial nature of this benefit and to keep the statement of net position as simple as possible, the City reports the TOL as a noncurrent liability.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE H -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

For the year ended December 31, 2023, the City recognized OPEB expense of \$7,354. Also, as of December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 80,639
Changes in Actuarial Assumptions	31,045	-
Contributions Subsequent to the Measurement Date	4,323	-
	\$ 35,368	\$ 80,639

Deferred outflows of resources in the amount of \$4,323 are related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the fiscal year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year ended December 31,	
2024	\$ (5,412)
2025	(6,963)
2026	(6,315)
2027	(11,186)
2028	(11,977)
Thereafter	(7,741)
Total	\$ (49,594)

NOTE I -- INTERFUND TRANSFERS

During 2023, the General transferred \$1,600,000 to the capital projects and equipment replacement funds to save for future street projects and equipment purchases.

NOTE J -- TEXAS HIGHER EDUCATION AUTHORITY

On February 9, 1988, the City passed an ordinance creating a nonprofit corporation under Section 53.35(b) of The Texas Education Code. The creation of this nonprofit corporation established a Higher Education Authority (the Authority) for the purpose of assisting in the financing of University of The Incarnate Word. In December 1998, the City amended the articles of incorporation of the Authority in order to bring them into compliance with state law. The amendment allows the Authority to permit financing of accredited primary and secondary schools as provided by state law.

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2023

NOTE J -- TEXAS HIGHER EDUCATION AUTHORITY (CONTINUED)

The bonds issued by this nonprofit are secured solely from a pledge of the revenues derived by the local university for whose benefit the nonprofit corporation was established, resulting in no obligation for bonds by the City of Terrell Hills. In accordance with the terms establishing the nonprofit corporation, the City is not liable for any expenses incurred in establishing or administering the Higher Education Authority. The Higher Education Authority has issued the following obligation:

<u>Entity</u>	<u>Date of Issuance</u>	<u>Date of Maturity</u>	<u>Original Issuance</u>	<u>Estimated Amount Outstanding</u>
Schreiner University	2010	2025	\$ 15,660,000	\$ 2,656,000
Total			\$ 15,660,000	\$ 2,656,000

The Texas Higher Education Authority is not consolidated into the financial Statements of the City of Terrell Hills because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards.

NOTE K -- RISK MANAGEMENT

The City has identified possible risk of losses related to torts; theft of, damage to, or destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees; and other claims or various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts, although there are coverage limits of \$1,000,000 for general liability, law enforcement and errors and omissions.

NOTE L -- LITIGATION

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management and legal counsel are of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

NOTE M -- COMMITMENT

The City has an outstanding street project, playground renovation and generator upgrade project as of December 31, 2023. They also committed to purchasing two sanitation trucks as of year-end. The outstanding commitments as of December 31, 2023 are as follows:

<u>Project</u>	<u>Total Commitment</u>	<u>Incurred Through December 31, 2023</u>	<u>Estimated Future Commitment</u>
Tuttle Road Reconstruction	\$ 94,100	\$ -	\$ 94,100
Garraty Road Reconstruction	145,050	-	145,050
Sanitation Trucks (2)	346,950	-	346,950
Generators	322,000	-	322,000
	\$ 908,100	\$ -	\$ 908,100

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability and Related Ratios
- Schedule of Employer Contributions and Related Notes – Defined Benefit Pension Plan
- Schedule of Changes – Total Other Postemployment Benefit Liability and Related Ratios

CITY OF TERRELL HILLS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget Amounts		Actual	Variance With
	Original	Final		Final Budget
REVENUES				
Ad Valorem Taxes	\$ 5,951,671	\$ 5,951,671	\$ 6,044,461	\$ 92,790
Sales Tax	420,000	420,000	496,225	76,225
Franchise Tax	450,600	450,600	458,363	7,763
Charges for Services	485,000	485,000	455,514	(29,486)
Fines and Forfeitures	5,302	5,302	9,447	4,145
Interest Income	12,000	12,000	193,754	181,754
Other	16,920	16,920	45,348	28,428
TOTAL REVENUES	<u>7,341,493</u>	<u>7,341,493</u>	<u>7,703,112</u>	<u>361,619</u>
EXPENDITURES				
General Government	1,483,805	1,483,805	1,291,924	191,881
Police Department	1,467,589	1,467,589	1,330,263	137,326
Fire Department	1,600,562	1,600,562	1,507,291	93,271
Development and Public Works	1,289,570	1,289,570	1,242,824	46,746
Administration	449,967	449,967	437,395	12,572
TOTAL EXPENDITURES	<u>6,291,493</u>	<u>6,291,493</u>	<u>5,809,697</u>	<u>481,796</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,893,415</u>	<u>843,415</u>
OTHER FINANCING SOURCES (USES)				
Transfer Out	(1,600,000)	(1,600,000)	(1,600,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>-</u>
Net Change in Fund Balance	(550,000)	(550,000)	293,415	843,415
BEGINNING FUND BALANCE	6,728,335	6,728,335	6,728,335	-
Prior Period Adjustment (See Note A21)	-	-	150,735	150,735
ENDING FUND BALANCE	<u>\$ 6,178,335</u>	<u>\$ 6,178,335</u>	<u>\$ 7,172,485</u>	<u>\$ 994,150</u>

CITY OF TERRELL HILLS, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DECEMBER 31, 2023

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following funds have legally adopted annual budgets: General Fund and Debt Service Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. Actual expenditures did not exceed appropriations in the General Fund.

CITY OF TERRELL HILLS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS
LAST NINE PLAN YEARS
(BASED ON PRIOR CALENDAR YEAR PLAN VALUATIONS)

	Total Pension Liability		
	2014	2015	2016
Service Cost	\$ 314,319	\$ 346,645	\$ 345,295
Interest (on the Total Pension Liability)	740,979	783,957	777,760
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(119,368)	(488,811)	68,815
Change of Assumptions	-	60,058	-
Benefit Payments, Including Refunds of Employee Contributions	(364,652)	(311,611)	(444,747)
Net Change in Total Pension Liability	571,278	390,238	747,123
Total Pension Liability - Beginning	10,610,585	11,181,863	11,572,101
Total Pension Liability - Ending	<u>\$ 11,181,863</u>	<u>\$ 11,572,101</u>	<u>\$ 12,319,224</u>
	Plan Fiduciary Net Position		
	2014	2015	2016
Contributions - Employer	\$ 293,555	\$ 314,534	\$ 304,415
Contributions - Employee	140,682	145,956	144,274
Net Investment Income	523,524	14,370	668,615
Benefit Payments, Including Refunds of Employee Contributions	(364,652)	(311,611)	(444,747)
Administrative Expense	(5,466)	(8,753)	(7,551)
Other	(449)	(433)	(407)
Net Change in Plan Fiduciary Net Position	587,194	154,063	664,599
Plan Fiduciary Net Position - Beginning	9,151,461	9,738,655	9,892,718
Net Pension Liability - Ending	<u>\$ 9,738,655</u>	<u>\$ 9,892,718</u>	<u>\$ 10,557,317</u>
Net Pension Liability (Asset) - Ending	\$ 1,443,208	\$ 1,679,383	\$ 1,761,907
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.09%	85.49%	85.70%
Covered Payroll	\$ 2,344,697	\$ 2,432,593	\$ 2,404,558
Net Pension Liability as a Percentage of Covered Payroll	61.55%	69.04%	73.27%

Note: 10-year historical trend information is being developed prospectively and additional years' information will be displayed as it becomes available.

Total Pension Liability					
2017	2018	2019	2020	2021	2022
\$ 374,523	\$ 459,306	\$ 471,461	\$ 497,721	\$ 511,007	\$ 497,333
823,547	929,757	989,150	1,048,784	1,106,801	1,193,209
-	747,049	-	-	-	-
129,539	(47,950)	(20,565)	6,426	352,808	(204,956)
-	-	(16,029)	-	-	-
<u>(611,573)</u>	<u>(475,578)</u>	<u>(459,015)</u>	<u>(648,326)</u>	<u>(751,816)</u>	<u>(615,497)</u>
716,036	1,612,584	965,002	904,605	1,218,800	870,089
12,319,224	13,035,260	14,647,844	15,612,846	16,517,451	17,736,251
<u>\$13,035,260</u>	<u>\$14,647,844</u>	<u>\$15,612,846</u>	<u>\$16,517,451</u>	<u>\$17,736,251</u>	<u>\$18,606,340</u>

Plan Fiduciary Net Position					
2017	2018	2019	2020	2021	2022
\$ 306,683	\$ 326,407	\$ 432,761	\$ 451,620	\$ 474,917	\$ 462,427
157,005	163,067	197,737	205,549	212,288	208,838
1,463,398	(355,415)	1,780,572	1,021,344	1,887,814	(1,189,425)
(611,573)	(475,578)	(459,015)	(648,326)	(751,816)	(615,497)
(7,583)	(6,869)	(10,060)	(6,610)	(8,735)	(10,293)
(383)	(359)	(301)	(258)	59	12,283
1,307,547	(348,747)	1,941,694	1,023,319	1,814,527	(1,131,667)
10,557,317	11,864,864	11,516,117	13,457,812	14,481,131	16,295,658
<u>\$11,864,864</u>	<u>\$11,516,117</u>	<u>\$13,457,812</u>	<u>\$14,481,131</u>	<u>\$16,295,658</u>	<u>\$15,163,991</u>

\$ 1,170,396	\$ 3,131,727	\$ 2,155,034	\$ 2,036,320	\$ 1,440,593	\$ 3,442,349
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91.02%	78.62%	86.20%	87.67%	91.88%	81.50%
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\$ 2,609,916	\$ 2,717,789	\$ 2,824,810	\$ 2,936,408	\$ 3,032,681	\$ 2,983,401
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44.84%	115.23%	76.29%	69.35%	47.50%	115.38%
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CITY OF TERRELL HILLS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES - TOTAL OPEB LIABILITY
 LAST SIX PLAN YEARS

	Total OPEB Liability					
	2017	2018	2019	2020	2021	2022
Service Cost	\$ 4,698	\$ 5,436	\$ 5,085	\$ 7,635	\$ 8,795	\$ 8,950
Interest (on the Total OPEB Liability)	4,433	4,546	4,814	4,533	3,912	3,816
Changes of Benefit Terms	-	-	-	-	-	-
Difference between Expected and Actual Experience	-	(6,495)	(3,373)	(6,740)	(4,067)	(14,559)
Change of Assumptions	11,369	(10,062)	28,293	27,033	6,355	(65,812)
Benefit Payments, Including Refunds of Employee Contributions	(783)	(815)	(847)	(1,175)	(3,336)	(3,282)
Net Change in Total OPEB Liability	19,717	(7,390)	33,972	31,286	11,659	(70,887)
Total OPEB Liability - Beginning	115,306	135,023	127,633	161,605	192,891	204,550
Total OPEB Liability - Ending	<u>\$ 135,023</u>	<u>\$ 127,633</u>	<u>\$ 161,605</u>	<u>\$ 192,891</u>	<u>\$ 204,550</u>	<u>\$ 133,663</u>
Covered-Employee Payroll	\$ 2,609,916	\$ 2,717,789	\$ 2,824,810	\$ 2,936,408	\$ 3,032,681	\$ 2,983,401
Total OPEB Liability as a Percentage of Covered-Employee Payroll	5.17%	4.70%	5.72%	6.57%	6.74%	4.48%
Discount Rate	3.31%	3.71%	2.75%	2.00%	1.84%	4.05%

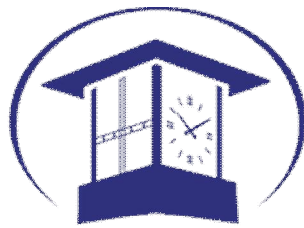
No assets are held in a trust to fund this benefit.

There have been no changes to benefits or assumptions other than the discount rate.

Actuarial Assumptions

Inflation	2.5% per year
Overall Payroll Growth	3.5% to 11.5% per year, including inflation
Discount Rate	4.05%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Information for this schedule is being accumulated until 10-years are presented.



CITY OF
TERRELL HILLS
TEXAS

SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Statements – Police Forfeiture
- Comparative Statements – General Fund
- Comparative Statements – Debt Service Fund
- Comparative Statements – Capital Projects Fund
- Comparative Statements – Equipment Replacement Fund

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - POLICE FORFEITURE
 DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 418,393	\$ 491,063
TOTAL ASSETS	\$ 418,393	\$ 491,063
LIABILITIES AND FUND BALANCE		
<i>Fund Balance:</i>		
Restricted for Police Department	418,393	491,063
<i>Total Fund Balance</i>	418,393	491,063
TOTAL LIABILITIES AND FUND BALANCE	\$ 418,393	\$ 491,063

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - POLICE FORFEITURE
 FOR THE FISCAL YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUES		
Fines and Forfeitures	\$ 35,950	\$ 123,193
TOTAL REVENUES	35,950	123,193
 EXPENDITURES		
Police Department	24,699	35,746
Capital Outlay	83,921	133,862
TOTAL EXPENDITURES	108,620	169,608
 Net Change in Fund Balance	(72,670)	(46,415)
 BEGINNING FUND BALANCE	491,063	537,478
 ENDING FUND BALANCE	\$ 418,393	\$ 491,063

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - GENERAL FUND
 DECEMBER 31, 2023 AND 2022

	2023	2022*
ASSETS		
Cash and Cash Equivalents	\$ 5,054,145	\$ 4,670,690
Receivables:		
Property Tax (net of uncollectibles)	3,061,592	2,893,808
Sales Tax and Franchise Taxes Receivables	148,861	158,120
Prepaid Items	24,149	1,002
TOTAL ASSETS	\$ 8,288,747	\$ 7,723,620
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 139,633	\$ 46,903
<i>Total Liabilities</i>	139,633	46,903
 <i>Deferred Inflows:</i>		
Unavailable Property Tax Revenue	976,629	797,647
<i>Total Deferred Inflows</i>	976,629	797,647
 <i>Fund Balance:</i>		
Nonspendable Prepaid Items	24,149	1,002
Unassigned	7,148,336	6,878,068
<i>Total Fund Balance</i>	7,172,485	6,879,070
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 8,288,747	\$ 7,723,620

*Restated from results of a prior period adjustment.

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022*
REVENUES		
Ad Valorem Taxes	\$ 6,044,461	\$ 5,807,455
Sales Tax	496,225	511,609
Franchise Taxes	458,363	496,734
Charges for Services	455,514	490,257
Grants	-	434,188
Fines and Forfeitures	9,447	6,853
Interest Income	193,754	28,285
Other	45,348	20,579
TOTAL REVENUES	7,703,112	7,795,960
EXPENDITURES		
<i>Current:</i>		
General Government	1,291,924	1,153,881
Police Department	1,330,263	1,294,055
Fire Department	1,493,072	1,447,501
Development and Public Works	1,242,824	1,170,011
Administration	437,395	413,699
Capital Outlay	14,219	13,772
TOTAL EXPENDITURES	5,809,697	5,492,919
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,893,415	2,303,041
OTHER FINANCING SOURCES (USES)		
Transfers Out	(1,600,000)	(1,059,000)
TOTAL OTHER FINANCING SOURCES(USES)	(1,600,000)	(1,059,000)
Net Change in Fund Balance	293,415	1,244,041
Fund Balance at Beginning of Year	6,879,070	5,635,029
Fund Balance at End of Year	\$ 7,172,485	\$ 6,879,070

*Restated from results of a prior period adjustment.

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - DEBT SERVICE FUND
 DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 438,312	\$ 421,100
Property Taxes Receivable (net of uncollectibles)	390,322	391,786
TOTAL ASSETS	\$ 828,634	\$ 812,886
 DEFERRED INFLOWS AND FUND BALANCE		
<i>Deferred Inflows:</i>		
Unavailable Property Tax Revenue	\$ 123,433	\$ 106,942
<i>Total Deferred Inflows</i>	123,433	106,942
 <i>Fund Balance</i>		
Restricted for Debt Service	705,201	705,944
 TOTAL LIABILITIES AND DEFERRED INFLOWS	 \$ 828,634	 \$ 812,886

CITY OF TERRELL HILLS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2022)

	Budget Amounts		2023 Actual	Variance	2022 Actual
	Original	Final		With Final Budget	
REVENUES					
Ad Valorem Taxes	\$ 775,420	\$ 775,420	\$ 775,427	\$ 7	\$ 788,367
TOTAL REVENUES	<u>775,420</u>	<u>775,420</u>	<u>775,427</u>	<u>7</u>	<u>788,367</u>
EXPENDITURES					
Principal	605,000	605,000	605,000	-	575,000
Interest and Fiscal Charges	170,420	170,420	171,170	(750)	194,770
TOTAL EXPENDITURES	<u>775,420</u>	<u>775,420</u>	<u>776,170</u>	<u>(750)</u>	<u>769,770</u>
Net Change in Fund Balance	-	-	(743)	(743)	18,597
BEGINNING FUND BALANCE	<u>705,944</u>	<u>705,944</u>	<u>705,944</u>	<u>-</u>	<u>687,347</u>
ENDING FUND BALANCE	<u>\$ 705,944</u>	<u>\$ 705,944</u>	<u>\$ 705,201</u>	<u>\$ (743)</u>	<u>\$ 705,944</u>

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - CAPITAL PROJECTS FUND
 DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 2,232,659	\$ 1,405,514
Sales Taxes Receivable	14,127	15,928
	TOTAL ASSETS	\$ 1,421,442
	\$ 2,246,786	\$ 1,421,442
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ 446,482
<i>Total Liabilities</i>	-	446,482
 <i>Fund Balance:</i>		
Committed for Street Improvements	2,246,786	974,960
<i>Total Fund Balance</i>	2,246,786	974,960
	TOTAL LIABILITIES AND FUND BALANCE	\$ 1,421,442
	\$ 2,246,786	\$ 1,421,442

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - CAPITAL PROJECTS FUND
 FOR THE FISCAL YEARS ENDED DECEMBER 31, 2023 AND 2022

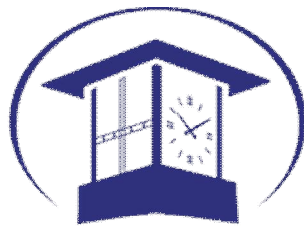
	2023	2022
REVENUES		
Street Sales Tax	\$ 124,056	\$ 127,902
TOTAL REVENUES	124,056	127,902
 EXPENDITURES		
Capital Outlay	2,230	1,764,287
TOTAL EXPENDITURES	2,230	1,764,287
 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	121,826	(1,636,385)
 OTHER FINANCING SOURCES (USES)		
Transfers In	1,150,000	900,000
TOTAL OTHER FINANCING SOURCES(USES)	1,150,000	900,000
 Net Change in Fund Balance	1,271,826	(736,385)
 Fund Balances at Beginning of Year	974,960	1,711,345
 Fund Balances at End of Year	\$ 2,246,786	\$ 974,960

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - EQUIPMENT REPLACEMENT FUND
 DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 1,057,862	\$ 830,507
TOTAL ASSETS	\$ 1,057,862	\$ 830,507
 LIABILITIES AND FUND BALANCE		
<i>Fund Balance:</i>		
Committed for Equipment Replacement	1,057,862	830,507
<i>Total Fund Balance</i>	1,057,862	830,507
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,057,862	\$ 830,507

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - EQUIPMENT REPLACEMENT FUND
 FOR THE FISCAL YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUES	\$ -	\$ -
EXPENDITURES		
Capital Outlay	263,015	795,431
TOTAL EXPENDITURES	263,015	795,431
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(263,015)	(795,431)
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	40,370	22,000
Transfers In	450,000	159,000
TOTAL OTHER FINANCING SOURCES(USES)	490,370	181,000
Net Change in Fund Balance	227,355	(614,431)
Fund Balances at Beginning of Year	830,507	1,444,938
Fund Balances at End of Year	\$ 1,057,862	\$ 830,507



CITY OF
TERRELL HILLS
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STATISTICAL SECTION

This part of the City of Terrell Hills' annual comprehensive financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends – Tables 1 through 4

Net Position by Component
Change in Net Position
Fund Balances, Governmental Funds
Changes in Fund Balances, Governmental Funds

These schedules contain trend information to help reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity – Tables 5 through 9

Tax Revenue by Source, Governmental Funds
Assessed Value and Actual Taxable Property
Direct and Overlapping Property Tax Rates
Principal Property Taxpayers
Property Tax Levies and Collections

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity – Tables 10 through 13

Ratios of Outstanding Debt by Type
Ratios of General Bonded Debt
Direct and Overlapping Governmental Activities Debt
Debt Margin Information

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information – Tables 14 and 15

Demographic and Economic Statistics
Principal Employers

These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information (Tables 16 through 18)

Full-time Equivalent City Government Employees by Function
Operating Indicators by Function/Program
Capital Asset Statistics by Function/Program

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

CITY OF TERRELL HILLS, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year			
	2014	2015	2016	2017
<i>Governmental Activities:</i>				
Net Investment in Capital Assets	\$ 5,783,091	\$ 7,049,113	\$ 6,501,017	\$ 6,856,720
Restricted	820,845	794,545	782,137	727,132
Unrestricted	<u>6,229,590</u>	<u>4,115,541</u>	<u>4,731,461</u>	<u>4,855,438</u>
<i>Total Governmental Activities</i>				
<i>Net Position</i>	<u>\$ 12,833,526</u>	<u>\$ 11,959,199</u>	<u>\$ 12,014,615</u>	<u>\$ 12,439,290</u>
 <i>Primary Government:</i>				
Net Investment in Capital Assets	\$ 5,783,091	\$ 7,049,113	\$ 6,501,017	\$ 6,856,720
Restricted	820,845	794,545	782,137	727,132
Unrestricted	<u>6,229,590</u>	<u>4,115,541</u>	<u>4,731,461</u>	<u>4,855,438</u>
<i>Total Primary Government</i>				
<i>Net Position</i>	<u>\$ 12,833,526</u>	<u>\$ 11,959,199</u>	<u>\$ 12,014,615</u>	<u>\$ 12,439,290</u>

*Note:

GASB Statement No. 68 has been prospectively implemented beginning in fiscal year 2015.
GASB Statement No. 75 has been prospectively implemented beginning in fiscal year 2018.

TABLE 1

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 6,535,717	\$ 5,882,491	\$ 5,676,222	\$ 6,163,201	\$ 8,308,443	\$ 8,311,600
829,322	835,285	811,964	1,249,226	1,223,107	1,176,019
<u>5,432,539</u>	<u>5,814,942</u>	<u>6,853,400</u>	<u>7,357,686</u>	<u>7,458,485</u>	<u>9,205,630</u>
<u>\$ 12,797,578</u>	<u>\$ 12,532,718</u>	<u>\$ 13,341,586</u>	<u>\$ 14,770,113</u>	<u>\$ 16,990,035</u>	<u>\$ 18,693,249</u>
\$ 6,535,717	\$ 5,882,491	\$ 5,676,222	\$ 6,163,201	\$ 8,308,443	\$ 8,311,600
829,322	835,285	811,964	1,249,226	1,223,107	1,176,019
<u>5,432,539</u>	<u>5,814,942</u>	<u>6,853,400</u>	<u>7,357,686</u>	<u>7,458,485</u>	<u>9,205,630</u>
<u>\$ 12,797,578</u>	<u>\$ 12,532,718</u>	<u>\$ 13,341,586</u>	<u>\$ 14,770,113</u>	<u>\$ 16,990,035</u>	<u>\$ 18,693,249</u>

CITY OF TERRELL HILLS, TEXAS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2014	2015	2016	2017
Expenses				
<i>Governmental Activities:</i>				
General Government	\$ 917,083	\$ 923,164	\$ 1,080,866	\$ 952,370
Police Department	1,165,805	1,245,289	1,261,403	1,277,882
Fire Department	1,112,167	1,134,588	1,159,771	1,258,681
Development and Public Works	1,602,510	1,572,481	1,656,655	1,782,424
Administration	355,950	373,149	399,893	393,786
Interest on Long-Term Debt	339,269	334,802	379,680	282,042
<i>Total Governmental Activities Expenses</i>	<u>5,492,784</u>	<u>5,583,473</u>	<u>5,938,268</u>	<u>5,947,185</u>
Program Revenues				
<i>Governmental Activities:</i>				
Charges for Services	285,875	280,393	325,779	335,299
Operating Grants and Contributions	6,103	2,770	32,933	19,804
Capital Grants and Contributions	-	-	-	-
<i>Total Governmental Activities Program Revenues</i>	<u>291,978</u>	<u>283,163</u>	<u>358,712</u>	<u>355,103</u>
Net (Expenses) Revenue				
Governmental Activities	(5,200,806)	(5,300,310)	(5,579,556)	(5,592,082)
Total Primary Government Net Expenses	<u>\$ (5,200,806)</u>	<u>\$ (5,300,310)</u>	<u>\$ (5,579,556)</u>	<u>\$ (5,592,082)</u>
Governmental Revenues and Other Changes in Net Position				
<i>Governmental Activities:</i>				
Taxes:				
General Property Taxes	\$ 4,519,059	\$ 4,628,850	\$ 4,831,167	\$ 5,149,850
Franchise Taxes	460,832	472,875	466,525	469,074
Sales Taxes	242,959	278,993	300,735	364,435
General Grants	-	-	-	-
Interest and Investment Earnings	10,700	6,697	7,681	9,188
Miscellaneous	19,617	29,982	28,864	24,210
<i>Total Governmental Activities</i>	<u>5,253,167</u>	<u>5,417,397</u>	<u>5,634,972</u>	<u>6,016,757</u>
Total Primary Government	<u>\$ 5,253,167</u>	<u>\$ 5,417,397</u>	<u>\$ 5,634,972</u>	<u>\$ 6,016,757</u>
Changes In Net Position				
Government Activities	\$ 52,361	\$ 117,087	\$ 55,416	\$ 424,675
Total Primary Government	<u>\$ 52,361</u>	<u>\$ 117,087</u>	<u>\$ 55,416</u>	<u>\$ 424,675</u>

*Note:

GASB Statement No. 68 has been prospectively implemented beginning in fiscal year 2015.
GASB Statement No. 75 has been prospectively implemented beginning in fiscal year 2018.

TABLE 2

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 984,610	\$ 961,543	\$ 1,002,940	\$ 1,054,135	\$ 1,163,679	\$ 1,312,852
1,246,087	1,589,983	1,348,265	1,351,156	1,345,351	1,478,936
1,239,810	1,662,432	1,377,123	1,360,151	1,419,690	1,642,642
1,934,539	2,216,265	2,023,737	2,021,428	2,076,485	2,250,815
462,217	589,767	524,433	495,781	497,330	571,303
272,282	263,237	254,094	234,355	204,811	178,391
<u>6,139,545</u>	<u>7,283,227</u>	<u>6,530,592</u>	<u>6,517,006</u>	<u>6,707,346</u>	<u>7,434,939</u>
320,389	425,657	535,612	513,199	497,110	464,961
119,630	13,636	5,921	482,093	123,193	35,950
-	-	-	-	-	-
<u>440,019</u>	<u>439,293</u>	<u>541,533</u>	<u>995,292</u>	<u>620,303</u>	<u>500,911</u>
<u>(5,699,526)</u>	<u>(6,843,934)</u>	<u>(5,989,059)</u>	<u>(5,521,714)</u>	<u>(6,097,043)</u>	<u>(6,934,028)</u>
<u>\$ (5,699,526)</u>	<u>\$ (6,843,934)</u>	<u>\$ (5,989,059)</u>	<u>\$ (5,521,714)</u>	<u>\$ (6,097,043)</u>	<u>\$ (6,934,028)</u>
\$ 5,301,071	\$ 5,661,706	\$ 5,757,903	\$ 5,946,932	\$ 6,558,592	\$ 7,015,362
473,990	448,533	396,917	432,083	496,734	458,363
342,795	387,631	453,257	505,102	639,511	620,282
-	-	-	-	551,265	283,782
29,921	38,004	8,057	2,808	28,285	193,754
24,567	43,200	181,793	63,316	42,578	65,699
<u>6,172,344</u>	<u>6,579,074</u>	<u>6,797,927</u>	<u>6,950,241</u>	<u>8,316,965</u>	<u>8,637,242</u>
<u>\$ 6,172,344</u>	<u>\$ 6,579,074</u>	<u>\$ 6,797,927</u>	<u>\$ 6,950,241</u>	<u>\$ 8,316,965</u>	<u>\$ 8,637,242</u>
\$ 472,818	\$ (264,860)	\$ 808,868	\$ 1,428,527	\$ 2,219,922	\$ 1,703,214
<u>\$ 472,818</u>	<u>\$ (264,860)</u>	<u>\$ 808,868</u>	<u>\$ 1,428,527</u>	<u>\$ 2,219,922</u>	<u>\$ 1,703,214</u>

CITY OF TERRELL HILLS, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

	Fiscal Year			
	2014	2015	2016	2017
General Fund				
Nonspendable	\$ 14,159	\$ 109,303	\$ -	\$ 24,864
Restricted	138,935	93,247	78,516	-
Unassigned	<u>3,655,253</u>	<u>3,760,557</u>	<u>4,019,168</u>	<u>4,741,523</u>
Total General Fund	<u>\$ 3,808,347</u>	<u>\$ 3,963,107</u>	<u>\$ 4,097,684</u>	<u>\$ 4,766,387</u>
All Other Governmental Funds				
Reported In:				
Capital Project Funds	\$ 2,235,041	\$ 862,536	\$ 1,384,819	\$ 916,574
Debt Service Funds	695,330	715,522	701,280	740,634
Special Revenue Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,112</u>
Total All Other Governmental Funds	<u>\$ 2,930,371</u>	<u>\$ 1,578,058</u>	<u>\$ 2,086,099</u>	<u>\$ 1,662,320</u>

TABLE 3

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 23,734	\$ -	\$ 28,708	\$ 30,432	\$ 1,002	\$ 24,149
-	-	-	-	-	-
<u>5,055,222</u>	<u>4,491,217</u>	<u>5,361,710</u>	<u>5,604,597</u>	<u>6,878,068</u>	<u>7,148,336</u>
<u><u>\$ 5,078,956</u></u>	<u><u>\$ 4,491,217</u></u>	<u><u>\$ 5,390,418</u></u>	<u><u>\$ 5,635,029</u></u>	<u><u>\$ 6,879,070</u></u>	<u><u>\$ 7,172,485</u></u>
\$ 1,093,387	\$ 2,840,046	\$ 3,059,337	\$ 3,156,283	\$ 1,805,467	\$ 3,304,648
721,060	716,382	728,154	687,347	705,944	705,201
<u>102,873</u>	<u>99,803</u>	<u>64,287</u>	<u>537,478</u>	<u>491,063</u>	<u>418,393</u>
<u><u>\$ 1,917,320</u></u>	<u><u>\$ 3,656,231</u></u>	<u><u>\$ 3,851,778</u></u>	<u><u>\$ 4,381,108</u></u>	<u><u>\$ 3,002,474</u></u>	<u><u>\$ 4,428,242</u></u>

CITY OF TERRELL HILLS, TEXAS
CHANGES IN FUND BALANCE
LAST TEN FISCAL YEARS

	Fiscal Year			
	2014	2015	2016	2017
REVENUES				
Ad Valorem Taxes	\$ 4,470,885	\$ 4,616,599	\$ 4,817,404	\$ 5,282,410
Sales Taxes	242,959	278,993	300,735	364,435
Franchise Taxes	460,832	472,875	466,525	469,074
Charges for Services	264,302	262,282	304,376	321,116
Grants	-	-	-	-
Fines and Forfeitures	27,476	18,111	53,336	33,687
Interest Income	6,809	5,037	6,655	9,188
Other	19,779	17,546	16,554	13,496
TOTAL REVENUES	5,493,042	5,671,443	5,965,585	6,493,406
EXPENDITURES				
Current:				
General Government	895,495	879,357	969,681	902,474
Police Department	1,121,361	1,204,765	1,196,053	1,206,756
Fire Department	1,084,238	1,108,567	1,079,789	1,198,078
Development and Public Works	900,037	870,256	819,902	960,681
Administration	240,793	284,504	371,934	304,965
Capital Projects/Outlay	588,298	1,771,614	146,020	1,004,339
Debt Service:				
Principal	430,000	430,000	435,000	435,000
Interest and Fiscal Charges	340,846	336,803	184,776	272,858
Bond Issue Costs	-	-	86,158	-
TOTAL EXPENDITURES	5,601,068	6,885,866	5,289,313	6,285,151
Excess (Deficiency) of Revenues Over (Under) Expenditures	(108,026)	(1,214,423)	676,272	208,255
OTHER FINANCING SOURCES (USES)				
Issuance of Bonded Debt	-	-	7,375,000	-
Premium From Issuance of Debt	-	-	578,561	-
Sales of Capital Assets	11,805	16,870	27,055	36,669
Payments to Refunding Escrow Agent	-	-	(8,014,270)	-
TOTAL OTHER FINANCING SOURCES (USES)	11,805	16,870	(33,654)	36,669
Net Change in Fund Balance	\$ (96,221)	\$ (1,197,553)	\$ 642,618	\$ 244,924
Debt Service Expenditures as a Percent of Non-capital expenditures	15.4%	15.0%	13.7%	13.4%

TABLE 4

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 5,130,583	\$ 5,508,442	\$ 5,770,104	\$ 5,940,399	\$ 6,595,822	\$ 6,819,888
342,794	387,632	453,257	505,102	639,511	620,281
473,990	448,533	396,917	432,083	496,734	458,363
302,390	405,108	529,542	503,905	490,257	455,514
-	-	-	-	551,265	283,782
137,628	34,186	11,991	491,387	130,046	45,397
29,922	38,006	8,057	2,808	28,285	193,754
21,997	43,200	147,134	58,869	20,579	45,348
<u>6,439,304</u>	<u>6,865,107</u>	<u>7,317,002</u>	<u>7,934,553</u>	<u>8,952,499</u>	<u>8,922,327</u>
972,348	964,201	993,378	1,044,045	1,153,881	1,291,924
1,220,777	1,241,081	1,313,893	1,366,496	1,329,801	1,354,962
1,215,561	1,298,451	1,312,584	1,373,505	1,447,501	1,493,072
1,010,601	1,084,182	1,112,279	1,112,088	1,170,011	1,242,824
359,974	381,606	411,254	400,988	413,699	437,395
381,985	39,868	415,020	1,137,460	2,824,429	647,167
460,000	460,000	465,000	550,000	575,000	605,000
253,059	244,546	233,506	217,270	194,770	171,170
-	-	-	-	-	-
<u>5,874,305</u>	<u>5,713,935</u>	<u>6,256,914</u>	<u>7,201,852</u>	<u>9,109,092</u>	<u>7,243,514</u>
564,999	1,151,172	1,060,088	732,701	(156,593)	1,678,813
-	-	-	-	-	-
-	-	-	-	-	-
2,570	-	34,660	41,240	22,000	40,370
-	-	-	-	-	-
<u>2,570</u>	<u>-</u>	<u>34,660</u>	<u>41,240</u>	<u>22,000</u>	<u>40,370</u>
<u>\$ 567,569</u>	<u>\$ 1,151,172</u>	<u>\$ 1,094,748</u>	<u>\$ 773,941</u>	<u>\$ (134,593)</u>	<u>\$ 1,719,183</u>
13.0%	12.4%	11.9%	12.7%	12.2%	11.8%

CITY OF TERRELL HILLS, TEXAS
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Total
2014	\$ 4,470,885	\$ 242,959	\$ 460,832	\$ 5,174,676
2015	4,616,599	278,993	472,875	5,368,467
2016	4,817,404	300,735	466,525	5,584,664
2017	5,282,410	364,435	469,074	6,115,919
2018	5,130,583	342,794	473,990	5,947,367
2019	5,508,442	387,632	448,533	6,344,607
2020	5,770,104	453,257	396,917	6,620,278
2021	5,940,399	505,102	432,083	6,877,584
2021	6,595,822	639,511	496,734	7,732,067
2023	6,819,888	620,281	458,363	7,898,532

CITY OF TERRELL HILLS, TEXAS
 ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

TABLE 6

Fiscal Year Ended December 31,	Residential Property	Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value*	Total Direct Tax Rate
2014	\$ 1,192,902,448	\$ 34,407,918	\$ 14,165,923	\$ 1,213,144,443	0.370525
2015	1,348,575,687	37,552,394	52,682,797	1,333,445,284	0.345906
2016	1,413,951,625	38,961,001	36,260,166	1,416,652,460	0.339538
2017	1,468,772,385	43,427,803	38,057,415	1,474,142,773	0.347673
2018	1,512,481,536	43,322,224	34,812,569	1,520,991,191	0.347673
2019	1,529,138,696	42,652,916	26,263,387	1,545,528,225	0.365000
2020	1,560,808,509	47,068,010	31,645,567	1,576,230,952	0.365000
2021	1,610,774,512	47,732,909	40,641,736	1,617,865,685	0.365000
2022	1,785,342,934	49,969,922	69,178,417	1,766,134,439	0.369784
2023	1,944,250,283	89,762,340	78,721,313	1,955,291,310	0.359393

Source: Bexar Appraisal District.

* Total Taxable Assessed Value and Total Estimated Actual Value of taxable property is the same.

CITY OF TERRELL HILLS, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS

TABLE 7

<u>City Direct Rates</u>			
Fiscal Period	General M&O	Debt Service	Total Direct
2014	0.305814	0.064711	0.370525
2015	0.287736	0.058170	0.345906
2016	0.284670	0.054868	0.339538
2017	0.299253	0.048420	0.347673
2018	0.300656	0.047017	0.347673
2019	0.319823	0.045177	0.365000
2020	0.319918	0.045082	0.365000
2021	0.320112	0.044888	0.365000
2022	0.325546	0.044238	0.369784
2023	0.318609	0.040784	0.359393

<u>Overlapping Rates</u>							
Fiscal Period	Alamo Heights ISD	Bexar County	Bexar County Flood	San Antonio River Authority	University Health System	Alamo Community College	Total Overlapping
2014	1.205000	0.283821	0.030679	0.017500	0.276235	0.149150	1.962385
2015	1.195000	0.283821	0.030679	0.017500	0.276235	0.149150	1.952385
2016	1.195000	0.297500	0.017000	0.017290	0.276235	0.149150	1.952175
2017	1.195000	0.293250	0.015700	0.017290	0.293250	0.149150	1.963640
2018	1.255000	0.291229	0.012870	0.017290	0.276235	0.149150	2.001774
2019	1.195000	0.277429	0.023670	0.018580	0.276235	0.149150	1.940064
2020	1.196400	0.277429	0.023670	0.018580	0.276235	0.149150	1.941464
2021	1.193400	0.276331	0.023668	0.018580	0.276235	0.149150	1.937364
2022	1.135500	0.276331	0.023668	0.018360	0.276235	0.149150	1.879244
2023	0.966600	0.276331	0.023668	0.018000	0.276235	0.149150	1.709984

Source: Bexar County Tax Office

CITY OF TERRELL HILLS, TEXAS
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT AND NINE YEARS AGO

TABLE 8

<u>Taxpayer</u>	<u>2023</u>			<u>2014</u>		
	Taxable	<u>Rank</u>	Percentage	Taxable	<u>Rank</u>	Percentage
	Assessed		of Total City	Assessed		of Total City
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
EAN Holdings LLC	\$ 31,462,140	1	1.61%			
Michael & Candace Humphreys	10,000,000	2	0.51%	12,200,090	1	1.02%
West Kittie	6,836,790	3	0.35%			
Otterby Real Estate Trust	6,334,500	4	0.32%			
Berkley V & Bonnie Dawson	5,708,260	5	0.29%	5,045,200	3	0.42%
Edward E Jr & Linda L Whitacre	5,534,265	6	0.28%	5,489,650	2	0.46%
Stephen & Susan Butt	5,471,310	7	0.28%			
Thomas O & Maria A Brundage	5,161,520	8	0.26%			
Nicolas & Aliece R Hollis	5,004,550	9	0.26%	4,079,957	5	0.34%
Aaron McKee	4,983,300	10	0.25%			
Thomas Moorman				4,825,850	4	0.40%
John & Laura Zachry				4,050,000	6	0.34%
Patricia Cerisola				3,960,000	7	0.33%
Richard & Mary Azar				3,945,000	8	0.33%
James & Kristine Ellis				3,850,000	9	0.32%
Annabell Sweeney Ames				3,641,330	10	0.31%
Total	<u>\$ 86,496,635</u>		<u>4.42%</u>	<u>\$ 51,087,077</u>		<u>4.28%</u>
 Taxable Value of	 1,955,291,310			 1,192,902,448		

Source: Bexar County Appraisal District

CITY OF TERRELL HILLS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

TABLE 9

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the		Collections In Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 4,498,597	\$ 2,698,610	60.0%	\$ 1,795,662	\$ 4,494,272	99.9%
2015	4,613,824	2,755,466	59.7%	1,862,861	4,618,327	100.1%
2016	4,808,449	2,715,502	56.5%	2,081,621	4,797,123	99.8%
2017	5,126,112	3,149,334	61.4%	1,959,511	5,108,845	99.7%
2018	5,288,123	2,959,961	56.0%	2,312,556	5,272,517	99.7%
2019	5,641,215	3,086,466	54.7%	2,543,362	5,629,828	99.8%
2020	5,737,091	3,110,063	54.2%	2,610,106	5,720,169	99.7%
2021	5,905,241	2,364,503	40.0%	3,510,478	5,874,981	99.5%
2022	6,530,916	3,374,684	51.7%	3,113,921	6,488,605	99.4%
2023	6,987,057	3,681,322	52.7%	-	3,681,322	52.7%

Source: Bexar County Tax Assessor Collector and City of Terrell Hills.

CITY OF TERRELL HILLS, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

TABLE 10

Fiscal Year	Governmental Activities				Unamortized Premiums	Total Primary Government	Percentage of Personal Income**	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Notes Payable					
2014	\$ 9,785,000	\$ -	\$ -	\$ -	\$ 9,785,000	2.5%	\$ 1,971	
2015	9,355,000	-	-	-	9,355,000	2.3%	1,794	
2016	9,195,000	-	-	578,561	9,773,561	2.3%	1,849	
2017	8,760,000	-	-	511,582	9,271,582	1.9%	1,786	
2018	8,300,000	-	-	448,129	8,748,129	1.9%	1,667	
2019	7,840,000	-	-	384,676	8,224,676	1.7%	1,516	
2020	7,375,000	-	-	321,223	7,696,223	1.8%	1,413	
2021	6,825,000	-	-	260,837	7,085,837	1.8%	1,405	
2022	6,250,000	-	-	206,726	6,456,726	1.5%	1,282	
2023	5,645,000	-	-	159,197	5,804,197	1.2%	1,150	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Population used for Per Capita column taken from table 14.

**Personal Income taken from multiplying per capita personal income by population on table 14.

CITY OF TERRELL HILLS, TEXAS
RATIO OF GENERAL BONDED DEBT
LAST TEN FISCAL YEARS

TABLE 11

Fiscal Year	General Bonded Debt			Available in Debt Service Funds	Net General Bonded Debt	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Unamortized Premiums					
2014	\$ 9,785,000	\$ -	\$ -	\$ (695,330)	\$ 9,089,670	\$ 1,213,144,443	0.75%	\$1,831
2015	9,355,000	-	-	(701,298)	8,653,702	1,333,445,284	0.65%	1,660
2016	9,195,000	-	578,561	(703,621)	9,069,940	1,416,652,460	0.64%	1,716
2017	8,760,000	-	511,582	(722,020)	8,549,562	1,474,142,773	0.58%	1,647
2018	8,300,000	-	448,129	(726,449)	8,021,680	1,520,991,191	0.53%	1,529
2019	7,840,000	-	384,676	(735,482)	7,489,194	1,545,528,225	0.48%	1,380
2020	7,375,000	-	321,223	(747,677)	6,948,546	1,576,230,952	0.44%	1,276
2021	6,825,000	-	260,837	(711,748)	6,374,089	1,617,865,685	0.39%	1,263
2022	6,250,000	-	206,726	(732,044)	5,724,682	1,766,134,439	0.32%	1,137
2023	5,645,000	-	159,197	(757,626)	5,046,571	1,955,291,310	0.26%	1,000

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Population used for Per Capita column taken from table 14.

CITY OF TERRELL HILLS, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2023

TABLE 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
<i>Debt repaid with property taxes:</i>			
Alamo CCD	\$ 773,715,000	0.94%	\$ 7,272,921
Alamo Heights ISD	168,615,000	17.73%	29,895,440
Bexar County	2,148,125,000	0.94%	20,192,375
Bexar County Hospital District	1,320,585,000	0.94%	12,413,499
North East ISD	1,261,620,000	0.39%	<u>4,920,318</u>
Subtotal, Overlapping Debt			74,694,553
City Governmental Activities Direct Debt			<u>5,804,197</u>
TOTAL NET OVERLAPPING DEBT			<u><u>\$ 80,498,750</u></u>

Source: The overlapping debt was received from the Municipal Advisory Council of Texas. Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Terrell Hills. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF TERRELL HILLS, TEXAS
DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

TABLE 13

Taxable Value	<u>\$ 1,955,291,310</u>
Debt Limit - 10% of taxable value	\$ 195,529,131
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	\$ 5,645,000
Resources available in Debt Service Fund	<u>757,626</u>
Total Amount of Debt Applicable to Debt Limit	<u>(4,887,374)</u>
Legal Debt Margin	<u>\$ 190,641,757</u>
Total Net Debt as a Percentage of Debt Margin	2.56%
	Fiscal Year
	<u>2020</u> <u>2021</u> <u>2022</u>
Debt Limit	\$ 157,623,095 \$ 161,786,569 \$ 176,613,444
Total net debt applicable to limit	<u>(6,948,546)</u> <u>(6,113,252)</u> <u>(5,517,956)</u>
Legal Debt Margin	<u>\$ 150,674,549</u> <u>\$ 155,673,317</u> <u>\$ 171,095,488</u>
Total Net Debt as a Percentage of Debt Margin	4.61% 3.93% 3.23%
	Fiscal Year
	<u>2017</u> <u>2018</u> <u>2019</u>
Debt Limit	\$ 147,414,277 \$ 152,099,119 \$ 154,552,823
Total net debt applicable to limit	<u>(8,549,562)</u> <u>(7,573,551)</u> <u>(7,489,194)</u>
Legal Debt Margin	<u>\$ 138,864,715</u> <u>\$ 144,525,568</u> <u>\$ 147,063,629</u>
Total Net Debt as a Percentage of Debt Margin	6.16% 5.24% 5.09%
	Fiscal Year
	<u>2014</u> <u>2015</u> <u>2016</u>
Debt Limit	\$ 121,314,444 \$ 133,344,528 \$ 141,665,246
Total net debt applicable to limit	<u>(9,089,670)</u> <u>(8,653,702)</u> <u>(9,069,940)</u>
Legal Debt Margin	<u>\$ 112,224,774</u> <u>\$ 124,690,826</u> <u>\$ 132,595,306</u>
Total Net Debt as a Percentage of Debt Margin	8.10% 6.94% 6.84%

CITY OF TERRELL HILLS, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

TABLE 14

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2014	4,964	\$386,819,700	\$ 77,925	3.8%
2015	5,214	413,334,636	79,274	3.5%
2016	5,287	430,869,352	81,496	3.7%
2017	5,190	493,460,010	95,079	3.0%
2018	5,248	457,410,432	87,159	3.2%
2019	5,425	479,119,725	88,317	2.1%
2020	5,447	428,117,859	78,597	6.4%
2021	5,045	396,521,865	78,597	3.7%
2022	5,037	425,011,986	84,378	3.9%
2023	5,048	503,093,776	99,662	4.1%

Population and personal income information obtained from the U.S Census Bureau. Unemployment rate obtained from the Bureau of Labor Statistics for the City of San Antonio metropolitan area.

CITY OF TERRELL HILLS, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

TABLE 15

Employer	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Joint Base San Antonio (JBSA)						
Lackland, Fort Sam & Randolph*	82,639	1	7.23%	80,165	1, 2, 7	7.54%
HEB Food Stores	20,000	2	1.75%	20,000	3	1.88%
USAA	19,000	3	1.66%	16,000	4	1.50%
City of San Antonio	13,420	4	1.17%	9,145	6	0.86%
Northside ISD	12,206	5	1.07%	12,751	5	1.20%
Methodist Healthcare	12,000	6	1.05%	8,118	9	0.76%
North East ISD	8,208	7	0.72%	10,522	8	0.99%
San Antonio ISD	7,500	8	0.66%			
University of Texas Health Science	7,200	9	0.63%			
Baptist Health Systems	6,490	10	0.57%	7,205	10	0.68%
Total	<u>188,663</u>		<u>16.51%</u>	<u>163,906</u>		<u>15.41%</u>

The City of Terrell Hills is surrounded by the City of San Antonio and no data is available for the employers in Terrell Hills. The above data is for San Antonio.

Source: Economic Development Foundation

* In Fiscal Year 2019, Lackland, Fort Sam and Randolph military operations were consolidated into Joint Base San Antonio. In fiscal year 2013, the employee counts were 37,097, 32,000, and 11,068, respectively.

CITY OF TERRELL HILLS, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENTAL EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

TABLE 16

Fiscal Year Ending December, 31	Full-Time Equivalent Employees as of December 31,				
	Administration	Police	Fire	Development Public Works	Total
2023	4	15	16	14	49
2022	4	15	16	14	49
2021	4	16	16	14	50
2020	4	16	16	15	51
2019	4	16	16	14	50
2018	4	16	16	17	53
2017	3	17	16	17	53
2016	3	17	16	15	51
2015	3	17	16	15	51
2014	3	16	16	15	50

Source: City Adopted Budget Authorized Positions

CITY OF TERRELL HILLS, TEXAS
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2014	2015	2016	2017
General Government				
Building Permits Issued	955	891	1,043	944
Police				
CFS	2,392	2,588	2,807	2,591
Arrests	16	15	19	23
Traffic Violations	768	705	909	542
Traffic Citations	284	397	371	166
Accidents	52	50	48	43
Fire				
Emergency Responses	629	685	667	725
Number of Rescue/Other Responses	616	669	647	716
Non-emergency response/Service Calls	22	52	60	78
Number of Fire Responses	13	16	20	9
Number of Inspections	179	243	157	223
Number of Pre-Plan Inspections	68	68	68	66
Number of Training Classes Conducted	186	222	247	283

Source: City Departments

TABLE 17

Fiscal Year					
<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
762	780	1,202	995	889	634
2,390	2,413	2,160	2,191	2,233	2,035
21	12	14	18	22	24
1,262	571	186	299	428	333
421	145	6	25	54	72
27	36	22	29	33	37
672	725	462	525	518	463
671	718	451	516	471	390
76	49	47	49	47	73
1	7	11	9	7	13
182	164	76	84	100	145
68	68	34	33	34	68
348	208	192	222	214	291

CITY OF TERRELL HILLS, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2014	2015	2016	2017	2018
General Government					
Acreage	1.34	1.34	1.34	1.34	1.34
Facilities	1	1	1	1	1
Administration					
Facilities	1	1	1	1	1
Vehicles	2	1	1	1	1
Police					
Stations	1	1	1	1	1
Patrol Units	6	7	7	9	9
Fire					
Stations	1	1	1	1	1
Vehicles	4	3	3	3	3
Development Services & Public Works					
Streets (miles of paved)	32	32	32	32	32
Number of Parks	1	1	1	1	1
Vehicles	8	9	7	7	8

Source: City Departments

Note: The City Hall, Police Department, and Fire Department all share one building.

TABLE 18

Fiscal Year				
<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
1.34	1.34	1.34	1.34	1.34
1	1	1	1	1
1	1	1	1	1
1	1	1	0	0
1	1	1	1	1
10	6	6	5	7
1	1	1	1	1
3	3	4	4	4
32	32	32	32	32
1	1	1	1	1
8	8	8	8	8



CITY OF
TERRELL HILLS
TEXAS