



CITY OF
TERRELL HILLS
TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

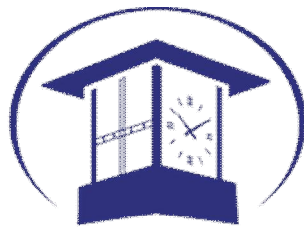
FISCAL YEAR ENDED

DECEMBER 31, 2019

OFFICIALS ISSUING REPORT

Greg Whitlock
City Manager

Michelle Partain
Assistant City Manager



CITY OF
TERRELL HILLS
TEXAS

CITY OF TERRELL HILLS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2019

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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 7, 2020

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 comprehensive annual financial report of the City of Terrell Hills for the Fiscal Year ended December 31, 2019.

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, 2019, 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, 2019, 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 5,425 in 2019. 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 41 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 2019, the unemployment rate was 2.1%. Within the City limits, the labor market includes a workforce of approximately 3,693 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.

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 fund 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.

Awards and 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 comprehensive annual financial report for the fiscal year ended December 31, 2018. This was the second 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 comprehensive annual 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 comprehensive annual 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,



Greg Whitlock

City Manager



Michelle Partain

Assistant City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Terrell Hills
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF TERRELL HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2019

CITY OFFICIALS

MAYOR

ANNE BALLANTYNE

MAYOR PRO-TEM

BILL MITCHELL

CITY COUNCIL

WILLIAM OCHSE III
MARILYN ELDRIDGE
JOHN LOW

CITY MANAGER

GREG WHITLOCK

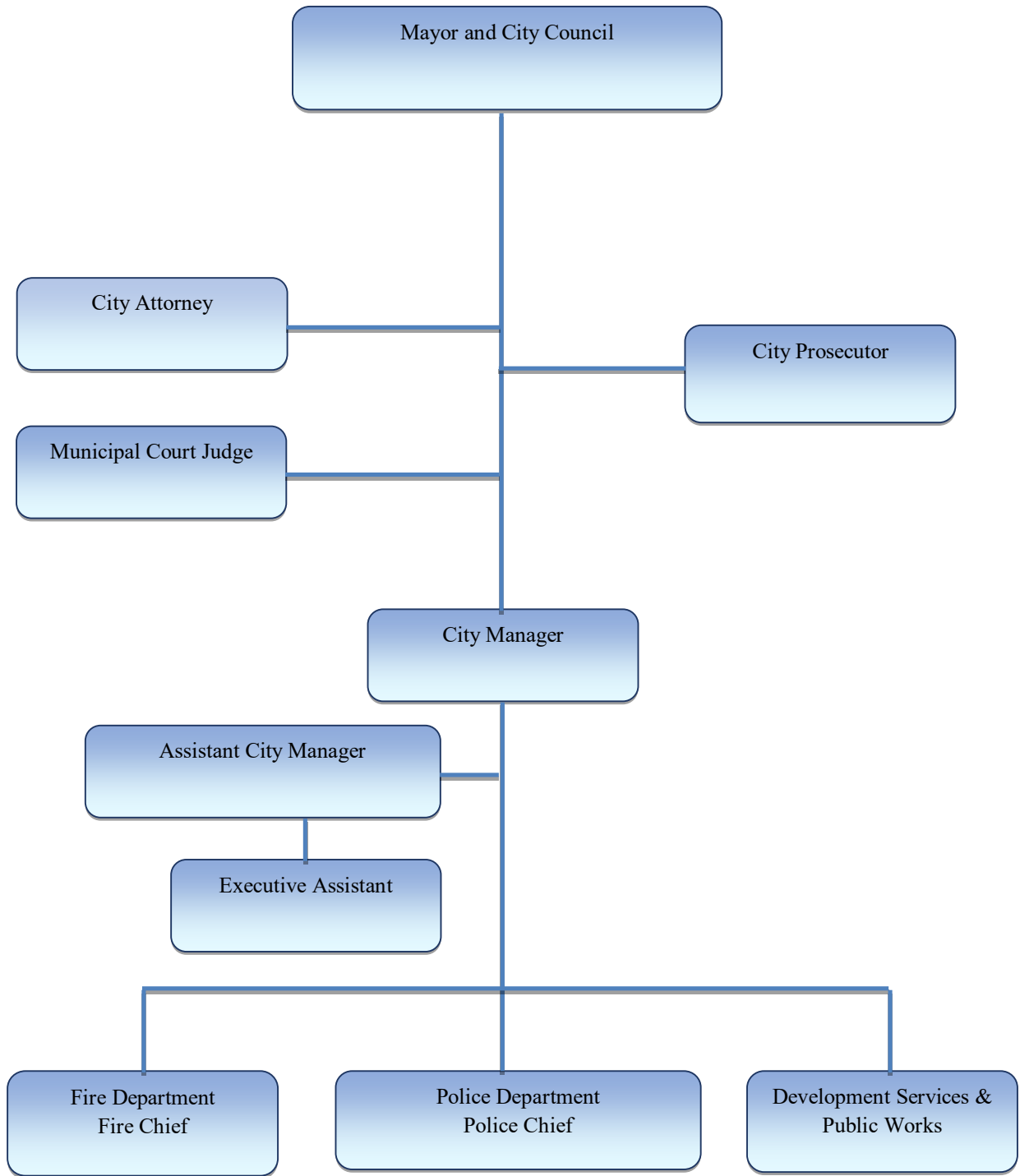
ASSISTANT CITY MANAGER

MICHELLE PARTAIN

CITY ATTORNEY

FRANK GARZA
DAVIDSON, TROILO, REAM & GARZA

**CITY OF TERRELL HILLS
ORGANIZATIONAL CHART**





CITY OF
TERRELL HILLS
TEXAS

FINANCIAL SECTION



Armstrong, Vaughan & Associates, P. C.

Deborah F. Fraser Phil S. Vaughan Nancy L. Vaughan

Certified Public Accountants

Kimberly J. Roach

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2019, 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.

Management's Responsibility 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Terrell Hills, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

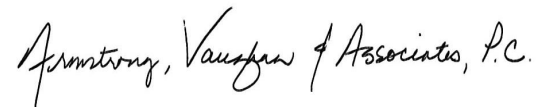
Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedule, schedule of changes – net pension liability, schedule of employer contributions and schedule of changes – total other postemployment benefit liability, 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.

Other 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, introductory section, and statistical section 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.

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



Armstrong, Vaughan & Associates, P.C.
April 7, 2020

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, 2019. 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 of the City of Terrell Hills exceeded its liabilities at the close of the most recent fiscal year by \$12.5 million (net position). Of this amount, \$5.8 million is for the City's ongoing operations.

During the year, the City's expenses were \$265 thousand more than the \$7 million generated in taxes and other revenues for governmental activities. The total cost of the City's programs increased 18.6% from the prior year. 14.9% of the increase related to changes in pension benefits. The remaining increase of 3.7% was primarily from employee cost of living and longevity raises. Minimal program changes were made for the 2019 year.

The general fund reported a fund balance this year of \$4.4 million, a decrease of \$586 thousand. The City's target fund balance per the policy approved in 2019 is to maintain a fund balance of 6 months of expenditures. The decrease is strategic planning to move the excess fund balance to other areas and funds to limit the need for debt in the future..

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 five 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, and equipment replacement fund, all of which are considered to be major funds, and the Police Forfeiture fund, which are considered to be non-major funds.

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, assets exceeded liabilities by \$12.5 million at the close of the most recent fiscal year.

The largest portion of the City's total net position (47%) 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 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5.8 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Terrell Hills is able to report positive balances in all three categories of net position. Overall, the Government's financial position has decreased from the prior year primarily from changes in pension benefits.

Table A-1
City of Terrell Hills Net Position
(In thousands dollars)

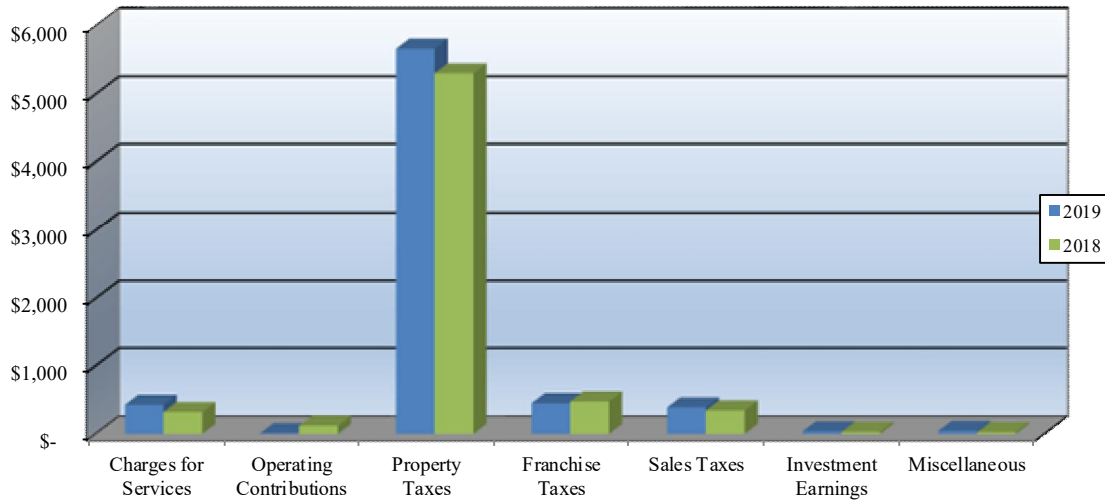
	Governmental Activities		Percentage Change
	2019	2018	2019-2018
<i>Assets:</i>			
Cash and Investments	\$ 6,215	\$ 5,144	20.8%
Receivables	2,787	2,529	10.2%
Prepays and Other Assets	100	130	-23.2%
Capital Assets (Net)	13,584	14,675	-7.4%
Total Assets	22,686	22,478	0.9%
<i>Deferred Outflows:</i>	1,573	1,395	12.8%
<i>Liabilities:</i>			
Accounts Payable and Accruals	749	753	-0.6%
Long-Term Liabilities	10,956	9,530	15.0%
Total Liabilities	11,704	10,283	13.8%
<i>Deferred Inflows:</i>	22.58	792	-97.1%
<i>Net Position:</i>			
Net Investment in capital assets	5,882	6,536	-10.0%
Restricted	835	829	0.8%
Unrestricted	5,815	5,433	7.0%
Total Net Position	\$ 12,533	\$ 12,798	-2.1%

Governmental activities expenses increased, primarily from higher personnel costs, while revenues increased, primarily from higher property tax values. The following table indicates changes in net position for governmental activities and is followed by graphs displaying total revenues and expenses by type.

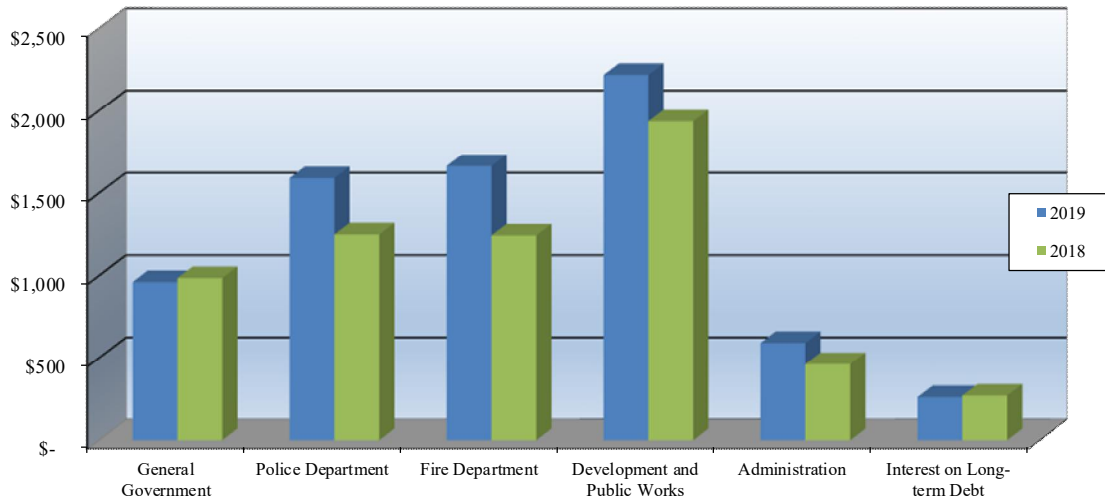
Table A-2
Changes in City of Terrell Hills Net Position
(In thousands dollars)

	Governmental Activities		Percentage Change
	2019	2018	2019-2018
<i>Program Revenues:</i>			
Charges for Services	\$ 426	\$ 320	33.0%
Operating Contributions	14	120	-88.6%
<i>General Revenues</i>			
Property Taxes	5,662	5,301	6.8%
Franchise Taxes	449	474	-5.4%
Sales Taxes	388	343	13.0%
Investment Earnings	38	30	26.7%
Miscellaneous	43	25	72.8%
Total Revenues	7,018	6,613	6.1%
General Government	962	985	-2.4%
Police Department	1,590	1,246	27.6%
Fire Department	1,662	1,240	34.1%
Development and Public Works	2,216	1,935	14.5%
Administration	590	462	27.7%
Interest on Long-term Debt	263	272	-3.2%
Total Expenses	7,283	6,140	18.6%
Increase (Decrease) in Net Position	(265)	473	-156.0%
Net Position at Beginning of Year	12,798	12,325	3.8%
Net Position at End of Year	\$ 12,533	\$ 12,798	-2.1%

TOTAL REVENUES-GOVERNMENT-WIDE
(In thousands dollars)

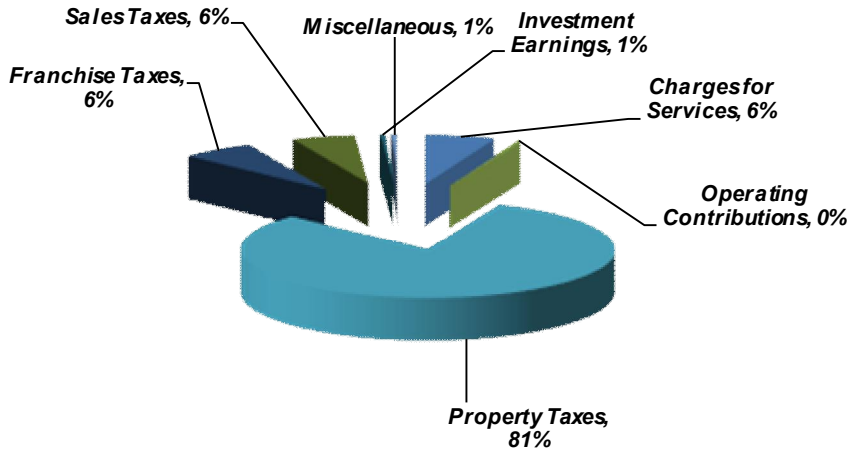


TOTAL EXPENSES-GOVERNMENT-WIDE
(In thousands dollars)



Revenues-Governmental Activities (Continued)

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 \$8 million. Of this total amount, \$4.4 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, unassigned fund balance of the general fund decreased of \$588 thousand from increased contributions to the City's capital projects and equipment replacement funds. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 87% of total general fund expenditures, not including capital.

The debt service fund has a total fund balance of \$716 thousand all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$5 thousand.

The capital projects fund has a total fund balance of \$1.5 million. The City anticipates starting another round of street repairs in 2020.

The equipment replacement fund has a total fund balance of \$1.3 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.

General Fund Budgetary Highlights

The General Fund expenditures were \$353 thousand less than the \$5.3 million budget. This was the result of cost savings across the General Fund. Revenues exceeded the budget by \$259 thousand. Overall, the fund balance increased \$612 thousand less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2019 the City had invested \$25.7 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant addition in the current year include the completion of the 2016 street project. (See Table A-3). More information about the City's capital assets is presented in Notes A10 and E, pages 24 and 29.

Table A-3
City's Capital Assets
(In thousands of dollars)

	Governmental Activities		Percentage Change
	2019	2018	2019-2018
Land	\$ 641	\$ 641	0.0%
Buildings	4,703	4,703	0.0%
Vehicles and Equipment	1,560	1,509	3.4%
Infrastructure	18,644	18,644	0.0%
Furniture and Fixtures	139	139	0.0%
Totals at Historical Cost	<u>25,687</u>	<u>25,636</u>	<u>0.2%</u>
Total Accumulated Depreciation	<u>(12,103)</u>	<u>(10,961)</u>	<u>10.4%</u>
Net Capital Assets	<u>\$ 13,584</u>	<u>\$ 14,675</u>	<u>-7.4%</u>

Long-Term Debt. At year-end, the City had \$8.2 million in bonds outstanding as shown in Table A-4. No new debt was issued in 2019. More detailed information about the City's debt is presented in Notes A14 and G, pages 25 and 30.

Table A-4
City's Long Term Debt
(In thousands of dollars)

	Governmental Activities		Percentage Change
	2019	2018	2019-2018
Bonds Payable	\$ 8,225	\$ 8,748	-6.0%
Total Long-Term Debt	<u>\$ 8,225</u>	<u>\$ 8,748</u>	<u>-6.0%</u>

Economic Factors and Next Year's Budgets and Rates

The 2020 budget was prepared with an estimated assessed taxable value increase of 6% over the 2019 assessed taxable value. The property tax rate for 2020 is estimated to be the same (\$0.347673), but it will not be set until mid year. General fund revenues are expected to remain at \$6.1 million in the 2020 budget. General fund expenditures are expected to increase to \$5.8 million, primarily due to the salary and personnel changes. Transfers of \$509,000 is budgeted in 2020 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.

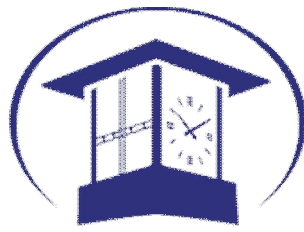
BASIC FINANCIAL STATEMENTS

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 6,214,905
Receivables (net of allowance for uncollectibles):	
Property Taxes	2,645,800
Sales and Franchise Taxes	141,346
Restricted Cash - Police Department	<u>99,803</u>
<i>Total Current Assets</i>	<u>9,101,854</u>
 <i>Noncurrent Assets:</i>	
Land	641,149
Buildings, Infrastructure, and Equipment (net)	<u>12,943,308</u>
<i>Total Noncurrent Assets</i>	<u>13,584,457</u>
TOTAL ASSETS	<u>22,686,311</u>
 DEFERRED OUTFLOWS	
Deferred Loss on Debt Refunding	522,710
Deferred OPEB Related Outflows	847
Deferred Pension Related Outflows	<u>1,049,569</u>
TOTAL DEFERRED OUTFLOWS	<u>\$ 1,573,126</u>

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2019

	Governmental Activities
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	\$ 6,915
Accrued Vacation Payable	116,203
Accrued Interest Payable	96,982
Bond Payable - Due within One Year	528,453
<i>Total Current Liabilities</i>	748,553
 <i>Noncurrent Liabilities:</i>	
Net Pension Liability	3,131,727
Total Other Postemployment Benefit (OPEB) Liability	127,633
Bond Payable - Due in more than One Year	7,696,223
<i>Total Noncurrent Liabilities</i>	10,955,583
TOTAL LIABILITIES	11,704,136
 DEFERRED INFLOWS	
Deferred Pension Related Inflows	16,517
Deferred OPEB Related Inflows	6,066
TOTAL DEFERRED INFLOWS	22,583
 NET POSITION	
Net Investment in Capital Assets	5,882,491
Restricted for Debt Service	735,482
Restricted for Police Department	99,803
Unrestricted	5,814,942
TOTAL NET POSITION	\$ 12,532,718



CITY OF
TERRELL HILLS
TEXAS

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

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	\$ 961,543	\$ -	\$ -	\$ (961,543)
Police Department	1,589,983	20,549	13,636	(1,555,798)
Fire Department	1,662,432	-	-	(1,662,432)
Development and Public Works	2,216,265	405,108	-	(1,811,157)
Administration	589,767	-	-	(589,767)
Interest on Long-Term Debt	263,237	-	-	(263,237)
Total Governmental Activities	7,283,227	425,657	13,636	(6,843,934)
Total Government	\$ 7,283,227	\$ 425,657	\$ 13,636	(6,843,934)
General Revenues:				
Taxes:				
General Property Taxes				5,661,706
Franchise Taxes				448,533
Sales Taxes				387,631
Interest and Investment Earnings				38,004
Miscellaneous				43,200
Total General Revenues				6,579,074
Change in Net Position				(264,860)
Net Position at Beginning of Year				12,797,578
Net Position at End of Year				\$ 12,532,718

CITY OF TERRELL HILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Major Funds		
	General Fund	Capital Projects Fund	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 2,881,356	\$ 1,527,576	\$ 506,178
Receivables:			
Property Taxes (Net of Uncollectibles)	2,319,513	-	326,286
Sales and Franchise Taxes Receivable	128,672	12,674	-
TOTAL ASSETS	<u>\$ 5,329,541</u>	<u>\$ 1,540,250</u>	<u>\$ 832,464</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 6,915	\$ -	\$ -
Accrued Vacation Payable	116,203	-	-
<i>Total Liabilities</i>	<u>123,118</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Property Tax Revenue	831,409	-	116,082
<i>Fund Balances:</i>			
Restricted for:			
Debt Service	-	-	716,382
Police Forfeiture	-	-	-
Committed for:			
Street Improvements	-	1,540,250	-
Equipment Replacement	-	-	-
Unassigned	4,375,014	-	-
<i>Total Fund Balances</i>	<u>4,375,014</u>	<u>1,540,250</u>	<u>716,382</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,329,541</u>	<u>\$ 1,540,250</u>	<u>\$ 832,464</u>

<u>Major Fund</u>	<u>Nonmajor</u>	<u>Total</u>
<u>Equipment</u>	<u>Police</u>	<u>Governmental</u>
<u>Replacement</u>	<u>Forfeiture</u>	<u>Funds</u>
<u>Fund</u>		
1,299,796.00	\$ 99,803	\$ 6,314,709
-	-	2,645,799
-	-	141,346
<u>\$ 1,299,796</u>	<u>\$ 99,803</u>	<u>\$ 9,101,854</u>
\$ -	\$ -	\$ 6,915
-	-	116,203
-	-	123,118
-	-	947,491
-	-	716,382
-	99,803	99,803
-	-	1,540,250
1,299,796	-	1,299,796
-	-	4,375,014
<u>1,299,796</u>	<u>99,803</u>	<u>8,031,245</u>
<u>\$ 1,299,796</u>	<u>\$ 99,803</u>	<u>\$ 9,101,854</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, 2019

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 8,031,245
<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>		13,584,457
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds:</p>		
Property Taxes Receivable not Collected within 60 Days		947,491
<p>Long-term liabilities, including bonds and capital lease payables are not due and payable in the current period and, therefore are not reported in the governmental funds.</p>		
Bonds Payable	(7,840,000)	
Deferred Loss on Debt Refunding	522,710	
Unamortized Premiums	<u>(384,676)</u>	(7,701,966)
<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>		
Net Pension Liability	(3,131,727)	
Pension Related Deferred Outflows	1,049,569	
Pension Related Deferred Inflows	<u>(16,517)</u>	(2,098,675)
<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>		
Total OPEB Liability	(127,633)	
OPEB Related Deferred Outflows	847	
OPEB Related Deferred Inflows	<u>(6,066)</u>	(132,852)
<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>(96,982)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 12,532,718</u></u>

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Major Funds		
	General Fund	Capital Projects Fund	Debt Service Fund
REVENUES			
Ad Valorem Taxes	\$ 4,808,574	\$ -	\$ 699,868
Sales Tax	310,105	77,527	-
Franchise Tax	448,533	-	-
Charges for Services	405,108	-	-
Fines and Forfeitures	20,549	-	-
Other	81,206	-	-
TOTAL REVENUES	<u>6,074,075</u>	<u>77,527</u>	<u>699,868</u>
EXPENDITURES			
Current:			
General Government	964,201	-	-
Police Department	1,224,374	-	-
Fire Department	1,298,280	-	-
Development and Public Works	1,084,182	-	-
Administration	381,606	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	-	-	460,000
Interest and Fiscal Charges	-	-	244,546
TOTAL EXPENDITURES	<u>4,952,643</u>	<u>-</u>	<u>704,546</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,121,432</u>	<u>77,527</u>	<u>(4,678)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(1,709,000)	750,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,709,000)</u>	<u>750,000</u>	<u>-</u>
Net Change in Fund Balance	(587,568)	827,527	(4,678)
FUND BALANCES - JANUARY 1	<u>4,962,582</u>	<u>712,723</u>	<u>721,060</u>
FUND BALANCES - DECEMBER 31	<u>\$ 4,375,014</u>	<u>\$ 1,540,250</u>	<u>\$ 716,382</u>

<u>Major Fund</u>	<u>Nonmajor</u>	<u>Total</u>
<u>Equipment</u>	<u>Police</u>	<u>Governmental</u>
<u>Replacement</u>	<u>Forfeiture</u>	<u>Funds</u>
<u>Fund</u>		
\$ -	\$ -	\$ 5,508,442
-	-	387,632
-	-	448,533
-	-	405,108
-	13,637	34,186
-	-	81,206
<u>-</u>	<u>13,637</u>	<u>6,865,107</u>
-	-	964,201
-	16,707	1,241,081
-	-	1,298,280
-	-	1,084,182
-	-	381,606
39,868	-	39,868
-	-	460,000
-	-	244,546
<u>39,868</u>	<u>16,707</u>	<u>5,713,764</u>
<u>(39,868)</u>	<u>(3,070)</u>	<u>1,151,343</u>
<u>959,000</u>	<u>-</u>	<u>-</u>
<u>959,000</u>	<u>-</u>	<u>-</u>
919,132	(3,070)	1,151,343
<u>380,664</u>	<u>102,873</u>	<u>6,879,902</u>
<u>\$ 1,299,796</u>	<u>\$ 99,803</u>	<u>\$ 8,031,245</u>



CITY OF
TERRELL HILLS
TEXAS

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, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,151,343

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 and reported as depreciation expense.

Capital Outlay	51,438	
Depreciation	<u>(1,141,894)</u>	(1,090,456)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 153,264

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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Principal Payments		460,000
--------------------	--	---------

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

Pension Plan	(911,920)	
Other Postemployment Benefits	<u>(8,400)</u>	(920,320)

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	(86,223)	
Amortization of Bond Premiums	63,453	
Change in Accrued Interest on Long-Term Debt	<u>4,079</u>	<u>(18,691)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (264,860)

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

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.

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.

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 \$16,771 and \$3,728, respectively.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

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

7. PREPAID ITEMS/EXPENSES

Payments made to vendors for services that will benefit periods beyond December 31, 2019 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

11. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

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

12. COMPENSATED ABSENCES

The liability for compensated absences reported in the government-wide and fund statements consist 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 on employee anniversary dates. Thus, all vacation balances are expected to consume current financial resources and are accrued on both the fund and government-wide statements. 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.

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.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

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

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.

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.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

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

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.

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, 2019, all of the City's deposits were fully collateralized.

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 had no investments as of December 31, 2019.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE B -- CASH AND INVESTMENTS (CONTINUED)

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.
- 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, 2019, upon which the fiscal 2019 levy was based was \$1.545 billion (i.e., market value less exemptions). The market value was \$1.571 billion, making the taxable value 98.3% of the estimated market value.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE C -- PROPERTY TAXES (Continued)

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, 2019, was \$0.365000 per \$100 of assessed value, which means that the City has a tax margin of \$2.135000 for each \$100 of assessed value and could increase its annual levy by approximately \$33 million based upon present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Code without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's effective tax rate.

NOTE D – RESTRICTED CASH

Cash is reported as restricted when it has restrictions on its use narrower than the purpose of the fund in which it is reported. As of December 31, 2019, restricted cash consists of amounts for the police department from seizure and forfeiture activities.

NOTE E -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

<u>Governmental Activities</u>	<u>Balances at 1/1/2019</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balances at 12/31/2019</u>
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 641,149	\$ -	\$ -	\$ 641,149
<i>Total Capital Assets Not Being Depreciated</i>	<u>641,149</u>	<u>-</u>	<u>-</u>	<u>641,149</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	4,703,193	-	-	4,703,193
Vehicles and Equipment	1,508,638	51,438	-	1,560,076
Infrastructure	18,643,734	-	-	18,643,734
Furniture and Fixtures	138,503	-	-	138,503
<i>Total Capital Assets Being Depreciated</i>	<u>24,994,068</u>	<u>51,438</u>	<u>-</u>	<u>25,045,506</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(554,038)	(97,497)	-	(651,535)
Vehicles and Equipment	(884,346)	(109,730)	-	(994,076)
Furniture and Fixtures	(89,106)	(10,977)	-	(100,083)
Infrastructure	(9,432,814)	(923,690)	-	(10,356,504)
<i>Total Accumulated Depreciation</i>	<u>(10,960,304)</u>	<u>(1,141,894)</u>	<u>-</u>	<u>(12,102,198)</u>
Total Capital Assets Being Depreciated, Net	<u>14,033,764</u>	<u>(1,090,456)</u>	<u>-</u>	<u>12,943,308</u>
Governmental Capital Assets, Net	<u>\$ 14,674,913</u>	<u>\$ (1,090,456)</u>	<u>\$ -</u>	<u>\$ 13,584,457</u>

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE E -- CAPITAL ASSETS (Continued)

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 9,562
Police Department	35,843
Fire Department	44,910
Development and Public Works	942,392
Administration	109,187
Total Depreciation Expense	\$ 1,141,894

NOTE F -- COMPENSATED ABSENCES

The changes in accrued compensated absences for the year ending December 31, 2019 were as follows:

Governmental Activities	Balance Outstanding 1/1/2019	Additions	Retirements	Balance Outstanding 12/31/2019
Compensated Absences	\$ 116,374	\$ 120,411	\$ (120,582)	\$ 116,203

The General Fund is responsible for liquidating compensated absences.

NOTE G -- LONG-TERM DEBT

In June 2011, the City issued General Obligation Bonds, Series 2011 for \$8,000,000: \$6,000,000 for street and related improvements and \$2,000,000 for renovation of the city hall complex. The bonds mature serially through 2031 and bear interest at rates ranging from 0.37% to 4.59%.

In January 2012, the City issued General Obligation Bonds, Series 2012 for \$2,700,000 to refund the Series 2003 Certificates of Obligation. The bonds mature serially through 2020 and bear interest at rates ranging from 0.67% to 1.97%.

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%. Proceeds from the bonds were placed with an escrow agent solely to repay the debt service related to the refunding obligations. The refunded obligations are considered defeased, but still outstanding in the amount of \$7,100,000 as of December 31, 2019, and will be called February 1, 2020.

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.

All series 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.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE G -- LONG-TERM DEBT (CONTINUED)

Changes in the City's long-term debt during the fiscal year ending December 31, 2019 are as follows:

Governmental Activities	Balance Outstanding 1/1/2019	Additions	Retirements	Balance Outstanding 12/31/2019	Due Within One Year
2011 Series	\$ 225,000	\$ -	\$ (110,000)	\$ 115,000	\$ 115,000
2012 Series	700,000	-	(350,000)	350,000	350,000
2016 Series	7,375,000	-	-	7,375,000	-
Unamortized Premiums	448,129	-	(63,453)	384,676	63,453
Totals	<u>\$ 8,748,129</u>	<u>\$ -</u>	<u>\$ (523,453)</u>	<u>\$ 8,224,676</u>	<u>\$ 528,453</u>

The annual requirements to amortize all debt outstanding as of December 31, 2019, including interest payments, are as follows:

Year End December 31	Principal	Interest	Total
2020	\$ 465,000	\$ 232,756	\$ 697,756
2021	550,000	216,520	766,520
2022	575,000	194,020	769,020
2023	605,000	170,420	775,420
2024-2028	3,375,000	492,639	3,867,639
2029-2031	2,270,000	78,184	2,348,184
Total	<u>\$ 7,840,000</u>	<u>\$ 1,384,539</u>	<u>\$ 9,224,539</u>

NOTE H -- EMPLOYEE RETIREMENT SYSTEM

Texas Municipal Retirement System

Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE H -- EMPLOYEE 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.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	56
Active employees	50
	136
	136

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, 2019, employees for the City were required to contribute 7% (an increase of 1% from previous years) 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 12.2% and 15.52% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended December 31, 2019 were \$433,044 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.00% per year
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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).

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
Total	<u>100.00%</u>	

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.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2018:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 13,035,260	\$ 11,864,864	\$ 1,170,396
Changes for the year:			
Service Cost	459,306	-	459,306
Interest	929,757	-	929,757
Change of Benefit Terms	747,049	-	747,049
Difference Between Expected and Actual Experience	(47,950)	-	(47,950)
Changes of Assumptions	-	-	-
Contributions - Employer	-	326,407	(326,407)
Contributions - Employee	-	163,067	(163,067)
Net Investment Income	-	(355,415)	355,415
Benefit Payments, Including Refunds of Employee Contributions	(475,578)	(475,578)	-
Administrative Expense	-	(6,869)	6,869
Other Changes	-	(359)	359
Net Changes	<u>1,612,584</u>	<u>(348,747)</u>	<u>1,961,331</u>
Balance at December 31, 2018	<u>\$ 14,647,844</u>	<u>\$ 11,516,117</u>	<u>\$ 3,131,727</u>

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)	\$ 5,527,846	\$ 3,131,727	\$ 1,213,680

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.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (Continued)

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

For the year ended December 31, 2019, the City recognized pension expense of \$1,344,946. Also as of December 31, 2019, 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	\$ -	\$ 16,517
Changes in Actuarial Assumptions	8,834	-
Differences Between Projected and Actual Investment Earnings	607,691	-
Contributions Subsequent to the Measurement Date	433,044	-
	\$ 1,049,569	\$ 16,517

Deferred outflows of resources in the amount of \$433,044 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, 2020. 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,	
2020	\$ (185,383)
2021	(103,419)
2022	(84,699)
2023	(226,507)
2024	-
Total	\$ (600,008)

NOTE I -- 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.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE I -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB. Membership in the plan at December 31, 2018 (the valuation and measurement date) consisted of:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	9
Active employees	50
	80
	80

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. Contribution rates were as follows:

Calendar Year	Total Contribution	Retiree Portion
2017	0.20%	0.03%
2018	0.19%	0.03%
2019	0.20%	0.03%

The city’s contributions to the TMRS SDBF for the year ended December 31, 2019 were \$847. 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, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method. These assumptions are summarized below:

Inflation	2.5% per year
Overall Payroll Growth	3.5 to 10.5% per year, including inflation
Discount Rate	3.71%
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	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates - Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE I -- 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, 2018, were as follows:

	Total OPEB Liability
Balance at December 31, 2017	\$ 135,023
Changes for the year:	
Service Cost	5,436
Interest	4,546
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(6,495)
Changes of Assumptions	(10,062)
Benefit Payments, Including Refunds of Employee Contributions	(815)
Net Changes	(7,390)
Balance at December 31, 2018	\$ 127,633

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 3.71% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.71%) and 1-percentage point higher (4.71%) than the current rate:

	Discount Rate 2.71%	Discount Rate 3.71%	Discount Rate 4.71%
Total OPEB Liability (Asset)	\$ 154,788	\$ 127,633	\$ 106,751

For the year ended December 31, 2019, the City recognized OPEB expense of \$10,746. Also, as of December 31, 2019, 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	\$ -	\$ 5,572
Changes in Actuarial Assumptions	-	494
Contributions Subsequent to the Measurement Date	847	-
	\$ 847	\$ 6,066

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE I -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

Deferred outflows of resources in the amount of \$815 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, 2020. 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,	
2020	(737)
2021	(737)
2022	(737)
2023	(737)
2024	(737)
Thereafter	(2,381)
Total	<u>\$ (6,066)</u>

NOTE J -- INTERFUND TRANSFERS/BORROWINGS

As of December 31, 2019, the following transfers occurred:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects	General Fund	\$ 750,000	Commitment for future capital projects
Equipment Replacement	General Fund	959,000	Commitment for future equipment replacements

NOTE K -- 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.

It is the opinion of legal counsel that bonds issued by this nonprofit corporation 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.

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE K -- TEXAS HIGHER EDUCATION AUTHORITY (CONTINUED)

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:

Entity	Date of Issuance	Date of Maturity	Original Issuance	Estimated Amount Outstanding
Schreiner University	2010	2025	\$ 15,660,000	\$ 7,424,000
Total			\$ 15,660,000	\$ 7,424,000

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 L -- RISK MANAGEMENT

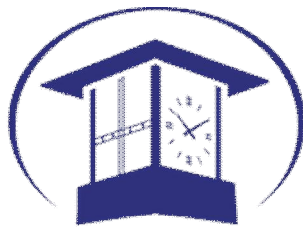
The City has identified possible risk of losses related to torts; theft of, damage to, or destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees; and other claims or various natures. The City contracts with the Texas Municipal League (TML) to 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 M -- 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 N -- SUBSEQUENT EVENT

The County's ongoing activities may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events affect the County's activities will depend on future developments, which are highly uncertain and cannot be predicted at this time.



CITY OF
TERRELL HILLS
TEXAS

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, 2019

	Budget Amounts		2019 Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Ad Valorem Taxes	\$ 4,740,000	\$ 4,740,000	\$ 4,808,574	\$ 68,574
Sales Tax	250,000	250,000	310,105	60,105
Franchise Fees	472,000	472,000	448,533	(23,467)
Charges for Services	300,000	300,000	405,108	105,108
Fines and Forfeitures	12,600	12,600	20,549	7,949
Other	40,170	40,170	81,206	41,036
TOTAL REVENUES	<u>5,814,770</u>	<u>5,814,770</u>	<u>6,074,075</u>	<u>259,305</u>
EXPENDITURES				
General Government	1,093,276	1,093,276	964,201	129,075
Police Department	1,345,219	1,345,219	1,224,374	120,845
Fire Department	1,360,834	1,360,834	1,298,280	62,554
Development and Public Works	1,119,016	1,119,016	1,084,182	34,834
Administration	387,425	387,425	381,606	5,819
TOTAL EXPENDITURES	<u>5,305,770</u>	<u>5,305,770</u>	<u>4,952,643</u>	<u>353,127</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>509,000</u>	<u>509,000</u>	<u>1,121,432</u>	<u>612,432</u>
OTHER FINANCING SOURCES (USES)				
Transfer Out	(1,709,000)	(1,709,000)	(1,709,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,709,000)</u>	<u>(1,709,000)</u>	<u>(1,709,000)</u>	<u>-</u>
Net Change in Fund Balance	(1,200,000)	(1,200,000)	(587,568)	612,432
BEGINNING FUND BALANCE	<u>4,962,582</u>	<u>4,962,582</u>	<u>4,962,582</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 3,762,582</u>	<u>\$ 3,762,582</u>	<u>\$ 4,375,014</u>	<u>\$ 612,432</u>

CITY OF TERRELL HILLS, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DECEMBER 31, 2019

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 or Debt Service Fund.

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

	Total Pension Liability				
	Plan Year				
	2014	2015	2016	2017	2018
Service Cost	\$ 314,319	\$ 346,645	\$ 345,295	\$ 374,523	\$ 459,306
Interest (on the Total Pension Liability)	740,979	783,957	777,760	823,547	929,757
Changes of Benefit Terms	-	-	-	-	747,049
Difference between Expected and Actual Experience	(119,368)	(488,811)	68,815	129,539	(47,950)
Change of Assumptions	-	60,058	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(364,652)	(311,611)	(444,747)	(611,573)	(475,578)
Net Change in Total Pension Liability	571,278	390,238	747,123	716,036	1,612,584
Total Pension Liability - Beginning	10,610,585	11,181,863	11,572,101	12,319,224	13,035,260
Total Pension Liability - Ending	<u>\$ 11,181,863</u>	<u>\$ 11,572,101</u>	<u>\$ 12,319,224</u>	<u>\$ 13,035,260</u>	<u>\$ 14,647,844</u>

	Plan Fiduciary Net Position				
	Plan Year				
	2014	2015	2016	2017	2018
Contributions - Employer	\$ 293,555	\$ 314,534	\$ 304,415	\$ 306,683	\$ 326,407
Contributions - Employee	140,682	145,956	144,274	157,005	163,067
Net Investment Income	523,524	14,370	668,615	1,463,398	(355,415)
Benefit Payments, Including Refunds of Employee Contributions	(364,652)	(311,611)	(444,747)	(611,573)	(475,578)
Administrative Expense	(5,466)	(8,753)	(7,551)	(7,583)	(6,869)
Other	(449)	(433)	(407)	(383)	(359)
Net Change in Plan Fiduciary Net Position	587,194	154,063	664,599	1,307,547	(348,747)
Plan Fiduciary Net Position - Beginning	9,151,461	9,738,655	9,892,718	10,557,317	11,864,864
Net Pension Liability - Ending	<u>\$ 9,738,655</u>	<u>\$ 9,892,718</u>	<u>\$ 10,557,317</u>	<u>\$ 11,864,864</u>	<u>\$ 11,516,117</u>

Net Pension Liability (Asset) - Ending \$ 1,443,208 \$ 1,679,383 \$ 1,761,907 \$ 1,170,396 \$ 3,131,727

Plan Fiduciary Net Position as a
Percentage of Total Pension Liability 87.09% 85.49% 85.70% 91.02% 78.62%

Covered Payroll \$ 2,344,697 \$ 2,432,593 \$ 2,404,558 \$ 2,609,916 \$ 2,717,789

Net Pension Liability as a Percentage
of Covered Payroll 61.55% 69.04% 73.27% 44.84% 115.23%

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

CITY OF TERRELL HILLS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES - TOTAL OPEB LIABILITY
 LAST TWO PLAN (CALENDAR) YEARS

Total OPEB Liability	Plan Year	
	2017	2018
	Service Cost	\$ 4,698
Interest (on the Total OPEB Liability)	4,433	4,546
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	-	(6,495)
Change of Assumptions	11,369	(10,062)
Benefit Payments, Including Refunds of Employee Contributions	(783)	(815)
Net Change in Total OPEB Liability	19,717	(7,390)
Total OPEB Liability - Beginning	115,306	135,023
Total OPEB Liability - Ending	\$ 135,023	\$ 127,633
 Covered Payroll	 \$ 2,609,916	 \$ 2,717,789
 Total OPEB Liability as a Percentage of Covered Payroll	 5.17%	 4.70%

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

Actuarial Assumptions

Inflation	2.5% per year
Overall Payroll Growth	3.5 to 10.5% per year, including inflation
Discount Rate	3.71%
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	 RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates - Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

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

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, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 99,803	106,170
TOTAL ASSETS	\$ 99,803	\$ 106,170
LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ 3,297
<i>Total Liabilities</i>	-	3,297
<i>Fund Balance:</i>		
Restricted for Police Department	99,803	102,873
<i>Total Fund Balance</i>	99,803	102,873
TOTAL LIABILITIES AND FUND BALANCE	\$ 99,803	\$ 102,873

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - POLICE FORFEITURE
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUES		
Fines and Forfeitures	\$ 13,637	\$ 119,630
TOTAL REVENUES	13,637	119,630
 EXPENDITURES		
Police Department	16,707	14,572
Capital Outlay	-	7,297
TOTAL EXPENDITURES	16,707	21,869
 Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,070)	97,761
 Net Change in Fund Balance	(3,070)	97,761
 BEGINNING FUND BALANCE	102,873	5,112
 ENDING FUND BALANCE	\$ 99,803	\$ 102,873

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - GENERAL FUND
 DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 2,881,356	\$ 3,535,269
Receivables:		
Property Tax (net of uncollectible)	2,319,513	2,084,297
Sales Tax and Franchise Taxes Receivables	128,672	110,886
Due from Other Funds	-	21,357
Prepaid Items	-	23,734
TOTAL ASSETS	\$ 5,329,541	\$ 5,775,543
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 6,915	\$ 8,809
Accrued Vacation Payable	116,203	116,374
<i>Total Liabilities</i>	123,118	125,183
 <i>Deferred Inflows:</i>		
Unavailable Property Tax Revenue	831,409	687,778
<i>Total Deferred Inflows</i>	831,409	687,778
 <i>Fund Balance:</i>		
Nonspendable Prepaid Items	-	23,734
Unassigned	4,375,014	4,938,848
<i>Total Fund Balance</i>	4,375,014	4,962,582
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	 \$ 5,329,541	 \$ 5,775,543

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUES		
Ad Valorem Taxes	\$ 4,808,574	\$ 4,437,098
Sales Tax	310,105	274,236
Franchise Taxes	448,533	473,990
Charges for Services	405,108	302,390
Fines and Forfeitures	20,549	17,999
Other	81,206	51,919
TOTAL REVENUES	6,074,075	5,557,632
 EXPENDITURES		
<i>Current:</i>		
General Government	964,201	972,348
Police Department	1,224,374	1,206,205
Fire Department	1,298,280	1,197,051
Development and Public Works	1,084,182	1,010,601
Administration	381,606	357,274
TOTAL EXPENDITURES	4,952,643	4,743,479
 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,121,432	814,153
 OTHER FINANCING SOURCES (USES)		
Transfers Out	(1,709,000)	(494,000)
TOTAL OTHER FINANCING SOURCES(USES)	(1,709,000)	(494,000)
 Net Change in Fund Balance	(587,568)	320,153
 Fund Balance at Beginning of Year	4,962,582	4,642,429
 Fund Balance at End of Year	\$ 4,375,014	\$ 4,962,582

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - DEBT SERVICE FUND
 DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 506,178	\$ 502,671
Property Taxes Receivable (net of uncollectibles)	326,286	324,839
 TOTAL ASSETS	 \$ 832,464	 \$ 827,510
 DEFERRED INFLOWS AND FUND BALANCE		
<i>Deferred Inflows:</i>		
Unavailable Property Tax Revenue	\$ 116,082	\$ 106,450
<i>Total Deferred Inflows</i>	116,082	106,450
 <i>Fund Balance</i>		
Restricted for Debt Service	716,382	721,060
 TOTAL LIABILITIES AND DEFERRED INFLOWS	 \$ 832,464	 \$ 827,510

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, 2019
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2018)

	Budget Amounts		2019 Actual	Variance	2018 Actual
	Original	Final		With Final Budget	
REVENUES					
Ad Valorem Taxes	\$ 702,546	\$ 702,546	\$ 699,868	\$ (2,678)	\$ 693,485
TOTAL REVENUES	<u>702,546</u>	<u>702,546</u>	<u>699,868</u>	<u>(2,678)</u>	<u>693,485</u>
EXPENDITURES					
Principal	460,000	460,000	460,000	-	460,000
Interest	244,546	244,546	244,546	-	253,059
TOTAL EXPENDITURES	<u>704,546</u>	<u>704,546</u>	<u>704,546</u>	<u>-</u>	<u>713,059</u>
Net Change in Fund Balance	(2,000)	(2,000)	(4,678)	(2,678)	(19,574)
BEGINNING FUND BALANCE	<u>721,060</u>	<u>721,060</u>	<u>721,060</u>	<u>-</u>	<u>740,634</u>
ENDING FUND BALANCE	<u>\$ 719,060</u>	<u>\$ 719,060</u>	<u>\$ 716,382</u>	<u>\$ (2,678)</u>	<u>\$ 721,060</u>

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - CAPITAL PROJECTS FUND
 DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 1,527,576	\$ 725,248
Sales Taxes Receivable	12,674	8,832
	\$ 1,540,250	\$ 734,080
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Due to Other Funds	\$ -	\$ 21,357
<i>Total Liabilities</i>	-	21,357
 <i>Fund Balance:</i>		
Committed for Street Improvements	1,540,250	712,723
<i>Total Fund Balance</i>	1,540,250	712,723
	\$ 1,540,250	\$ 734,080

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, 2019 AND 2018

	2019	2018
REVENUES		
Street Sales Tax	\$ 77,527	\$ 68,558
TOTAL REVENUES	77,527	68,558
 EXPENDITURES		
Administration	-	2,700
Capital Outlay	-	374,689
TOTAL EXPENDITURES	-	377,389
 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	77,527	(308,831)
 OTHER FINANCING SOURCES (USES)		
Transfers In	750,000	350,000
TOTAL OTHER FINANCING SOURCES(USES)	750,000	350,000
 Net Change in Fund Balance	827,527	41,169
 Fund Balances at Beginning of Year	712,723	671,554
 Fund Balances at End of Year	\$ 1,540,250	\$ 712,723

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - EQUIPMENT REPLACEMENT FUND
 DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 1,299,796	380,664
TOTAL ASSETS	\$ 1,299,796	\$ 380,664
LIABILITIES AND FUND BALANCE		
<i>Fund Balance:</i>		
Committed for Equipment Replacement	1,299,796	380,664
<i>Total Fund Balance</i>	1,299,796	380,664
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,299,796	\$ 380,664

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, 2019 AND 2018

	2019	2018
REVENUES	\$ -	\$ -
EXPENDITURES		
Capital Outlay	39,868	10,926
TOTAL EXPENDITURES	39,868	10,926
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	(39,868)	(10,926)
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	-	2,570
Transfers In	959,000	144,000
TOTAL OTHER FINANCING SOURCES(USES)	959,000	146,570
Net Change in Fund Balance	919,132	135,644
Fund Balances at Beginning of Year	380,664	245,020
Fund Balances at End of Year	\$ 1,299,796	\$ 380,664



CITY OF
TERRELL HILLS
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STATISTICAL SECTION

This part of the City of Terrell Hills' comprehensive annual 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			
	2010	2011	2012	2013
<i>Governmental Activities:</i>				
Net Investment in Capital Assets	\$ 4,810,825	\$ 4,989,491	\$ 5,546,721	\$ 5,683,040
Restricted	818,392	582,335	649,871	829,050
Unrestricted	5,984,061	6,424,662	6,322,988	6,269,075
<i>Total Governmental Activities</i>				
<i>Net Position</i>	<u>\$ 11,613,278</u>	<u>\$ 11,996,488</u>	<u>\$ 12,519,580</u>	<u>\$ 12,781,165</u>
 <i>Primary Government:</i>				
Net Investment in Capital Assets	\$ 4,810,825	\$ 4,989,491	\$ 5,546,721	\$ 5,683,040
Restricted	818,392	582,335	649,871	829,050
Unrestricted	5,984,061	6,424,662	6,322,988	6,269,075
<i>Total Primary Government</i>				
<i>Net Position</i>	<u>\$ 11,613,278</u>	<u>\$ 11,996,488</u>	<u>\$ 12,519,580</u>	<u>\$ 12,781,165</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					
2014	2015	2016	2017	2018	2019
\$ 5,783,091	\$ 7,049,113	\$ 6,501,017	\$ 6,856,720	\$ 6,535,717	\$ 5,882,491
820,845	794,545	782,137	727,132	829,322	835,285
6,229,590	4,115,541	4,731,461	4,855,438	5,432,539	5,814,942
<u>\$ 12,833,526</u>	<u>\$ 11,959,199</u>	<u>\$ 12,014,615</u>	<u>\$ 12,439,290</u>	<u>\$ 12,797,578</u>	<u>\$ 12,532,718</u>
\$ 5,783,091	\$ 7,049,113	\$ 6,501,017	\$ 6,856,720	\$ 6,535,717	\$ 5,882,491
820,845	794,545	782,137	727,132	829,322	835,285
6,229,590	4,115,541	4,731,461	4,855,438	5,432,539	5,814,942
<u>\$ 12,833,526</u>	<u>\$ 11,959,199</u>	<u>\$ 12,014,615</u>	<u>\$ 12,439,290</u>	<u>\$ 12,797,578</u>	<u>\$ 12,532,718</u>

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

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
<i>Governmental Activities:</i>				
General Government	\$ 810,979	\$ 807,990	\$ 812,325	\$ 879,328
Police Department	1,006,564	1,041,675	1,078,398	1,053,576
Fire Department	981,927	969,246	943,061	1,105,760
Development and Public Works	1,458,840	1,361,226	1,447,636	1,522,260
Administration	260,944	259,126	279,390	353,811
Interest on Long-Term Debt	125,433	378,232	359,862	447,527
<i>Total Governmental Activities Expenses</i>	<u>4,644,687</u>	<u>4,817,495</u>	<u>4,920,672</u>	<u>5,362,262</u>
Program Revenues				
<i>Governmental Activities:</i>				
Charges for Services	144,733	161,500	173,927	248,206
Operating Grants and Contributions	-	26,612	7,977	143,138
Capital Grants and Contributions	4,677	-	-	-
<i>Total Governmental Activities Program Revenues</i>	<u>149,410</u>	<u>188,112</u>	<u>181,904</u>	<u>391,344</u>
Net (Expenses) Revenue				
Governmental Activities	(4,495,277)	(4,629,383)	(4,738,768)	(4,970,918)
Total Primary Government Net Expenses	<u>\$ (4,495,277)</u>	<u>\$ (4,629,383)</u>	<u>\$ (4,738,768)</u>	<u>\$ (4,970,918)</u>
Governmental Revenues and Other Changes in Net Position				
<i>Governmental Activities:</i>				
Taxes:				
General Property Taxes	\$ 4,484,433	\$ 4,311,199	\$ 4,305,085	\$ 4,332,587
Franchise Taxes	352,965	401,362	350,681	342,699
Sales Taxes	210,504	201,985	250,432	213,546
Interest and Investment Earnings	23,896	62,400	34,822	13,644
Miscellaneous	75,582	35,647	320,840	330,027
<i>Total Governmental Activities</i>	<u>5,147,380</u>	<u>5,012,593</u>	<u>5,261,860</u>	<u>5,232,503</u>
Total Primary Government	<u>\$ 5,147,380</u>	<u>\$ 5,012,593</u>	<u>\$ 5,261,860</u>	<u>\$ 5,232,503</u>
Changes In Net Position				
Government Activities	\$ 652,103	\$ 383,210	\$ 523,092	\$ 261,585
Total Primary Government	<u>\$ 652,103</u>	<u>\$ 383,210</u>	<u>\$ 523,092</u>	<u>\$ 261,585</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					
2014	2015	2016	2017	2018	2019
\$ 917,083	\$ 923,164	\$ 1,080,866	\$ 952,370	\$ 984,610	\$ 961,543
1,165,805	1,245,289	1,261,403	1,277,882	1,246,087	1,589,983
1,112,167	1,134,588	1,159,771	1,258,681	1,239,810	1,662,432
1,602,510	1,572,481	1,656,655	1,782,424	1,934,539	2,216,265
355,950	373,149	399,893	393,786	462,217	589,767
339,269	334,802	379,680	282,042	272,282	263,237
<u>5,492,784</u>	<u>5,583,473</u>	<u>5,938,268</u>	<u>5,947,185</u>	<u>6,139,545</u>	<u>7,283,227</u>
285,875	280,393	325,779	335,299	320,389	425,657
6,103	2,770	32,933	19,804	119,630	13,636
-	-	-	-	-	-
<u>291,978</u>	<u>283,163</u>	<u>358,712</u>	<u>355,103</u>	<u>440,019</u>	<u>439,293</u>
<u>(5,200,806)</u>	<u>(5,300,310)</u>	<u>(5,579,556)</u>	<u>(5,592,082)</u>	<u>(5,699,526)</u>	<u>(6,843,934)</u>
<u>\$ (5,200,806)</u>	<u>\$ (5,300,310)</u>	<u>\$ (5,579,556)</u>	<u>\$ (5,592,082)</u>	<u>\$ (5,699,526)</u>	<u>\$ (6,843,934)</u>
\$ 4,519,059	\$ 4,628,850	\$ 4,831,167	\$ 5,149,850	\$ 5,301,071	\$ 5,661,706
460,832	472,875	466,525	469,074	473,990	448,533
242,959	278,993	300,735	364,435	342,795	387,631
10,700	6,697	7,681	9,188	29,921	38,004
19,617	29,982	28,864	24,210	24,567	43,200
<u>5,253,167</u>	<u>5,417,397</u>	<u>5,634,972</u>	<u>6,016,757</u>	<u>6,172,344</u>	<u>6,579,074</u>
<u>\$ 5,253,167</u>	<u>\$ 5,417,397</u>	<u>\$ 5,634,972</u>	<u>\$ 6,016,757</u>	<u>\$ 6,172,344</u>	<u>\$ 6,579,074</u>
\$ 52,361	\$ 117,087	\$ 55,416	\$ 424,675	\$ 472,818	\$ (264,860)
<u>\$ 52,361</u>	<u>\$ 117,087</u>	<u>\$ 55,416</u>	<u>\$ 424,675</u>	<u>\$ 472,818</u>	<u>\$ (264,860)</u>

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

	Fiscal Year			
	2010	2011	2012	2013
General Fund				
Nonspendable	\$ 33,613	\$ 44,198	\$ 35,026	\$ 40,748
Restricted	3,568	-	-	168,334
Unassigned	<u>5,483,411</u>	<u>5,914,749</u>	<u>3,648,711</u>	<u>3,712,919</u>
Total General Fund	<u>\$ 5,520,592</u>	<u>\$ 5,958,947</u>	<u>\$ 3,683,737</u>	<u>\$ 3,922,001</u>
All Other Governmental Funds				
Reported In:				
Capital Project Funds	\$ -	\$ 4,967,766	\$ 2,176,345	\$ 2,130,291
Debt Service Funds	750,829	687,418	674,576	679,046
Special Revenue Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ 750,829</u>	<u>\$ 5,655,184</u>	<u>\$ 2,850,921</u>	<u>\$ 2,809,337</u>

TABLE 3

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 14,159	\$ 109,303	\$ -	\$ 24,864	\$ 23,734	\$ -
138,935	93,247	78,516	-	-	-
<u>3,551,652</u>	<u>3,654,018</u>	<u>3,887,883</u>	<u>4,617,565</u>	<u>4,938,848</u>	<u>4,375,014</u>
<u><u>\$ 3,704,746</u></u>	<u><u>\$ 3,856,568</u></u>	<u><u>\$ 3,966,399</u></u>	<u><u>\$ 4,642,429</u></u>	<u><u>\$ 4,962,582</u></u>	<u><u>\$ 4,375,014</u></u>
\$ 2,235,041	\$ 862,536	\$ 1,384,819	\$ 916,574	\$ 1,093,387	\$ 2,840,046
695,330	715,522	701,280	740,634	721,060	716,382
-	-	-	5,112	102,873	99,803
<u><u>\$ 2,930,371</u></u>	<u><u>\$ 1,578,058</u></u>	<u><u>\$ 2,086,099</u></u>	<u><u>\$ 1,662,320</u></u>	<u><u>\$ 1,917,320</u></u>	<u><u>\$ 3,656,231</u></u>

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

	Fiscal Year			
	2010	2011	2012	2013
REVENUES				
Ad Valorem Taxes	\$ 4,551,726	\$ 4,354,025	\$ 4,328,325	\$ 4,299,223
Sales Taxes	210,504	201,985	250,432	213,546
Franchise Taxes	352,965	401,362	350,681	342,699
Charges for Services	127,169	144,074	160,066	222,578
Fines and Forfeitures	17,564	38,305	20,452	166,446
Other	96,336	99,387	357,052	340,157
TOTAL REVENUES	5,356,264	5,239,138	5,467,008	5,584,649
EXPENDITURES				
Current:				
General Government	806,335	800,422	800,471	857,740
Police Department	939,427	982,854	1,042,285	1,014,750
Fire Department	938,906	941,952	928,254	1,089,287
Development and Public Works	961,159	889,198	907,610	851,103
Administration	245,878	248,822	268,734	284,339
Capital Projects/Outlay	1,317,073	3,455,506	5,843,547	522,377
Debt Service:				
Principal	272,627	270,000	3,020,000	430,000
Interest and Fiscal Charges	128,924	315,186	435,580	344,208
Bond Issue Costs	-	-	-	-
TOTAL EXPENDITURES	5,610,329	7,903,940	13,246,481	5,393,804
Excess (Deficiency) of Revenues Over (Under) Expenditures	(254,065)	(2,664,802)	(7,779,473)	190,845
OTHER FINANCING SOURCES (USES)				
Issuance of Bonded Debt	-	8,000,000	2,700,000	-
Premium From Issuance of Debt	-	-	-	-
Proceeds from Sales of Capital Assets	7,820	7,512	-	5,835
Payments to Refunding Escrow Agent	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	7,820	8,007,512	2,700,000	5,835
Net Change in Fund Balance	\$ (246,245)	\$ 5,342,710	\$ (5,079,473)	\$ 196,680
Debt Service Expenditures as a Percent of Non-capital expenditures	9.4%	13.2%	46.7%	15.9%

TABLE 4

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 4,470,885	\$ 4,616,599	\$ 4,817,404	\$ 5,282,410	\$ 5,130,583	\$ 5,508,442
242,959	278,993	300,735	364,435	342,794	387,632
460,832	472,875	466,525	469,074	473,990	448,533
264,302	262,282	304,376	321,116	302,390	405,108
27,476	18,111	53,336	33,687	137,628	34,186
26,588	22,583	23,209	22,684	51,919	81,206
<u>5,493,042</u>	<u>5,671,443</u>	<u>5,965,585</u>	<u>6,493,406</u>	<u>6,439,304</u>	<u>6,865,107</u>
895,495	879,357	969,681	902,474	972,348	964,201
1,121,361	1,204,765	1,196,053	1,206,756	1,220,777	1,241,081
1,084,238	1,111,505	1,104,535	1,190,751	1,207,977	1,298,280
900,037	870,256	819,902	960,681	1,010,601	1,084,182
240,793	284,504	371,934	304,965	359,974	381,606
588,298	1,771,614	146,020	1,004,339	381,985	39,868
430,000	430,000	435,000	435,000	460,000	460,000
340,846	336,803	184,776	272,858	253,059	244,546
-	-	86,158	-	-	-
<u>5,601,068</u>	<u>6,888,804</u>	<u>5,314,059</u>	<u>6,277,824</u>	<u>5,866,721</u>	<u>5,713,764</u>
<u>(108,026)</u>	<u>(1,217,361)</u>	<u>651,526</u>	<u>215,582</u>	<u>572,583</u>	<u>1,151,343</u>
-	-	7,375,000	-	-	-
-	-	578,561	-	-	-
11,805	16,870	27,055	36,669	2,570	-
-	-	(8,014,270)	-	-	-
<u>11,805</u>	<u>16,870</u>	<u>(33,654)</u>	<u>36,669</u>	<u>2,570</u>	<u>-</u>
<u>\$ (96,221)</u>	<u>\$ (1,200,491)</u>	<u>\$ 617,872</u>	<u>\$ 252,251</u>	<u>\$ 575,153</u>	<u>\$ 1,151,343</u>
15.4%	15.0%	13.7%	13.4%	13.0%	12.4%

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
2010	\$ 4,551,726	\$ 210,504	\$ 352,965	\$ 5,115,195
2011	4,354,025	201,985	401,362	4,957,372
2012	4,328,325	250,432	350,681	4,929,438
2013	4,299,223	213,546	342,699	4,855,468
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

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
2010	1,144,858,092	33,204,166	23,686,058	1,154,376,200	0.385068
2011	1,102,235,184	29,417,469	14,315,005	1,117,337,648	0.385068
2012	1,093,517,790	32,236,926	12,349,128	1,113,405,588	0.385068
2013	1,142,099,938	32,411,510	13,559,113	1,160,952,335	0.371729
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

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

City Direct Rates			
Fiscal Period	General M&O	Debt Service	Total Direct
2010	0.350594	0.034474	0.385068
2011	0.343526	0.041542	0.385068
2012	0.314488	0.070580	0.385068
2013	0.304120	0.067609	0.371729
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

Overlapping Rates							
Fiscal Period	Alamo Heights ISD	Bexar County	Bexar County Flood	San Antonio River Authority	University Health System	Alamo Community College	Total Overlapping
2010	1.168000	0.296187	0.030679	0.016652	0.276235	0.141623	1.929376
2011	1.198000	0.296187	0.030679	0.017370	0.276235	0.141623	1.960094
2012	1.218000	0.296187	0.030679	0.017370	0.276235	0.149150	1.987621
2013	1.218000	0.296187	0.030679	0.017798	0.276235	0.149150	1.988049
2014	1.205000	0.283821	0.030679	0.017500	0.276235	0.149150	1.962385
2015	1.195000	0.297500	0.017000	0.017290	0.276235	0.149150	1.952175
2016	1.195000	0.293250	0.015700	0.017290	0.276235	0.149150	1.946625
2017	1.195000	0.291229	0.012868	0.017290	0.276235	0.149150	1.941772
2018	1.255000	0.277429	0.023668	0.018580	0.276235	0.149150	2.000062
2019	1.195000	0.277429	0.023668	0.018580	0.276235	0.149150	1.940062

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>2019</u>			<u>2010</u>		
	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed
	Value		Value	Value		Value
Michael & Candace Humphreys	\$ 10,000,000	1	0.65%	\$ 13,893,390	1	1.20%
Thomas Moorman	6,508,750	2	0.42%	4,436,100	4	0.38%
Edward Jr & Linda Whitacre	5,978,000	3	0.39%			
Berkley & Bonnie Dawson	5,600,000	4	0.36%	4,443,631	3	0.38%
Nicolas & Aliece Hollis	5,200,000	5	0.34%			
Richard and Mary Azar	5,176,500	6	0.33%	3,749,987	8	0.32%
Patricia Cerisola	4,290,000	7	0.28%			
Stephen & Susan Butt	4,182,000	8	0.27%			
Annabell Ames	4,127,550	9	0.27%			
Darren Casey	4,100,000	10	0.27%			
Michael Beucler				4,643,855	2	0.40%
Double H Trust				4,244,965	5	0.37%
Diana Denman				4,110,183	6	0.36%
Barry Roberts				3,794,914	7	0.33%
John and Laura Zachry				3,700,126	9	0.32%
Lawrence & Laura Conn				3,628,969	10	0.31%
Total	<u>\$ 55,162,800</u>		<u>3.57%</u>	<u>\$ 50,646,120</u>		<u>4.37%</u>
 Total Assessed Value	 1,545,528,225			 1,154,376,200		

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
2010	4,445,172	2,535,057	57.0%	1,885,485	4,420,542	99.4%
2011	4,304,008	2,475,807	57.5%	1,821,595	4,297,402	99.8%
2012	4,287,463	2,317,228	54.0%	1,964,764	4,281,992	99.9%
2013	4,315,361	2,459,215	57.0%	1,846,210	4,305,425	99.8%
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%	1,861,300	4,616,766	100.1%
2016	4,808,449	2,715,502	56.5%	2,075,252	4,790,754	99.6%
2017	5,126,112	3,149,334	61.4%	1,949,242	5,098,576	99.5%
2018	5,288,123	2,959,961	56.0%	2,288,017	5,247,978	99.2%
2019	5,641,215	3,086,466	54.7%	-	3,086,466	54.7%

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				Total Primary Government	Percentage of Personal Income**
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Unamortized Premiums		
2010	\$ -	\$ 3,235,000	\$ -	-	\$ 3,235,000	0.8%
2011	8,000,000	2,965,000	-	-	10,965,000	2.7%
2012	10,645,000	-	-	-	10,645,000	2.6%
2013	10,215,000	-	-	-	10,215,000	2.7%
2014	9,785,000	-	-	-	9,785,000	2.5%
2015	9,355,000	-	-	-	9,355,000	2.3%
2016	9,195,000	-	-	578,561	9,773,561	2.1%
2017	8,760,000	-	-	511,582	9,271,582	1.8%
2018	8,300,000	-	-	448,129	8,748,129	1.8%
2019	7,840,000	-	-	384,676	8,224,676	1.7%

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	
	General Obligation Bonds	Certificates of Obligation				Value of Taxable Property	Per Capita*
2010	\$ -	\$ 3,235,000	\$ (716,672)	\$ 2,518,328	\$ 1,154,376,200	0.22%	476
2011	8,000,000	2,965,000	(750,829)	10,214,171	1,117,337,648	0.91%	2,094
2012	10,645,000	-	(687,418)	9,957,582	1,113,405,588	0.89%	1,992
2013	10,215,000	-	(674,576)	9,540,424	1,160,952,335	0.82%	1,936
2014	9,785,000	-	(679,046)	9,105,954	1,213,144,443	0.75%	1,834
2015	9,355,000	-	(695,330)	8,659,670	1,333,445,284	0.65%	1,661
2016	9,773,561	-	(701,298)	9,072,263	1,416,652,460	0.64%	1,716
2017	9,271,582	-	(703,621)	8,567,961	1,474,142,773	0.58%	1,651
2018	8,748,129	-	(722,020)	8,026,109	1,520,991,191	0.53%	1,529
2019	8,224,676	-	(735,482)	7,489,194	1,545,528,225	0.48%	1,380

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, 2019

TABLE 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
<i>Debt repaid with property taxes:</i>			
Alamo CCD	\$ 467,863,348	0.94%	\$ 4,397,915
Alamo Heights ISD	198,020,895	17.73%	35,109,105
Bexar County	1,601,659,721	0.94%	15,055,601
Bexar County Hospital District	891,565,000	0.94%	8,380,711
North East ISD	693,282,419	0.39%	<u>2,703,801</u>
Subtotal, Overlapping Debt			65,647,134
City Governmental Activities Direct Debt			<u>8,224,676</u>
TOTAL NET OVERLAPPING DEBT			<u><u>\$ 73,871,810</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 Name of Government. 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>\$ 1,545,528,225</u>
Debt Limit - 10% of taxable value			\$ 154,552,823
Amount of Debt Applicable to Debt Limit:			
Total Bonded Debt	\$	8,224,676	
Resources available in Debt Service Fund		<u>735,482</u>	
Total Amount of Debt Applicable to Debt Limit			<u>(7,489,194)</u>
Legal Debt Margin			<u>\$ 147,063,629</u>
Total Net Debt as a Percentage of Debt Margin			5.09%
Fiscal Year			
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt Limit	\$ 141,665,246	\$ 147,414,277	\$ 152,099,119
Total net debt applicable to limit	<u>(9,069,940)</u>	<u>(8,549,562)</u>	<u>(7,573,551)</u>
Legal Debt Margin	<u>\$ 132,595,306</u>	<u>\$ 138,864,715</u>	<u>\$ 144,525,568</u>
Total Net Debt as a Percentage of Debt Margin	6.84%	6.16%	5.24%
Fiscal Year			
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Limit	\$ 116,095,234	\$ 121,314,444	\$ 133,344,528
Total net debt applicable to limit	<u>(9,535,954)</u>	<u>(9,089,670)</u>	<u>(8,653,702)</u>
Legal Debt Margin	<u>\$ 106,559,280</u>	<u>\$ 112,224,774</u>	<u>\$ 124,690,826</u>
Total Net Debt as a Percentage of Debt Margin	8.95%	8.10%	6.94%
Fiscal Year			
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 115,437,620	\$ 111,733,765	\$ 111,340,559
Total net debt applicable to limit	<u>(2,484,171)</u>	<u>(10,277,582)</u>	<u>(9,970,424)</u>
Legal Debt Margin	<u>\$ 112,953,449</u>	<u>\$ 101,456,183</u>	<u>\$ 101,370,135</u>
Total Net Debt as a Percentage of Debt Margin	2.20%	10.13%	9.84%

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
2010	5,287	394,071,832	74,536	7.4%
2011	4,878	398,971,620	81,790	6.8%
2012	4,998	411,300,414	82,293	5.7%
2013	4,929	376,905,843	76,467	5.3%
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%

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	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lackland Air Force Base	37,097	1	3.67%	28,100	2	2.84%
Fort Sam Houston	32,000	2	3.16%	30,793	1	3.11%
USAA	15,000	3	1.48%	14,852	4	1.50%
HEB Food Stores	14,588	4	1.44%	14,588	3	1.48%
Northside ISD	12,751	5	1.26%	12,597	5	1.27%
Randolph Air Force Base	11,068	6	1.09%	10,700	6	1.08%
North East ISD	10,522	7	1.04%	10,223	8	1.03%
City of San Antonio	9,145	8	0.90%	9,000	10	0.91%
Methodist Healthcare	7,747	9	0.77%	7,013	7	0.71%
San Antonio I.S.D.	7,000	10	0.69%	7,581	9	0.77%
Total	156,918		15.51%	145,447		14.71%

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: San Antonio Express-News

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
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
2013	5	16	16	15	52
2012	3	16	16	16	51
2011	3	15	15	16	49
2010	3	18	12	16	49

Source: City Adopted Budget Authorized Positions

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

Function	Fiscal Year				
	2010	2011	2012	2013	2014
General Government					
Building Permits Issued	827	800	847	1,038	955
Police					
CFS	2,613	2,576	2,345	2,299	2,392
Arrests	66	25	33	13	16
Traffic Violations	1,273	970	664	1,361	768
Traffic Citations	259	308	127	559	284
Accidents	42	56	44	48	52
Fire					
Emergency Responses	614	627	586	560	629
Number of Rescue/Other Responses	597	618	571	550	616
Non-emergency response/Service Calls	81	50	36	42	22
Number of Fire Responses	17	9	15	10	13
Number of Inspections	132	118	140	140	179
Number of Pre-Plan Inspections	66	66	66	66	68
Number of Training Classes Conducted	240	137	165	183	186

Source: City Departments

TABLE 17

Fiscal Year				
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
891	1,043	944	762	780
2,588	2,807	2,591	2,390	2,413
15	19	23	21	12
705	909	542	1,262	571
397	371	166	421	145
50	48	43	27	36
685	667	725	672	725
669	647	716	671	718
52	60	78	76	49
16	20	9	1	7
243	157	223	182	164
68	68	66	68	68
222	247	283	348	208

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

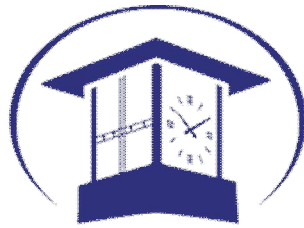
Function	Fiscal Year				
	2010	2011	2012	2013	2014
General Government					
Acreage	1.34	1.34	1.34	1.34	1.34
Facilities	1	1	1	1	1
Administration					
Facilities	1	1	1	1	1
Vehicles	1	1	1	2	2
Police					
Stations	1	1	1	1	1
Patrol Units	6	7	9	7	6
Fire					
Stations	1	1	1	1	1
Vehicles	3	3	3	3	4
Development Services & Public Works					
Streets (miles of paved)	32	32	32	32	32
Number of Parks	1	1	1	1	1
Vehicles	9	8	8	8	8

Source: City Departments

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

TABLE 18

Fiscal Year				
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1.34	1.34	1.34	1.34	1.34
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
7	7	9	9	10
1	1	1	1	1
3	3	3	3	3
32	32	32	32	32
1	1	1	1	1
9	7	7	8	8



CITY OF
TERRELL HILLS
TEXAS