



CITY OF
TERRELL HILLS
TEXAS

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FISCAL YEAR ENDED

DECEMBER 31, 2025

OFFICIALS ISSUING REPORT

Bill Foley
City Manager



CITY OF
TERRELL HILLS
TEXAS

CITY OF TERRELL HILLS, TEXAS
 ANNUAL COMPREHENSIVE FINANCIAL REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2025

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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

March 23, 2026

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

State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (US GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Terrell Hills for the Fiscal Year ended December 31, 2025.

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, 2025, 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, 2025, 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 5,142 in 2025. 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. Policy making 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 45 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 2025, the unemployment rate was 3.4%. This is a decrease from recent years and better than the national average. Within the City limits, the labor market includes a workforce of approximately 3,700 well trained workers.

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

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

Financial Information

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

Budget Controls. he 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 except for Police Forfeiture are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level. However, budgetary accounting is maintained on a line-item basis.

Other Financial Information:

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

Acknowledgments

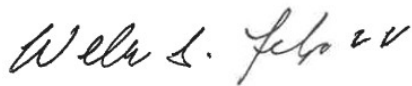
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Terrell Hills for its annual comprehensive financial report for the fiscal year ended December 31, 2024. This was the ninth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



William Foley

City Manager

CITY OF TERRELL HILLS, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2025

CITY OFFICIALS

MAYOR

JOHN LOW

MAYOR PRO-TEM

KATE LANFEAR

CITY COUNCIL

BILL MITCHELL
EMMY BALLANTYNE
PETER MAKO

CITY MANAGER

BILL FOLEY

CITY ATTORNEY

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

2026 City Council:

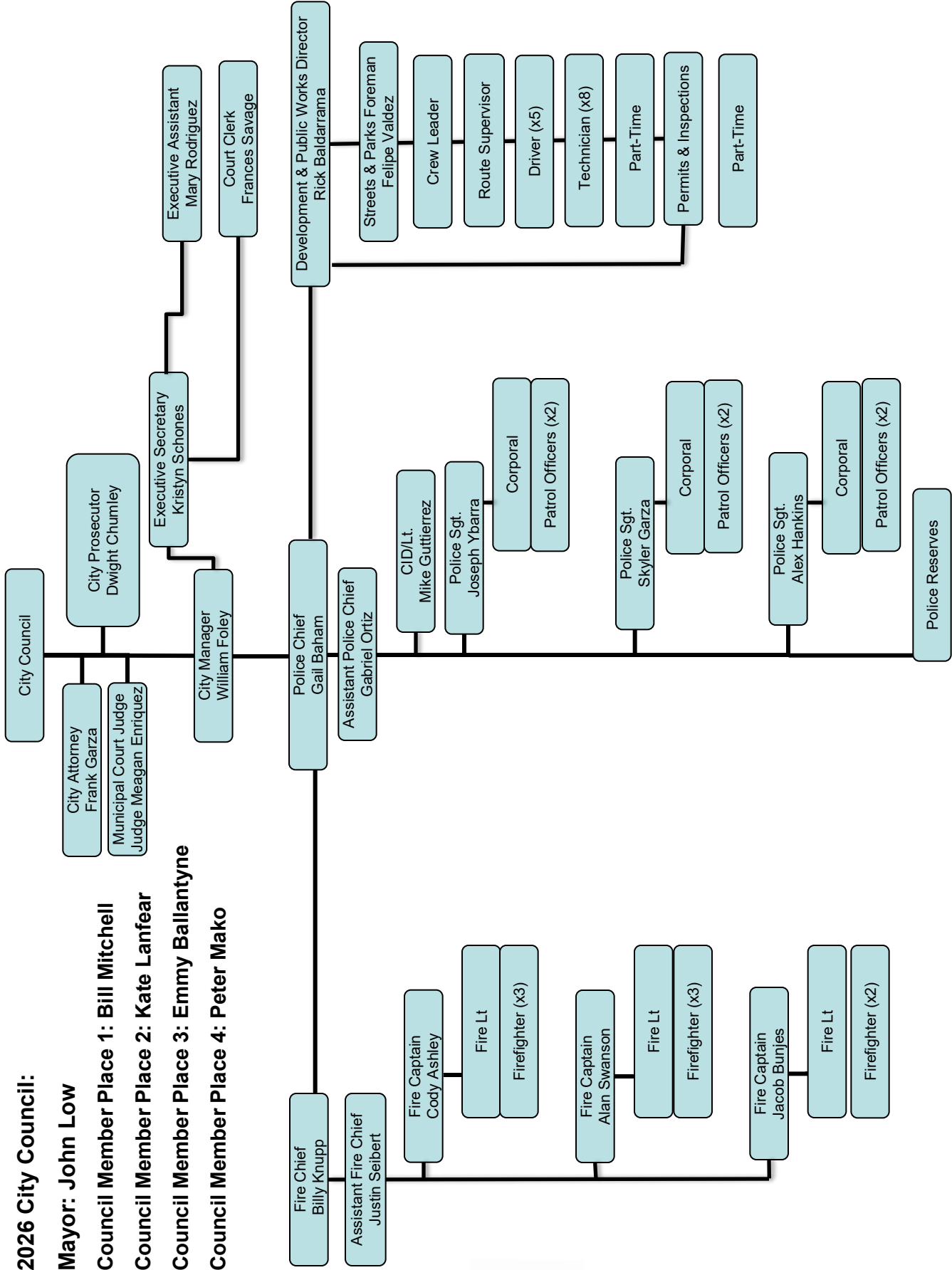
Mayor: John Low

Council Member Place 1: Bill Mitchell

Council Member Place 2: Kate Lanfear

Council Member Place 3: Emmy Ballantyne

Council Member Place 4: Peter Mako





Government Finance Officers Association

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

Presented to

**City of Terrell Hills
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Terrell Hills, as of December 31, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of Terrell Hills' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Terrell Hills, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedule, schedule of changes – net pension liability, schedule of employer pension contributions and schedule of changes – total other postemployment benefit liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Terrell Hills' basic financial statements. The individual fund statements and schedules (as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

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



Armstrong, Vaughan & Associates, P.C.
March 23, 2026

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, 2025. 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.

Overview of the Financial Statements

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

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Terrell Hills, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has only one kind of fund: governmental.

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Terrell Hills, the total of assets and deferred outflows of resources exceeded the total of liabilities and deferred inflows of resources by \$22.2 million at the close of the most recent fiscal year.

A portion of the City's total net position (46%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding, plus bond proceeds that have not yet been spent. The City of Terrell Hills uses these capital assets to provide services to citizens; consequently, these assets are not available for operational type of future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$10.6 million, may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities expenses increased 5.6%, primarily from cost of living adjustments for employees. No significant changes to operations were completed. Revenues increased less than 2% driven primarily by property value increases and a tax rate increase from 0.354727 to 0.357994 per \$100 of valuation. Decreases in general grants (ARPA grant finish out) were partially offset by increases in police department operating grants. Governmental activities added \$1.6 million to net position strategically as the annual budget includes savings for future street projects and equipment replacements.

The following tables summarize changes in net position for governmental activities and are followed by graphs displaying total revenues and expenses by type.

Table A-1
City of Terrell Hills Net Position

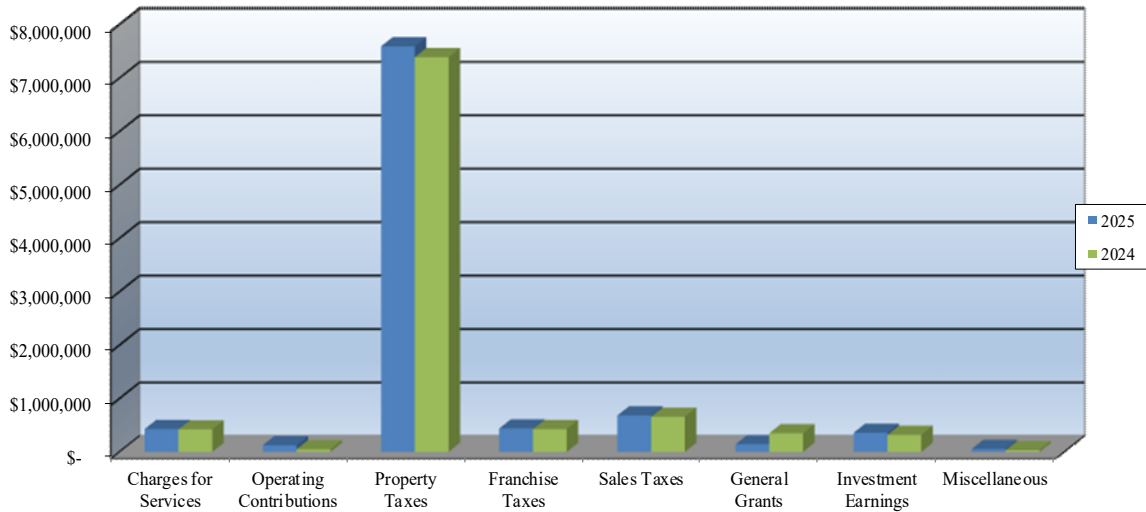
	Governmental Activities		Percentage Change
	2025	2024	2025-2024
<i>Assets:</i>			
Cash and Investments	\$ 10,672,778	\$ 10,839,220	-1.5%
Receivables	4,007,223	4,015,633	-0.2%
Capital Assets (Net)	14,606,343	13,250,677	10.2%
<i>Total Assets</i>	<u>29,286,344</u>	<u>28,105,530</u>	<u>4.2%</u>
<i>Deferred Outflows:</i>	<u>1,025,164</u>	<u>1,372,947</u>	<u>-25.3%</u>
<i>Liabilities:</i>			
Current Liabilities	1,439,480	1,206,913	19.3%
Long-Term Liabilities	6,342,402	7,441,447	-14.8%
<i>Total Liabilities</i>	<u>7,781,882</u>	<u>8,648,360</u>	<u>-10.0%</u>
<i>Deferred Inflows:</i>	<u>369,116</u>	<u>278,831</u>	<u>32.4%</u>
<i>Net Position:</i>			
Net Investment in Capital Assets	10,261,804	8,268,199	24.1%
Restricted	1,342,668	1,227,550	9.4%
Unrestricted	10,556,038	11,055,537	-4.5%
<i>Total Net Position</i>	<u>\$ 22,160,510</u>	<u>\$ 20,551,286</u>	<u>7.8%</u>

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

	Governmental Activities		Percentage Change
	2025	2024	2025-2024
<i>Program Revenues:</i>			
Charges for Services	\$ 428,196	\$ 421,728	1.5%
Operating Contributions	126,719	48,797	159.7%
<i>General Revenues</i>			
Property Taxes	7,593,450	7,388,540	2.8%
Franchise Taxes	438,468	426,741	2.7%
Sales Taxes	682,142	658,814	3.5%
General Grants	144,829	348,354	-58.4%
Investment Earnings	358,166	318,608	12.4%
Miscellaneous	56,401	32,646	72.8%
<i>Total Revenues</i>	<u>9,828,371</u>	<u>9,644,228</u>	<u>1.9%</u>
General Government	1,342,180	1,300,271	3.2%
Police Department	1,689,532	1,605,644	5.2%
Fire Department	1,988,937	1,814,484	9.6%
Development and Public Works	2,455,507	2,315,193	6.1%
Administration	621,243	604,626	2.7%
Interest	121,748	145,973	-16.6%
<i>Total Expenses</i>	<u>8,219,147</u>	<u>7,786,191</u>	<u>5.6%</u>
Increase (Decrease) in Net	1,609,224	1,858,037	-13.4%
Net Position at Beginning of Year	<u>20,551,286</u>	<u>18,693,249</u>	<u>9.9%</u>
Net Position at End of Year	<u>\$ 22,160,510</u>	<u>\$ 20,551,286</u>	<u>7.8%</u>

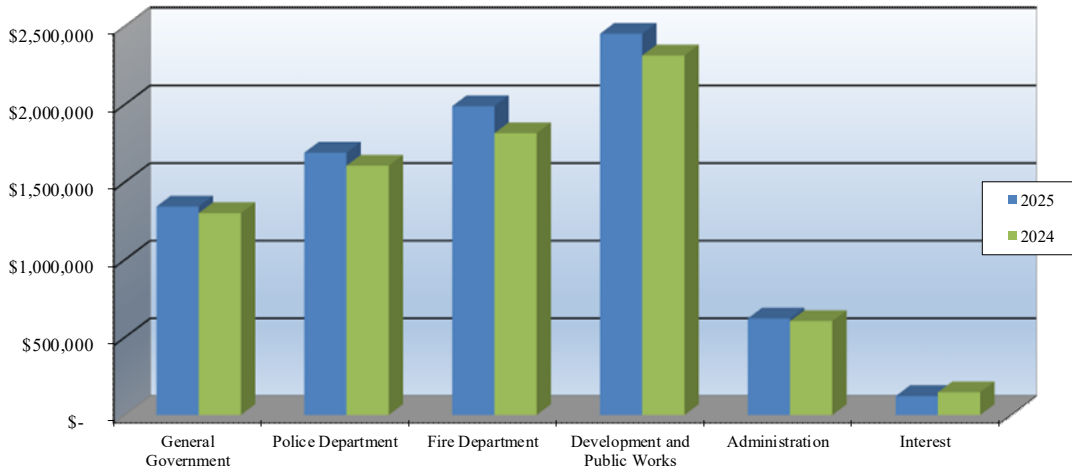
TOTAL REVENUES-GOVERNMENT-WIDE

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

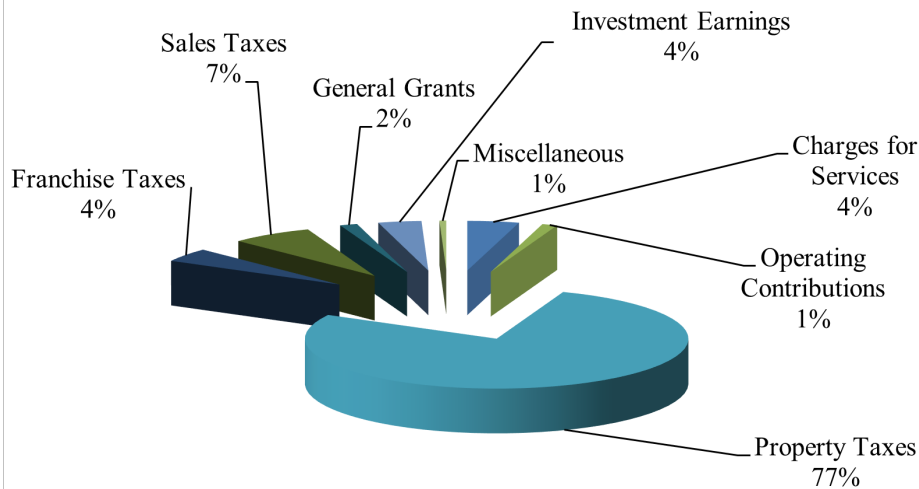


TOTAL EXPENSES-GOVERNMENT-WIDE

Expenses increased 5.6% in total and fairly evenly across most departments for cost of living adjustments for personnel.



Revenue by Source - Governmental Activities



Financial Analysis of the Government's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13 million. Of this total amount, \$8.1 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, or committed to indicate that it is set aside for specific purposes (debt service, police, street improvements, 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, the balance of the general fund increased \$558 thousand to \$8.1 million. Expenditures in the general fund were less than expected primarily from general government personnel benefits. This line is used as a contingency for any unexpected personnel changes or benefit payouts, which did not occur in 2025. Interest income was higher as the City was able to invest more cash longer than expected. The tax collection rate continued to be very high for the City and exceeded the conservative collection rate in the budget to ensure funds are available. Both of these changes (revenues exceeding the budget and expenditures under budget) led to adding to the general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 123% of total general fund expenditures, not including capital.

The debt service fund ended with a fund balance of \$738 thousand all of which is restricted for the payment of debt service. Revenues for the year of \$783 thousand were \$13 thousand more than the debt service expenditures for the year. The debt service fund is designed to have revenues that are close to expenditures as it has no other function. As of December 31 of any year, the Debt service fund is accumulating fund balance to cover February and August debt payments of the following year.

The capital projects fund ended with a fund balance of \$2.7 million. This was a decrease of \$668 thousand as the City completed a street project in 2025. The capital project fund accumulates resources over a couple year period to allow for large street projects to be performed with cash instead of debt.

The equipment replacement fund ended the year with a total fund balance of \$951 thousand. This was a decrease of \$296 thousand from the year before as two garbage trucks were purchased. The City has scheduled out replacements of vehicles and equipment and is saving money from the general fund budget annually to fund these purchases.

The ARPA grant fund holds the American Rescue Plan grant money that is refundable to the Federal government if not spent. In 2025, the City spent the last remaining portion of ARPA grant funds on HVAC repairs, foundation repairs, ADA compliant curbs and ramps.

General Fund Budgetary Highlights

General Fund revenues exceeded the budget by \$643 thousand as a result of property tax and interest income exceeding the intentionally conservative estimates. The General Fund expenditures were \$515 thousand less than the \$7.1 million budget. The savings was largely in general government for employment related contingencies that were not needed. Overall, the fund balance increased \$558 thousand compared to a budgeted decrease of \$600 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2025 the City had invested \$33.1 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant additions in 2025 include two new garbage trucks and the completion of street improvements. More information about the City's capital assets is presented in Notes A10 and D, pages 24 and 30.

Long-Term Debt. At year-end, the City had \$4.5 million in bonds outstanding. No new debt was issued in 2025 and the debt service payments were made as scheduled on the City's only outstanding bond issue. More detailed information about the City's debt is presented in Notes A14 and F, pages 25 and 31.

Economic Factors and Next Year's Budgets and Rates

The 2026 budget was prepared with an estimated tax levy increase of 2.3% over the 2025 levy. The property tax rate will be set in September 2026 at a rate sufficient to generate an additional \$150,000 in revenue. General fund expenditures are expected to increase 2.1% over the 2025 budget levels. Transfers of \$1,400,000 are budgeted in 2026 to save for future equipment replacement and street projects as in previous year. No significant changes to City operations are expected.

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.



CITY OF
TERRELL HILLS
TEXAS

BASIC FINANCIAL STATEMENTS

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 10,672,778
Receivables (net of allowance for uncollectibles):	
Property Taxes	3,823,280
Sales and Franchise Taxes	<u>183,943</u>
<i>Total Current Assets</i>	<u>14,680,001</u>
 <i>Noncurrent Assets:</i>	
Land	641,149
Construction in Progress	7,000
Buildings, Infrastructure, and Equipment (net)	<u>13,958,194</u>
<i>Total Noncurrent Assets</i>	<u>14,606,343</u>
TOTAL ASSETS	<u>29,286,344</u>
 DEFERRED OUTFLOWS	
Deferred Loss on Debt Refunding	115,350
Deferred OPEB Related Outflows	27,740
Deferred Pension Related Outflows	<u>882,074</u>
TOTAL DEFERRED OUTFLOWS	<u>\$ 1,025,164</u>

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2025

	Governmental Activities
LIABILITIES	
Accounts Payable	\$ 289,157
Accrued Interest Payable	44,800
Long-term Liabilities Due in One Year:	
Bonds Payable	680,000
Accrued Compensated Absences	420,515
Total Other Postemployment Benefit (OPEB) Liability	5,008
Long-term Liabilities Due in More than One Year:	
Bonds Payable	3,779,889
Net Pension Liability	2,413,942
Total Other Postemployment Benefit (OPEB) Liability	148,571
TOTAL LIABILITIES	7,781,882
 DEFERRED INFLOWS	
Deferred Pension Related Inflows	315,085
Deferred OPEB Related Inflows	54,031
TOTAL DEFERRED INFLOWS	369,116
 NET POSITION	
Net Investment in Capital Assets	10,261,804
Restricted for Debt Service	836,983
Restricted for Police Department	505,685
Unrestricted	10,556,038
TOTAL NET POSITION	\$ 22,160,510



CITY OF
TERRELL HILLS
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CITY OF TERRELL HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Functions and Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 1,342,180	\$ -	\$ -	\$ (1,342,180)
Police Department	1,689,532	9,943	126,719	(1,552,870)
Fire Department	1,988,937	-	-	(1,988,937)
Development and Public Works	2,455,507	418,253	-	(2,037,254)
Administration	621,243	-	-	(621,243)
Interest	121,748	-	-	(121,748)
Total Governmental Activities	8,219,147	428,196	126,719	(7,664,232)
Total Government	\$ 8,219,147	\$ 428,196	\$ 126,719	(7,664,232)
General Revenues:				
Taxes:				
General Property Taxes				7,593,450
Franchise Taxes				438,468
Sales Taxes				682,142
General Grants				144,829
Interest and Investment Earnings				358,166
Miscellaneous				56,401
Total General Revenues				9,273,456
Change in Net Position				1,609,224
Net Position at Beginning of Year				20,551,286
Net Position at End of Year				\$ 22,160,510

CITY OF TERRELL HILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Major Funds		
	General Fund	Capital Projects Fund	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 5,749,811	\$ 2,979,482	\$ 486,370
Receivables:			
Property Taxes (Net of Uncollectibles)	3,427,867	-	395,413
Sales and Franchise Taxes Receivable	165,625	18,318	-
TOTAL ASSETS	\$ 9,343,303	\$ 2,997,800	\$ 881,783
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 37,236	\$ 251,921	\$ -
<i>Total Liabilities</i>	<i>37,236</i>	<i>251,921</i>	<i>-</i>
<i>Deferred Inflows of Resources:</i>			
Unavailable Property Tax Revenue	1,242,103	-	143,361
<i>Fund Balances:</i>			
Restricted for:			
Debt Service	-	-	738,422
Police Department	-	-	-
Committed for:			
Street Improvements	-	2,745,879	-
Equipment Replacement	-	-	-
Unassigned	8,063,964	-	-
<i>Total Fund Balances</i>	<i>8,063,964</i>	<i>2,745,879</i>	<i>738,422</i>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,343,303	\$ 2,997,800	\$ 881,783

Major Funds		Nonmajor	
Equipment Replacement Fund	ARPA Grant Fund	Police Forfeiture	Total Governmental Funds
\$ 951,431	\$ -	\$ 505,685	\$ 10,672,779
-	-	-	3,823,280
-	-	-	183,943
<u>\$ 951,431</u>	<u>\$ -</u>	<u>\$ 505,685</u>	<u>\$ 14,680,002</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,157</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>289,157</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,385,464</u>
-	-	-	738,422
-	-	505,685	505,685
-	-	-	2,745,879
951,431	-	-	951,431
-	-	-	8,063,964
<u>951,431</u>	<u>-</u>	<u>505,685</u>	<u>13,005,381</u>
<u>\$ 951,431</u>	<u>\$ -</u>	<u>\$ 505,685</u>	<u>\$ 14,680,002</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, 2025

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 13,005,381

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 14,606,343

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds:
Property Taxes Receivable not Collected within 60 Days 1,385,463

Long-term liabilities, including bonds and compensated absences are not due and payable in the current period and, therefore are not reported in the governmental funds.

Bonds Payable	(4,375,000)	
Accrued Compensated Absences	(420,515)	
Deferred Loss on Debt Refunding	115,350	
Unamortized Premiums	<u>(84,889)</u>	(4,765,054)

Net pension liabilities (and related deferred outflows and inflows of resources) do not consume current financial resources and are not reported in the funds.

Net Pension Liability	(2,413,942)	
Pension Related Deferred Outflows	882,074	
Pension Related Deferred Inflows	<u>(315,085)</u>	(1,846,953)

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.

Total OPEB Liability	(153,579)	
OPEB Related Deferred Outflows	27,740	
OPEB Related Deferred Inflows	<u>(54,031)</u>	(179,870)

Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds. (44,800)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 22,160,510

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Major Funds		
	General Fund	Capital Projects Fund	Debt Service Fund
REVENUES			
Ad Valorem Taxes	\$ 6,749,275	\$ -	\$ 783,115
Sales Tax	545,713	136,429	-
Franchise Tax	438,468	-	-
Charges for Services	418,253	-	-
Grants	-	-	-
Fines and Forfeitures	9,943	-	-
Interest Income	358,166	-	-
Other	23,289	-	-
TOTAL REVENUES	<u>8,543,107</u>	<u>136,429</u>	<u>783,115</u>
EXPENDITURES			
Current:			
General Government	1,273,194	-	-
Police Department	1,568,278	-	-
Fire Department	1,824,531	-	-
Development and Public Works	1,420,221	-	-
Administration	466,328	-	-
Capital Outlay	32,496	2,004,599	-
Debt Service:			
Principal	-	-	650,000
Interest	-	-	120,520
TOTAL EXPENDITURES	<u>6,585,048</u>	<u>2,004,599</u>	<u>770,520</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,958,059</u>	<u>(1,868,170)</u>	<u>12,595</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	-	-	-
Transfers In (Out)	<u>(1,400,000)</u>	<u>1,200,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,400,000)</u>	<u>1,200,000</u>	<u>-</u>
Net Change in Fund Balance	558,059	(668,170)	12,595
FUND BALANCES - JANUARY 1	<u>7,505,905</u>	<u>3,414,049</u>	<u>725,827</u>
FUND BALANCES - DECEMBER 31	<u>\$ 8,063,964</u>	<u>\$ 2,745,879</u>	<u>\$ 738,422</u>

Major Fund		Nonmajor	Total
Equipment Replacement Fund	ARPA Grant Fund	Police Forfeiture	Governmental Funds
\$ -	\$ -	\$ -	\$ 7,532,390
-	-	-	682,142
-	-	-	438,468
-	-	-	418,253
-	144,829	-	144,829
-	-	126,719	136,662
-	-	-	358,166
-	-	-	23,289
<u>-</u>	<u>144,829</u>	<u>126,719</u>	<u>9,734,199</u>
-	62,920	-	1,336,114
-	-	1,950	1,570,228
-	-	-	1,824,531
-	-	-	1,420,221
-	-	-	466,328
537,836	81,909	35,725	2,692,565
-	-	-	650,000
-	-	-	120,520
<u>537,836</u>	<u>144,829</u>	<u>37,675</u>	<u>10,080,507</u>
<u>(537,836)</u>	<u>-</u>	<u>89,044</u>	<u>(346,308)</u>
42,155	-	-	42,155
200,000	-	-	-
<u>242,155</u>	<u>-</u>	<u>-</u>	<u>42,155</u>
(295,681)	-	89,044	(304,153)
<u>1,247,112</u>	<u>-</u>	<u>416,641</u>	<u>13,309,534</u>
<u>\$ 951,431</u>	<u>\$ -</u>	<u>\$ 505,685</u>	<u>\$ 13,005,381</u>



CITY OF
TERRELL HILLS
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CITY OF TERRELL HILLS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (304,153)

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

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

Capital Outlay	2,693,235	
Depreciation	<u>(1,328,523)</u>	1,364,712

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 61,059

Governmental funds report proceeds from the sale of capital assets as other financing sources. On the statement of activities, the proceeds are reduced by the net book value of the capital asset. This amount represents that net book value. (9,046)

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

Principal Payments	650,000
--------------------	---------

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

Pension Plan	(12,484)	
Other Postemployment Benefits	<u>514</u>	(11,970)

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	(45,674)	
Amortization of Bond Premiums	33,612	
Change in Compensated Absences Accrual	(140,149)	
Change in Accrued Interest on Long-Term Debt	<u>10,833</u>	<u>(141,378)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,609,224

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, ARPA 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, 2025

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

The ARPA Fund is used to account for resources received and related expenditures from the American Rescue Plan.

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, 2025

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

4. CASH AND INVESTMENTS

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

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

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

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

5. ACCOUNTS RECEIVABLE

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

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

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

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

6. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Allowances have been established by management based on best available information for a variety of receivables. Allowances for uncollectible taxes in the General Fund and Debt Service Fund have been recorded in the amount of \$33,432 and \$3,728, respectively.

7. PREPAID ITEMS/EXPENSES

Payments made to vendors for services that will benefit periods beyond December 31, 2025 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	10 to 50 years
Vehicles and Equipment	3 to 20 years
Infrastructure	15 to 25 years
Furniture and Fixtures	5 to 10 years

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

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

11. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

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

12. COMPENSATED ABSENCES

The liability for compensated absences (vacation and sick time) consists of unpaid accumulated leave balances based on an estimate of the balances that are more likely than not to be paid out or taken as leave in the future. Vacation benefits expire annually, but any accumulated balance is paid on termination. Sick leave is not paid on termination, but a portion of the balance is estimated to be taken as leave and is included in the liability balance. The liability is recorded on the government-wide financial statements as it accumulates to the employee. However, it is only recorded in the fund statements as it becomes due and payable. The liability is calculated using the first in first out flows assumption.

13. UNAVAILABLE REVENUE/UNEARNED REVENUE

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

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

14. LONG-TERM OBLIGATIONS

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

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

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

15. PENSIONS

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

16. OTHER POSTEMPLOYMENT BENEFITS

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

17. FUND EQUITY

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

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

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

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

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

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

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

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

18. NET POSITION

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

19. INTERFUND TRANSACTIONS

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

20. USE OF ESTIMATES

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

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, 2025, all of the City's deposits were fully collateralized.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE B -- CASH AND INVESTMENTS (CONTINUED)

2. Investments

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

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

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

The City’s investments at December 31, 2025 include \$6,372,136 on deposit in Lone Star Investment Pool, a 2a7-like public funds investment pool. Lone Star operates in accordance with the provisions of the Texas Public Funds Investment Act and is rated AAAM. The investment in Lone Star is included in cash and cash equivalents and is reported at net asset value.

3. Analysis of Specific Deposit and Investment Risks

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

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE B -- CASH AND INVESTMENTS (CONTINUED)

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

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

NOTE C -- PROPERTY TAXES

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District. Assessed values are reduced by lawful exemptions to arrive at taxable values. The total taxable value as of January 01, 2025, upon which the fiscal 2025 levy was based was \$2.12 billion (i.e., market value less exemptions). The market value was \$2.19 billion, making the taxable value 97% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended December 31, 2025, was \$0.357994 per \$100 of assessed value, which means that the City has a tax margin of \$2.142006 for each \$100 of assessed value and could increase its annual levy by approximately \$45 million based upon present assessed valuation before the limit is reached. However, the City is generally limited to a 3.5% annual increase in the property tax rate for maintenance and operations without obtaining voter approval.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE D -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

Governmental Activities	Balances at 1/1/2025	Additions	Transfers/ Disposals	Balances at 12/31/2025
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 641,149	\$ -	\$ -	\$ 641,149
Construction in Progress	828,280	2,041,599	(2,862,879)	7,000
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,469,429</u>	<u>2,041,599</u>	<u>(2,862,879)</u>	<u>648,149</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	5,102,089	35,611	-	5,137,700
Vehicles and Equipment	2,404,236	616,025	235,798	3,256,059
Infrastructure	21,680,827	-	2,215,099	23,895,926
Furniture and Fixtures	154,333	-	-	154,333
<i>Total Capital Assets Being Depreciated</i>	<u>29,341,485</u>	<u>651,636</u>	<u>2,450,897</u>	<u>32,444,018</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(1,170,585)	(120,751)	-	(1,291,336)
Vehicles and Equipment	(1,288,888)	(285,061)	402,936	(1,171,013)
Furniture and Fixtures	(148,529)	(3,166)	-	(151,695)
Infrastructure	(14,952,235)	(919,545)	-	(15,871,780)
<i>Total Accumulated Depreciation</i>	<u>(17,560,237)</u>	<u>(1,328,523)</u>	<u>402,936</u>	<u>(18,485,824)</u>
Total Capital Assets Being Depreciated, Net	<u>11,781,248</u>	<u>(676,887)</u>	<u>2,853,833</u>	<u>13,958,194</u>
Governmental Capital Assets, Net	<u>\$ 13,250,677</u>	<u>\$ 1,364,712</u>	<u>\$ (9,046)</u>	<u>\$ 14,606,343</u>

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 68,986
Police Department	98,837
Fire Department	70,122
Development and Public Works	996,354
Administration	94,224
Total Depreciation Expense	<u>\$ 1,328,523</u>

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE E -- COMPENSATED ABSENCES

The changes in accrued compensated absences for the year ending December 31, 2025 were as follows:

Governmental Activities	Balance Outstanding 1/1/2025	Net Change	Balance Outstanding 12/31/2025	Due Within One Year
Compensated Absences	\$ 280,366	\$ 140,149	\$ 420,515	\$ 420,515

Because the absences lapse based on employee anniversary date, the City anticipates all of the accrued absences to be taken or paid out in the next year..

NOTE F -- LONG-TERM DEBT

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

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

Changes in the City’s long-term debt during the fiscal year ending December 31, 2025 are as follows:

Governmental Activities	Balance Outstanding 1/1/2025	Additions	Retirements	Balance Outstanding 12/31/2025	Due Within One Year
2016 Series	\$ 5,025,000	\$ -	\$ (650,000)	\$ 4,375,000	\$ 680,000
Unamortized Premiums	118,501	-	(33,612)	84,889	-
Totals	<u>\$ 5,143,501</u>	<u>\$ -</u>	<u>\$ (683,612)</u>	<u>\$ 4,459,889</u>	<u>\$ 680,000</u>

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE F -- LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of December 31, 2025, including interest payments, are as follows:

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 680,000	\$ 93,920	\$ 773,920
2027	705,000	73,446	778,446
2028	720,000	58,833	778,833
2029	740,000	42,953	782,953
2030	755,000	26,319	781,319
2031	<u>775,000</u>	<u>8,913</u>	<u>783,913</u>
Total	<u>\$ 4,375,000</u>	<u>\$ 304,384</u>	<u>\$ 4,679,384</u>

NOTE G -- EMPLOYEE RETIREMENT SYSTEM

Texas Municipal Retirement System

Plan Description

The City participates as one of 938 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 issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2025

NOTE G -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	58
Active employees	47
	149
	149

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, 7% or 8% 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, 2025, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The City’s matching ratio is 2 to 1. The contribution rates for the City were 15.81% and 16.97% in calendar years 2024 and 2025, respectively. The City’s contributions to TMRS for the year ended December 31, 2025 were \$632,487 and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2025

NOTE G -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Fair Value; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE G -- EMPLOYEE RETIREMENT SYSTEM (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>
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
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.

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, 2025

NOTE G -- 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, 2024:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2023	\$ 19,717,154	\$ 16,920,556	\$ 2,796,598
Changes for the year:			
Service Cost	628,120	-	628,120
Interest	1,325,823	-	1,325,823
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	226,204	-	226,204
Changes of Assumptions	-	-	-
Contributions - Employer	-	565,521	(565,521)
Contributions - Employee	-	250,389	(250,389)
Net Investment Income	-	1,758,433	(1,758,433)
Benefit Payments, Including Refunds of Employee Contributions	(778,784)	(778,784)	-
Administrative Expense	-	(11,276)	11,276
Other Changes	-	(264)	264
Net Changes	1,401,363	1,784,019	(382,656)
Balance at December 31, 2024	\$ 21,118,517	\$ 18,704,575	\$ 2,413,942

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)	\$ 5,806,732	\$ 2,413,942	\$ (316,942)

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE G -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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

For the year ended December 31, 2025, the City recognized pension expense of \$644,970. Also as of December 31, 2025, 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	\$ 249,587	\$ 44,414
Changes in Actuarial Assumptions	-	72,491
Differences Between Projected and Actual Investment Earnings	-	198,180
Contributions Subsequent to the Measurement Date	632,487	-
	\$ 882,074	\$ 315,085

Deferred outflows of resources in the amount of \$632,487 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Fiscal Year ended December 31,	
2026	\$ 35,421
2027	258,457
2028	(236,120)
2029	(123,256)
2030	-
Total	\$ (65,498)

NOTE H -- OTHER POST EMPLOYMENT BENEFIT

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

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

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2025

NOTE H -- 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, 2024 (the valuation and measurement date) consisted of:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	11
Active employees	47
	85
	85

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
2025	0.26%	0.15%
2024	0.31%	0.14%

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE H -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

The following key assumptions were used in developing the actuarial valuation:

Inflation	2.5% per year
Overall Payroll Growth	3.6% to 11.85% per year, including inflation
Discount Rate	4.08%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE H -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

The changes in the City’s Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2024, were as follows:

	Total OPEB Liability
Balance at December 31, 2023	\$ 151,348
Changes for the year:	
Service Cost	4,650
Interest	5,699
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	4,986
Changes of Assumptions	(8,096)
Benefit Payments, Including Refunds of Employee Contributions	(5,008)
Net Changes	2,231
Balance at December 31, 2024	\$ 153,579

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 4.08% as well as what the City’s TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate 3.08%	Discount Rate 4.08%	Discount Rate 5.08%
Total OPEB Liability (Asset)	\$ 182,050	\$ 153,579	\$ 131,413

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE H -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

For the year ended December 31, 2025, the City recognized OPEB expense of \$4,704. Also, as of December 31, 2025, 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	\$ 7,527	\$ 11,102
Changes in Actuarial Assumptions	14,995	42,929
Contributions Subsequent to the Measurement Date	5,218	-
	\$ 27,740	\$ 54,031

Deferred outflows of resources in the amount of \$5,218 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Year ended December 31,	
2026	\$ (4,997)
2027	(9,868)
2028	(10,659)
2029	(6,423)
2030	548
Thereafter	(110)
Total	\$ (31,509)

NOTE I -- INTERFUND TRANSFERS

During 2025, the General transferred \$1,400,000 to the capital projects and equipment replacement funds to save for future street projects and equipment purchases.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE J -- TEXAS HIGHER EDUCATION AUTHORITY

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

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

The 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.

As of December 31, 2025, the Authority has no outstanding bond issues.

NOTE K -- RISK MANAGEMENT

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

NOTE L -- LITIGATION

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



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 – Defined Benefit Pension Plan
- Schedule of Changes – Total Other Postemployment Benefit Liability and Related Ratios



CITY OF
TERRELL HILLS
TEXAS

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, 2025

	Budget Amounts		Actual	Variance With
	Original	Final		Final Budget
REVENUES				
Ad Valorem Taxes	\$ 6,353,277	\$ 6,353,277	\$ 6,749,275	\$ 395,998
Sales Tax	470,000	470,000	545,713	75,713
Franchise Tax	435,000	435,000	438,468	3,468
Charges for Services	485,000	485,000	418,253	(66,747)
Fines and Forfeitures	8,829	8,829	9,943	1,114
Interest Income	133,000	133,000	358,166	225,166
Other	15,160	15,160	23,289	8,129
TOTAL REVENUES	<u>7,900,266</u>	<u>7,900,266</u>	<u>8,543,107</u>	<u>642,841</u>
EXPENDITURES				
General Government	1,585,406	1,585,406	1,273,194	312,212
Police Department	1,707,184	1,707,184	1,591,699	115,485
Fire Department	1,857,540	1,857,540	1,833,606	23,934
Development and Public Works	1,470,009	1,470,009	1,420,221	49,788
Administration	480,127	480,127	466,328	13,799
TOTAL EXPENDITURES	<u>7,100,266</u>	<u>7,100,266</u>	<u>6,585,048</u>	<u>515,218</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>800,000</u>	<u>800,000</u>	<u>1,958,059</u>	<u>1,158,059</u>
OTHER FINANCING SOURCES (USES)				
Transfer Out	(1,400,000)	(1,400,000)	(1,400,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,400,000)</u>	<u>(1,400,000)</u>	<u>(1,400,000)</u>	<u>-</u>
Net Change in Fund Balance	(600,000)	(600,000)	558,059	1,158,059
BEGINNING FUND BALANCE	<u>7,505,905</u>	<u>7,505,905</u>	<u>7,505,905</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 6,905,905</u>	<u>\$ 6,905,905</u>	<u>\$ 8,063,964</u>	<u>\$ 1,158,059</u>

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

	Total Pension Liability			
	2015	2016	2017	2018
Service Cost	\$ 346,645	\$ 345,295	\$ 374,523	\$ 459,306
Interest (on the Total Pension Liability)	783,957	777,760	823,547	929,757
Changes of Benefit Terms	-	-	-	747,049
Difference between Expected and Actual Experience	(488,811)	68,815	129,539	(47,950)
Change of Assumptions	60,058	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(311,611)	(444,747)	(611,573)	(475,578)
Net Change	390,238	747,123	716,036	1,612,584
Beginning Total Pension Liability	11,181,863	11,572,101	12,319,224	13,035,260
Ending Total Pension Liability	<u>\$ 11,572,101</u>	<u>\$ 12,319,224</u>	<u>\$ 13,035,260</u>	<u>\$ 14,647,844</u>
	Plan Fiduciary Net Position			
	2015	2016	2017	2018
Contributions - Employer	\$ 314,534	\$ 304,415	\$ 306,683	\$ 326,407
Contributions - Employee	145,956	144,274	157,005	163,067
Net Investment Income	14,370	668,615	1,463,398	(355,415)
Benefit Payments, Including Refunds of Employee Contributions	(311,611)	(444,747)	(611,573)	(475,578)
Administrative Expense	(8,753)	(7,551)	(7,583)	(6,869)
Other	(433)	(407)	(383)	(359)
Net Change	154,063	664,599	1,307,547	(348,747)
Beginning Plan Fiduciary Net Position	9,738,655	9,892,718	10,557,317	11,864,864
Ending Net Pension Liability	<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	\$ 1,679,383	\$ 1,761,907	\$ 1,170,396	\$ 3,131,727
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.49%	85.70%	91.02%	78.62%
Covered Payroll	\$ 2,432,593	\$ 2,404,558	\$ 2,609,916	\$ 2,717,789
Net Pension Liability as a Percentage of Covered Payroll	69.04%	73.27%	44.84%	115.23%

Total Pension Liability					
2019	2020	2021	2022	2023	2024
\$ 471,461	\$ 497,721	\$ 511,007	\$ 497,333	\$ 515,030	\$ 628,120
989,150	1,048,784	1,106,801	1,193,209	1,250,088	1,325,823
-	-	-	-	-	-
(20,565)	6,426	352,808	(204,956)	195,188	226,204
(16,029)	-	-	-	(161,439)	-
<u>(459,015)</u>	<u>(648,326)</u>	<u>(751,816)</u>	<u>(615,497)</u>	<u>(688,053)</u>	<u>(778,784)</u>
965,002	904,605	1,218,800	870,089	1,110,814	1,401,363
14,647,844	15,612,846	16,517,451	17,736,251	18,606,340	19,717,154
<u>\$15,612,846</u>	<u>\$16,517,451</u>	<u>\$17,736,251</u>	<u>\$18,606,340</u>	<u>\$19,717,154</u>	<u>\$21,118,517</u>

Plan Fiduciary Net Position					
2019	2020	2021	2022	2023	2024
\$ 432,761	\$ 451,620	\$ 474,917	\$ 462,427	\$ 484,769	\$ 565,521
197,737	205,549	212,288	208,838	216,140	250,389
1,780,572	1,021,344	1,887,814	(1,189,425)	1,754,952	1,758,433
(459,015)	(648,326)	(751,816)	(615,497)	(688,053)	(778,784)
(10,060)	(6,610)	(8,735)	(10,293)	(11,165)	(11,276)
(301)	(258)	59	12,283	(78)	(264)
1,941,694	1,023,319	1,814,527	(1,131,667)	1,756,565	1,784,019
11,516,117	13,457,811	14,481,131	16,295,658	15,163,991	16,920,556
<u>\$13,457,811</u>	<u>\$14,481,131</u>	<u>\$16,295,658</u>	<u>\$15,163,991</u>	<u>\$16,920,556</u>	<u>\$18,704,575</u>

\$ 2,155,035	\$ 2,036,320	\$ 1,440,593	\$ 3,442,349	\$ 2,796,598	\$ 2,413,942
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86.20%	87.67%	91.88%	81.50%	85.82%	88.57%
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\$ 2,824,810	\$ 2,936,408	\$ 3,032,681	\$ 2,983,401	\$ 3,087,708	\$ 3,576,991
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76.29%	69.35%	47.50%	115.38%	90.57%	67.49%
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CITY OF TERRELL HILLS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN
 LAST TEN FISCAL YEARS

Fiscal Year Ending December 31,	Actuarially Determined Contribution (ADC)	Contributions In Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percent of Covered Payroll
2016	\$ 303,998	\$ 303,998	\$ -	\$ 2,404,558	12.64%
2017	308,253	308,253	-	2,609,916	11.81%
2018	326,426	326,426	-	2,717,789	12.01%
2019	433,044	433,044	-	2,824,810	15.33%
2020	451,620	451,620	-	2,936,408	15.38%
2021	474,917	474,917	-	3,032,681	15.66%
2022	461,830	461,830	-	2,983,401	15.48%
2023	484,769	484,769	-	3,087,702	15.70%
2024	565,521	565,521	-	3,576,983	15.81%
2025	632,487	632,487	-	3,727,090	16.97%

CITY OF TERRELL HILLS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES - TOTAL OPEB LIABILITY
LAST SEVEN PLAN YEARS

	Total OPEB Liability				
	2017	2018	2019	2020	2021
Service Cost	\$ 4,698	\$ 5,436	\$ 5,085	\$ 7,635	\$ 8,795
Interest (on the Total OPEB Liability)	4,433	4,546	4,814	4,533	3,912
Changes of Benefit Terms	-	-	-	-	-
Difference between Expected and Actual Experience	-	(6,495)	(3,373)	(6,740)	(4,067)
Change of Assumptions	11,369	(10,062)	28,293	27,033	6,355
Benefit Payments, Including Refunds of Employee Contributions	(783)	(815)	(847)	(1,175)	(3,336)
Net Change	19,717	(7,390)	33,972	31,286	11,659
Beginning Total OPEB Liability	115,306	135,023	127,633	161,605	192,891
Ending Total OPEB Liability	<u>\$ 135,023</u>	<u>\$ 127,633</u>	<u>\$ 161,605</u>	<u>\$ 192,891</u>	<u>\$ 204,550</u>
Covered-Employee Payroll	\$ 2,609,916	\$ 2,717,789	\$ 2,824,810	\$ 2,936,408	\$ 3,032,681
Total OPEB Liability as a Percentage of Covered-Employee Payroll	5.17%	4.70%	5.72%	6.57%	6.74%
Discount Rate	3.31%	3.71%	2.75%	2.00%	1.84%
	Total OPEB Liability				
	2022	2023	2024		
Service Cost	\$ 8,950	\$ 4,632	\$ 4,650		
Interest (on the Total OPEB Liability)	3,816	5,420	5,699		
Changes of Benefit Terms	-	-	-		
Difference between Expected and Actual Experience	(14,559)	4,805	4,986		
Change of Assumptions	(65,812)	7,151	(8,096)		
Benefit Payments, Including Refunds of Employee Contributions	(3,282)	(4,323)	(5,008)		
Net Change	(70,887)	17,685	2,231		
Beginning Total OPEB Liability	204,550	133,663	151,348		
Ending Total OPEB Liability	<u>\$ 133,663</u>	<u>\$ 151,348</u>	<u>\$ 153,579</u>		
Covered-Employee Payroll	\$ 2,983,401	\$ 3,087,708	\$ 3,576,991		
Total OPEB Liability as a Percentage of Covered-Employee Payroll	4.48%	4.90%	4.29%		
Discount Rate	4.05%	3.77%	4.08%		

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025

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. All funds except for the Police Forfeiture fund are included in the annual appropriated budget.

Budgetary preparation and control is exercised at the line item level. Actual expenditures may not legally exceed appropriations at the department level.

Pension Information

Changes in Benefit Terms:

None

Changes in Actuarial Assumptions:

2023	New retirement and mortality assumptions
2019	New retirement and mortality assumptions
2015	Investment rate of return lowered from 7% to 6.75%

OPEB Information

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

Changes in Benefit Terms:

None

Changes in Actuarial Assumptions:

None other than the discount rate on the face of the schedule.

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 Statement and Schedule – 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, 2025 AND 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 505,685	\$ 416,641
TOTAL ASSETS	\$ 505,685	\$ 416,641
LIABILITIES AND FUND BALANCE		
<i>Fund Balance:</i>		
Restricted for Police Department	505,685	416,641
<i>Total Fund Balance</i>	505,685	416,641
TOTAL LIABILITIES AND FUND BALANCE	\$ 505,685	\$ 416,641

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - POLICE FORFEITURE
 FOR THE FISCAL YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
REVENUES		
Fines and Forfeitures	\$ 126,719	\$ 48,797
TOTAL REVENUES	126,719	48,797
 EXPENDITURES		
Police Department	1,950	5,492
Capital Outlay	35,725	45,057
TOTAL EXPENDITURES	37,675	50,549
 Net Change in Fund Balance	89,044	(1,752)
 BEGINNING FUND BALANCE	416,641	418,393
 ENDING FUND BALANCE	\$ 505,685	\$ 416,641

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - GENERAL FUND
 DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 5,749,811	\$ 5,155,593
Receivables:		
Property Tax (net of uncollectibles)	3,427,867	3,426,363
Sales Tax and Franchise Taxes Receivables	165,625	159,833
TOTAL ASSETS	\$ 9,343,303	\$ 8,741,789
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 37,236	\$ 52,195
<i>Total Liabilities</i>	37,236	52,195
 <i>Deferred Inflows:</i>		
Unavailable Property Tax Revenue	1,242,103	1,183,689
<i>Total Deferred Inflows</i>	1,242,103	1,183,689
 <i>Fund Balance:</i>		
Unassigned	8,063,964	7,505,905
<i>Total Fund Balance</i>	8,063,964	7,505,905
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 9,343,303	\$ 8,741,789

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
REVENUES		
Ad Valorem Taxes	\$ 6,749,275	\$ 6,376,826
Sales Tax	545,713	527,051
Franchise Taxes	438,468	426,741
Charges for Services	418,253	409,282
Fines and Forfeitures	9,943	12,446
Interest Income	358,166	318,608
Other	23,289	23,391
TOTAL REVENUES	8,543,107	8,094,345
EXPENDITURES		
<i>Current:</i>		
General Government	1,273,194	1,259,877
Police Department	1,568,278	1,521,733
Fire Department	1,824,531	1,732,222
Development and Public Works	1,420,221	1,364,274
Administration	466,328	488,661
Capital Outlay	32,496	14,158
TOTAL EXPENDITURES	6,585,048	6,380,925
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,958,059	1,713,420
OTHER FINANCING SOURCES (USES)		
Transfers Out	(1,400,000)	(1,380,000)
TOTAL OTHER FINANCING SOURCES(USES)	(1,400,000)	(1,380,000)
Net Change in Fund Balance	558,059	333,420
Fund Balance at Beginning of Year	7,505,905	7,172,485
Fund Balance at End of Year	\$ 8,063,964	\$ 7,505,905

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - DEBT SERVICE FUND
 DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 486,370	\$ 453,975
Property Taxes Receivable (net of uncollectibles)	395,413	412,567
TOTAL ASSETS	\$ 881,783	\$ 866,542
 DEFERRED INFLOWS AND FUND BALANCE		
<i>Deferred Inflows:</i>		
Unavailable Property Tax Revenue	\$ 143,361	\$ 140,715
<i>Total Deferred Inflows</i>	143,361	140,715
 <i>Fund Balance</i>		
Restricted for Debt Service	738,422	725,827
 TOTAL LIABILITIES AND DEFERRED INFLOWS	 \$ 881,783	 \$ 866,542

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, 2025
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2024)

	Budget Amounts		2025 Actual	Variance	2024 Actual
	Original	Final		With Final Budget	
REVENUES					
Ad Valorem Taxes	\$ 770,520	\$ 770,520	\$ 783,115	\$ 12,595	\$ 787,371
TOTAL REVENUES	<u>770,520</u>	<u>770,520</u>	<u>783,115</u>	<u>12,595</u>	<u>787,371</u>
EXPENDITURES					
Principal	650,000	650,000	650,000	-	620,000
Interest	121,345	121,345	120,520	825	146,745
TOTAL EXPENDITURES	<u>771,345</u>	<u>771,345</u>	<u>770,520</u>	<u>825</u>	<u>766,745</u>
Net Change in Fund Balance	(825)	(825)	12,595	13,420	20,626
BEGINNING FUND BALANCE	<u>725,827</u>	<u>725,827</u>	<u>725,827</u>	<u>-</u>	<u>705,201</u>
ENDING FUND BALANCE	<u>\$ 725,002</u>	<u>\$ 725,002</u>	<u>\$ 738,422</u>	<u>\$ 13,420</u>	<u>\$ 725,827</u>

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - CAPITAL PROJECTS FUND
 DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 2,979,482	\$ 3,397,179
Sales Taxes Receivable	18,318	16,870
TOTAL ASSETS	\$ 2,997,800	\$ 3,414,049
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 251,921	\$ -
<i>Total Liabilities</i>	251,921	-
 <i>Fund Balance:</i>		
Committed for Street Improvements	2,745,879	3,414,049
<i>Total Fund Balance</i>	2,745,879	3,414,049
 TOTAL LIABILITIES AND FUND BALANCE	\$ 2,997,800	\$ 3,414,049

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, 2025 AND 2024

	2025	2024
REVENUES		
Street Sales Tax	\$ 136,429	\$ 131,763
TOTAL REVENUES	136,429	131,763
 EXPENDITURES		
Capital Outlay	2,004,599	164,500
TOTAL EXPENDITURES	2,004,599	164,500
 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(1,868,170)	(32,737)
 OTHER FINANCING SOURCES (USES)		
Transfers In	1,200,000	1,200,000
TOTAL OTHER FINANCING SOURCES(USES)	1,200,000	1,200,000
 Net Change in Fund Balance	(668,170)	1,167,263
 Fund Balances at Beginning of Year	3,414,049	2,246,786
 Fund Balances at End of Year	\$ 2,745,879	\$ 3,414,049

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - EQUIPMENT REPLACEMENT FUND
 DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 951,431	\$ 1,247,112
TOTAL ASSETS	\$ 951,431	\$ 1,247,112
 LIABILITIES AND FUND BALANCE		
<i>Fund Balance:</i>		
Committed for Equipment Replacement	951,431	1,247,112
<i>Total Fund Balance</i>	951,431	1,247,112
 TOTAL LIABILITIES AND FUND BALANCE	\$ 951,431	\$ 1,247,112

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, 2025 AND 2024

	2025	2024
REVENUES	\$ -	\$ -
EXPENDITURES		
Capital Outlay	537,836	-
TOTAL EXPENDITURES	537,836	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(537,836)	-
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	42,155	9,250
Transfers In	200,000	180,000
TOTAL OTHER FINANCING SOURCES(USES)	242,155	189,250
Net Change in Fund Balance	(295,681)	189,250
Fund Balances at Beginning of Year	1,247,112	1,057,862
Fund Balances at End of Year	\$ 951,431	\$ 1,247,112



CITY OF
TERRELL HILLS
TEXAS

STATISTICAL SECTION

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

Financial Trends – Tables 1 through 4

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

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

Revenue Capacity – Tables 5 through 9

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

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

Debt Capacity – Tables 10 through 13

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

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

Demographic and Economic Information – Tables 14 and 15

Demographic and Economic Statistics
Principal Employers

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

Operating Information (Tables 16 through 18)

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

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

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

	Fiscal Year			
	2016	2017	2018	2019
<i>Governmental Activities:</i>				
Net Investment in Capital Assets	\$ 6,501,017	\$ 6,856,720	\$ 6,535,717	\$ 5,882,491
Restricted	782,137	727,132	829,322	835,285
Unrestricted	4,731,461	4,855,438	5,432,539	5,814,942
<i>Total Governmental Activities</i>				
<i>Net Position</i>	<u>\$ 12,014,615</u>	<u>\$ 12,439,290</u>	<u>\$ 12,797,578</u>	<u>\$ 12,532,718</u>
 <i>Primary Government:</i>				
Net Investment in Capital Assets	\$ 6,501,017	\$ 6,856,720	\$ 6,535,717	\$ 5,882,491
Restricted	782,137	727,132	829,322	835,285
Unrestricted	4,731,461	4,855,438	5,432,539	5,814,942
<i>Total Primary Government</i>				
<i>Net Position</i>	<u>\$ 12,014,615</u>	<u>\$ 12,439,290</u>	<u>\$ 12,797,578</u>	<u>\$ 12,532,718</u>

*Note:

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

TABLE 1

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 5,676,222	\$ 6,163,201	\$ 8,308,443	\$ 8,311,600	\$ 8,268,199	\$ 10,261,804
811,964	1,249,226	1,223,107	1,176,019	1,227,550	1,342,668
<u>6,853,400</u>	<u>7,357,686</u>	<u>7,458,485</u>	<u>9,205,630</u>	<u>11,055,537</u>	<u>10,556,038</u>
<u>\$ 13,341,586</u>	<u>\$ 14,770,113</u>	<u>\$ 16,990,035</u>	<u>\$ 18,693,249</u>	<u>\$ 20,551,286</u>	<u>\$ 22,160,510</u>
\$ 5,676,222	\$ 6,163,201	\$ 8,308,443	\$ 8,311,600	\$ 8,268,199	\$ 10,261,804
811,964	1,249,226	1,223,107	1,176,019	1,227,550	1,342,668
<u>6,853,400</u>	<u>7,357,686</u>	<u>7,458,485</u>	<u>9,205,630</u>	<u>11,055,537</u>	<u>10,556,038</u>
<u>\$ 13,341,586</u>	<u>\$ 14,770,113</u>	<u>\$ 16,990,035</u>	<u>\$ 18,693,249</u>	<u>\$ 20,551,286</u>	<u>\$ 22,160,510</u>

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

	Fiscal Year			
	2016	2017	2018	2019
Expenses				
<i>Governmental Activities:</i>				
General Government	\$ 1,080,866	\$ 952,370	\$ 984,610	\$ 961,543
Police Department	1,261,403	1,277,882	1,246,087	1,589,983
Fire Department	1,159,771	1,258,681	1,239,810	1,662,432
Development and Public Works	1,656,655	1,782,424	1,934,539	2,216,265
Administration	399,893	393,786	462,217	589,767
Interest	379,680	282,042	272,282	263,237
<i>Total Governmental Activities Expenses</i>	<u>5,938,268</u>	<u>5,947,185</u>	<u>6,139,545</u>	<u>7,283,227</u>
Program Revenues				
<i>Governmental Activities:</i>				
Charges for Services	325,779	335,299	320,389	425,657
Operating Grants and Contributions	32,933	19,804	119,630	13,636
Capital Grants and Contributions	-	-	-	-
<i>Total Governmental Activities Program Revenues</i>	<u>358,712</u>	<u>355,103</u>	<u>440,019</u>	<u>439,293</u>
Net (Expenses) Revenue				
Governmental Activities	<u>(5,579,556)</u>	<u>(5,592,082)</u>	<u>(5,699,526)</u>	<u>(6,843,934)</u>
Total Primary Government Net Expenses	<u>\$ (5,579,556)</u>	<u>\$ (5,592,082)</u>	<u>\$ (5,699,526)</u>	<u>\$ (6,843,934)</u>
Governmental Revenues and Other Changes in Net Position				
<i>Governmental Activities:</i>				
Taxes:				
General Property Taxes	\$ 4,831,167	\$ 5,149,850	\$ 5,301,071	\$ 5,661,706
Franchise Taxes	466,525	469,074	473,990	448,533
Sales Taxes	300,735	364,435	342,795	387,631
General Grants	-	-	-	-
Interest and Investment Earnings	7,681	9,188	29,921	38,004
Miscellaneous	28,864	24,210	24,567	43,200
<i>Total Governmental Activities</i>	<u>5,634,972</u>	<u>6,016,757</u>	<u>6,172,344</u>	<u>6,579,074</u>
Total Primary Government	<u>\$ 5,634,972</u>	<u>\$ 6,016,757</u>	<u>\$ 6,172,344</u>	<u>\$ 6,579,074</u>
Changes In Net Position				
Government Activities	\$ 55,416	\$ 424,675	\$ 472,818	\$ (264,860)
Total Primary Government	<u>\$ 55,416</u>	<u>\$ 424,675</u>	<u>\$ 472,818</u>	<u>\$ (264,860)</u>

*Note:

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

TABLE 2

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 1,002,940	\$ 1,054,135	\$ 1,163,679	\$ 1,312,852	\$ 1,300,271	\$ 1,342,180
1,348,265	1,351,156	1,345,351	1,478,936	1,605,644	1,689,532
1,377,123	1,360,151	1,419,690	1,642,642	1,814,484	1,988,937
2,023,737	2,021,428	2,086,485	2,250,815	2,315,193	2,455,507
524,433	495,781	497,330	571,303	604,626	621,243
254,094	234,355	204,811	178,391	145,973	121,748
<u>6,530,592</u>	<u>6,517,006</u>	<u>6,717,346</u>	<u>7,434,939</u>	<u>7,786,191</u>	<u>8,219,147</u>
535,612	513,199	497,110	464,961	421,728	428,196
5,921	482,093	123,193	35,950	48,797	126,719
-	-	-	-	-	-
<u>541,533</u>	<u>995,292</u>	<u>620,303</u>	<u>500,911</u>	<u>470,525</u>	<u>554,915</u>
<u>(5,989,059)</u>	<u>(5,521,714)</u>	<u>(6,097,043)</u>	<u>(6,934,028)</u>	<u>(7,315,666)</u>	<u>(7,664,232)</u>
<u>\$ (5,989,059)</u>	<u>\$ (5,521,714)</u>	<u>\$ (6,097,043)</u>	<u>\$ (6,934,028)</u>	<u>\$ (7,315,666)</u>	<u>\$ (7,664,232)</u>
\$ 5,757,903	\$ 5,946,932	\$ 6,558,592	\$ 7,015,362	\$ 7,388,540	\$ 7,593,450
396,917	432,083	496,734	458,363	426,741	438,468
453,257	505,102	639,511	620,282	658,814	682,142
-	-	551,265	283,782	348,354	144,829
8,057	2,808	28,285	193,754	318,608	358,166
181,793	63,316	42,578	65,699	32,646	56,401
<u>6,797,927</u>	<u>6,950,241</u>	<u>8,316,965</u>	<u>8,637,242</u>	<u>9,173,703</u>	<u>9,273,456</u>
<u>\$ 6,797,927</u>	<u>\$ 6,950,241</u>	<u>\$ 8,316,965</u>	<u>\$ 8,637,242</u>	<u>\$ 9,173,703</u>	<u>\$ 9,273,456</u>
\$ 808,868	\$ 1,428,527	\$ 2,219,922	\$ 1,703,214	\$ 1,858,037	\$ 1,609,224
<u>\$ 808,868</u>	<u>\$ 1,428,527</u>	<u>\$ 2,219,922</u>	<u>\$ 1,703,214</u>	<u>\$ 1,858,037</u>	<u>\$ 1,609,224</u>

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

	Fiscal Year			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund				
Nonspendable	\$ -	\$ 24,864	\$ 23,734	\$ -
Restricted	78,516	-	-	-
Unassigned	<u>4,019,168</u>	<u>4,741,523</u>	<u>5,055,222</u>	<u>4,491,217</u>
Total General Fund	<u>\$ 4,097,684</u>	<u>\$ 4,766,387</u>	<u>\$ 5,078,956</u>	<u>\$ 4,491,217</u>
All Other Governmental Funds				
Reported In:				
Capital Project Funds	\$ 1,384,819	\$ 916,574	\$ 1,093,387	\$ 2,840,046
Debt Service Funds	701,280	740,634	721,060	716,382
Special Revenue Funds	<u>-</u>	<u>5,112</u>	<u>102,873</u>	<u>99,803</u>
Total All Other Governmental Funds	<u>\$ 2,086,099</u>	<u>\$ 1,662,320</u>	<u>\$ 1,917,320</u>	<u>\$ 3,656,231</u>

TABLE 3

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 28,708	\$ 30,432	\$ 1,002	\$ 24,149	\$ -	\$ -
-	-	-	-	-	-
<u>5,361,710</u>	<u>5,604,597</u>	<u>6,878,068</u>	<u>7,148,336</u>	<u>7,505,905</u>	<u>8,063,964</u>
<u>\$ 5,390,418</u>	<u>\$ 5,635,029</u>	<u>\$ 6,879,070</u>	<u>\$ 7,172,485</u>	<u>\$ 7,505,905</u>	<u>\$ 8,063,964</u>
\$ 3,059,337	\$ 3,156,283	\$ 1,805,467	\$ 3,304,648	\$ 4,661,161	\$ 3,697,310
728,154	687,347	705,944	705,201	725,827	738,422
<u>64,287</u>	<u>537,478</u>	<u>491,063</u>	<u>418,393</u>	<u>416,641</u>	<u>505,685</u>
<u>\$ 3,851,778</u>	<u>\$ 4,381,108</u>	<u>\$ 3,002,474</u>	<u>\$ 4,428,242</u>	<u>\$ 5,803,629</u>	<u>\$ 4,941,417</u>

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

	Fiscal Year			
	2016	2017	2018	2019
REVENUES				
Ad Valorem Taxes	\$ 4,817,404	\$ 5,282,410	\$ 5,130,583	\$ 5,508,442
Sales Taxes	300,735	364,435	342,794	387,632
Franchise Taxes	466,525	469,074	473,990	448,533
Charges for Services	304,376	321,116	302,390	405,108
Grants	-	-	-	-
Fines and Forfeitures	53,336	33,687	137,628	34,186
Interest Income	6,655	9,188	29,922	38,006
Other	16,554	13,496	21,997	43,200
TOTAL REVENUES	5,965,585	6,493,406	6,439,304	6,865,107
EXPENDITURES				
Current:				
General Government	969,681	902,474	972,348	964,201
Police Department	1,196,053	1,206,756	1,220,777	1,241,081
Fire Department	1,079,789	1,198,078	1,215,561	1,298,451
Development and Public Works	819,902	960,681	1,010,601	1,084,182
Administration	371,934	304,965	359,974	381,606
Capital Projects/Outlay	146,020	1,004,339	381,985	39,868
Debt Service:				
Principal	435,000	435,000	460,000	460,000
Interest	184,776	272,858	253,059	244,546
Bond Issue Costs	86,158	-	-	-
TOTAL EXPENDITURES	5,289,313	6,285,151	5,874,305	5,713,935
Excess (Deficiency) of Revenues Over (Under) Expenditures	676,272	208,255	564,999	1,151,172
OTHER FINANCING SOURCES (USES)				
Issuance of Bonded Debt	7,375,000	-	-	-
Premium From Issuance of Debt	578,561	-	-	-
Sales of Capital Assets	27,055	36,669	2,570	-
Payments to Refunding Escrow Agent	(8,014,270)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(33,654)	36,669	2,570	-
Net Change in Fund Balance	\$ 642,618	\$ 244,924	\$ 567,569	\$ 1,151,172
Debt Service Expenditures as a Percent of Non-capital expenditures	13.7%	13.4%	13.0%	12.4%

TABLE 4

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 5,770,104	\$ 5,940,399	\$ 6,595,822	\$ 6,819,888	\$ 7,164,197	\$ 7,532,390
453,257	505,102	639,511	620,281	658,814	682,142
396,917	432,083	496,734	458,363	426,741	438,468
529,542	503,905	490,257	455,514	409,282	418,253
-	-	551,265	283,782	348,354	144,829
11,991	491,387	130,046	45,397	61,243	136,662
8,057	2,808	28,285	193,754	318,608	358,166
147,134	58,869	20,579	45,348	23,391	23,289
<u>7,317,002</u>	<u>7,934,553</u>	<u>8,952,499</u>	<u>8,922,327</u>	<u>9,410,630</u>	<u>9,734,199</u>
993,378	1,044,045	1,153,881	1,291,924	1,262,973	1,336,114
1,313,893	1,366,496	1,329,801	1,354,962	1,527,225	1,570,228
1,312,584	1,373,505	1,447,501	1,493,072	1,732,222	1,824,531
1,112,279	1,112,088	1,170,011	1,242,824	1,364,274	1,420,221
411,254	400,988	413,699	437,395	488,661	466,328
415,020	1,137,460	2,824,429	647,167	568,973	2,692,565
465,000	550,000	575,000	605,000	620,000	650,000
233,506	217,270	194,770	171,170	146,745	120,520
-	-	-	-	-	-
<u>6,256,914</u>	<u>7,201,852</u>	<u>9,109,092</u>	<u>7,243,514</u>	<u>7,711,073</u>	<u>10,080,507</u>
<u>1,060,088</u>	<u>732,701</u>	<u>(156,593)</u>	<u>1,678,813</u>	<u>1,699,557</u>	<u>(346,308)</u>
-	-	-	-	-	-
-	-	-	-	-	-
34,660	41,240	22,000	40,370	9,250	42,155
-	-	-	-	-	-
<u>34,660</u>	<u>41,240</u>	<u>22,000</u>	<u>40,370</u>	<u>9,250</u>	<u>42,155</u>
<u>\$ 1,094,748</u>	<u>\$ 773,941</u>	<u>\$ (134,593)</u>	<u>\$ 1,719,183</u>	<u>\$ 1,708,807</u>	<u>\$ (304,153)</u>
11.9%	12.7%	12.2%	11.8%	10.7%	10.4%

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
2016	\$ 4,817,404	\$ 300,735	\$ 466,525	\$ 5,584,664
2017	5,282,410	364,435	469,074	6,115,919
2018	5,130,583	342,794	473,990	5,947,367
2019	5,508,442	387,632	448,533	6,344,607
2020	5,770,104	453,257	396,917	6,620,278
2021	5,940,399	505,102	432,083	6,877,584
2022	6,595,822	639,511	496,734	7,732,067
2023	6,819,888	620,281	458,363	7,898,532
2024	7,164,197	658,814	426,741	8,249,752
2025	7,532,390	682,142	438,468	8,653,000

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
2016	\$ 1,413,951,625	\$ 38,961,001	\$ 36,260,166	\$ 1,416,652,460	0.339538
2017	1,468,772,385	43,427,803	38,057,415	1,474,142,773	0.347673
2018	1,512,481,536	43,322,224	34,812,569	1,520,991,191	0.347673
2019	1,529,138,696	42,652,916	26,263,387	1,545,528,225	0.365000
2020	1,560,808,509	47,068,010	31,645,567	1,576,230,952	0.365000
2021	1,610,774,512	47,732,909	40,641,736	1,617,865,685	0.365000
2022	1,785,342,934	49,969,922	69,178,417	1,766,134,439	0.369784
2023	1,944,250,283	89,762,340	78,721,313	1,955,291,310	0.359393
2024	2,038,435,553	92,317,903	60,658,506	2,070,094,950	0.354727
2025	2,093,792,666	97,052,375	75,844,987	2,115,000,054	0.357994

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
2016	0.284670	0.054868	0.339538
2017	0.299253	0.048420	0.347673
2018	0.300656	0.047017	0.347673
2019	0.319823	0.045177	0.365000
2020	0.319918	0.045082	0.365000
2021	0.320112	0.044888	0.365000
2022	0.325546	0.044238	0.369784
2023	0.318609	0.040784	0.359393
2024	0.316629	0.038098	0.354727
2025	0.320980	0.037014	0.357994

Overlapping Rates							
Fiscal Period	Alamo Heights ISD	Bexar County	Bexar County Flood	San Antonio River Authority	University Health System	Alamo Community College	Total Overlapping
2016	1.195000	0.297500	0.017000	0.017290	0.276235	0.149150	1.952175
2017	1.195000	0.293250	0.015700	0.017290	0.293250	0.149150	1.963640
2018	1.255000	0.291229	0.012870	0.017290	0.276235	0.149150	2.001774
2019	1.195000	0.277429	0.023670	0.018580	0.276235	0.149150	1.940064
2020	1.196400	0.277429	0.023670	0.018580	0.276235	0.149150	1.941464
2021	1.193400	0.276331	0.023668	0.018580	0.276235	0.149150	1.937364
2022	1.135500	0.276331	0.023668	0.018360	0.276235	0.149150	1.879244
2023	0.966600	0.276331	0.023668	0.018000	0.276235	0.149150	1.709984
2024	0.966200	0.276331	0.023668	0.017870	0.276235	0.149150	1.709454
2025	0.957200	0.276331	0.023668	0.018300	0.276235	0.149150	1.700884

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>2025</u>			<u>2016</u>		
	Taxable	<u>Rank</u>	Percentage	Taxable	<u>Rank</u>	Percentage
	Assessed		of Total City	Assessed		of Total City
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
EAN Holdings LLC	\$ 36,574,552	1	1.73%			
Berkley V & Bonnie Dawson	11,460,000	2	0.54%	5,500,000	4	0.39%
Roth & Emily Martin Revocable Trust	10,900,000	3	0.52%			
West Kittie	7,000,000	4	0.33%			
Otterby Real Estate Trust	6,275,000	5	0.30%			
Little Rio Blanco LP Series C	5,257,610	6	0.25%			
Aaron McKee	5,185,000	7	0.25%			
Nicolas & Aliece R Hollis	5,154,690	8	0.24%	4,936,748	5	0.35%
Stephen & Susan Butt	5,000,000	9	0.24%			
James W Jr & Jessica L Collins	4,800,000	10	0.23%			
Michael & Candace Humphreys				11,095,160	1	0.78%
Edward & Linda Whitacre				6,642,477	2	0.47%
Thomas Moorman				5,839,279	3	0.41%
Richard & Mary Azar				4,773,450	6	0.34%
Patricia Cerisola				4,300,000	7	0.30%
Casey Darren Interests Inc				4,184,000	8	0.30%
John & Laura Zachry				4,181,000	9	0.30%
James & Kristine Ellis				4,150,000	10	0.29%
Total	<u>\$ 97,606,852</u>		<u>4.61%</u>	<u>\$ 55,602,114</u>		<u>3.92%</u>

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 Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$ 4,808,449	\$ 2,715,502	56.5%	\$ 2,081,621	\$ 4,797,123	99.8%
2017	5,126,112	3,149,334	61.4%	1,959,511	5,108,845	99.7%
2018	5,288,123	2,959,961	56.0%	2,313,717	5,273,678	99.7%
2019	5,641,215	3,086,466	54.7%	2,543,624	5,630,090	99.8%
2020	5,737,091	3,110,063	54.2%	2,610,079	5,720,142	99.7%
2021	5,905,241	2,364,503	40.0%	3,510,468	5,874,971	99.5%
2022	6,530,916	3,374,684	51.7%	3,120,526	6,495,210	99.5%
2023	6,987,057	3,681,322	52.7%	3,279,676	6,960,998	99.6%
2024	7,343,199	3,832,620	52.2%	3,403,190	7,235,810	98.5%
2025	7,571,616	4,054,349	53.5%	-	4,054,349	53.5%

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

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

TABLE 10

Fiscal Year	Governmental Activities				Unamortized Premiums	Total Primary Government	Percentage of Personal Income**	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Notes Payable					
2016	\$ 9,195,000	\$ -	\$ -	\$ 578,561	\$ 9,773,561	2.3%	\$ 1,849	
2017	8,760,000	-	-	511,582	9,271,582	1.9%	1,786	
2018	8,300,000	-	-	448,129	8,748,129	1.9%	1,667	
2019	7,840,000	-	-	384,676	8,224,676	1.7%	1,516	
2020	7,375,000	-	-	321,223	7,696,223	1.8%	1,413	
2021	6,825,000	-	-	260,837	7,085,837	1.8%	1,405	
2022	6,250,000	-	-	206,726	6,456,726	1.5%	1,282	
2023	5,645,000	-	-	159,197	5,804,197	1.2%	1,150	
2024	5,025,000	-	-	118,501	5,143,501	0.9%	1,017	
2025	4,375,000	-	-	84,889	4,459,889	0.8%	867	

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

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

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

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

TABLE 11

Fiscal Year	General Bonded Debt			Available in Debt Service Funds	Net General Bonded Debt	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Unamortized Premiums					
2016	\$ 9,195,000	\$ -	\$ 578,561	\$ (701,298)	\$ 9,072,263	\$ 1,416,652,460	0.64%	\$1,716
2017	8,760,000	-	511,582	(703,621)	8,567,961	1,474,142,773	0.58%	1,651
2018	8,300,000	-	448,129	(722,020)	8,026,109	1,520,991,191	0.53%	1,529
2019	7,840,000	-	384,676	(726,449)	7,498,227	1,545,528,225	0.49%	1,382
2020	7,375,000	-	321,223	(735,482)	6,960,741	1,576,230,952	0.44%	1,278
2021	6,825,000	-	260,837	(747,677)	6,338,160	1,617,865,685	0.39%	1,256
2022	6,250,000	-	206,726	(711,748)	5,744,978	1,766,134,439	0.33%	1,141
2023	5,645,000	-	159,197	(732,044)	5,072,153	1,955,291,310	0.26%	1,005
2024	5,025,000	-	118,501	(757,626)	4,385,875	2,070,094,950	0.21%	867
2025	4,375,000	-	84,889	(836,983)	3,622,906	2,115,000,054	0.17%	705

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, 2025

TABLE 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
<i>Debt repaid with property taxes:</i>			
Alamo CCD	\$ 844,175,000	0.94%	\$ 7,935,245
Alamo Heights ISD	263,585,000	17.73%	46,733,621
Bexar County	2,152,210,000	0.94%	20,230,774
Bexar County Hospital District	1,238,865,000	0.94%	11,645,331
North East ISD	1,014,490,000	0.39%	3,956,511
Subtotal, Overlapping Debt			90,501,482
City Governmental Activities Direct Debt			4,459,889
TOTAL NET OVERLAPPING DEBT			\$ 94,961,371

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

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

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

TABLE 13

Taxable Value	<u>\$ 2,115,000,054</u>
Debt Limit - 10% of taxable value	\$ 211,500,005
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	\$ 4,375,000
Resources available in Debt Service Fund	<u>836,983</u>
Total Amount of Debt Applicable to Debt Limit	<u>(3,538,017)</u>
Legal Debt Margin	<u>\$ 207,961,988</u>
Total Net Debt as a Percentage of Debt Margin	1.70%

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Debt Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt as Percentage Of Debt Margin</u>
2024	\$ 207,009,495	\$ 4,214,091	\$ 202,795,404	2.1%
2023	195,529,131	4,887,374	190,641,757	2.6%
2022	176,613,444	5,517,956	171,095,488	3.2%
2021	161,786,569	6,113,252	155,673,317	3.9%
2020	157,623,095	6,948,546	150,674,549	4.6%
2019	154,552,823	7,489,194	147,063,629	5.1%
2018	152,099,119	7,573,551	144,525,568	5.2%
2017	147,414,277	8,549,562	138,864,715	6.2%
2016	141,665,246	9,069,940	132,595,306	6.8%

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
2016	5,287	\$430,869,352	\$ 81,496	3.5%
2017	5,190	493,460,010	95,079	3.7%
2018	5,248	457,410,432	87,159	3.0%
2019	5,425	479,119,725	88,317	3.2%
2020	5,447	428,117,859	78,597	2.1%
2021	5,045	396,521,865	78,597	6.4%
2022	5,037	425,011,986	84,378	3.7%
2023	5,048	503,093,776	99,662	3.9%
2024	5,059	561,220,165	110,935	4.1%
2025	5,142	551,942,280	107,340	3.4%

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	2025			2016		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Joint Base San Antonio (JBSA)	86,097	1	7.38%	80,165	1,2,7	6.94%
HEB Food Stores	20,000	2	1.72%	20,000	3	1.78%
USAA	17,000	3	1.46%	17,000	4	1.52%
City of San Antonio	15,501	4	1.33%	9,145	6	0.82%
Northside ISD	13,191	5	1.13%	12,751	5	1.14%
Methodist Healthcare	12,000	6	1.03%	8,118	9	0.72%
University of Texas Health Science	8,500	7	0.73%			
North East ISD	8,069	8	0.69%	10,052	8	0.90%
San Antonio ISD	7,136	9	0.61%	7,000	10	0.62%
Baptist Health Systems	7,024	10	0.60%			
Total	194,518		16.68%	164,231		14.44%

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

Source: Economic Development Foundation

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
2025	4	13	16	15	48
2024	4	12	16	14	46
2023	4	15	16	14	49
2022	4	15	16	14	49
2021	4	16	16	14	50
2020	4	16	16	15	51
2019	4	16	16	14	50
2018	4	16	16	17	53
2017	3	17	16	17	53
2016	3	17	16	15	51

Source: City Adopted Budget Authorized Positions

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

Function	Fiscal Year			
	2016	2017	2018	2019
General Government				
Building Permits Issued	1,043	944	762	780
Police				
CFS	2,807	2,591	2,390	2,413
Arrests	19	23	21	12
Traffic Violations	909	542	1,262	571
Traffic Citations	371	166	421	145
Accidents	48	43	27	36
Fire				
Emergency Responses	667	725	672	725
Number of Rescue/Other Responses	647	716	671	718
Non-emergency response/Service Calls	60	78	76	49
Number of Fire Responses	20	9	1	7
Number of Inspections	157	223	182	164
Number of Pre-Plan Inspections	68	66	68	68
Number of Training Classes Conducted	247	283	348	208

Source: City Departments

TABLE 17

Fiscal Year					
<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
1,202	995	889	634	572	596
2,160	2,191	2,233	2,035	2,040	2,067
14	18	22	24	22	15
186	299	428	333	476	438
6	25	54	72	105	44
22	29	33	37	38	26
462	525	518	463	506	575
451	516	471	390	397	432
47	49	47	73	103	143
11	9	7	13	6	9
76	84	100	145	122	115
34	33	34	68	68	68
192	222	214	291	324	356

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

<u>Function</u>	<u>Fiscal Year</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
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	1	1
Police					
Stations	1	1	1	1	1
Patrol Units	7	9	9	10	6
Fire					
Stations	1	1	1	1	1
Vehicles	3	3	3	3	3
Development Services & Public Works					
Streets (miles of paved)	32	32	32	32	32
Number of Parks	1	1	1	1	1
Vehicles	7	7	8	8	8

Source: City Departments

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

TABLE 18

Fiscal Year				
<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
1.34	1.34	1.34	1.34	1.34
1	1	1	1	1
1	1	1	1	1
1	0	0	0	0
1	1	1	1	1
6	5	7	7	6
1	1	1	1	1
4	4	4	4	4
32	32	32	32	32
1	1	1	1	1
8	8	8	8	8



CITY OF
TERRELL HILLS
TEXAS