



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

DECEMBER 31, 2018

OFFICIALS ISSUING REPORT

Greg Whitlock
City Manager

Michelle Partain
Assistant City Manager



CITY OF
TERRELL HILLS
TEXAS

CITY OF TERRELL HILLS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2018

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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 11, 2019

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

State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (US GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Terrell Hills for the Fiscal Year ended December 31, 2018.

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, 2018, 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, 2018, 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, which is considered to be a top growth area in the state, and one of the top growth areas in the country. The City of Terrell Hills currently occupies a land area of 1.6 square miles with a population of 5,248 in 2018. The City of Terrell Hills is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

The annual budget and five-year forecast serve as the foundation for the City of Terrell Hills' financial planning and control. All city departments are required to submit requests for appropriation to the City Manager by August of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents the proposed budget to the council for review before September 1st. The council then holds public hearings and community meetings on the proposed budget and to adopt a final budget by December 31st. The fiscal year for Terrell Hills is from January 1 through December 31. The appropriated budget is prepared by each department (e.g. police). Department heads may make transfers of appropriations within a department. The City Manager may make transfers between departments and funds with City Council approval. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 41 as part of the required supplementary information.

Factors Affecting Financial Condition

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

Local economy. The City of Terrell Hills enjoys a favorable economic environment and leading indicators point to continued growth. In December 2018, the unemployment rate was 3.2%. Within the City limits, the labor market includes a workforce of approximately 2,600 well trained workers.

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

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

Financial Information

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

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

Other Financial Information:

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

Awards and Acknowledgements


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Terrell Hills for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This was the second year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements

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

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

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

Respectfully submitted,



Greg Whitlock
City Manager



Michelle Partain
Assistant City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Terrell Hills
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF TERRELL HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2018

CITY OFFICIALS

MAYOR

ANNE BALLANTYNE

MAYOR PRO-TEM

JOHN LOW

CITY COUNCIL

WILLIAM OCHSE III
MARILYN ELDRIDGE
BILL MITCHELL

CITY MANAGER

GREG WHITLOCK

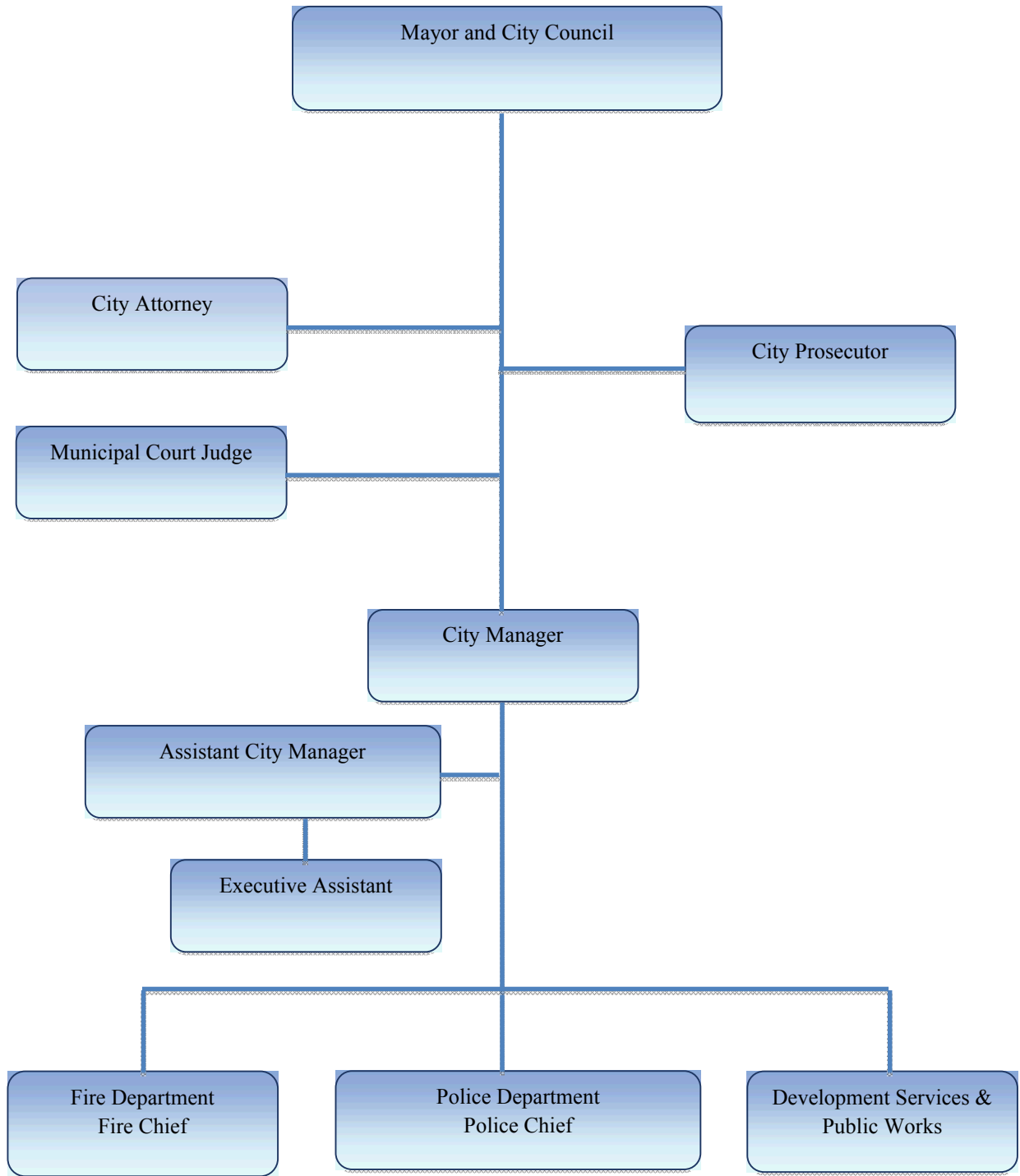
ASSISTANT CITY MANAGER

MICHELLE PARTAIN

CITY ATTORNEY

FRANK GARZA
DAVIDSON, TROILO, REAM & GARZA

**CITY OF TERRELL HILLS
ORGANIZATIONAL CHART**





CITY OF
TERRELL HILLS
TEXAS

FINANCIAL SECTION



Armstrong, Vaughan & Associates, P. C.

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

Certified Public Accountants

Kimberly J. Roach

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Terrell Hills, as of December 31, 2018, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of Terrell Hills' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Terrell Hills, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Emphasis of Matter

As discussed in Note A21 to the financial statements, as of October 1, 2017, the City adopted new accounting guidance from the Governmental Accounting Standards Board Statement No 75 related to accounting for other post-employment benefits. The new accounting pronouncement resulted in a restatement of prior year balances. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

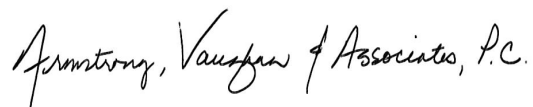
Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedule, schedule of changes – net pension liability, schedule of employer contributions and schedule of changes – total other postemployment benefit liability,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

Other Information

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

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

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



Armstrong, Vaughan & Associates, P.C.
March 11, 2019

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

The assets of the City of Terrell Hills exceeded its liabilities at the close of the most recent fiscal year by \$12.8 million (net position). Of this amount, \$5.4 million is for the City's ongoing operations.

During the year, the City's expenses were \$473 thousand less than the \$6.6 million generated in taxes and other revenues for governmental activities. The total cost of the City's programs increased 3.2% from the prior year, primarily from employee cost of living and longevity raises. Minimal program changes were made for the 2018 year.

The general fund reported a fund balance this year of \$4.97 million, an increase of \$320 thousand. The increase was the result of cost savings across all departments.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Terrell Hills, assets exceeded liabilities by \$12.8 million at the close of the most recent fiscal year.

The largest portion of the City's total net position (51%) 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, \$5.4 million, may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

| | Governmental Activities | | Percentage Change |
|----------------------------------|----------------------------|------------------|----------------------|
| | 2018 | 2017 | 2018-2017 |
| <i>Assets:</i> | | | |
| Cash and Investments | \$ 5,144 | \$ 4,936 | 4.2% |
| Receivables | 2,529 | 2,162 | 17.0% |
| Prepays and Other Assets | 130 | 30 | 333.0% |
| Capital Assets (Net) | 14,675 | 15,433 | -4.9% |
| Total Assets | 22,478 | 22,561 | -0.4% |
| <i>Deferred Outflows:</i> | | | |
| | 1,395 | 1,538 | -9.3% |
| <i>Liabilities:</i> | | | |
| Accounts Payable and Accruals | 753 | 827 | -8.9% |
| Long-Term Liabilities | 9,530 | 10,625 | -10.3% |
| Total Liabilities | 10,283 | 11,452 | -10.2% |
| <i>Deferred Inflows:</i> | | | |
| | 792 | 322 | 146.0% |
| <i>Net Position:</i> | | | |
| Net Investment in capital assets | 6,536 | 6,857 | -4.7% |
| Restricted | 829 | 727 | 14.1% |
| Unrestricted | 5,433 | 4,740 | 14.6% |
| Total Net Position | \$ 12,798 | \$ 12,325 | 3.8% |

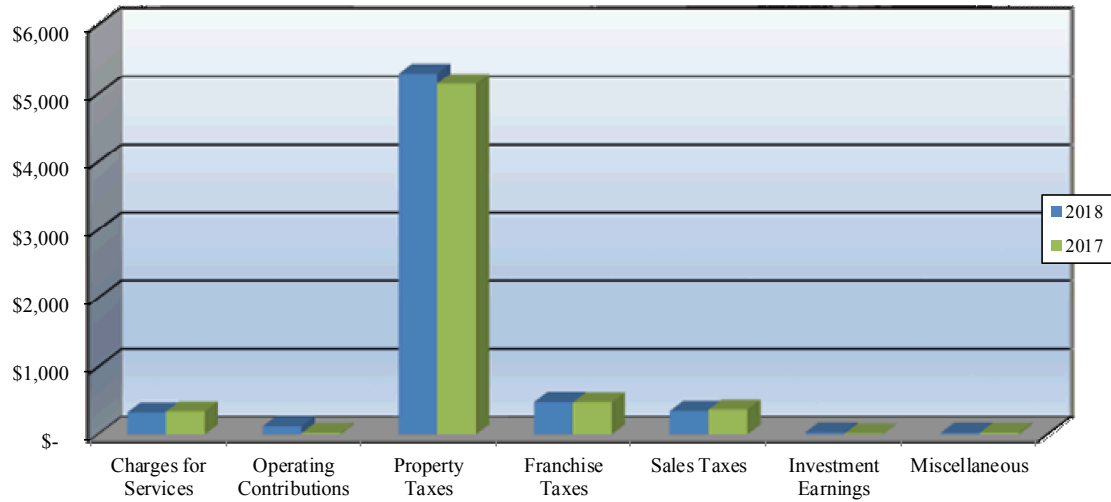
Governmental activities expenses were largely unchanged while revenues increased, primarily from higher property tax values. The following table indicates changes in net position for governmental activities and is followed by graphs displaying total revenues and expenses by type.

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

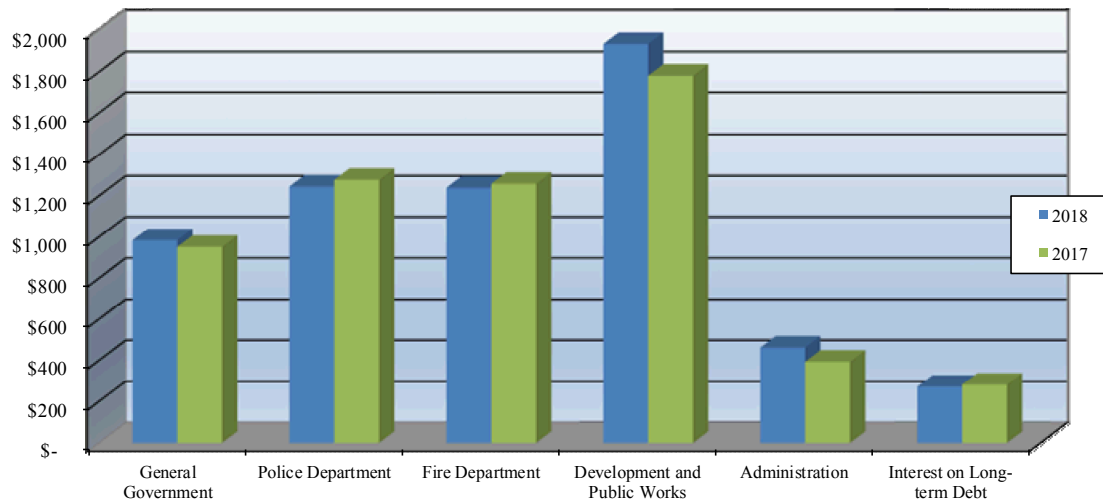
| | Governmental Activities | | Percentage Change |
|-------------------------------------|----------------------------|------------------|----------------------|
| | 2018 | 2017 | 2018-2017 |
| <i>Program Revenues:</i> | | | |
| Charges for Services | \$ 320 | \$ 335 | -4.4% |
| Operating Contributions | 120 | 20 | 498.2% |
| <i>General Revenues</i> | | | |
| Property Taxes | 5,301 | 5,150 | 2.9% |
| Franchise Taxes | 474 | 469 | 1.1% |
| Sales Taxes | 343 | 364 | -5.8% |
| Investment Earnings | 30 | 10 | 199.2% |
| Miscellaneous | 25 | 24 | 2.4% |
| Total Revenues | 6,612 | 6,372 | 3.8% |
| <i>General Government</i> | | | |
| General Government | 985 | 952 | 3.4% |
| Police Department | 1,246 | 1,278 | -2.5% |
| Fire Department | 1,240 | 1,259 | -1.5% |
| Development and Public Works | 1,935 | 1,782 | 8.6% |
| Administration | 462 | 394 | 17.3% |
| Interest on Long-term Debt | 272 | 282 | -3.4% |
| Total Expenses | 6,140 | 5,947 | 3.2% |
| Increase (Decrease) in Net Position | 473 | 425 | 11.3% |
| Net Position at Beginning of Year | 12,324.76 | 11,900 | 3.6% |
| Net Position at End of Year | \$ 12,798 | \$ 12,325 | 3.8% |

Note: 2017 has been restated for the effects of GASB 75. See Note A21.

TOTAL REVENUES-GOVERNMENT-WIDE
(In thousands dollars)

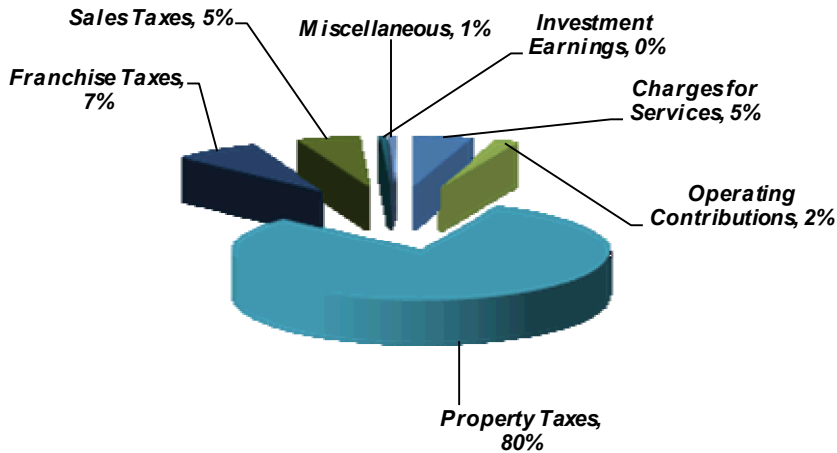


TOTAL EXPENSES-GOVERNMENT-WIDE
(In thousands dollars)



Revenues-Governmental Activities (Continued)

Revenue by Source - Governmental Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6.9 million. Of this total amount, \$4.9 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, or assigned to indicate that it is not available for new spending because it has already been committed to pay debt service, for capital improvement projects, and other assigned purposes.

The general fund is the chief operating fund of the City of Terrell Hills. At the end of the current fiscal year, unassigned fund balance of the general fund increased of \$321 thousand from a combination of cost savings and increased property tax revenue. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 105% of total general fund expenditures, not including capital.

The debt service fund has a total fund balance of \$721 thousand all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$20 thousand. Although the tax levy is up, the collections through December 31, 2018 have not been as strong as in prior years.

The capital projects fund has a total fund balance of \$713 thousand. The City anticipates starting another round of street repairs in late 2019.

General Fund Budgetary Highlights

The General Fund expenditures were \$326 thousand less than the \$5.1 million budget. This was the result of cost savings across the General Fund. Revenues fell short of the budget by \$6 thousand. Overall, the fund balance increased \$320 thousand more than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2018 the City had invested \$25.6 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant addition in the current year include the completion of the 2016 street project. (See Table A-3). More information about the City's capital assets is presented in Notes A10 and E, pages 24 and 29.

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

| | Governmental Activities | | Percentage Change |
|--------------------------------|----------------------------|------------------|----------------------|
| | 2018 | 2017 | 2018-2017 |
| Land | \$ 641 | \$ 641 | 0.0% |
| Buildings | 4,703 | 4,703 | 0.0% |
| Vehicles and Equipment | 1,509 | 1,607 | -6.1% |
| Furniture and Fixtures | 139 | 139 | 0.0% |
| Infrastructure | 18,644 | 17,441 | 6.9% |
| Construction in Progress | - | 828 | -100.0% |
| Totals at Historical Cost | <u>25,636</u> | <u>25,359</u> | <u>1.1%</u> |
| Total Accumulated Depreciation | <u>(10,961)</u> | <u>(9,926)</u> | <u>10.4%</u> |
| Net Capital Assets | <u>\$ 14,675</u> | <u>\$ 15,433</u> | <u>-4.9%</u> |

Long-Term Debt. At year-end, the City had \$8.7 million in bonds outstanding as shown in Table A-4. No new debt was issued in 2018. More detailed information about the City's debt is presented in Notes A14 and F, pages 25 and 30.

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

| | Governmental Activities | | Percentage Change |
|----------------------|----------------------------|-----------------|----------------------|
| | 2018 | 2017 | 2018-2017 |
| Bonds Payable | \$ 8,748 | \$ 9,272 | -5.7% |
| Total Long-Term Debt | <u>\$ 8,748</u> | <u>\$ 9,272</u> | <u>-5.7%</u> |

Economic Factors and Next Year's Budgets and Rates

The 2019 budget was prepared with an estimated assessed taxable value increase of 8% over the 2018 assessed taxable value. The property tax rate for 2018 is estimated to be the same (\$0.347673), but it will not be set until mid year. General fund revenues are expected to increase from \$5.6 million to \$5.9 million in the 2019 budget. The increase is largely attributable to an expected increase in property tax collections. General fund expenditures are expected to increase from \$5.2 million to \$5.3 million, primarily due to the salary and personnel changes. Transfers of \$569,000 and \$750,000 are budgeted in 2019 to the Equipment Replacement Fund and Capital Projects Fund to save for future equipment replacement and street projects.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2018

| | <u>Governmental Activities</u> |
|----------------------------------------------------|------------------------------------|
| ASSETS | |
| <i>Current Assets</i> | |
| Cash and Cash Equivalents | \$ 5,143,852 |
| Receivables (net of allowance for uncollectibles): | |
| Property Taxes | 2,409,136 |
| Sales and Franchise Taxes | 119,718 |
| Prepaid Expenses | 23,734 |
| Restricted Cash | <u>106,170</u> |
| <i>Total Current Assets</i> | <u>7,802,610</u> |
| <i>Noncurrent Assets:</i> | |
| Land | 641,149 |
| Buildings, Infrastructure, and Equipment (net) | <u>14,033,764</u> |
| <i>Total Noncurrent Assets</i> | <u>14,674,913</u> |
| TOTAL ASSETS | <u>22,477,523</u> |
| DEFERRED OUTFLOWS | |
| Deferred Loss on Debt Refunding | 608,933 |
| Deferred OPEB Related Outflows | 10,569 |
| Deferred Pension Related Outflows | <u>775,827</u> |
| TOTAL DEFERRED OUTFLOWS | <u>\$ 1,395,329</u> |

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2018

| | <u>Governmental Activities</u> |
|-----------------------------------------------------|------------------------------------|
| LIABILITIES | |
| <i>Current Liabilities</i> | |
| Accounts Payable | \$ 12,106 |
| Accrued Vacation Payable | 116,374 |
| Accrued Interest Payable | 101,061 |
| Bond Payable - Due within One Year | <u>523,453</u> |
| <i>Total Current Liabilities</i> | <u>752,994</u> |
| <i>Noncurrent Liabilities:</i> | |
| Net Pension Liability | 1,170,396 |
| Total Other Postemployment Benefit (OPEB) Liability | 135,023 |
| Bond Payable - Due in more than One Year | <u>8,224,676</u> |
| <i>Total Noncurrent Liabilities</i> | <u>9,530,095</u> |
| TOTAL LIABILITIES | <u>10,283,089</u> |
| DEFERRED INFLOWS | |
| Deferred Pension Related Inflows | <u>792,185</u> |
| TOTAL DEFERRED INFLOWS | <u>792,185</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 6,535,717 |
| Restricted for Debt Service | 726,449 |
| Restricted for Police Department | 102,873 |
| Unrestricted | <u>5,432,539</u> |
| TOTAL NET POSITION | <u>\$ 12,797,578</u> |



CITY OF
TERRELL HILLS
TEXAS

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| 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 | \$ 984,610 | \$ - | \$ - | \$ (984,610) |
| Police Department | 1,246,087 | 17,999 | 119,630 | (1,108,458) |
| Fire Department | 1,239,810 | - | - | (1,239,810) |
| Development and Public Works | 1,934,539 | 302,390 | - | (1,632,149) |
| Administration | 462,217 | - | - | (462,217) |
| Interest on Long-Term Debt | 272,282 | - | - | (272,282) |
| Total Governmental Activities | 6,139,545 | 320,389 | 119,630 | (5,699,526) |
| Total Government | \$ 6,139,545 | \$ 320,389 | \$ 119,630 | (5,699,526) |
| General Revenues: | | | | |
| Taxes: | | | | |
| General Property Taxes | | | | 5,301,071 |
| Franchise Taxes | | | | 473,990 |
| Sales Taxes | | | | 342,795 |
| Interest and Investment Earnings | | | | 29,921 |
| Miscellaneous | | | | 24,567 |
| Total General Revenues | | | | 6,172,344 |
| Change in Net Position | | | | 472,818 |
| Net Position at Beginning of Year | | | | 12,439,290 |
| Prior Period Adjustment (See Note A21) | | | | (114,530) |
| Net Position at End of Year | | | | \$ 12,797,578 |

CITY OF TERRELL HILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

| | Major Funds | | |
|-----------------------------------------------------------------------------------|---------------------|-----------------------------|----------------------|
| | General Fund | Capital Projects Fund | Debt Service Fund |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 3,535,269 | \$ 725,248 | \$ 502,671 |
| Receivables: | | | |
| Property Taxes (Net of Uncollectibles) | 2,084,297 | - | 324,839 |
| Sales and Franchise Taxes Receivable | 110,886 | 8,832 | - |
| Due from Other Funds | 21,357 | - | - |
| Prepaid Items | 23,734 | - | - |
| | <u>23,734</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 5,775,543</u> | <u>\$ 734,080</u> | <u>\$ 827,510</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| <i>Liabilities:</i> | | | |
| Accounts Payable | \$ 8,809 | \$ - | \$ - |
| Accrued Vacation Payable | 116,374 | - | - |
| Due to Other Funds | - | 21,357 | - |
| <i>Total Liabilities</i> | <u>125,183</u> | <u>21,357</u> | <u>-</u> |
| <i>Deferred Inflows of Resources:</i> | | | |
| Unavailable Property Tax Revenue | 687,778 | - | 106,450 |
| | <u>687,778</u> | <u>-</u> | <u>106,450</u> |
| <i>Fund Balances:</i> | | | |
| Nonspendable Prepaid Items | 23,734 | - | - |
| Restricted for: | | | |
| Debt Service | - | - | 721,060 |
| Police Forfeiture | - | - | - |
| Assigned for: | | | |
| Street Improvements | - | 712,723 | - |
| Equipment Replacement | - | - | - |
| Unassigned | 4,938,848 | - | - |
| <i>Total Fund Balances</i> | <u>4,962,582</u> | <u>712,723</u> | <u>721,060</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 5,775,543</u> | <u>\$ 734,080</u> | <u>\$ 827,510</u> |

| Other Nonmajor Funds | Total Governmental Funds |
|----------------------------|--------------------------------|
| \$ 486,834 | \$ 5,250,022 |
| - | 2,409,136 |
| - | 119,718 |
| - | 21,357 |
| - | 23,734 |
| <u>\$ 486,834</u> | <u>\$ 7,823,967</u> |

| | |
|--------------|----------------|
| \$ 3,297 | \$ 12,106 |
| - | 116,374 |
| - | 21,357 |
| <u>3,297</u> | <u>149,837</u> |

| | |
|---|----------------|
| - | <u>794,228</u> |
|---|----------------|

| | |
|----------------|------------------|
| - | 23,734 |
| - | 721,060 |
| 102,873 | 102,873 |
| - | 712,723 |
| 380,664 | 380,664 |
| - | 4,938,848 |
| <u>483,537</u> | <u>6,879,902</u> |

| | |
|-------------------|---------------------|
| <u>\$ 486,834</u> | <u>\$ 7,823,967</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, 2018

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 6,879,902

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. 14,674,913

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 794,228

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

| | | |
|---------------------------------|------------------|-------------|
| Bonds Payable | (8,300,000) | |
| Deferred Loss on Debt Refunding | 608,933 | |
| Unamortized Premiums | <u>(448,129)</u> | (8,139,196) |

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 | (1,170,396) | |
| Pension Related Deferred Outflows | 775,827 | |
| Pension Related Deferred Inflows | <u>(792,185)</u> | (1,186,754) |

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 | (135,023) | |
| OPEB Related Deferred Outflows | <u>10,569</u> | (124,454) |

Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds. (101,061)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 12,797,578

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Major Funds | | |
|--------------------------------------------------------------|---------------------|-----------------------------|-------------------------|
| | General Fund | Capital Projects Fund | Debt Service Fund |
| REVENUES | | | |
| Ad Valorem Taxes | \$ 4,437,098 | \$ - | \$ 693,485 |
| Sales Tax | 274,236 | 68,558 | - |
| Franchise Tax | 473,990 | - | - |
| Charges for Services | 302,390 | - | - |
| Fines and Forfeitures | 17,999 | - | - |
| Other | 51,919 | - | - |
| TOTAL REVENUES | <u>5,557,632</u> | <u>68,558</u> | <u>693,485</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | 972,348 | - | - |
| Police Department | 1,206,205 | - | - |
| Fire Department | 1,197,051 | - | - |
| Development and Public Works | 1,010,601 | - | - |
| Administration | 357,274 | 2,700 | - |
| Capital Outlay | - | 374,689 | - |
| Debt Service: | | | |
| Principal | - | - | 460,000 |
| Interest and Fiscal Charges | - | - | 253,059 |
| TOTAL EXPENDITURES | <u>4,743,479</u> | <u>377,389</u> | <u>713,059</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>814,153</u> | <u>(308,831)</u> | <u>(19,574)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from Sale of Capital Assets | - | - | - |
| Transfers In (Out) | (494,000) | 350,000 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(494,000)</u> | <u>350,000</u> | <u>-</u> |
| Net Change in Fund Balance | 320,153 | 41,169 | (19,574) |
| FUND BALANCES - JANUARY 1 | <u>4,642,429</u> | <u>671,554</u> | <u>740,634</u> |
| FUND BALANCES - DECEMBER 31 | <u>\$ 4,962,582</u> | <u>\$ 712,723</u> | <u>\$ 721,060</u> |

| <u>Total Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|-----------------------------------------|
| \$ - | \$ 5,130,583 |
| - | 342,794 |
| - | 473,990 |
| - | 302,390 |
| 119,629 | 137,628 |
| - | 51,919 |
| 119,629 | 6,439,304 |
| - | 972,348 |
| 14,572 | 1,220,777 |
| 10,926 | 1,207,977 |
| - | 1,010,601 |
| - | 359,974 |
| 7,296 | 381,985 |
| - | 460,000 |
| - | 253,059 |
| 32,794 | 5,866,721 |
| 86,835 | 572,583 |
| 2,570 | 2,570 |
| 144,000 | - |
| 146,570 | 2,570 |
| 233,405 | 575,153 |
| 250,132 | 6,304,749 |
| \$ 483,537 | \$ 6,879,902 |



CITY OF
TERRELL HILLS
TEXAS

CITY OF TERRELL HILLS, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$575,153

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 and reported as depreciation expense.

| | | |
|----------------|--------------------|-----------|
| Capital Outlay | 381,985 | |
| Depreciation | <u>(1,140,217)</u> | (758,232) |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 170,487

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

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

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

| | | |
|-------------------------------|----------------|--------|
| Pension Plan | 54,557 | |
| Other Postemployment Benefits | <u>(9,921)</u> | 44,636 |

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

| | | |
|-------------------------------------------------|--------------|-----------------|
| Amortization of Deferred Loss on Debt Refunding | (86,223) | |
| Amortization of Bond Premiums | 63,453 | |
| Change in Accrued Interest on Long-Term Debt | <u>3,547</u> | <u>(19,223)</u> |

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$472,821

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 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, 2018

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 City reports the Equipment Replacement Fund and the Police Forfeiture Fund as nonmajor governmental funds.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

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

4. CASH AND INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies, and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

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

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

5. ACCOUNTS RECEIVABLE

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

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

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

6. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Allowances have been established by management based on best available information for a variety of receivables. Allowances for uncollectible taxes in the General Fund and Debt Service Fund have been recorded in the amount of \$16,771 and \$3,728, respectively.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

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

7. PREPAID ITEMS/EXPENSES

Payments made to vendors for services that will benefit periods beyond December 31, 2018 are recorded under the consumption method. Payments in advance are recorded as prepaid items in both the government-wide and fund financial statements. These payments are reported as expenditures when the services or goods are consumed.

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

9. BUDGET

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

10. CAPITAL ASSETS

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

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

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

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

11. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

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

12. COMPENSATED ABSENCES

The liability for compensated absences reported in the government-wide and fund statements consist of unpaid accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for employees who are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vacation benefits expire annually on employee anniversary dates. Thus, all vacation balances are expected to consume current financial resources and are accrued on both the fund and government-wide statements. The liability for compensated absences is typically liquidated by the General Fund.

13. UNAVAILABLE REVENUE/UNEARNED REVENUE

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

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

14. LONG-TERM OBLIGATIONS

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

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

15. PENSIONS

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

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

16. OTHER POSTEMPLOYMENT BENEFITS

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

17. FUND EQUITY

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

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

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

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

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council has authority to make assignments; they have not delegated the authority to any other person within the entity at this time.

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

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

18. NET POSITION

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

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

19. INTERFUND TRANSACTIONS

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

20. USE OF ESTIMATES

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

21. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In accordance with GASB Statement No. 75, the City has recorded a prior period adjustment to recognize the Other Post-Employment Benefit Liability as described in Note I. The restatement is noted as a prior period adjustment on the Government-wide Statement of Activities.

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, 2018, all of the City's deposits were fully collateralized.

2. Investments

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

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE B -- CASH AND INVESTMENTS (CONTINUED)

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

The City had no investments as of December 31, 2018.

3. Analysis of Specific Deposit and Investment Risks

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

- a. Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.
- b. Concentration of Credit Risk - The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to a concentration of credit risk.
- c. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.
- d. Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

NOTE C -- PROPERTY TAXES

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District. Assessed values are reduced by lawful exemptions to arrive at taxable values. The total taxable value as of January 01, 2018, upon which the fiscal 2018 levy was based was \$1,520,991,191 (i.e., market value less exemptions). The market value was \$1,555,803,760, making the taxable value 97.8% of the estimated market value.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE C -- PROPERTY TAXES (Continued)

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended December 31, 2018, was \$0.347673 per \$100 of assessed value, which means that the City has a tax margin of \$2.152327 for each \$100 of assessed value and could increase its annual levy by approximately \$32.7 million based upon present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Code without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's effective tax rate.

NOTE D – RESTRICTED CASH

Cash is reported as restricted when it has restrictions on its use narrower than the purpose of the fund in which it is reported. As of December 31, 2018, restricted cash consists of amounts for the police department from seizure and forfeiture activities.

NOTE E -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

| <u>Governmental Activities</u> | <u>Balances at 1/1/2018</u> | <u>Additions</u> | <u>Transfers/ Disposals</u> | <u>Balances at 12/31/2018</u> |
|---------------------------------------------------|---------------------------------|---------------------|---------------------------------|-----------------------------------|
| <i>Capital Assets, Not Being Depreciated:</i> | | | | |
| Land | \$ 641,149 | \$ - | \$ - | \$ 641,149 |
| Construction in Progress | 827,769 | 374,689 | (1,202,458) | - |
| <i>Total Capital Assets Not Being Depreciated</i> | <u>1,468,918</u> | <u>374,689</u> | <u>(1,202,458)</u> | <u>641,149</u> |
| <i>Capital Assets, Being Depreciated:</i> | | | | |
| Buildings and Improvements | 4,703,193 | - | - | 4,703,193 |
| Vehicles and Equipment | 1,607,065 | 7,296 | (105,722) | 1,508,639 |
| Furniture and Fixtures | 138,503 | - | - | 138,503 |
| Infrastructure | 17,441,275 | - | 1,202,458 | 18,643,733 |
| <i>Total Capital Assets Being Depreciated</i> | <u>23,890,036</u> | <u>7,296</u> | <u>1,096,736</u> | <u>24,994,068</u> |
| <i>Accumulated Depreciation:</i> | | | | |
| Buildings and Improvements | (456,543) | (97,497) | - | (554,040) |
| Vehicles and Equipment | (870,644) | (119,423) | 105,722 | (884,345) |
| Furniture and Fixtures | (76,666) | (12,438) | - | (89,104) |
| Infrastructure | (8,521,956) | (910,859) | - | (9,432,815) |
| <i>Total Accumulated Depreciation</i> | <u>(9,925,809)</u> | <u>(1,140,217)</u> | <u>105,722</u> | <u>(10,960,304)</u> |
| Total Capital Assets Being Depreciated, Net | <u>13,964,227</u> | <u>(1,132,921)</u> | <u>1,202,458</u> | <u>14,033,764</u> |
| Governmental Capital Assets, Net | <u>\$ 15,433,145</u> | <u>\$ (758,232)</u> | <u>\$ -</u> | <u>\$ 14,674,913</u> |

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE E -- CAPITAL ASSETS (Continued)

Depreciation Expense was charged to the governmental functions as follows:

| | |
|------------------------------|--------------|
| General Government | \$ 9,562 |
| Police Department | 41,532 |
| Fire Department | 46,249 |
| Development and Public Works | 933,090 |
| Administration | 109,784 |
| Total Depreciation Expense | \$ 1,140,217 |

NOTE F -- COMPENSATED ABSENCES

The changes in accrued compensated absences for the year ending December 31, 2018 were as follows:

| Governmental Activities | Balance Outstanding 1/1/2018 | Additions | Retirements | Balance Outstanding 12/31/2018 |
|----------------------------|------------------------------------|------------|--------------|--------------------------------------|
| Compensated Absences | \$ 123,958 | \$ 111,689 | \$ (119,273) | \$ 116,374 |

The General Fund is responsible for liquidating compensated absences.

NOTE G -- LONG-TERM DEBT

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

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

In July 2016, the City issued General Obligation Refunding Bonds, Series 2016 for \$7,375,000 to partially refund the series 2011 General Obligation Bonds. The bonds mature serially through 2031 and bear interest rates ranging from 1.95% to 4%. Proceeds from the bonds were placed with an escrow agent solely to repay the debt service related to the refunding obligations. The refunded obligations are considered defeased, but still outstanding in the amount of \$7,100,000 as of December 31, 2018, and will be called February 1, 2020.

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE G -- LONG-TERM DEBT (CONTINUED)

Changes in the City's long-term debt during the fiscal year ending December 31, 2018 are as follows:

| Governmental Activities | Balance Outstanding 1/1/2018 | Additions | Retirements | Balance Outstanding 12/31/2018 | Due Within One Year |
|----------------------------|------------------------------------|-------------|---------------------|--------------------------------------|------------------------|
| 2011 Series | \$ 335,000 | \$ - | \$ (110,000) | \$ 225,000 | \$ 110,000 |
| 2012 Series | 1,050,000 | - | (350,000) | 700,000 | 350,000 |
| 2016 Series | 7,375,000 | - | - | 7,375,000 | - |
| Unamortized Premiums | 511,582 | - | (63,453) | 448,129 | 63,453 |
| Totals | <u>\$ 9,271,582</u> | <u>\$ -</u> | <u>\$ (523,453)</u> | <u>\$ 8,748,129</u> | <u>\$ 523,453</u> |

The annual requirements to amortize all debt outstanding as of December 31, 2018, including interest payments, are as follows:

| Year End December 31 | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|---------------------|
| 2019 | \$ 460,000 | \$ 242,547 | \$ 702,547 |
| 2020 | 465,000 | 232,756 | 697,756 |
| 2021 | 550,000 | 216,520 | 766,520 |
| 2022 | 575,000 | 194,020 | 769,020 |
| 2023 | 605,000 | 170,420 | 775,420 |
| 2024-2028 | 3,375,000 | 492,639 | 3,867,639 |
| 2029-2031 | 2,270,000 | 78,184 | 2,348,184 |
| Total | <u>\$ 8,300,000</u> | <u>\$ 1,627,086</u> | <u>\$ 9,927,086</u> |

NOTE H -- EMPLOYEE RETIREMENT SYSTEM

Texas Municipal Retirement System

Plan Description

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

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE H -- EMPLOYEE RETIREMENT SYSTEM

Benefits Provided

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

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

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|------------------------------------------------------------------|-------|
| Inactive employees or beneficiaries currently receiving benefits | 30 |
| Inactive employees entitled to but not yet receiving benefits | 46 |
| Active employees | 49 |
| | <hr/> |
| | 125 |
| | <hr/> |

Contributions

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

For the year ending December 31, 2018, employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.01% and 11.72% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended December 31, 2018 were \$326,426 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

| | |
|----------------------------|------------------------------------------|
| Inflation | 2.5% per year |
| Overall Payroll Growth | 3.5 to 10.5% per year, including inflati |
| Investment Rate of Return* | 6.75% |

* Presented net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Assumptions (Continued)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|-----------------------|--------------------------|------------------------------------------------------------------------|
| Domestic Equity | 17.50% | 4.55% |
| International Equity | 17.50% | 6.35% |
| Core Fixed Income | 10.00% | 1.00% |
| Non-Core Fixed Income | 20.00% | 3.90% |
| Real Return | 10.00% | 3.80% |
| Real Estate | 10.00% | 4.50% |
| Absolute Return | 10.00% | 3.75% |
| Private Equity | 5.00% | 7.50% |
| Total | <u>100.00%</u> | |

Discount Rate

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2017:

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|------------------------------------------------------------------|----------------------------|--------------------------------|--------------------------|
| Balance at December 31, 2016 | \$ 12,319,224 | \$ 10,557,317 | \$ 1,761,907 |
| Changes for the year: | | | |
| Service Cost | 374,523 | - | 374,523 |
| Interest | 823,547 | - | 823,547 |
| Change of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | 129,539 | - | 129,539 |
| Changes of Assumptions | - | - | - |
| Contributions - Employer | - | 306,683 | (306,683) |
| Contributions - Employee | - | 157,005 | (157,005) |
| Net Investment Income | - | 1,463,398 | (1,463,398) |
| Benefit Payments, Including Refunds of Employee Contributions | (611,573) | (611,573) | - |
| Administrative Expense | - | (7,583) | 7,583 |
| Other Changes | - | (383) | 383 |
| Net Changes | <u>716,036</u> | <u>1,307,547</u> | <u>(591,511)</u> |
| Balance at December 31, 2017 | <u>\$ 13,035,260</u> | <u>\$ 11,864,864</u> | <u>\$ 1,170,396</u> |

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

| | Discount Rate 5.75% | Discount Rate 6.75% | Discount Rate 7.75% |
|-------------------------------|------------------------|------------------------|------------------------|
| Net Pension Liability (Asset) | \$ 3,293,976 | \$ 1,170,396 | \$ (528,865) |

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

Pension Plan Fiduciary Net Position

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (Continued)

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

For the year ended December 31, 2018, the City recognized pension expense of \$270,300. Also as of December 31, 2018, 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 | \$ 137,412 | \$ 191,047 |
| Changes in Actuarial Assumptions | 21,640 | - |
| Differences Between Projected and Actual Investment Earnings | 290,349 | 601,138 |
| Contributions Subsequent to the Measurement Date | 326,426 | - |
| | \$ 775,827 | \$ 792,185 |

Deferred outflows of resources in the amount of \$326,426 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| For the Year ended December 31, | |
|---------------------------------|------------|
| 2019 | \$ 54,908 |
| 2020 | 35,076 |
| 2021 | 117,040 |
| 2022 | 135,760 |
| Total | \$ 342,784 |

NOTE I -- OTHER POST EMPLOYMENT BENEFIT

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

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2018

NOTE I -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. Membership in the plan at December 31, 2017 (the valuation and measurement date) consisted of:

| | |
|------------------------------------------------------------------|----|
| Inactive employees or beneficiaries currently receiving benefits | 21 |
| Inactive employees entitled to but not yet receiving benefits | 9 |
| Active employees | 49 |
| | 79 |

The city contributes to the SDBF at a contractually required rate. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. Contribution rates were as follows:

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

The city's contributions to the TMRS SDBF for the year ended December 31, 2018 were \$815. These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method. These assumptions are summarized below:

| | |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation | 2.5% per year |
| Overall Payroll Growth | 3.5 to 10.5% per year, including inflation |
| Discount Rate | 3.31% |
| Administrative Expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. |
| Mortality Rates - Service Retirees | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |
| Mortality Rates - Disabled Retirees | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor. |

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE I -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

The changes in the City's Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2017, were as follows:

| | Total OPEB Liability |
|------------------------------------------------------------------|-------------------------|
| Balance at December 31, 2016 | \$ 115,306 |
| Changes for the year: | |
| Service Cost | 4,698 |
| Interest | 4,433 |
| Change of Benefit Terms | - |
| Difference Between Expected and Actual Experience | - |
| Changes of Assumptions | 11,369 |
| Benefit Payments, Including Refunds of Employee Contributions | (783) |
| Net Changes | 19,717 |
| Balance at December 31, 2017 | \$ 135,023 |

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The following presents the TOL of the City, calculated using the discount rate of 3.31% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.31%) and 1-percentage point higher (4.31%) than the current rate:

| | Discount Rate 2.31% | Discount Rate 3.31% | Discount Rate 4.31% |
|------------------------------|------------------------|------------------------|------------------------|
| Total OPEB Liability (Asset) | \$ 164,701 | \$ 135,023 | \$ 112,364 |

For the year ended December 31, 2018, the City recognized OPEB expense of \$10,746. Also, as of December 31, 2018, the City reported deferred outflows or 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 | \$ - | \$ - |
| Changes in Actuarial Assumptions | 9,754 | - |
| Contributions Subsequent to the Measurement Date | 815 | - |
| | \$ 10,569 | \$ - |

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE I -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

Deferred outflows of resources in the amount of \$815 are related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total opeb liability for the fiscal year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| For the Year ended December 31, | | |
|---------------------------------|----|--------------|
| 2019 | \$ | 1,615 |
| 2020 | | 1,615 |
| 2021 | | 1,615 |
| 2022 | | 1,615 |
| 2023 | | 1,615 |
| Thereafter | | 1,679 |
| Total | \$ | <u>9,754</u> |

NOTE J -- INTERFUND TRANSFERS/BORROWINGS

As of December 31, 2018, interfund balances consisted of the following:

| <u>Due From</u> | <u>Due To</u> | <u>Amount</u> | <u>Purpose</u> |
|------------------|---------------|---------------|-------------------------------------|
| Capital Projects | General Fund | \$ 21,357 | Reimbursement for engineering costs |

During 2018, the following transfers occurred:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> | <u>Purpose</u> |
|---------------------|----------------------|---------------|----------------------------------------------|
| Capital Projects | General Fund | \$ 350,000 | Assignment for future capital projects |
| Nonmajor Funds | General Fund | 144,000 | Assignment for future equipment replacements |

NOTE K -- TEXAS HIGHER EDUCATION AUTHORITY

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

It is the opinion of legal counsel that bonds issued by this nonprofit corporation are secured solely from a pledge of the revenues derived by the local university for whose benefit the nonprofit corporation was established, resulting in no obligation for bonds by the City of Terrell Hills.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE K -- TEXAS HIGHER EDUCATION AUTHORITY (CONTINUED)

In accordance with the terms establishing the nonprofit corporation, the City is not liable for any expenses incurred in establishing or administering the Higher Education Authority. The Higher Education Authority has issued the following obligation:

| <u>Entity</u> | <u>Date of Issuance</u> | <u>Date of Maturity</u> | <u>Original Issuance</u> | <u>Estimated Amount Outstanding</u> |
|----------------------|-------------------------|-------------------------|--------------------------|-------------------------------------|
| Schreiner University | 2010 | 2025 | \$ 15,660,000 | \$ 8,460,000 |
| Total | | | <u>\$ 15,660,000</u> | <u>\$ 8,460,000</u> |

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

NOTE L -- RISK MANAGEMENT

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

NOTE M -- LITIGATION

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



CITY OF
TERRELL HILLS
TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF TERRELL HILLS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

| | Budget Amounts | | 2018 | Variance With |
|--------------------------------------------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Ad Valorem Taxes | \$ 4,470,000 | \$ 4,470,000 | \$ 4,437,098 | \$ (32,902) |
| Sales Tax | 260,000 | 260,000 | 274,236 | 14,236 |
| Franchise Fees | 470,000 | 470,000 | 473,990 | 3,990 |
| Charges for Services | 320,000 | 320,000 | 302,390 | (17,610) |
| Fines and Forfeitures | 20,750 | 20,750 | 17,999 | (2,751) |
| Other | 23,060 | 23,060 | 51,919 | 28,859 |
| TOTAL REVENUES | <u>5,563,810</u> | <u>5,563,810</u> | <u>5,557,632</u> | <u>(6,178)</u> |
| EXPENDITURES | | | | |
| General Government | 1,091,575 | 1,091,575 | 972,348 | 119,227 |
| Police Department | 1,239,616 | 1,239,616 | 1,206,205 | 33,411 |
| Fire Department | 1,304,200 | 1,304,200 | 1,197,051 | 107,149 |
| Development and Public Works | 1,074,958 | 1,074,958 | 1,010,601 | 64,357 |
| Administration | 359,461 | 359,461 | 357,274 | 2,187 |
| TOTAL EXPENDITURES | <u>5,069,810</u> | <u>5,069,810</u> | <u>4,743,479</u> | <u>326,331</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>494,000</u> | <u>494,000</u> | <u>814,153</u> | <u>320,153</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer Out | <u>(494,000)</u> | <u>(494,000)</u> | <u>(494,000)</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(494,000)</u> | <u>(494,000)</u> | <u>(494,000)</u> | <u>-</u> |
| Net Change in Fund Balance | - | - | 320,153 | 320,153 |
| BEGINNING FUND BALANCE | <u>4,642,429</u> | <u>4,642,429</u> | <u>4,642,429</u> | <u>-</u> |
| ENDING FUND BALANCE | <u>\$ 4,642,429</u> | <u>\$ 4,642,429</u> | <u>\$ 4,962,582</u> | <u>\$ 320,153</u> |

CITY OF TERRELL HILLS, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DECEMBER 31, 2018

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

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

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

| | Total Pension Liability | | | |
|------------------------------------------------------------------------|-------------------------|----------------------|----------------------|----------------------|
| | Plan Year | | | |
| | 2014 | 2015 | 2016 | 2017 |
| Service Cost | \$ 314,319 | \$ 346,645 | \$ 345,295 | \$ 374,523 |
| Interest (on the Total Pension Liability) | 740,979 | 783,957 | 777,760 | 823,547 |
| Changes of Benefit Terms | - | - | - | - |
| Difference between Expected and Actual Experience | (119,368) | (488,811) | 68,815 | 129,539 |
| Change of Assumptions | - | 60,058 | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | <u>(364,652)</u> | <u>(311,611)</u> | <u>(444,747)</u> | <u>(611,573)</u> |
| Net Change in Total Pension Liability | 571,278 | 390,238 | 747,123 | 716,036 |
| Total Pension Liability - Beginning | <u>10,610,585</u> | <u>11,181,863</u> | <u>11,572,101</u> | <u>12,319,224</u> |
| Total Pension Liability - Ending | <u>\$ 11,181,863</u> | <u>\$ 11,572,101</u> | <u>\$ 12,319,224</u> | <u>\$ 13,035,260</u> |
| Plan Fiduciary Net Position | | | | |
| | Plan Year | | | |
| | 2014 | 2015 | 2016 | 2017 |
| Contributions - Employer | \$ 293,555 | \$ 314,534 | \$ 304,415 | \$ 306,683 |
| Contributions - Employee | 140,682 | 145,956 | 144,274 | 157,005 |
| Net Investment Income | 523,524 | 14,370 | 668,615 | 1,463,398 |
| Benefit Payments, Including Refunds of Employee Contributions | (364,652) | (311,611) | (444,747) | (611,573) |
| Administrative Expense | (5,466) | (8,753) | (7,551) | (7,583) |
| Other | (449) | (433) | (407) | (383) |
| Net Change in Plan Fiduciary Net Position | 587,194 | 154,063 | 664,599 | 1,307,547 |
| Plan Fiduciary Net Position - Beginning | <u>9,151,461</u> | <u>9,738,655</u> | <u>9,892,718</u> | <u>10,557,317</u> |
| Net Pension Liability - Ending | <u>\$ 9,738,655</u> | <u>\$ 9,892,718</u> | <u>\$ 10,557,317</u> | <u>\$ 11,864,864</u> |
| Net Pension Liability (Asset) - Ending | \$ 1,443,208 | \$ 1,679,383 | \$ 1,761,907 | \$ 1,170,396 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 87.09% | 85.49% | 85.70% | 91.02% |
| Covered Payroll | \$ 2,344,697 | \$ 2,432,593 | \$ 2,404,558 | \$ 2,609,916 |
| Net Pension Liability as a Percentage of Covered Payroll | 61.55% | 69.04% | 73.27% | 44.84% |

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

CITY OF TERRELL HILLS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES – TOTAL OPEB LIABILITY
 LAST PLAN (CALENDAR) YEAR

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

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

Actuarial Assumptions

| | |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation | 2.5% per year |
| Overall Payroll Growth | 3.5 to 10.5% per year, including inflation |
| Discount Rate | 3.31% |
| Administrative Expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. |
| | |
| Mortality Rates - Service Retirees | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |
| Mortality Rates - Disabled Retirees | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor. |

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

SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

- Combining Statements – Nonmajor Governmental Funds
- Comparative Statements – General Fund
- Comparative Statements – Debt Service Fund
- Comparative Statements – Capital Projects Fund

CITY OF TERRELL HILLS, TEXAS
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2018

| | Capital Projects | Special Revenue | Total Nonmajor Funds |
|---------------------------------------------------|----------------------------------|------------------------------|----------------------------|
| | Equipment Replacement Fund | Police Forfeiture Fund | |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 380,664 | \$ 106,170 | \$ 486,834 |
| TOTAL ASSETS | \$ 380,664 | \$ 106,170 | \$ 486,834 |
| LIABILITIES AND FUND BALANCE | | | |
| <i>Liabilities:</i> | | | |
| Accounts Payable | \$ - | \$ 3,297 | \$ 3,297 |
| <i>Total Liabilities</i> | - | 3,297 | 3,297 |
| <i>Fund Balance:</i> | | | |
| Restricted for Police Department | - | 102,873 | 102,873 |
| Assigned for Equipment Replacement | 380,664 | - | 380,664 |
| <i>Total Fund Balance</i> | 380,664 | 102,873 | 483,537 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 380,664 | \$ 106,170 | \$ 486,834 |

CITY OF TERRELL HILLS, TEXAS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Capital Projects Equipment Replacement Fund</u> | <u>Special Revenue Police Forfeiture Fund</u> | <u>Total Nonmajor Funds</u> |
|--------------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------|
| REVENUES | | | |
| Fines and Forfeitures | \$ - | \$ 119,629 | \$ 119,629 |
| TOTAL REVENUES | <u>-</u> | <u>119,629</u> | <u>119,629</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Police Department | - | 14,572 | 14,572 |
| Fire Department | 10,926 | - | 10,926 |
| Capital Outlay | - | 7,296 | 7,296 |
| TOTAL EXPENDITURES | <u>10,926</u> | <u>21,868</u> | <u>32,794</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(10,926)</u> | <u>97,761</u> | <u>86,835</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Sale of Capital Assets | 2,570 | - | 2,570 |
| Transfers In | 144,000 | - | 144,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>146,570</u> | <u>-</u> | <u>146,570</u> |
| Net Change in Fund Balance | 135,644 | 97,761 | 233,405 |
| FUND BALANCES - JANUARY 1 | <u>245,020</u> | <u>5,112</u> | <u>250,132</u> |
| FUND BALANCES - DECEMBER 31 | <u>\$ 380,664</u> | <u>\$ 102,873</u> | <u>\$ 483,537</u> |

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - GENERAL FUND
 DECEMBER 31, 2018 AND 2017

| | 2018 | 2017 |
|-----------------------------------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 3,535,269 | \$ 3,401,430 |
| Receivables: | | |
| Property Tax (net of uncollectible) | 2,084,297 | 1,762,861 |
| Sales Tax and Franchise Taxes Receivables | 110,886 | 106,111 |
| Due from Other Funds | 21,357 | 15,357 |
| Prepaid Items | 23,734 | 24,864 |
| TOTAL ASSETS | \$ 5,775,543 | \$ 5,310,623 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE | | |
| <i>Liabilities:</i> | | |
| Accounts Payable | \$ 8,809 | \$ 6,489 |
| Accrued Vacation Payable | 116,374 | 123,958 |
| <i>Total Liabilities</i> | 125,183 | 130,447 |
| <i>Deferred Inflows:</i> | | |
| Unavailable Property Tax Revenue | 687,778 | 537,747 |
| <i>Total Deferred Inflows</i> | 687,778 | 537,747 |
| <i>Fund Balance:</i> | | |
| Nonspendable Prepaid Items | 23,734 | 24,864 |
| Unassigned | 4,938,848 | 4,617,565 |
| <i>Total Fund Balance</i> | 4,962,582 | 4,642,429 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE | \$ 5,775,543 | \$ 5,310,623 |

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | 2018 | 2017 |
|--------------------------------------------------------------|---------------------|---------------------|
| REVENUES | | |
| Ad Valorem Taxes | \$ 4,437,098 | \$ 4,535,198 |
| Sales Tax | 274,236 | 291,548 |
| Franchise Taxes | 473,990 | 469,074 |
| Charges for Services | 302,390 | 321,116 |
| Fines and Forfeitures | 17,999 | 14,183 |
| Other | 51,919 | 22,684 |
| TOTAL REVENUES | 5,557,632 | 5,653,803 |
| EXPENDITURES | | |
| <i>Current:</i> | | |
| General Government | 972,348 | 902,474 |
| Police Department | 1,206,205 | 1,181,002 |
| Fire Department | 1,197,051 | 1,183,811 |
| Development and Public Works | 1,010,601 | 960,681 |
| Administration | 357,274 | 275,965 |
| Capital Outlay | - | 26,453 |
| TOTAL EXPENDITURES | 4,743,479 | 4,530,386 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 814,153 | 1,123,417 |
| OTHER FINANCING SOURCES (USES) | | |
| Sales of Capital Assets | - | 21,129 |
| Transfers Out | (494,000) | (468,516) |
| TOTAL OTHER FINANCING SOURCES(USES) | (494,000) | (447,387) |
| Net Change in Fund Balance | 320,153 | 676,030 |
| Fund Balance at Beginning of Year | 4,642,429 | 3,966,399 |
| Fund Balance at End of Year | \$ 4,962,582 | \$ 4,642,429 |

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - DEBT SERVICE FUND
 DECEMBER 31, 2018 AND 2017

| | 2018 | 2017 |
|---------------------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 502,671 | \$ 542,407 |
| Property Taxes Receivable (net of uncollectibles) | 324,839 | 284,221 |
| TOTAL ASSETS | \$ 827,510 | \$ 826,628 |
| DEFERRED INFLOWS AND FUND BALANCE | | |
| <i>Deferred Inflows:</i> | | |
| Unavailable Property Tax Revenue | \$ 106,450 | \$ 85,994 |
| <i>Total Deferred Inflows</i> | <i>106,450</i> | <i>85,994</i> |
| <i>Fund Balance</i> | | |
| Restricted for Debt Service | 721,060 | 740,634 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | \$ 827,510 | \$ 826,628 |

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, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

| | Budget Amounts | | 2018 Actual | Variance | 2017 Actual |
|-------------------------------|-------------------|-------------------|-------------------|----------------------|-------------------|
| | Original | Final | | With Final Budget | |
| REVENUES | | | | | |
| Ad Valorem Taxes | \$ 711,059 | \$ 711,059 | \$ 693,485 | \$ (17,574) | \$ 747,212 |
| TOTAL REVENUES | <u>711,059</u> | <u>711,059</u> | <u>693,485</u> | <u>(17,574)</u> | <u>747,212</u> |
| EXPENDITURES | | | | | |
| Principal | 460,000 | 460,000 | 460,000 | - | 435,000 |
| Interest | 251,059 | 251,059 | 253,059 | (2,000) | 272,859 |
| TOTAL EXPENDITURES | <u>711,059</u> | <u>711,059</u> | <u>713,059</u> | <u>(2,000)</u> | <u>707,859</u> |
| Net Change in Fund Balance | - | - | (19,574) | (19,574) | 39,353 |
| BEGINNING FUND BALANCE | <u>740,634</u> | <u>740,634</u> | <u>740,634</u> | <u>-</u> | <u>701,281</u> |
| ENDING FUND BALANCE | <u>\$ 740,634</u> | <u>\$ 740,634</u> | <u>\$ 721,060</u> | <u>\$ (19,574)</u> | <u>\$ 740,634</u> |

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - CAPITAL PROJECTS FUND
 DECEMBER 31, 2018 AND 2017

| | 2018 | 2017 |
|-----------------------------------------|------------|------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 725,248 | \$ 747,361 |
| Sales Taxes Receivable | 8,832 | 8,512 |
| | \$ 734,080 | \$ 755,873 |
| LIABILITIES AND FUND BALANCE | | |
| <i>Liabilities:</i> | | |
| Accounts Payable | \$ - | \$ 68,962 |
| Due to Other Funds | 21,357 | 15,357 |
| <i>Total Liabilities</i> | 21,357 | 84,319 |
| <i>Fund Balance:</i> | | |
| Assigned for Street Improvements | 712,723 | 671,554 |
| <i>Total Fund Balance</i> | 712,723 | 671,554 |
| | \$ 734,080 | \$ 755,873 |

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, 2018 AND 2017

| | 2018 | 2017 |
|--------------------------------------------------------------------------------------------------------|------------|------------|
| REVENUES | | |
| Street Sales Tax | \$ 68,558 | \$ 72,887 |
| TOTAL REVENUES | 68,558 | 72,887 |
| EXPENDITURES | | |
| Administration | 2,700 | 29,000 |
| Capital Outlay | 374,689 | 734,419 |
| TOTAL EXPENDITURES | 377,389 | 763,419 |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses) | (308,831) | (690,532) |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers In | 350,000 | 325,000 |
| TOTAL OTHER FINANCING SOURCES(USES) | 350,000 | 325,000 |
| Net Change in Fund Balance | 41,169 | (365,532) |
| Fund Balances at Beginning of Year | 671,554 | 1,037,086 |
| Fund Balances at End of Year | \$ 712,723 | \$ 671,554 |



CITY OF
TERRELL HILLS
TEXAS

STATISTICAL SECTION

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

Financial Trends – Tables 1 through 4

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

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

Revenue Capacity – Tables 5 through 9

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

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

Debt Capacity – Tables 10 through 13

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

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

Demographic and Economic Information – Tables 14 and 15

Demographic and Economic Statistics
Principal Employers

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

Operating Information (Tables 16 through 18)

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

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

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

| | Fiscal Year | | | |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2009 | 2010 | 2011 | 2012 |
| <i>Governmental Activities:</i> | | | | |
| Net Investment in Capital Assets | \$ 3,781,954 | \$ 4,810,825 | \$ 4,989,491 | \$ 5,546,721 |
| Restricted | 832,476 | 818,392 | 582,335 | 649,871 |
| Unrestricted | <u>6,346,745</u> | <u>5,984,061</u> | <u>6,424,662</u> | <u>6,322,988</u> |
| <i>Total Governmental Activities</i> | | | | |
| <i>Net Position</i> | <u>\$ 10,961,175</u> | <u>\$ 11,613,278</u> | <u>\$ 11,996,488</u> | <u>\$ 12,519,580</u> |
| <i>Primary Government:</i> | | | | |
| Net Investment in Capital Assets | \$ 3,781,954 | \$ 4,810,825 | \$ 4,989,491 | \$ 5,546,721 |
| Restricted | 832,476 | 818,392 | 582,335 | 649,871 |
| Unrestricted | <u>6,346,745</u> | <u>5,984,061</u> | <u>6,424,662</u> | <u>6,322,988</u> |
| <i>Total Primary Government</i> | | | | |
| <i>Net Position</i> | <u>\$ 10,961,175</u> | <u>\$ 11,613,278</u> | <u>\$ 11,996,488</u> | <u>\$ 12,519,580</u> |

*Note:

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

TABLE 1

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| \$ 5,683,040 | \$ 5,783,091 | \$ 7,049,113 | \$ 6,501,017 | \$ 6,856,720 | \$ 6,535,717 |
| 829,050 | 820,845 | 794,545 | 782,137 | 727,132 | 829,322 |
| <u>6,269,075</u> | <u>6,229,590</u> | <u>4,115,541</u> | <u>4,731,461</u> | <u>4,855,438</u> | <u>5,432,539</u> |
| <u>\$ 12,781,165</u> | <u>\$ 12,833,526</u> | <u>\$ 11,959,199</u> | <u>\$ 12,014,615</u> | <u>\$ 12,439,290</u> | <u>\$ 12,797,578</u> |
| \$ 5,683,040 | \$ 5,783,091 | \$ 7,049,113 | \$ 6,501,017 | \$ 6,856,720 | \$ 6,535,717 |
| 829,050 | 820,845 | 794,545 | 782,137 | 727,132 | 829,322 |
| <u>6,269,075</u> | <u>6,229,590</u> | <u>4,115,541</u> | <u>4,731,461</u> | <u>4,855,438</u> | <u>5,432,539</u> |
| <u>\$ 12,781,165</u> | <u>\$ 12,833,526</u> | <u>\$ 11,959,199</u> | <u>\$ 12,014,615</u> | <u>\$ 12,439,290</u> | <u>\$ 12,797,578</u> |

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

| | Fiscal Year | | | |
|----------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2009 | 2010 | 2011 | 2012 |
| Expenses | | | | |
| <i>Governmental Activities:</i> | | | | |
| General Government | \$ 727,653 | \$ 810,979 | \$ 807,990 | \$ 812,325 |
| Police Department | 942,463 | 1,006,564 | 1,041,675 | 1,078,398 |
| Fire Department | 955,350 | 981,927 | 969,246 | 943,061 |
| Development and Public Works | 1,463,489 | 1,458,840 | 1,361,226 | 1,447,636 |
| Administration | 306,889 | 260,944 | 259,126 | 279,390 |
| Interest on Long-Term Debt | 134,575 | 125,433 | 378,232 | 359,862 |
| <i>Total Governmental Activities Expenses</i> | <u>4,530,419</u> | <u>4,644,687</u> | <u>4,817,495</u> | <u>4,920,672</u> |
| Program Revenues | | | | |
| <i>Governmental Activities:</i> | | | | |
| Charges for Services | 134,590 | 144,733 | 161,500 | 173,927 |
| Operating Grants and Contributions | - | - | 26,612 | 7,977 |
| Capital Grants and Contributions | 25,871 | 4,677 | - | - |
| <i>Total Governmental Activities Program Revenues</i> | <u>160,461</u> | <u>149,410</u> | <u>188,112</u> | <u>181,904</u> |
| Net (Expenses) Revenue | | | | |
| Governmental Activities | (4,369,958) | (4,495,277) | (4,629,383) | (4,738,768) |
| Total Primary Government Net Expenses | <u>\$ (4,369,958)</u> | <u>\$ (4,495,277)</u> | <u>\$ (4,629,383)</u> | <u>\$ (4,738,768)</u> |
| Governmental Revenues and Other Changes in Net Position | | | | |
| <i>Governmental Activities:</i> | | | | |
| Taxes: | | | | |
| General Property Taxes | \$ 4,546,238 | \$ 4,484,433 | \$ 4,311,199 | \$ 4,305,085 |
| Franchise Taxes | 322,980 | 352,965 | 401,362 | 350,681 |
| Sales Taxes | 161,980 | 210,504 | 201,985 | 250,432 |
| Interest and Investment Earnings | 40,963 | 23,896 | 62,400 | 34,822 |
| Miscellaneous | 19,813 | 75,582 | 35,647 | 320,840 |
| <i>Total Governmental Activities</i> | <u>5,091,974</u> | <u>5,147,380</u> | <u>5,012,593</u> | <u>5,261,860</u> |
| Total Primary Government | <u>\$ 5,091,974</u> | <u>\$ 5,147,380</u> | <u>\$ 5,012,593</u> | <u>\$ 5,261,860</u> |
| Changes In Net Position | | | | |
| Government Activities | \$ 722,016 | \$ 652,103 | \$ 383,210 | \$ 523,092 |
| Total Primary Government | <u>\$ 722,016</u> | <u>\$ 652,103</u> | <u>\$ 383,210</u> | <u>\$ 523,092</u> |

Note:

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

TABLE 2

| Fiscal Year | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| \$ 879,328 | \$ 917,083 | \$ 923,164 | \$ 1,080,866 | \$ 952,370 | \$ 984,610 |
| 1,053,576 | 1,165,805 | 1,245,289 | 1,261,403 | 1,277,882 | 1,246,087 |
| 1,105,760 | 1,112,167 | 1,134,588 | 1,159,771 | 1,258,681 | 1,239,810 |
| 1,522,260 | 1,602,510 | 1,572,481 | 1,656,655 | 1,782,424 | 1,934,539 |
| 353,811 | 355,950 | 373,149 | 399,893 | 393,786 | 462,217 |
| 447,527 | 339,269 | 334,802 | 379,680 | 282,042 | 272,282 |
| <u>5,362,262</u> | <u>5,492,784</u> | <u>5,583,473</u> | <u>5,938,268</u> | <u>5,947,185</u> | <u>6,139,545</u> |
| 248,206 | 285,875 | 280,393 | 325,779 | 335,299 | 320,389 |
| 143,138 | 6,103 | 2,770 | 32,933 | 19,804 | 119,630 |
| - | - | - | - | - | - |
| <u>391,344</u> | <u>291,978</u> | <u>283,163</u> | <u>358,712</u> | <u>355,103</u> | <u>440,019</u> |
| <u>(4,970,918)</u> | <u>(5,200,806)</u> | <u>(5,300,310)</u> | <u>(5,579,556)</u> | <u>(5,592,082)</u> | <u>(5,699,526)</u> |
| <u>\$ (4,970,918)</u> | <u>\$ (5,200,806)</u> | <u>\$ (5,300,310)</u> | <u>\$ (5,579,556)</u> | <u>\$ (5,592,082)</u> | <u>\$ (5,699,526)</u> |
| \$ 4,332,587 | \$ 4,519,059 | \$ 4,628,850 | \$ 4,831,167 | \$ 5,149,850 | \$ 5,301,071 |
| 342,699 | 460,832 | 472,875 | 466,525 | 469,074 | 473,990 |
| 213,546 | 242,959 | 278,993 | 300,735 | 364,435 | 342,795 |
| 13,644 | 10,700 | 6,697 | 7,681 | 9,188 | 29,921 |
| 330,027 | 19,617 | 29,982 | 28,864 | 24,210 | 24,567 |
| <u>5,232,503</u> | <u>5,253,167</u> | <u>5,417,397</u> | <u>5,634,972</u> | <u>6,016,757</u> | <u>6,172,344</u> |
| <u>\$ 5,232,503</u> | <u>\$ 5,253,167</u> | <u>\$ 5,417,397</u> | <u>\$ 5,634,972</u> | <u>\$ 6,016,757</u> | <u>\$ 6,172,344</u> |
| \$ 261,585 | \$ 52,361 | \$ 117,087 | \$ 55,416 | \$ 424,675 | \$ 472,818 |
| <u>\$ 261,585</u> | <u>\$ 52,361</u> | <u>\$ 117,087</u> | <u>\$ 55,416</u> | <u>\$ 424,675</u> | <u>\$ 472,818</u> |

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

| | Fiscal Year | | | |
|-------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2009 | 2010 | 2011 | 2012 |
| General Fund | | | | |
| Nonspendable | \$ 33,556 | \$ 33,613 | \$ 44,198 | \$ 35,026 |
| Restricted | 25,871 | 3,568 | - | - |
| Unassigned | <u>5,741,567</u> | <u>5,483,411</u> | <u>5,914,749</u> | <u>3,648,711</u> |
| Total General Fund | <u>\$ 5,800,994</u> | <u>\$ 5,520,592</u> | <u>\$ 5,958,947</u> | <u>\$ 3,683,737</u> |
| All Other Governmental Funds | | | | |
| Reported In: | | | | |
| Capital Project Funds | \$ - | \$ - | \$ 4,967,766 | \$ 2,176,345 |
| Debt Service Funds | 716,672 | 750,829 | 687,418 | 674,576 |
| Special Revenue Funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total All Other Governmental Funds | <u>\$ 716,672</u> | <u>\$ 750,829</u> | <u>\$ 5,655,184</u> | <u>\$ 2,850,921</u> |

TABLE 3

| Fiscal Year | | | | | |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| \$ 40,748 | \$ 14,159 | \$ 109,303 | \$ - | \$ 24,864 | \$ 23,734 |
| 168,334 | 138,935 | 93,247 | 78,516 | - | - |
| <u>3,712,919</u> | <u>3,551,652</u> | <u>3,654,018</u> | <u>3,887,883</u> | <u>4,617,565</u> | <u>4,938,848</u> |
| <u><u>\$ 3,922,001</u></u> | <u><u>\$ 3,704,746</u></u> | <u><u>\$ 3,856,568</u></u> | <u><u>\$ 3,966,399</u></u> | <u><u>\$ 4,642,429</u></u> | <u><u>\$ 4,962,582</u></u> |
| \$ 2,130,291 | \$ 2,235,041 | \$ 862,536 | \$ 1,384,819 | \$ 916,574 | \$ 1,093,387 |
| 679,046 | 695,330 | 715,522 | 701,280 | 740,634 | 721,060 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,112</u> | <u>102,873</u> |
| <u><u>\$ 2,809,337</u></u> | <u><u>\$ 2,930,371</u></u> | <u><u>\$ 1,578,058</u></u> | <u><u>\$ 2,086,099</u></u> | <u><u>\$ 1,662,320</u></u> | <u><u>\$ 1,917,320</u></u> |

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

| | Fiscal Year | | | |
|-----------------------------------------------------------------------|-------------------|---------------------|---------------------|-----------------------|
| | 2009 | 2010 | 2011 | 2012 |
| REVENUES | | | | |
| Ad Valorem Taxes | \$ 4,584,766 | \$ 4,551,726 | \$ 4,354,025 | \$ 4,328,325 |
| Sales Taxes | 161,980 | 210,504 | 201,985 | 250,432 |
| Franchise Taxes | 322,980 | 352,965 | 401,362 | 350,681 |
| Charges for Services | 102,948 | 127,169 | 144,074 | 160,066 |
| Fines and Forfeitures | 31,642 | 17,564 | 38,305 | 20,452 |
| Other | 82,227 | 96,336 | 99,387 | 357,052 |
| TOTAL REVENUES | <u>5,286,543</u> | <u>5,356,264</u> | <u>5,239,138</u> | <u>5,467,008</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 723,009 | 806,335 | 800,422 | 800,471 |
| Police Department | 875,975 | 939,427 | 982,854 | 1,042,285 |
| Fire Department | 912,558 | 938,906 | 941,952 | 928,254 |
| Development and Public Works | 943,513 | 961,159 | 889,198 | 907,610 |
| Administration | 291,629 | 245,878 | 248,822 | 268,734 |
| Capital Projects/Outlay | 43,271 | 1,317,073 | 3,455,506 | 5,843,547 |
| Debt Service: | | | | |
| Principal | 380,906 | 272,627 | 270,000 | 3,020,000 |
| Interest and Fiscal Charges | 138,989 | 128,924 | 315,186 | 435,580 |
| Bond Issue Costs | - | - | - | - |
| TOTAL EXPENDITURES | <u>4,309,850</u> | <u>5,610,329</u> | <u>7,903,940</u> | <u>13,246,481</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>976,693</u> | <u>(254,065)</u> | <u>(2,664,802)</u> | <u>(7,779,473)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of Bonded Debt | - | - | 8,000,000 | 2,700,000 |
| Premium From Issuance of Debt | - | - | - | - |
| Proceeds from Sales of Capital Assets | 4,420 | 7,820 | 7,512 | - |
| Payments to Refunding Escrow Agent | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>4,420</u> | <u>7,820</u> | <u>8,007,512</u> | <u>2,700,000</u> |
| Net Change in Fund Balance | <u>\$ 981,113</u> | <u>\$ (246,245)</u> | <u>\$ 5,342,710</u> | <u>\$ (5,079,473)</u> |
| Debt Service Expenditures as a Percent of Non-capital expenditures | 12.2% | 9.4% | 13.2% | 46.7% |

TABLE 4

| Fiscal Year | | | | | |
|--------------------|--------------------|-----------------------|-------------------|-------------------|-------------------|
| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| \$ 4,299,223 | \$ 4,470,885 | \$ 4,616,599 | \$ 4,817,404 | \$ 5,282,410 | \$ 5,130,583 |
| 213,546 | 242,959 | 278,993 | 300,735 | 364,435 | 342,794 |
| 342,699 | 460,832 | 472,875 | 466,525 | 469,074 | 473,990 |
| 222,578 | 264,302 | 262,282 | 304,376 | 321,116 | 302,390 |
| 166,446 | 27,476 | 18,111 | 53,336 | 33,687 | 137,628 |
| 340,157 | 26,588 | 22,583 | 23,209 | 22,684 | 51,919 |
| <u>5,584,649</u> | <u>5,493,042</u> | <u>5,671,443</u> | <u>5,965,585</u> | <u>6,493,406</u> | <u>6,439,304</u> |
| 857,740 | 895,495 | 879,357 | 969,681 | 902,474 | 972,348 |
| 1,014,750 | 1,121,361 | 1,204,765 | 1,196,053 | 1,206,756 | 1,220,777 |
| 1,089,287 | 1,084,238 | 1,111,505 | 1,104,535 | 1,190,751 | 1,207,977 |
| 851,103 | 900,037 | 870,256 | 819,902 | 960,681 | 1,010,601 |
| 284,339 | 240,793 | 284,504 | 371,934 | 304,965 | 359,974 |
| 522,377 | 588,298 | 1,771,614 | 146,020 | 1,004,339 | 381,985 |
| 430,000 | 430,000 | 430,000 | 435,000 | 435,000 | 460,000 |
| 344,208 | 340,846 | 336,803 | 184,776 | 272,858 | 253,059 |
| - | - | - | 86,158 | - | - |
| <u>5,393,804</u> | <u>5,601,068</u> | <u>6,888,804</u> | <u>5,314,059</u> | <u>6,277,824</u> | <u>5,866,721</u> |
| 190,845 | (108,026) | (1,217,361) | 651,526 | 215,582 | 572,583 |
| - | - | - | 7,375,000 | - | - |
| - | - | - | 578,561 | - | - |
| 5,835 | 11,805 | 16,870 | 27,055 | 36,669 | 2,570 |
| - | - | - | (8,014,270) | - | - |
| <u>5,835</u> | <u>11,805</u> | <u>16,870</u> | <u>(33,654)</u> | <u>36,669</u> | <u>2,570</u> |
| <u>\$ 196,680</u> | <u>\$ (96,221)</u> | <u>\$ (1,200,491)</u> | <u>\$ 617,872</u> | <u>\$ 252,251</u> | <u>\$ 575,153</u> |
| 15.9% | 15.4% | 15.0% | 13.7% | 13.4% | 13.0% |

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 |
|----------------|--------------|------------|---------------|--------------|
| 2009 | \$ 4,584,766 | \$ 161,980 | \$ 322,980 | \$ 5,069,726 |
| 2010 | 4,551,726 | 210,504 | 352,965 | 5,115,195 |
| 2011 | 4,354,025 | 201,985 | 401,362 | 4,957,372 |
| 2012 | 4,328,325 | 250,432 | 350,681 | 4,929,438 |
| 2013 | 4,299,223 | 213,546 | 342,699 | 4,855,468 |
| 2014 | 4,470,885 | 242,959 | 460,832 | 5,174,676 |
| 2015 | 4,616,599 | 278,993 | 472,875 | 5,368,467 |
| 2016 | 4,817,404 | 300,735 | 466,525 | 5,584,664 |
| 2017 | 5,282,410 | 364,435 | 469,074 | 6,115,919 |
| 2018 | 5,130,583 | 342,794 | 473,990 | 5,947,367 |

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 |
|--------------------------------------|-------------------------|------------------------|---------------------------------|-------------------------------------|-----------------------------|
| 2009 | \$ 1,157,624,322 | \$ 43,684,779 | \$ 47,994,405 | \$ 1,153,314,696 | 0.391301 |
| 2010 | 1,144,858,092 | 33,204,166 | 23,686,058 | 1,154,376,200 | 0.385068 |
| 2011 | 1,102,235,184 | 29,417,469 | 14,315,005 | 1,117,337,648 | 0.385068 |
| 2012 | 1,093,517,790 | 32,236,926 | 12,349,128 | 1,113,405,588 | 0.385068 |
| 2013 | 1,142,099,938 | 32,411,510 | 13,559,113 | 1,160,952,335 | 0.371729 |
| 2014 | 1,192,902,448 | 34,407,918 | 14,165,923 | 1,213,144,443 | 0.370525 |
| 2015 | 1,348,575,687 | 37,552,394 | 52,682,797 | 1,333,445,284 | 0.345906 |
| 2016 | 1,413,951,625 | 38,961,001 | 36,260,166 | 1,416,652,460 | 0.339538 |
| 2017 | 1,468,772,385 | 43,427,803 | 38,057,415 | 1,474,142,773 | 0.347673 |
| 2018 | 1,512,481,536 | 43,322,224 | 34,812,569 | 1,520,991,191 | 0.347673 |

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 |
| 2009 | 0.346232 | 0.045069 | 0.391301 |
| 2010 | 0.350594 | 0.034474 | 0.385068 |
| 2011 | 0.343526 | 0.041542 | 0.385068 |
| 2012 | 0.314488 | 0.070580 | 0.385068 |
| 2013 | 0.304120 | 0.067609 | 0.371729 |
| 2014 | 0.305814 | 0.064711 | 0.370525 |
| 2015 | 0.287736 | 0.058170 | 0.345906 |
| 2016 | 0.284670 | 0.054868 | 0.339538 |
| 2017 | 0.299253 | 0.048420 | 0.347673 |
| 2018 | 0.300656 | 0.047017 | 0.347673 |

| Overlapping Rates | | | | | | | |
|-------------------|-------------------------|-----------------|--------------------------|-----------------------------------|--------------------------------|-------------------------------|----------------------|
| Fiscal Period | Alamo Heights ISD | Bexar County | Bexar County Flood | San Antonio River Authority | University Health System | Alamo Community College | Total Overlapping |
| 2009 | 1.162000 | 0.296187 | 0.030679 | 0.015951 | 0.266235 | 0.135855 | 1.906907 |
| 2010 | 1.168000 | 0.296187 | 0.030679 | 0.016652 | 0.276235 | 0.141623 | 1.929376 |
| 2011 | 1.198000 | 0.296187 | 0.030679 | 0.017370 | 0.276235 | 0.141623 | 1.960094 |
| 2012 | 1.218000 | 0.296187 | 0.030679 | 0.017370 | 0.276235 | 0.149150 | 1.987621 |
| 2013 | 1.218000 | 0.296187 | 0.030679 | 0.017798 | 0.276235 | 0.149150 | 1.988049 |
| 2014 | 1.205000 | 0.283821 | 0.030679 | 0.017500 | 0.276235 | 0.149150 | 1.962385 |
| 2015 | 1.195000 | 0.297500 | 0.017000 | 0.017290 | 0.276235 | 0.149150 | 1.952175 |
| 2016 | 1.195000 | 0.293250 | 0.015700 | 0.017290 | 0.276235 | 0.149150 | 1.946625 |
| 2017 | 1.195000 | 0.291229 | 0.012868 | 0.017290 | 0.276235 | 0.149150 | 1.941772 |
| 2018 | 1.255000 | 0.277429 | 0.023668 | 0.018580 | 0.276235 | 0.149150 | 2.000062 |

Source: Bexar County Tax Office

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

TABLE 8

| <u>Taxpayer</u> | 2018 | | | 2009 | | |
|--------------------------------|----------------------|------|-------------------------------------------|----------------------|------|-------------------------------------------|
| | Taxable Assessed | Rank | Percentage of Total City Taxable Assessed | Taxable Assessed | Rank | Percentage of Total City Taxable Assessed |
| | Value | | Value | Value | | Value |
| Michael & Candace Humphreys | \$ 10,000,000 | 1 | 0.66% | \$ 12,500,001 | 1 | 1.14% |
| Edward & Linda Whitacre | 6,759,270 | 2 | 0.44% | | | |
| Thomas Moorman | 6,444,310 | 3 | 0.42% | 4,815,521 | 3 | 0.44% |
| Berkley & Bonnie Dawson | 5,600,000 | 4 | 0.37% | | | |
| Nicolas & Aliece Hollis | 5,390,000 | 5 | 0.35% | | | |
| Richard and Mary Azar | 5,176,500 | 6 | 0.34% | 3,900,000 | 8 | 0.36% |
| Patricia Cerisola | 4,300,000 | 7 | 0.28% | | | |
| Deborah Rogers | 4,182,000 | 8 | 0.27% | | | |
| James and Kristine Ellis Trust | 4,143,340 | 9 | 0.27% | | | |
| Darren Casey | 4,100,000 | 10 | 0.27% | 3,767,501 | 10 | 0.34% |
| Enterprise Leasing | | | | 5,528,580 | 2 | 0.51% |
| David and Karen Zachry | | | | 4,232,179 | 4 | 0.39% |
| Diana Denman | | | | 4,217,439 | 5 | 0.39% |
| Double H Trust | | | | 4,175,090 | 6 | 0.38% |
| Robert and Rebecca Young | | | | 4,055,200 | 7 | 0.37% |
| John and Laura Zachry | | | | 3,840,371 | 9 | 0.35% |
| Total | \$ 56,095,420 | | 3.69% | \$ 51,031,882 | | 4.67% |
| Total Assessed Value | 1,520,991,191 | | | 1,092,759,785 | | |

Source: Bexar County Appraisal District

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

TABLE 9

| Fiscal Year Ended <u>December 31,</u> | Taxes Levied for the <u>Fiscal Year</u> | Collected within the | | Collections In Subsequent <u>Years</u> | Total Collections to Date | |
|------------------------------------------------|-----------------------------------------------|--------------------------------|-----------------------|----------------------------------------------|---------------------------|-----------------------|
| | | <u>Fiscal Year of the Levy</u> | Percentage of Levy | | <u>Amount</u> | Percentage of Levy |
| 2009 | 4,512,971 | 2,487,685 | 55.1% | 2,010,217 | 4,497,902 | 99.7% |
| 2010 | 4,445,172 | 2,535,057 | 57.0% | 1,884,064 | 4,419,121 | 99.4% |
| 2011 | 4,304,008 | 2,475,807 | 57.5% | 1,820,162 | 4,295,969 | 99.8% |
| 2012 | 4,287,463 | 2,317,228 | 54.0% | 1,963,346 | 4,280,574 | 99.8% |
| 2013 | 4,315,361 | 2,459,215 | 57.0% | 1,844,284 | 4,303,499 | 99.7% |
| 2014 | 4,498,597 | 2,698,610 | 60.0% | 1,793,568 | 4,492,178 | 99.9% |
| 2015 | 4,613,824 | 2,755,466 | 59.7% | 1,859,800 | 4,615,266 | 100.0% |
| 2016 | 4,808,449 | 2,715,502 | 56.5% | 2,072,968 | 4,788,470 | 99.6% |
| 2017 | 5,126,112 | 3,149,334 | 61.4% | 1,938,018 | 5,087,352 | 99.2% |
| 2018 | 5,288,123 | 2,959,961 | 56.0% | - | 2,959,961 | 56.0% |

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

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

TABLE 10

| Fiscal Year | Governmental Activities | | | Total Primary Government | Percentage of Personal Income** | Per Capita* |
|----------------|--------------------------------|----------------------------------|-------------------|--------------------------------|---------------------------------------|----------------|
| | General Obligation Bonds | Certificates of Obligation | Capital Leases | | | |
| 2009 | \$ - | \$ 3,500,000 | \$ 7,627 | \$ 3,507,627 | 0.9% | 669 |
| 2010 | - | 3,235,000 | - | 3,235,000 | 0.8% | 612 |
| 2011 | 8,000,000 | 2,965,000 | - | 10,965,000 | 2.7% | 2,248 |
| 2012 | 10,645,000 | - | - | 10,645,000 | 2.6% | 2,130 |
| 2013 | 10,215,000 | - | - | 10,215,000 | 2.7% | 2,072 |
| 2014 | 9,785,000 | - | - | 9,785,000 | 2.5% | 1,971 |
| 2015 | 9,355,000 | - | - | 9,355,000 | 2.3% | 1,794 |
| 2016 | 9,195,000 | - | - | 9,195,000 | 2.1% | 1,739 |
| 2017 | 8,760,000 | - | - | 8,760,000 | 1.8% | 1,688 |
| 2018 | 8,300,000 | - | - | 8,300,000 | 1.8% | 1,582 |

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

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

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

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

TABLE 11

| Fiscal Year | General Bonded Debt | | Available in Debt Service Funds | Net General Bonded Debt | Actual Taxable Value of Property | Percentage of Actual | |
|----------------|--------------------------------|----------------------------------|------------------------------------------|----------------------------------|-------------------------------------------|---------------------------------|----------------|
| | General Obligation Bonds | Certificates of Obligation | | | | Value of Taxable Property | Per Capita* |
| 2009 | \$ - | \$ 3,500,000 | \$ (716,672) | \$ 2,783,328 | \$ 1,153,314,696 | 0.24% | 531 |
| 2010 | - | 3,235,000 | (750,829) | 2,484,171 | 1,154,376,200 | 0.22% | 470 |
| 2011 | 8,000,000 | 2,965,000 | (687,418) | 10,277,582 | 1,117,337,648 | 0.92% | 2,107 |
| 2012 | 10,645,000 | - | (674,576) | 9,970,424 | 1,113,405,588 | 0.90% | 1,995 |
| 2013 | 10,215,000 | - | (679,046) | 9,535,954 | 1,160,952,335 | 0.82% | 1,935 |
| 2014 | 9,785,000 | - | (695,330) | 9,089,670 | 1,213,144,443 | 0.75% | 1,831 |
| 2015 | 9,355,000 | - | (701,298) | 8,653,702 | 1,333,445,284 | 0.65% | 1,660 |
| 2016 | 9,195,000 | - | (703,621) | 8,491,379 | 1,416,652,460 | 0.60% | 1,606 |
| 2017 | 8,760,000 | - | (722,020) | 8,037,980 | 1,474,142,773 | 0.55% | 1,549 |
| 2018 | 8,300,000 | - | (726,449) | 7,573,551 | 1,520,991,191 | 0.50% | 1,443 |

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, 2018

TABLE 12

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable* | Estimated Share of Overlapping Debt |
|------------------------------------------|---------------------|----------------------------------------|----------------------------------------------|
| <i>Debt repaid with property taxes:</i> | | | |
| Alamo CCD | \$ 369,638,157 | 0.94% | \$ 3,474,599 |
| Alamo Heights ISD | 101,800,000 | 17.73% | 18,049,140 |
| Bexar County | 1,311,941,457 | 0.94% | 12,332,250 |
| Bexar County Hospital District | 636,510,971 | 0.94% | 5,983,203 |
| North East ISD | 1,398,330,138 | 0.39% | 5,453,488 |
| Subtotal, Overlapping Debt | | | 45,292,679 |
| City Governmental Activities Direct Debt | | | 8,300,000 |
| TOTAL NET OVERLAPPING DEBT | | | \$ 53,592,679 |

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

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

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

TABLE 13

| | |
|-----------------------------------------------|----------------------------------------------------------------------------------------|
| Taxable Value | <u><u>\$ 1,520,991,191</u></u> |
| Debt Limit - 10% of taxable value | \$ 152,099,119 |
| Amount of Debt Applicable to Debt Limit: | |
| Total Bonded Debt | \$ 8,300,000 |
| Resources available in Debt Service Fund | <u>726,449</u> |
| Total Amount of Debt Applicable to Debt Limit | <u>(7,573,551)</u> |
| Legal Debt Margin | <u><u>\$ 144,525,568</u></u> |
| Total Net Debt as a Percentage of Debt Margin | 5.24% |
| | Fiscal Year |
| | <u>2015</u> <u>2016</u> <u>2017</u> |
| Debt Limit | \$ 133,344,528 \$ 141,665,246 \$ 147,414,277 |
| Total net debt applicable to limit | <u>(8,653,702)</u> <u>(9,069,940)</u> <u>(8,549,562)</u> |
| Legal Debt Margin | <u><u>\$ 124,690,826</u></u> <u><u>\$ 132,595,306</u></u> <u><u>\$ 138,864,715</u></u> |
| Total Net Debt as a Percentage of Debt Margin | 6.94% 6.84% 6.16% |
| | Fiscal Year |
| | <u>2012</u> <u>2013</u> <u>2014</u> |
| Debt Limit | \$ 111,340,559 \$ 116,095,234 \$ 121,314,444 |
| Total net debt applicable to limit | <u>(9,970,424)</u> <u>(9,535,954)</u> <u>(9,089,670)</u> |
| Legal Debt Margin | <u><u>\$ 101,370,135</u></u> <u><u>\$ 106,559,280</u></u> <u><u>\$ 112,224,774</u></u> |
| Total Net Debt as a Percentage of Debt Margin | 9.84% 8.95% 8.10% |
| | Fiscal Year |
| | <u>2009</u> <u>2010</u> <u>2011</u> |
| Debt Limit | \$ 115,331,470 \$ 115,437,620 \$ 111,733,765 |
| Total net debt applicable to limit | <u>(2,783,328)</u> <u>(2,484,171)</u> <u>(10,277,582)</u> |
| Legal Debt Margin | <u><u>\$ 112,548,142</u></u> <u><u>\$ 112,953,449</u></u> <u><u>\$ 101,456,183</u></u> |
| Total Net Debt as a Percentage of Debt Margin | 2.47% 2.20% 10.13% |

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 |
|------|------------|--------------------|----------------------------------|----------------------|
| 2009 | 5,241 | 375,234,636 | 71,596 | 6.5% |
| 2010 | 5,287 | 394,071,832 | 74,536 | 7.4% |
| 2011 | 4,878 | 398,971,620 | 81,790 | 6.8% |
| 2012 | 4,998 | 411,300,414 | 82,293 | 5.7% |
| 2013 | 4,929 | 376,905,843 | 76,467 | 5.3% |
| 2014 | 4,964 | 386,819,700 | 77,925 | 3.8% |
| 2015 | 5,214 | 413,334,636 | 79,274 | 3.5% |
| 2016 | 5,287 | 430,869,352 | 81,496 | 3.7% |
| 2017 | 5,190 | 493,460,010 | 95,079 | 3.0% |
| 2018 | 5,248 | 457,410,432 | 87,159 | 3.2% |

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 SEVEN YEARS AGO

TABLE 15

| Employer | 2018 | | | 2010 | | |
|-------------------------|----------------|------|-------------------------------------|----------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Lackland Air Force Base | 37,000 | 1 | 3.30% | 28,100 | 2 | 2.84% |
| Fort Sam Houston | 32,000 | 2 | 2.85% | 30,793 | 1 | 3.11% |
| HEB Food Stores | 20,000 | 3 | 1.78% | 14,588 | 4 | 1.48% |
| USAA | 18,305 | 4 | 1.63% | 14,852 | 3 | 1.50% |
| Northside ISD | 13,483 | 5 | 1.20% | 12,597 | 5 | 1.27% |
| Randolph Air Force Base | 11,000 | 6 | 0.98% | 10,700 | 6 | 1.08% |
| City of San Antonio | 9,145 | 7 | 0.82% | 9,000 | 8 | 0.91% |
| Methodist Healthcare | 9,620 | 8 | 0.86% | 7,013 | 10 | 0.71% |
| North East ISD | 8,553 | 9 | 0.76% | 10,223 | 7 | 1.03% |
| San Antonio I.S.D. | 7,677 | 10 | 0.68% | 7,581 | 9 | 0.77% |
| Total | 166,783 | | 14.87% | 145,447 | | 14.71% |

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

Information for nine years ago is not available. 2010 is presented instead.

Source: San Antonio 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 |
| 2018 | 4 | 16 | 16 | 17 | 53 |
| 2017 | 3 | 17 | 16 | 17 | 53 |
| 2016 | 3 | 17 | 16 | 15 | 51 |
| 2015 | 3 | 17 | 16 | 15 | 51 |
| 2014 | 3 | 16 | 16 | 15 | 50 |
| 2013 | 5 | 16 | 16 | 15 | 52 |
| 2012 | 3 | 16 | 16 | 16 | 51 |
| 2011 | 3 | 15 | 15 | 16 | 49 |
| 2010 | 3 | 18 | 12 | 16 | 49 |
| 2009 | 5 | 14 | 15 | 16 | 50 |

Source: City Adopted Budget Authorized Positions

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

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

Source: City Departments

TABLE 17

| Fiscal Year | | | |
|--------------------|-------------|-------------|-------------|
| 2015 | 2016 | 2017 | 2018 |
| 891 | 1,043 | 944 | 762 |
| 2,588 | 2,807 | 2,591 | 2,390 |
| 15 | 19 | 23 | 21 |
| 705 | 909 | 542 | 1,262 |
| 397 | 371 | 166 | 421 |
| 50 | 48 | 43 | 27 |
| 685 | 667 | 725 | 672 |
| 669 | 647 | 716 | 671 |
| 52 | 60 | 78 | 76 |
| 16 | 20 | 9 | 1 |
| 243 | 157 | 223 | 182 |
| 68 | 68 | 66 | 68 |
| 222 | 247 | 283 | 348 |

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

| Function | Fiscal Year | | | | |
|------------------------------------------------|--------------------|-------------|-------------|-------------|-------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| General Government | | | | | |
| Acreage | 0.00 | 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 | 2 |
| Police | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 6 | 6 | 7 | 9 | 7 |
| 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 | 9 | 9 | 8 | 8 | 8 |

Source: City Departments

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

TABLE 18

| Fiscal Year | | | | |
|--------------------|-------------|-------------|-------------|-------------|
| <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| 1.34 | 1.34 | 1.34 | 1.34 | 1.34 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 2 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 6 | 7 | 7 | 9 | 6 |
| 1 | 1 | 1 | 1 | 1 |
| 4 | 3 | 3 | 3 | 3 |
| 32 | 32 | 32 | 32 | 32 |
| 1 | 1 | 1 | 1 | 1 |
| 8 | 9 | 7 | 7 | 8 |



CITY OF
TERRELL HILLS
TEXAS