



CITY OF
TERRELL HILLS
TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

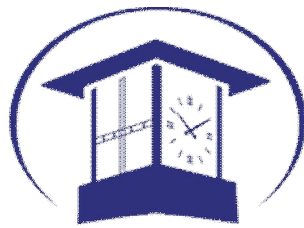
FISCAL YEAR ENDED

DECEMBER 31, 2020

OFFICIALS ISSUING REPORT

Bill Foley
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, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
TABLE OF CONTENTS	i
INTRODUCTORY SECTION	
LETTER OF TRANSMITTAL	iv
CITY OFFICIALS	vii
ORGANIZATIONAL CHART	viii
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	11
STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES	14
BALANCE SHEET - GOVERNMENTAL FUNDS	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
NOTES TO BASIC FINANCIAL STATEMENTS	21
REQUIRED SUPPLEMENTARY INFORMATION	41
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND	42
NOTES TO BUDGETARY SCHEDULE	43
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS	44
SCHEDULE OF EMPLOYER CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN	46
SCHEDULE OF CHANGES - TOTAL OPEB LIABILITY	47
SUPPLEMENTARY INFORMATION	48
COMPARATIVE BALANCE SHEETS - POLICE FORFEITURE	49
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - POLICE FORFEITURE	50
COMPARATIVE BALANCE SHEETS - GENERAL FUND	51
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND	52

COMPARATIVE BALANCE SHEETS - DEBT SERVICE FUND.....	53
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	
BUDGET AND ACTUAL - DEBT SERVICE FUND	54
COMPARATIVE BALANCE SHEETS - CAPITAL PROJECTS FUND	55
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN	
FUND BALANCE - CAPITAL PROJECTS FUND	56
COMPARATIVE BALANCE SHEETS - EQUIPMENT REPLACEMENT FUND.....	57
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN	
FUND BALANCE - EQUIPMENT REPLACEMENT FUND	58

STATISTICAL SECTION

NET POSITION BY COMPONENT.....	60
CHANGE IN NET POSITION.....	62
FUND BALANCES, GOVERNMENTAL FUNDS.....	64
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS.....	66
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS	68
ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY	69
DIRECT AND OVERLAPPING PROPERTY TAX RATES.....	70
PRINCIPAL PROPERTY TAX PAYERS	71
PROPERTY TAX LEVIES AND COLLECTIONS.....	72
RATIOS OF OUTSTANDING DEBT BY TYPE.....	73
RATIO OF GENERAL BONDED DEBT	74
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT	75
DEBT MARGIN INFORMATION	76
DEMOGRAPHIC AND ECONOMIC STATISTICS.....	77
PRINCIPAL EMPLOYERS	78
FULL-TIME EQUIVALENT CITY GOVERNMENTAL EMPLOYEES BY FUNCTION	79
OPERATING INDICATORS BY FUNCTION/PROGRAM	80
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM	82

INTRODUCTORY SECTION

City of Terrell Hills

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

March 17, 2021

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, 2020.

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, 2020, 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, 2020, are fairly presented in conformity with US GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Terrell Hills, incorporated in 1939, is located in the central part of Texas, The City of Terrell Hills currently occupies a land area of 1.6 square miles with a population of 5,447 in 2020. The City of Terrell Hills is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

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

Factors Affecting Financial Condition

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

Local economy. The City of Terrell Hills enjoys a favorable economic environment and leading indicators point to continued growth. In December 2020, the unemployment rate was 6.4%. While an increase from recent years, the unemployment rate is better than the national average. Within the City limits, the labor market includes a workforce of approximately 3,700 well trained workers.

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

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

Financial Information

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

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

Other Financial Information:

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

Acknowledgements

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

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

Respectfully submitted,



William Foley
City Manager



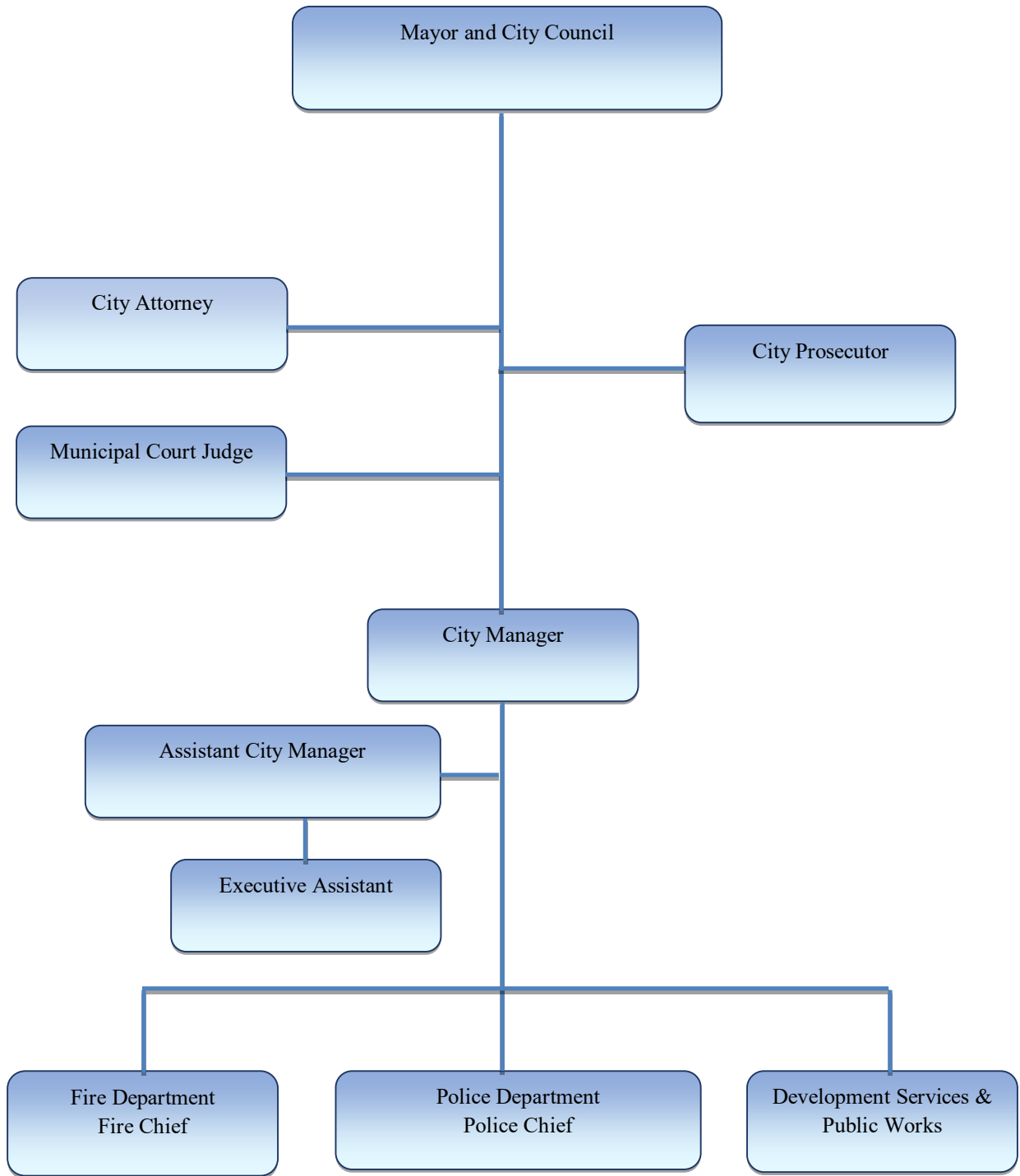
Michelle Partain
Assistant City Manager

CITY OF TERRELL HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2020

CITY OFFICIALS

MAYOR	JOHN LOW
MAYOR PRO-TEM	PETER MAKO
CITY COUNCIL	WILLIAM OCHSE III BILL MITCHELL KATE LANFEAR
CITY MANAGER	BILL FOLEY
ASSISTANT CITY MANAGER	MICHELLE PARTAIN
CITY ATTORNEY	FRANK GARZA DAVIDSON, TROILO, REAM & GARZA

**CITY OF TERRELL HILLS
ORGANIZATIONAL CHART**



FINANCIAL SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2020, 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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

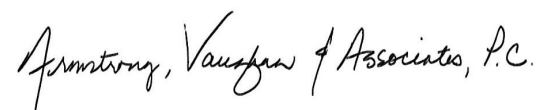
Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedule, schedule of changes – net pension liability, schedule of employer pension contributions and schedule of changes – total other postemployment benefit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

Other Information

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

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

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



Armstrong, Vaughan & Associates, P.C.
March 17, 2021

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, 2020. 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 \$13.3 million (net position). Of this amount, \$6.9 million is unrestricted for the City's ongoing operations.

During the year, the City's expenses were \$809 thousand less than the \$7.3 million generated in taxes and other revenues for governmental activities. The total cost of the City's programs decreased 10% from the prior year. Pension expense decreased overall expenses by 12% as 2019 was higher for changes in benefits. The remaining increase of 2% was primarily from employee cost of living and longevity raises. Minimal program changes were made for the 2020 year.

The general fund reported a fund balance this year of \$5.2 million, an increase of \$861 thousand. Several departments were well under budget for the year and revenues beat expectations, particularly property taxes and permits.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Terrell Hills, assets exceeded liabilities by \$13.3 million at the close of the most recent fiscal year.

A portion of the City's total net position (43%) 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, \$6.9 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 increased from the prior year.

Table A-1
City of Terrell Hills Net Position

	Governmental Activities		Percentage Change
	2020	2019	2020-2019
<i>Assets:</i>			
Cash and Investments	\$ 7,254,138	\$ 6,214,905	16.7%
Receivables	2,903,249	2,787,146	4.2%
Prepays and Other Assets	92,995	99,803	-6.8%
Capital Assets (Net)	12,935,958	13,584,457	-4.8%
<i>Total Assets</i>	<u>23,186,340</u>	<u>22,686,311</u>	<u>2.2%</u>
<i>Deferred Outflows:</i>	<u>918,671</u>	<u>1,573,126</u>	<u>-41.6%</u>
<i>Liabilities:</i>			
Current Liabilities	932,243	748,553	24.5%
Long-Term Liabilities	9,402,477	10,955,583	-14.2%
<i>Total Liabilities</i>	<u>10,334,720</u>	<u>11,704,136</u>	<u>-11.7%</u>
<i>Deferred Inflows:</i>	<u>428,705</u>	<u>22,583</u>	<u>1798.4%</u>
<i>Net Position:</i>			
Net Investment in capital assets	5,676,222	5,882,491	-3.5%
Restricted	811,964	835,285	-2.8%
Unrestricted	6,853,400	5,814,942	17.9%
<i>Total Net Position</i>	<u>\$ 13,341,586</u>	<u>\$ 12,532,718</u>	<u>6.5%</u>

Governmental activities expenses decreased, primarily from changes in pension benefits in the prior year, while revenues increased, primarily from higher property tax values and coronavirus funding. The following table indicates changes in net position for governmental activities and is followed by graphs displaying total revenues and expenses by type.

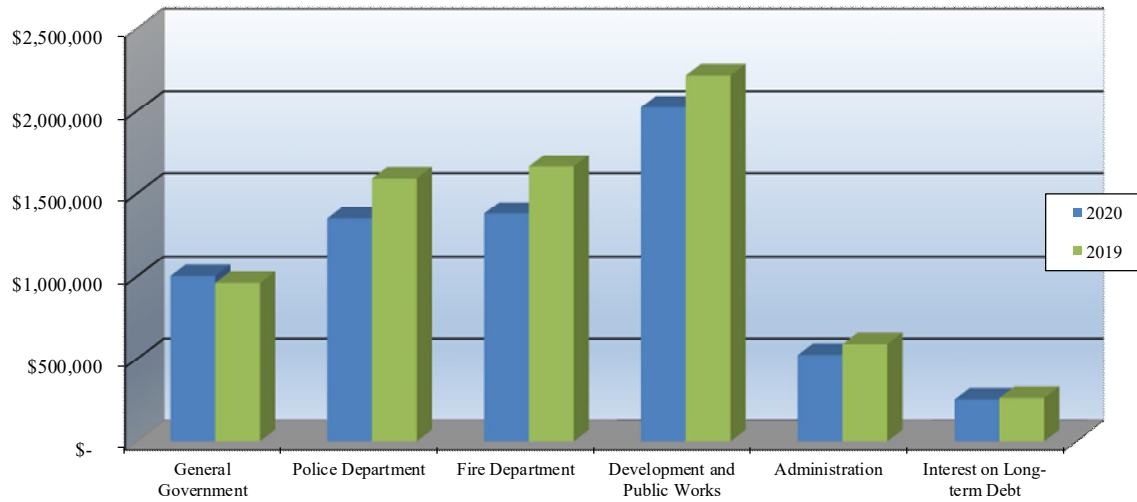
Table A-2
Changes in City of Terrell Hills Net Position

	Governmental Activities		Percentage Change
	2020	2019	2020-2019
<i>Program Revenues:</i>			
Charges for Services	\$ 535,612	\$ 425,657	25.8%
Operating Contributions	5,921	13,636	-56.6%
<i>General Revenues</i>			
Property Taxes	5,757,903	5,661,706	1.7%
Franchise Taxes	396,917	448,533	-11.5%
Sales Taxes	453,257	387,631	16.9%
Investment Earnings	8,057	38,004	-78.8%
Miscellaneous	181,793	43,200	320.8%
<i>Total Revenues</i>	<u>7,339,460</u>	<u>7,018,367</u>	<u>4.6%</u>
General Government	1,002,940	961,543	4.3%
Police Department	1,348,265	1,589,983	-15.2%
Fire Department	1,377,123	1,662,432	-17.2%
Development and Public Works	2,023,737	2,216,265	-8.7%
Administration	524,433	589,767	-11.1%
Interest on Long-term Debt	254,094	263,237	-3.5%
<i>Total Expenses</i>	<u>6,530,592</u>	<u>7,283,227</u>	<u>-10.3%</u>
Increase (Decrease) in Net Position	808,868	(264,860)	-405.4%
Net Position at Beginning of Year	<u>12,532,718</u>	<u>12,797,578</u>	<u>-2.1%</u>
Net Position at End of Year	<u>\$ 13,341,586</u>	<u>\$ 12,532,718</u>	<u>6.5%</u>

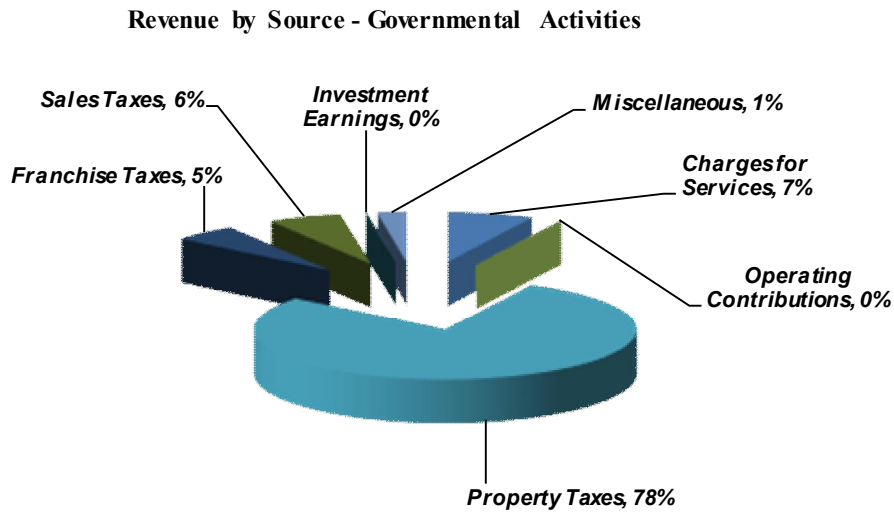
TOTAL REVENUES-GOVERNMENT-WIDE



TOTAL EXPENSES-GOVERNMENT-WIDE



Revenues-Governmental Activities (Continued)



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 \$9.1 million. Of this total amount, \$5.2 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, or committed to indicate that it is set aside for specific purposes (debt service, police, street maintenance, and equipment replacement).

The general fund is the chief operating fund of the City of Terrell Hills. At the end of the current fiscal year, balance of the general fund increased of \$861 thousand from cost saving measures in most departments and better than expected revenues. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 104% of total general fund expenditures, not including capital.

The debt service fund has a total fund balance of \$728 thousand all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$12 thousand.

The capital projects fund has a total fund balance of \$1.7 million. The City started another round of street repairs in 2020 for a total outlay of \$267 thousand. This project will continue into 2021.

The equipment replacement fund has a total fund balance of \$1.3 million. The City has scheduled out replacements of vehicles and equipment. Contributions are being made from the general fund so that resources will be available to replace equipment according to the cycle.

General Fund Budgetary Highlights

The General Fund expenditures were \$516 thousand less than the \$5.5 million budget. This was the result of cost savings across the General Fund. One department (Administration) was over budget as the City Manager retired and there was some unexpected overlap of salaries to train the incoming City Manager. Revenues exceeded the budget by \$346 thousand. Overall, the fund balance increased \$861 thousand more than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2020 the City had invested \$26.0 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant additions in 2020 include starting a new street project and several vehicles. (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

	Governmental Activities		Percentage Change
	2020	2019	2020-2019
Land	\$ 641,149	\$ 641,149	0.0%
Construction in Progress	266,512	-	100.0%
Buildings	4,703,193	4,703,193	0.0%
Vehicles and Equipment	1,619,679	1,560,076	3.8%
Infrastructure	18,643,734	18,643,734	0.0%
Furniture and Fixtures	138,503	138,503	0.0%
Totals at Historical Cost	<u>26,012,770</u>	<u>25,686,655</u>	<u>1.3%</u>
Total Accumulated Depreciation	<u>(13,076,812)</u>	<u>(12,102,198)</u>	<u>8.1%</u>
Net Capital Assets	<u>\$ 12,935,958</u>	<u>\$ 13,584,457</u>	<u>-4.8%</u>

Long-Term Debt. At year-end, the City had \$7.7 million in bonds outstanding as shown in Table A-4. No new debt was issued in 2020. More detailed information about the City's debt is presented in Notes A14 and G, pages 25 and 30.

Table A-4
City's Long Term Debt

	Governmental Activities		Percentage Change
	2020	2019	2020-2019
Bonds Payable	\$ 7,696,223	\$ 8,224,676	-6.4%
Total Long-Term Debt	<u>\$ 7,696,223</u>	<u>\$ 8,224,676</u>	<u>-6.4%</u>

Economic Factors and Next Year's Budgets and Rates

The 2021 budget was prepared with an estimated assessed taxable value increase of 1.5% over the 2020 assessed taxable value. The property tax rate for 2021 is estimated to be the same (\$0.365), but it will not be set until mid-year. General fund revenues are expected to remain at \$6.1 million in the 2021 budget. General fund expenditures are expected to increase to \$5.8 million, primarily due to the salary and personnel changes. Transfers of \$509,000 are budgeted in 2021 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.

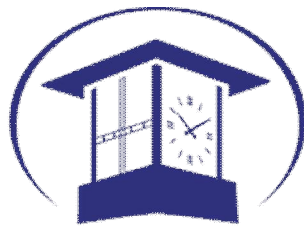
BASIC FINANCIAL STATEMENTS

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 7,254,138
Receivables (net of allowance for uncollectibles):	
Property Taxes	2,769,291
Sales and Franchise Taxes	133,958
Prepaid Expenses	28,708
Restricted Cash - Police Department	<u>64,287</u>
<i>Total Current Assets</i>	<u>10,250,382</u>
 <i>Noncurrent Assets:</i>	
Land	641,149
Construction in Progress	266,512
Buildings, Infrastructure, and Equipment (net)	<u>12,028,297</u>
<i>Total Noncurrent Assets</i>	<u>12,935,958</u>
TOTAL ASSETS	<u>23,186,340</u>
 DEFERRED OUTFLOWS	
Deferred Loss on Debt Refunding	436,487
Deferred OPEB Related Outflows	24,495
Deferred Pension Related Outflows	<u>457,689</u>
TOTAL DEFERRED OUTFLOWS	<u>\$ 918,671</u>

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2020

	<u>Governmental Activities</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	\$ 72,898
Accrued Vacation Payable	154,159
Accrued Interest Payable	94,800
Bond Payable - Due within One Year	<u>610,386</u>
<i>Total Current Liabilities</i>	<u>932,243</u>
 <i>Noncurrent Liabilities:</i>	
Net Pension Liability	2,155,035
Total Other Postemployment Benefit (OPEB) Liability	161,605
Bond Payable - Due in more than One Year	<u>7,085,837</u>
<i>Total Noncurrent Liabilities</i>	<u>9,402,477</u>
TOTAL LIABILITIES	<u>10,334,720</u>
 DEFERRED INFLOWS	
Deferred Pension Related Inflows	421,195
Deferred OPEB Related Inflows	<u>7,510</u>
TOTAL DEFERRED INFLOWS	<u>428,705</u>
 NET POSITION	
Net Investment in Capital Assets	5,676,222
Restricted for Debt Service	747,677
Restricted for Police Department	64,287
Unrestricted	<u>6,853,400</u>
TOTAL NET POSITION	<u>\$ 13,341,586</u>



CITY OF
TERRELL HILLS
TEXAS

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions and Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 1,002,940	\$ -	\$ -	\$ (1,002,940)
Police Department	1,348,265	6,070	5,921	(1,336,274)
Fire Department	1,377,123	-	-	(1,377,123)
Development and Public Works	2,023,737	529,542	-	(1,494,195)
Administration	524,433	-	-	(524,433)
Interest on Long-Term Debt	254,094	-	-	(254,094)
Total Governmental Activities	6,530,592	535,612	5,921	(5,989,059)
Total Government	\$ 6,530,592	\$ 535,612	\$ 5,921	(5,989,059)
General Revenues:				
Taxes:				
General Property Taxes				5,757,903
Franchise Taxes				396,917
Sales Taxes				453,257
Interest and Investment Earnings				8,057
Miscellaneous				181,793
Total General Revenues				6,797,927
Change in Net Position				808,868
Net Position at Beginning of Year				12,532,718
Net Position at End of Year				\$ 13,341,586

CITY OF TERRELL HILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Major Funds		
	General Fund	Capital Projects Fund	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 3,679,089	\$ 1,728,469	\$ 501,632
Receivables:			
Property Taxes (Net of Uncollectibles)	2,428,446	-	340,845
Sales and Franchise Taxes Receivable	118,999	14,959	-
Prepaid Items	28,708	-	-
TOTAL ASSETS	\$ 6,255,242	\$ 1,743,428	\$ 842,477
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 43,860	\$ 29,039	\$ -
Accrued Vacation Payable	154,159	-	-
<i>Total Liabilities</i>	<u>198,019</u>	<u>29,039</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Property Tax Revenue	820,964	-	114,323
<i>Fund Balances:</i>			
Nonspendable:			
Prepaid Items	28,708	-	-
Restricted for:			
Debt Service	-	-	728,154
Police Forfeiture	-	-	-
Committed for:			
Street Improvements	-	1,714,389	-
Equipment Replacement	-	-	-
Unassigned	5,207,551	-	-
<i>Total Fund Balances</i>	<u>5,236,259</u>	<u>1,714,389</u>	<u>728,154</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,255,242	\$ 1,743,428	\$ 842,477

Major Fund		Nonmajor		Total Governmental Funds
Equipment Replacement Fund	CARES Act Grant	Police Forfeiture		
\$ 1,344,948	\$ -	\$ 64,287		\$ 7,318,425
-	-	-		2,769,291
-	-	-		133,958
-	-	-		28,708
<u>\$ 1,344,948</u>	<u>\$ -</u>	<u>\$ 64,287</u>		<u>\$ 10,250,382</u>
\$ -	\$ -	\$ -		\$ 72,899
-	-	-		154,159
-	-	-		227,058
-	-	-		935,287
-	-	-		28,708
-	-	-		728,154
-	-	64,287		64,287
-	-	-		1,714,389
1,344,948	-	-		1,344,948
-	-	-		5,207,551
<u>1,344,948</u>	<u>-</u>	<u>64,287</u>		<u>9,088,037</u>
<u>\$ 1,344,948</u>	<u>\$ -</u>	<u>\$ 64,287</u>		<u>\$ 10,250,382</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, 2020

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 9,088,037

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. 12,935,958

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 935,288

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	(7,375,000)	
Deferred Loss on Debt Refunding	436,487	
Unamortized Premiums	<u>(321,223)</u>	(7,259,736)

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

Net Pension Liability	(2,155,035)	
Pension Related Deferred Outflows	457,689	
Pension Related Deferred Inflows	<u>(421,195)</u>	(2,118,541)

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	(161,605)	
OPEB Related Deferred Outflows	24,495	
OPEB Related Deferred Inflows	<u>(7,510)</u>	(144,620)

Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds. (94,800)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 13,341,586

CITY OF TERRELL HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Major Funds		
	General Fund	Capital Projects Fund	Debt Service Fund
REVENUES			
Ad Valorem Taxes	\$ 5,059,826	\$ -	\$ 710,278
Sales Tax	362,606	90,651	-
Franchise Tax	396,917	-	-
Charges for Services	529,542	-	-
Fines and Forfeitures	6,070	-	-
Other	30,127	-	-
TOTAL REVENUES	<u>6,385,088</u>	<u>90,651</u>	<u>710,278</u>
EXPENDITURES			
Current:			
General Government	960,424	-	-
Police Department	1,229,356	-	-
Fire Department	1,301,530	-	-
Development and Public Works	1,112,279	-	-
Administration	411,254	-	-
Capital Outlay	-	266,512	-
Debt Service:			
Principal	-	-	465,000
Interest and Fiscal Charges	-	-	233,506
TOTAL EXPENDITURES	<u>5,014,843</u>	<u>266,512</u>	<u>698,506</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,370,245</u>	<u>(175,861)</u>	<u>11,772</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	-	-	-
Transfers In (Out)	(509,000)	350,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(509,000)</u>	<u>350,000</u>	<u>-</u>
Net Change in Fund Balance	861,245	174,139	11,772
FUND BALANCES - JANUARY 1	<u>4,375,014</u>	<u>1,540,250</u>	<u>716,382</u>
FUND BALANCES - DECEMBER 31	<u>\$ 5,236,259</u>	<u>\$ 1,714,389</u>	<u>\$ 728,154</u>

Major Fund		Nonmajor	Total
Equipment Replacement Fund	CARES Act Grant	Police Forfeiture	Governmental Funds
\$ -	\$ -	\$ -	\$ 5,770,104
-	-	-	453,257
-	-	-	396,917
-	-	-	529,542
-	-	5,921	11,991
-	125,064	-	155,191
-	125,064	5,921	7,317,002
-	32,954	-	993,378
-	43,100	41,437	1,313,893
-	49,010	-	1,350,540
-	-	-	1,112,279
-	-	-	411,254
148,508	-	-	415,020
-	-	-	465,000
-	-	-	233,506
148,508	125,064	41,437	6,294,870
(148,508)	-	(35,516)	1,022,132
34,660	-	-	34,660
159,000	-	-	-
193,660	-	-	34,660
45,152	-	(35,516)	1,056,792
1,299,796	-	99,803	8,031,245
\$ 1,344,948	\$ -	\$ 64,287	\$ 9,088,037



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, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,056,792

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	436,831	
Depreciation	<u>(1,085,330)</u>	(648,499)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (12,205)

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		465,000
--------------------	--	---------

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	(19,865)	
Other Postemployment Benefits	<u>(11,767)</u>	(31,632)

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>2,182</u>	<u>(20,588)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 808,868

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

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

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Property taxes are recognized in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

The CARES Act Grant Fund is used to account for resources passed through Bexar County for first responders and medical supplies to combat the coronavirus. This grant is not expected to continue into 2021.

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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, 2020

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, 2020 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, 2020

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, 2020

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

16. OTHER POSTEMPLOYMENT BENEFITS

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

17. FUND EQUITY

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

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

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

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

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

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

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

18. NET POSITION

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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

19. INTERFUND TRANSACTIONS

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

20. USE OF ESTIMATES

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

NOTE B -- CASH AND INVESTMENTS

1. Cash and Cash Equivalents

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At December 31, 2020, all of the City's deposits were fully collateralized.

2. Investments

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

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

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

The City had no investments as of December 31, 2020.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE B -- CASH AND INVESTMENTS (CONTINUED)

3. Analysis of Specific Deposit and Investment Risks

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

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

NOTE C -- PROPERTY TAXES

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District. Assessed values are reduced by lawful exemptions to arrive at taxable values. The total taxable value as of January 01, 2020, upon which the fiscal 2020 levy was based was \$1.576 billion (i.e., market value less exemptions). The market value was \$1.607 billion, making the taxable value 98.1% of the estimated market value.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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, 2020, was \$0.365000 per \$100 of assessed value, which means that the City has a tax margin of \$2.135000 for each \$100 of assessed value and could increase its annual levy by approximately \$34 million based upon present assessed valuation before the limit is reached. However, the City is generally limited to a 3.5% annual increase in the property tax rate for maintenance and operations without obtaining voter approval.

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, 2020, 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, 2020 was as follows:

<u>Governmental Activities</u>	<u>Balances at 1/1/2020</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balances at 12/31/2020</u>
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 641,149	\$ -	\$ -	\$ 641,149
Construction in Progress	-	266,512	-	266,512
<i>Total Capital Assets Not Being Depreciated</i>	<u>641,149</u>	<u>266,512</u>	<u>-</u>	<u>907,661</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	4,703,193	-	-	4,703,193
Vehicles and Equipment	1,560,076	170,319	(110,716)	1,619,679
Infrastructure	18,643,734	-	-	18,643,734
Furniture and Fixtures	138,503	-	-	138,503
<i>Total Capital Assets Being Depreciated</i>	<u>25,045,506</u>	<u>170,319</u>	<u>(110,716)</u>	<u>25,105,109</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(651,535)	(97,497)	-	(749,032)
Vehicles and Equipment	(994,076)	(90,631)	110,716	(973,991)
Furniture and Fixtures	(100,083)	(10,977)	-	(111,060)
Infrastructure	(10,356,504)	(886,225)	-	(11,242,729)
<i>Total Accumulated Depreciation</i>	<u>(12,102,198)</u>	<u>(1,085,330)</u>	<u>110,716</u>	<u>(13,076,812)</u>
Total Capital Assets Being Depreciated, Net	<u>12,943,308</u>	<u>(915,011)</u>	<u>-</u>	<u>12,028,297</u>
Governmental Capital Assets, Net	<u>\$ 13,584,457</u>	<u>\$ (648,499)</u>	<u>\$ -</u>	<u>\$ 12,935,958</u>

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE E -- CAPITAL ASSETS (Continued)

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 9,562
Police Department	23,731
Fire Department	37,414
Development and Public Works	904,927
Administration	109,696
Total Depreciation Expense	\$ 1,085,330

NOTE F -- COMPENSATED ABSENCES

The changes in accrued compensated absences for the year ending December 31, 2020 were as follows:

	Balance Outstanding		Balance Outstanding
Governmental Activities	1/1/2020	Additions	Retirements
			12/31/2020
Compensated Absences	\$ 116,203	\$ 148,349	\$ (110,393)
			\$ 154,159

The General Fund is responsible for liquidating compensated absences.

NOTE G -- LONG-TERM DEBT

In July 2016, the City issued General Obligation Refunding Bonds, Series 2016 for \$7,375,000 to partially refund the series 2011 General Obligation Bonds. The bonds mature serially through 2031 and bear interest rates ranging from 1.95% to 4%. Proceeds from the bonds were placed with an escrow agent solely to repay the debt service related to the refunding obligations. The refunded obligations were called on February 1, 2020. The bonds were privately placed with a bank and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE G -- LONG-TERM DEBT (CONTINUED)

Changes in the City's long-term debt during the fiscal year ending December 31, 2020 are as follows:

Governmental Activities	Balance Outstanding 1/1/2020	Additions	Retirements	Balance Outstanding 12/31/2020	Due Within One Year
2011 Series	\$ 115,000	\$ -	\$ (115,000)	\$ -	\$ -
2012 Series	350,000	-	(350,000)	-	-
2016 Series	7,375,000	-	-	7,375,000	550,000
Unamortized Premiums	384,676	-	(63,453)	321,223	60,386
Totals	<u>\$ 8,224,676</u>	<u>\$ -</u>	<u>\$ (528,453)</u>	<u>\$ 7,696,223</u>	<u>\$ 610,386</u>

The annual requirements to amortize all debt outstanding as of December 31, 2020, including interest payments, are as follows:

Year End December 31	Principal	Interest	Total
2021	\$ 550,000	\$ 216,520	\$ 766,520
2022	575,000	194,020	769,020
2023	605,000	170,420	775,420
2024	620,000	145,920	765,920
2025	650,000	120,520	770,520
2026-2030	3,600,000	295,470	3,895,470
2031	775,000	8,913	783,913
Total	<u>\$ 7,375,000</u>	<u>\$ 1,151,783</u>	<u>\$ 8,526,783</u>

NOTE H -- EMPLOYEE RETIREMENT SYSTEM

Texas Municipal Retirement System

Plan Description

The City participates as one of 888 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, 2020

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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	58
Active employees	48
	137
	137

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, 2020, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The City's matching ratio is 2 to 1. The contribution rates for the City were 15.52% and 15.38% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended December 31, 2020 were \$451,620 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2020

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

* Presented net of pension plan investment expense, including inflation

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

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

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

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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>
Global Equity	30%	5.30%
Core Fixed Income	10%	1.00%
Non-Core Fixed Income	20%	4.14%
Real Return	10%	3.85%
Real Estate	10%	4.00%
Absolute Return	10%	7.75%
Private Equity	10%	7.75%
Total	<u>100%</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, 2020

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, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 14,647,844	\$ 11,516,117	\$ 3,131,727
Changes for the year:			
Service Cost	471,461	-	471,461
Interest	989,150	-	989,150
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(20,565)	-	(20,565)
Changes of Assumptions	(16,029)	-	(16,029)
Contributions - Employer	-	432,761	(432,761)
Contributions - Employee	-	197,737	(197,737)
Net Investment Income	-	1,780,572	(1,780,572)
Benefit Payments, Including Refunds of Employee Contributions	(459,015)	(459,015)	-
Administrative Expense	-	(10,060)	10,060
Other Changes	-	(301)	301
Net Changes	<u>965,002</u>	<u>1,941,694</u>	<u>(976,692)</u>
Balance at December 31, 2019	<u>\$ 15,612,846</u>	<u>\$ 13,457,811</u>	<u>\$ 2,155,035</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)	\$ 4,705,404	\$ 2,155,035	\$ 111,545

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, 2020

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (Continued)

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

For the year ended December 31, 2020, the City recognized pension expense of \$471,203. Also as of December 31, 2020, 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	\$ 6,069	\$ -
Changes in Actuarial Assumptions	-	11,898
Differences Between Projected and Actual Investment Earnings	-	409,297
Contributions Subsequent to the Measurement Date	451,620	-
	\$ 457,689	\$ 421,195

Deferred outflows of resources in the amount of \$451,620 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, 2021. 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,	
2021	\$ (106,659)
2022	(125,379)
2023	17,559
2024	(200,647)
2025	-
Total	\$ (415,126)

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, 2020

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, 2019 (the valuation and measurement date) consisted of:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	10
Active employees	48
	80
	80

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

Calendar Year	Total Contribution	Retiree Portion
2018	0.19%	0.03%
2019	0.20%	0.03%
2020	0.18%	0.04%

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

Inflation	2.5% per year
Overall Payroll Growth	3.5 to 11.5% per year, including inflation
Discount Rate	2.75%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF TERRELL HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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, 2019, were as follows:

	Total OPEB Liability
Balance at December 31, 2018	\$ 127,633
Changes for the year:	
Service Cost	5,085
Interest	4,814
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(3,373)
Changes of Assumptions	28,293
Benefit Payments, Including Refunds of Employee Contributions	(847)
Net Changes	33,972
Balance at December 31, 2019	\$ 161,605

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 2.75% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total OPEB Liability (Asset)	\$ 197,730	\$ 161,605	\$ 133,895

For the year ended December 31, 2020, the City recognized OPEB expense of \$12,943. Also, as of December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 7,510
Changes in Actuarial Assumptions	23,320	-
Contributions Subsequent to the Measurement Date	1,175	-
	\$ 24,495	\$ 7,510

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020

NOTE I -- OTHER POST EMPLOYMENT BENEFIT (CONTINUED)

Deferred outflows of resources in the amount of \$1,175 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, 2021. 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,	
2021	3,044
2022	3,044
2023	3,044
2024	3,044
2025	1,493
Thereafter	2,141
Total	\$ 15,810

NOTE J -- INTERFUND TRANSFERS/BORROWINGS

As of December 31, 2020, the following transfers occurred:

Transfers In	Transfers Out	Amount	Purpose
Capital Projects	General Fund	\$ 350,000	Commitment for future capital projects
Equipment Replacement	General Fund	159,000	Commitment for future equipment replacements

NOTE K -- TEXAS HIGHER EDUCATION AUTHORITY

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

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

CITY OF TERRELL HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020

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	\$ 6,268,000
Total			<u>\$ 15,660,000</u>	<u>\$ 6,268,000</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

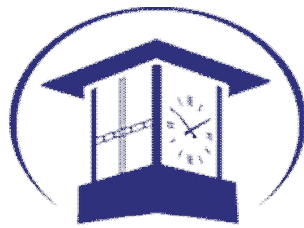
The City has identified possible risk of losses related to torts; theft of, damage to, or destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees; and other claims or various natures. The City contracts with the Texas Municipal League (TML) to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

NOTE N -- COMMITMENT

The City's next major street improvement project began in 2020. The City entered into contracts with an engineer and contractor to perform the work for a total estimated amount of \$989 thousand. As of December 31, 2020, \$267 thousand had been incurred, leaving an estimated commitment of \$722 thousand. The project is funded by the capital projects fund balance.



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, 2020

	Budget Amounts		2020 Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Ad Valorem Taxes	\$ 4,942,425	\$ 4,942,425	\$ 5,059,826	\$ 117,401
Sales Tax	270,000	270,000	362,606	92,606
Franchise Fees	460,000	460,000	396,917	(63,083)
Charges for Services	305,000	305,000	529,542	224,542
Fines and Forfeitures	10,400	10,400	6,070	(4,330)
Other	51,600	51,600	30,127	(21,473)
TOTAL REVENUES	6,039,425	6,039,425	6,385,088	345,663
EXPENDITURES				
General Government	1,170,496	1,170,496	960,424	210,072
Police Department	1,361,726	1,361,726	1,229,356	132,370
Fire Department	1,408,627	1,408,627	1,301,530	107,097
Development and Public Works	1,191,018	1,191,018	1,112,279	78,739
Administration	398,558	398,558	411,254	(12,696)
TOTAL EXPENDITURES	5,530,425	5,530,425	5,014,843	515,582
Excess (Deficiency) of Revenues Over (Under) Expenditures	509,000	509,000	1,370,245	861,245
OTHER FINANCING SOURCES (USES)				
Transfer Out	(509,000)	(509,000)	(509,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(509,000)	(509,000)	(509,000)	-
Net Change in Fund Balance	-	-	861,245	861,245
BEGINNING FUND BALANCE	4,375,014	4,375,014	4,375,014	-
ENDING FUND BALANCE	\$ 4,375,014	\$ 4,375,014	\$ 5,236,259	\$ 861,245

CITY OF TERRELL HILLS, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DECEMBER 31, 2020

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 SIX PLAN YEARS
(BASED ON PRIOR CALENDAR YEAR PLAN VALUATIONS)

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

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

Total Pension Liability		
2017	2018	2019
\$ 374,523	\$ 459,306	\$ 471,461
823,547	929,757	989,150
-	747,049	-
129,539	(47,950)	(20,565)
-	-	(16,029)
<u>(611,573)</u>	<u>(475,578)</u>	<u>(459,015)</u>
716,036	1,612,584	965,002
12,319,224	13,035,260	14,647,844
<u>\$13,035,260</u>	<u>\$14,647,844</u>	<u>\$15,612,846</u>

Plan Fiduciary Net Position		
2017	2018	2019
\$ 306,683	\$ 326,407	\$ 432,761
157,005	163,067	197,737
1,463,398	(355,415)	1,780,572
(611,573)	(475,578)	(459,015)
(7,583)	(6,869)	(10,060)
<u>(383)</u>	<u>(359)</u>	<u>(301)</u>
1,307,547	(348,747)	1,941,694
10,557,317	11,864,864	11,516,117
<u>\$11,864,864</u>	<u>\$11,516,117</u>	<u>\$13,457,811</u>

\$ 1,170,396	\$ 3,131,727	\$ 2,155,035
--------------	--------------	--------------

91.02%	78.62%	86.20%
--------	--------	--------

\$ 2,609,916	\$ 2,717,789	\$ 2,824,810
--------------	--------------	--------------

44.84%	115.23%	76.29%
--------	---------	--------

CITY OF TERRELL HILLS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN
 LAST SEVEN FISCAL YEARS

Fiscal Year Ending December 31,	Actuarially Determined Contribution (ADC)	Contributions In Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percent of Covered Payroll
2014	\$ 293,555	\$ 293,555	\$ -	\$ 2,344,697	12.52%
2015	314,534	314,534	-	2,432,593	12.93%
2016	303,998	303,998	-	2,404,558	12.64%
2017	308,253	308,253	-	2,609,916	11.81%
2018	326,426	326,426	-	2,717,789	12.01%
2019	433,044	433,044	-	2,824,810	15.33%
2020	451,620	451,620	-	2,936,410	15.38%

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

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 Years
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Benefit Changes	2019: Employee contributions were increased from 6% to 7% (increasing the City's match)
-----------------	---

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

	Total OPEB Liability		
	2017	2018	2019
Service Cost	\$ 4,698	\$ 5,436	\$ 5,085
Interest (on the Total OPEB Liability)	4,433	4,546	4,814
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	(6,495)	(3,373)
Change of Assumptions	11,369	(10,062)	28,293
Benefit Payments, Including Refunds of Employee Contributions	(783)	(815)	(847)
Net Change in Total OPEB Liability	19,717	(7,390)	33,972
Total OPEB Liability - Beginning	115,306	135,023	127,633
Total OPEB Liability - Ending	<u>\$ 135,023</u>	<u>\$ 127,633</u>	<u>\$ 161,605</u>
Covered Payroll	\$ 2,609,916	\$ 2,717,789	\$ 2,824,810
Total OPEB Liability as a Percentage of Covered Payroll	5.17%	4.70%	5.72%

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

Actuarial Assumptions

Inflation	2.5% per year
Overall Payroll Growth	3.5 to 11.5% per year, including inflation
Discount Rate	2.75%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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



CITY OF
TERRELL HILLS
TEXAS

SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

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

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - POLICE FORFEITURE
 DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 64,287	99,803
TOTAL ASSETS	\$ 64,287	\$ 99,803
LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ -
<i>Total Liabilities</i>	-	-
<i>Fund Balance:</i>		
Restricted for Police Department	64,287	99,803
<i>Total Fund Balance</i>	64,287	99,803
TOTAL LIABILITIES AND FUND BALANCE	\$ 64,287	\$ 99,803

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - POLICE FORFEITURE
 FOR THE FISCAL YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUES		
Fines and Forfeitures	\$ 5,921	\$ 13,637
TOTAL REVENUES	5,921	13,637
 EXPENDITURES		
Police Department	41,437	16,707
TOTAL EXPENDITURES	41,437	16,707
Net Change in Fund Balance	(35,516)	(3,070)
 BEGINNING FUND BALANCE	99,803	102,873
 ENDING FUND BALANCE	\$ 64,287	\$ 99,803

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - GENERAL FUND
 DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 3,679,089	\$ 2,881,356
Receivables:		
Property Tax (net of uncollectible)	2,428,446	2,319,513
Sales Tax and Franchise Taxes Receivables	118,999	128,672
Prepaid Items	28,708	-
TOTAL ASSETS	\$ 6,255,242	\$ 5,329,541
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 43,860	\$ 6,915
Accrued Vacation Payable	154,159	116,203
<i>Total Liabilities</i>	198,019	123,118
 <i>Deferred Inflows:</i>		
Unavailable Property Tax Revenue	820,964	831,409
<i>Total Deferred Inflows</i>	820,964	831,409
 <i>Fund Balance:</i>		
Nonspendable Prepaid Items	28,708	-
Unassigned	5,207,551	4,375,014
<i>Total Fund Balance</i>	5,236,259	4,375,014
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	 \$ 6,255,242	 \$ 5,329,541

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUES		
Ad Valorem Taxes	\$ 5,059,826	\$ 4,808,574
Sales Tax	362,606	310,105
Franchise Taxes	396,917	448,533
Charges for Services	529,542	405,108
Fines and Forfeitures	6,070	20,549
Other	30,127	81,206
TOTAL REVENUES	6,385,088	6,074,075
EXPENDITURES		
<i>Current:</i>		
General Government	960,424	964,201
Police Department	1,229,356	1,224,374
Fire Department	1,301,530	1,298,280
Development and Public Works	1,112,279	1,084,182
Administration	411,254	381,606
TOTAL EXPENDITURES	5,014,843	4,952,643
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,370,245	1,121,432
OTHER FINANCING SOURCES (USES)		
Transfers Out	(509,000)	(1,709,000)
TOTAL OTHER FINANCING SOURCES(USES)	(509,000)	(1,709,000)
Net Change in Fund Balance	861,245	(587,568)
Fund Balance at Beginning of Year	4,375,014	4,962,582
Fund Balance at End of Year	\$ 5,236,259	\$ 4,375,014

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - DEBT SERVICE FUND
 DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 501,632	\$ 506,178
Property Taxes Receivable (net of uncollectibles)	340,845	326,286
TOTAL ASSETS	\$ 842,477	\$ 832,464
 DEFERRED INFLOWS AND FUND BALANCE		
<i>Deferred Inflows:</i>		
Unavailable Property Tax Revenue	\$ 114,323	\$ 116,082
<i>Total Deferred Inflows</i>	114,323	116,082
 <i>Fund Balance</i>		
Restricted for Debt Service	728,154	716,382
 TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 842,477	\$ 832,464

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, 2020
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2019)

	Budget Amounts		2020 Actual	Variance	2019 Actual
	Original	Final		With Final Budget	
REVENUES					
Ad Valorem Taxes	\$ 697,760	\$ 697,760	\$ 710,278	\$ 12,518	\$ 699,868
TOTAL REVENUES	<u>697,760</u>	<u>697,760</u>	<u>710,278</u>	<u>12,518</u>	<u>699,868</u>
EXPENDITURES					
Principal	465,000	465,000	465,000	-	460,000
Interest	232,760	232,760	233,506	(746)	244,546
TOTAL EXPENDITURES	<u>697,760</u>	<u>697,760</u>	<u>698,506</u>	<u>(746)</u>	<u>704,546</u>
Net Change in Fund Balance	-	-	11,772	11,772	(4,678)
BEGINNING FUND BALANC	<u>716,382</u>	<u>716,382</u>	<u>716,382</u>	<u>-</u>	<u>721,060</u>
ENDING FUND BALANCE	<u>\$ 716,382</u>	<u>\$ 716,382</u>	<u>\$ 728,154</u>	<u>\$ 11,772</u>	<u>\$ 716,382</u>

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - CAPITAL PROJECTS FUND
 DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 1,728,469	\$ 1,527,576
Sales Taxes Receivable	14,959	12,674
	\$ 1,743,428	\$ 1,540,250
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 29,039	\$ -
<i>Total Liabilities</i>	<i>29,039</i>	<i>-</i>
 <i>Fund Balance:</i>		
Committed for Street Improvements	1,714,389	1,540,250
<i>Total Fund Balance</i>	<i>1,714,389</i>	<i>1,540,250</i>
	\$ 1,743,428	\$ 1,540,250

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, 2020 AND 2019

	2020	2019
REVENUES		
Street Sales Tax	\$ 90,651	\$ 77,527
TOTAL REVENUES	90,651	77,527
 EXPENDITURES		
Capital Outlay	266,512	-
TOTAL EXPENDITURES	266,512	-
 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	(175,861)	77,527
 OTHER FINANCING SOURCES (USES)		
Transfers In	350,000	750,000
TOTAL OTHER FINANCING SOURCES(USES)	350,000	750,000
 Net Change in Fund Balance	174,139	827,527
 Fund Balances at Beginning of Year	1,540,250	712,723
 Fund Balances at End of Year	\$ 1,714,389	\$ 1,540,250

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS - EQUIPMENT REPLACEMENT FUND
 DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 1,344,948	1,299,796
TOTAL ASSETS	\$ 1,344,948	\$ 1,299,796
 LIABILITIES AND FUND BALANCE		
<i>Fund Balance:</i>		
Committed for Equipment Replacement	1,344,948	1,299,796
<i>Total Fund Balance</i>	1,344,948	1,299,796
 TOTAL LIABILITIES AND FUND BALANCE	\$ 1,344,948	\$ 1,299,796

CITY OF TERRELL HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - EQUIPMENT REPLACEMENT FUND
 FOR THE FISCAL YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUES	\$ -	\$ -
EXPENDITURES		
Capital Outlay	148,508	39,868
TOTAL EXPENDITURES	148,508	39,868
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	(148,508)	(39,868)
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	34,660	-
Transfers In	159,000	959,000
TOTAL OTHER FINANCING SOURCES(USES)	193,660	959,000
Net Change in Fund Balance	45,152	919,132
Fund Balances at Beginning of Year	1,299,796	380,664
Fund Balances at End of Year	\$ 1,344,948	\$ 1,299,796



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			
	2011	2012	2013	2014
<i>Governmental Activities:</i>				
Net Investment in Capital Assets	\$ 4,989,491	\$ 5,546,721	\$ 5,683,040	\$ 5,783,091
Restricted	582,335	649,871	829,050	820,845
Unrestricted	6,424,662	6,322,988	6,269,075	6,229,590
<i>Total Governmental Activities</i>				
<i>Net Position</i>	<u>\$ 11,996,488</u>	<u>\$ 12,519,580</u>	<u>\$ 12,781,165</u>	<u>\$ 12,833,526</u>
 <i>Primary Government:</i>				
Net Investment in Capital Assets	\$ 4,989,491	\$ 5,546,721	\$ 5,683,040	\$ 5,783,091
Restricted	582,335	649,871	829,050	820,845
Unrestricted	6,424,662	6,322,988	6,269,075	6,229,590
<i>Total Primary Government</i>				
<i>Net Position</i>	<u>\$ 11,996,488</u>	<u>\$ 12,519,580</u>	<u>\$ 12,781,165</u>	<u>\$ 12,833,526</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					
2015	2016	2017	2018	2019	2020
\$ 7,049,113	\$ 6,501,017	\$ 6,856,720	\$ 6,535,717	\$ 5,882,491	\$ 5,676,222
794,545	782,137	727,132	829,322	835,285	811,964
<u>4,115,541</u>	<u>4,731,461</u>	<u>4,855,438</u>	<u>5,432,539</u>	<u>5,814,942</u>	<u>6,853,400</u>
<u>\$ 11,959,199</u>	<u>\$ 12,014,615</u>	<u>\$ 12,439,290</u>	<u>\$ 12,797,578</u>	<u>\$ 12,797,578</u>	<u>\$ 13,341,586</u>
\$ 7,049,113	\$ 6,501,017	\$ 6,856,720	\$ 6,535,717	\$ 5,882,491	\$ 5,676,222
794,545	782,137	727,132	829,322	835,285	811,964
<u>4,115,541</u>	<u>4,731,461</u>	<u>4,855,438</u>	<u>5,432,539</u>	<u>5,814,942</u>	<u>6,853,400</u>
<u>\$ 11,959,199</u>	<u>\$ 12,014,615</u>	<u>\$ 12,439,290</u>	<u>\$ 12,797,578</u>	<u>\$ 12,532,718</u>	<u>\$ 13,341,586</u>

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

	Fiscal Year			
	2011	2012	2013	2014
Expenses				
<i>Governmental Activities:</i>				
General Government	\$ 807,990	\$ 812,325	\$ 879,328	\$ 917,083
Police Department	1,041,675	1,078,398	1,053,576	1,165,805
Fire Department	969,246	943,061	1,105,760	1,112,167
Development and Public Works	1,361,226	1,447,636	1,522,260	1,602,510
Administration	259,126	279,390	353,811	355,950
Interest on Long-Term Debt	378,232	359,862	447,527	339,269
<i>Total Governmental Activities Expenses</i>	<u>4,817,495</u>	<u>4,920,672</u>	<u>5,362,262</u>	<u>5,492,784</u>
Program Revenues				
<i>Governmental Activities:</i>				
Charges for Services	161,500	173,927	248,206	285,875
Operating Grants and Contributions	26,612	7,977	143,138	6,103
Capital Grants and Contributions	-	-	-	-
<i>Total Governmental Activities Program Revenues</i>	<u>188,112</u>	<u>181,904</u>	<u>391,344</u>	<u>291,978</u>
Net (Expenses) Revenue				
Governmental Activities	(4,629,383)	(4,738,768)	(4,970,918)	(5,200,806)
Total Primary Government Net Expenses	<u>\$ (4,629,383)</u>	<u>\$ (4,738,768)</u>	<u>\$ (4,970,918)</u>	<u>\$ (5,200,806)</u>
Governmental Revenues and Other Changes in Net Position				
<i>Governmental Activities:</i>				
Taxes:				
General Property Taxes	\$ 4,311,199	\$ 4,305,085	\$ 4,332,587	\$ 4,519,059
Franchise Taxes	401,362	350,681	342,699	460,832
Sales Taxes	201,985	250,432	213,546	242,959
Interest and Investment Earnings	62,400	34,822	13,644	10,700
Miscellaneous	35,647	320,840	330,027	19,617
<i>Total Governmental Activities</i>	<u>5,012,593</u>	<u>5,261,860</u>	<u>5,232,503</u>	<u>5,253,167</u>
Total Primary Government	<u>\$ 5,012,593</u>	<u>\$ 5,261,860</u>	<u>\$ 5,232,503</u>	<u>\$ 5,253,167</u>
Changes In Net Position				
Government Activities	\$ 383,210	\$ 523,092	\$ 261,585	\$ 52,361
Total Primary Government	<u>\$ 383,210</u>	<u>\$ 523,092</u>	<u>\$ 261,585</u>	<u>\$ 52,361</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					
2015	2016	2017	2018	2019	2020
\$ 923,164	\$ 1,080,866	\$ 952,370	\$ 984,610	\$ 961,543	\$ 1,002,940
1,245,289	1,261,403	1,277,882	1,246,087	1,589,983	1,348,265
1,134,588	1,159,771	1,258,681	1,239,810	1,662,432	1,377,123
1,572,481	1,656,655	1,782,424	1,934,539	2,216,265	2,023,737
373,149	399,893	393,786	462,217	589,767	524,433
334,802	379,680	282,042	272,282	263,237	254,094
<u>5,583,473</u>	<u>5,938,268</u>	<u>5,947,185</u>	<u>6,139,545</u>	<u>7,283,227</u>	<u>6,530,592</u>
280,393	325,779	335,299	320,389	425,657	535,612
2,770	32,933	19,804	119,630	13,636	5,921
-	-	-	-	-	-
<u>283,163</u>	<u>358,712</u>	<u>355,103</u>	<u>440,019</u>	<u>439,293</u>	<u>541,533</u>
<u>(5,300,310)</u>	<u>(5,579,556)</u>	<u>(5,592,082)</u>	<u>(5,699,526)</u>	<u>(6,843,934)</u>	<u>(5,989,059)</u>
<u>\$ (5,300,310)</u>	<u>\$ (5,579,556)</u>	<u>\$ (5,592,082)</u>	<u>\$ (5,699,526)</u>	<u>\$ (6,843,934)</u>	<u>\$ (5,989,059)</u>
\$ 4,628,850	\$ 4,831,167	\$ 5,149,850	\$ 5,301,071	\$ 5,661,706	\$ 5,757,903
472,875	466,525	469,074	473,990	448,533	396,917
278,993	300,735	364,435	342,795	387,631	453,257
6,697	7,681	9,188	29,921	38,004	8,057
29,982	28,864	24,210	24,567	43,200	181,793
<u>5,417,397</u>	<u>5,634,972</u>	<u>6,016,757</u>	<u>6,172,344</u>	<u>6,579,074</u>	<u>6,797,927</u>
<u>\$ 5,417,397</u>	<u>\$ 5,634,972</u>	<u>\$ 6,016,757</u>	<u>\$ 6,172,344</u>	<u>\$ 6,579,074</u>	<u>\$ 6,797,927</u>
\$ 117,087	\$ 55,416	\$ 424,675	\$ 472,818	\$ (264,860)	\$ 808,868
<u>\$ 117,087</u>	<u>\$ 55,416</u>	<u>\$ 424,675</u>	<u>\$ 472,818</u>	<u>\$ (264,860)</u>	<u>\$ 808,868</u>

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

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 44,198	\$ 35,026	\$ 40,748	\$ 14,159
Restricted	-	-	168,334	138,935
Unassigned	5,914,749	3,648,711	3,712,919	3,551,652
Total General Fund	<u>\$ 5,958,947</u>	<u>\$ 3,683,737</u>	<u>\$ 3,922,001</u>	<u>\$ 3,704,746</u>
All Other Governmental Funds				
Reported In:				
Capital Project Funds	\$ 4,967,766	\$ 2,176,345	\$ 2,130,291	\$ 2,235,041
Debt Service Funds	687,418	674,576	679,046	695,330
Special Revenue Funds	-	-	-	-
Total All Other Governmental Funds	<u>\$ 5,655,184</u>	<u>\$ 2,850,921</u>	<u>\$ 2,809,337</u>	<u>\$ 2,930,371</u>

TABLE 3

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 109,303	\$ -	\$ 24,864	\$ 23,734	\$ -	\$ 28,708
93,247	78,516	-	-	-	-
<u>3,654,018</u>	<u>3,887,883</u>	<u>4,617,565</u>	<u>4,938,848</u>	<u>4,375,014</u>	<u>5,207,551</u>
<u><u>\$ 3,856,568</u></u>	<u><u>\$ 3,966,399</u></u>	<u><u>\$ 4,642,429</u></u>	<u><u>\$ 4,962,582</u></u>	<u><u>\$ 4,375,014</u></u>	<u><u>\$ 5,236,259</u></u>
\$ 862,536	\$ 1,384,819	\$ 916,574	\$ 1,093,387	\$ 2,840,046	\$ 3,059,337
715,522	701,280	740,634	721,060	716,382	728,154
-	-	5,112	102,873	99,803	64,287
<u>\$ 1,578,058</u>	<u>\$ 2,086,099</u>	<u>\$ 1,662,320</u>	<u>\$ 1,917,320</u>	<u>\$ 3,656,231</u>	<u>\$ 3,851,778</u>

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

	Fiscal Year			
	2011	2012	2013	2014
REVENUES				
Ad Valorem Taxes	\$ 4,354,025	\$ 4,328,325	\$ 4,299,223	\$ 4,470,885
Sales Taxes	201,985	250,432	213,546	242,959
Franchise Taxes	401,362	350,681	342,699	460,832
Charges for Services	144,074	160,066	222,578	264,302
Fines and Forfeitures	38,305	20,452	166,446	27,476
Other	99,387	357,052	340,157	26,588
TOTAL REVENUES	5,239,138	5,467,008	5,584,649	5,493,042
EXPENDITURES				
Current:				
General Government	800,422	800,471	857,740	895,495
Police Department	982,854	1,042,285	1,014,750	1,121,361
Fire Department	941,952	928,254	1,089,287	1,084,238
Development and Public Works	889,198	907,610	851,103	900,037
Administration	248,822	268,734	284,339	240,793
Capital Projects/Outlay	3,455,506	5,843,547	522,377	588,298
Debt Service:				
Principal	270,000	3,020,000	430,000	430,000
Interest and Fiscal Charges	315,186	435,580	344,208	340,846
Bond Issue Costs	-	-	-	-
TOTAL EXPENDITURES	7,903,940	13,246,481	5,393,804	5,601,068
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,664,802)	(7,779,473)	190,845	(108,026)
OTHER FINANCING SOURCES (USES)				
Issuance of Bonded Debt	8,000,000	2,700,000	-	-
Premium From Issuance of Debt	-	-	-	-
Sales of Capital Assets	7,512	-	5,835	11,805
Payments to Refunding Escrow Agent	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	8,007,512	2,700,000	5,835	11,805
Net Change in Fund Balance	\$ 5,342,710	\$ (5,079,473)	\$ 196,680	\$ (96,221)
Debt Service Expenditures as a Percent of Non-capital expenditures	13.2%	46.7%	15.9%	15.4%

TABLE 4

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 4,616,599	\$ 4,817,404	\$ 5,282,410	\$ 5,130,583	\$ 5,508,442	\$ 5,770,104
278,993	300,735	364,435	342,794	387,632	453,257
472,875	466,525	469,074	473,990	448,533	396,917
262,282	304,376	321,116	302,390	405,108	529,542
18,111	53,336	33,687	137,628	34,186	11,991
22,583	23,209	22,684	51,919	81,206	155,191
<u>5,671,443</u>	<u>5,965,585</u>	<u>6,493,406</u>	<u>6,439,304</u>	<u>6,865,107</u>	<u>7,317,002</u>
879,357	969,681	902,474	972,348	964,201	993,378
1,204,765	1,196,053	1,206,756	1,220,777	1,241,081	1,313,893
1,111,505	1,104,535	1,190,751	1,207,977	1,298,280	1,350,540
870,256	819,902	960,681	1,010,601	1,084,182	1,112,279
284,504	371,934	304,965	359,974	381,606	411,254
1,771,614	146,020	1,004,339	381,985	39,868	415,020
430,000	435,000	435,000	460,000	460,000	465,000
336,803	184,776	272,858	253,059	244,546	233,506
-	86,158	-	-	-	-
<u>6,888,804</u>	<u>5,314,059</u>	<u>6,277,824</u>	<u>5,866,721</u>	<u>5,713,764</u>	<u>6,294,870</u>
<u>(1,217,361)</u>	<u>651,526</u>	<u>215,582</u>	<u>572,583</u>	<u>1,151,343</u>	<u>1,022,132</u>
-	7,375,000	-	-	-	-
-	578,561	-	-	-	-
16,870	27,055	36,669	2,570	-	34,660
-	(8,014,270)	-	-	-	-
<u>16,870</u>	<u>(33,654)</u>	<u>36,669</u>	<u>2,570</u>	<u>-</u>	<u>34,660</u>
<u>\$ (1,200,491)</u>	<u>\$ 617,872</u>	<u>\$ 252,251</u>	<u>\$ 575,153</u>	<u>\$ 1,151,343</u>	<u>\$ 1,056,792</u>
15.0%	13.7%	13.4%	13.0%	12.4%	11.9%

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
2011	\$ 4,354,025	\$ 201,985	\$ 401,362	\$ 4,957,372
2012	4,328,325	250,432	350,681	4,929,438
2013	4,299,223	213,546	342,699	4,855,468
2014	4,470,885	242,959	460,832	5,174,676
2015	4,616,599	278,993	472,875	5,368,467
2016	4,817,404	300,735	466,525	5,584,664
2017	5,282,410	364,435	469,074	6,115,919
2018	5,130,583	342,794	473,990	5,947,367
2019	5,508,442	387,632	448,533	6,344,607
2020	5,770,104	453,257	396,917	6,620,278

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
2011	1,102,235,184	29,417,469	14,315,005	1,117,337,648	0.385068
2012	1,093,517,790	32,236,926	12,349,128	1,113,405,588	0.385068
2013	1,142,099,938	32,411,510	13,559,113	1,160,952,335	0.371729
2014	1,192,902,448	34,407,918	14,165,923	1,213,144,443	0.370525
2015	1,348,575,687	37,552,394	52,682,797	1,333,445,284	0.345906
2016	1,413,951,625	38,961,001	36,260,166	1,416,652,460	0.339538
2017	1,468,772,385	43,427,803	38,057,415	1,474,142,773	0.347673
2018	1,512,481,536	43,322,224	34,812,569	1,520,991,191	0.347673
2019	1,529,138,696	42,652,916	26,263,387	1,545,528,225	0.365000
2020	1,560,808,509	47,068,010	31,645,567	1,576,230,952	0.365000

Source: Bexar Appraisal District.

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

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

TABLE 7

City Direct Rates			
Fiscal Period	General M&O	Debt Service	Total Direct
2011	0.343526	0.041542	0.385068
2012	0.314488	0.070580	0.385068
2013	0.304120	0.067609	0.371729
2014	0.305814	0.064711	0.370525
2015	0.287736	0.058170	0.345906
2016	0.284670	0.054868	0.339538
2017	0.299253	0.048420	0.347673
2018	0.300656	0.047017	0.347673
2019	0.319823	0.045177	0.365000
2020	0.319918	0.045082	0.365000

Overlapping Rates							
Fiscal Period	Alamo Heights ISD	Bexar County	Bexar County Flood	San Antonio River Authority	University Health System	Alamo Community College	Total Overlapping
2011	1.198000	0.296187	0.030679	0.017370	0.276235	0.141623	1.960094
2012	1.218000	0.296187	0.030679	0.017370	0.276235	0.149150	1.987621
2013	1.218000	0.296187	0.030679	0.017798	0.276235	0.149150	1.988049
2014	1.205000	0.283821	0.030679	0.017500	0.276235	0.149150	1.962385
2015	1.195000	0.297500	0.017000	0.017290	0.276235	0.149150	1.952175
2016	1.195000	0.293250	0.015700	0.017290	0.276235	0.149150	1.946625
2017	1.195000	0.291229	0.012868	0.017290	0.276235	0.149150	1.941772
2018	1.255000	0.277429	0.023668	0.018580	0.276235	0.149150	2.000062
2019	1.195000	0.277429	0.023668	0.018580	0.276235	0.149150	1.940062
2019	1.196400	0.277429	0.023668	0.018580	0.276235	0.149150	1.941462

Source: Bexar County Tax Office

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

TABLE 8

<u>Taxpayer</u>	2020			2011		
	Taxable	Rank	Percentage	Taxable	Rank	Percentage
	Assessed		of Total City	Assessed		of Total City
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
Michael & Candace Humphreys	\$ 10,000,000	1	0.63%	\$ 10,000,000	1	0.89%
Thomas Moorman	6,508,750	2	0.41%	4,322,000	2	0.39%
Edward Jr & Linda Whitacre	5,800,000	3	0.37%			
Berkley & Bonnie Dawson	5,488,000	4	0.35%	4,240,000	3	0.38%
Nicolas & Aliece Hollis	5,200,000	5	0.33%			
Richard and Mary Azar	5,176,500	6	0.33%	3,750,000	5	0.34%
Aaron McKee	4,593,410	7	0.29%			
Otterby Real Estate Trust	4,500,000	8	0.29%			
Patricia Cerisola	4,290,000	9	0.27%	3,404,100	8	0.30%
Annabell Ames	4,168,825	10	0.26%			
Double H Trust				3,807,410	4	0.34%
John and Laura Zachry				3,750,000	6	0.34%
Barry Roberts				3,684,960	7	0.33%
Casey Darren Interests Inc				3,285,000	9	0.29%
Deborah Rogers				3,225,000	10	0.29%
Total	<u>\$ 55,725,485</u>		<u>3.54%</u>	<u>\$ 43,468,470</u>		<u>3.89%</u>
 Total Assessed Value	 1,576,230,952			 1,117,337,648		

Source: Bexar County Appraisal District

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

TABLE 9

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the		Collections In Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 4,304,008	\$ 2,475,807	57.5%	\$ 1,821,595	\$ 4,297,402	99.8%
2012	4,287,463	2,317,228	54.0%	1,964,764	4,281,992	99.9%
2013	4,315,361	2,459,215	57.0%	1,846,210	4,305,425	99.8%
2014	4,498,597	2,698,610	60.0%	1,795,662	4,494,272	99.9%
2015	4,613,824	2,755,466	59.7%	1,862,844	4,618,310	100.1%
2016	4,808,449	2,715,502	56.5%	2,075,252	4,790,754	99.6%
2017	5,126,112	3,149,334	61.4%	1,950,707	5,100,041	99.5%
2018	5,288,123	2,959,961	56.0%	2,299,413	5,259,374	99.5%
2019	5,641,215	3,086,466	54.7%	2,487,016	5,573,482	98.8%
2020	5,737,091	3,110,063	54.2%	-	3,110,063	54.2%

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

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

TABLE 10

Fiscal Year	Governmental Activities			Unamortized Premiums	Total Primary Government	Percentage of Personal Income**
	General Obligation Bonds	Certificates of Obligation	Capital Leases			
2011	\$ 8,000,000	\$ 2,965,000	\$ -	-	\$ 10,965,000	2.7%
2012	10,645,000	-	-	-	10,645,000	2.6%
2013	10,215,000	-	-	-	10,215,000	2.7%
2014	9,785,000	-	-	-	9,785,000	2.5%
2015	9,355,000	-	-	-	9,355,000	2.3%
2016	9,195,000	-	-	578,561	9,773,561	2.3%
2017	8,760,000	-	-	511,582	9,271,582	1.9%
2018	8,300,000	-	-	448,129	8,748,129	1.9%
2019	7,840,000	-	-	384,676	8,224,676	1.7%
2020	7,375,000	-	-	321,223	7,696,223	1.8%

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

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

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

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

TABLE 11

Fiscal Year	General Bonded Debt		Available in Debt Service Funds	Net General Bonded Debt	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita*
	General Obligation Bonds	Certificates of Obligation					
2011	\$ 8,000,000	\$ 2,965,000	\$ (750,829)	\$ 10,214,171	\$ 1,117,337,648	0.91%	2,094
2012	10,645,000	-	(687,418)	9,957,582	1,113,405,588	0.89%	1,992
2013	10,215,000	-	(674,576)	9,540,424	1,160,952,335	0.82%	1,936
2014	9,785,000	-	(679,046)	9,105,954	1,213,144,443	0.75%	1,834
2015	9,355,000	-	(695,330)	8,659,670	1,333,445,284	0.65%	1,661
2016	9,773,561	-	(701,298)	9,072,263	1,416,652,460	0.64%	1,716
2017	9,271,582	-	(703,621)	8,567,961	1,474,142,773	0.58%	1,651
2018	8,748,129	-	(722,020)	8,026,109	1,520,991,191	0.53%	1,529
2019	8,224,676	-	(722,020)	7,502,656	1,545,528,225	0.49%	1,383
2020	7,696,223	-	(747,677)	6,948,546	1,576,230,952	0.44%	1,276

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, 2020

TABLE 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
<i>Debt repaid with property taxes:</i>			
Alamo CCD	\$ 575,317,001	0.94%	\$ 5,407,980
Alamo Heights ISD	182,966,417	17.73%	32,439,946
Bexar County	2,042,421,713	0.94%	19,198,764
Bexar County Hospital District	891,565,000	0.94%	8,380,711
North East ISD	1,596,340,349	0.39%	<u>6,225,727</u>
Subtotal, Overlapping Debt			71,653,128
City Governmental Activities Direct Debt			<u>7,696,223</u>
TOTAL NET OVERLAPPING DEBT			<u><u>\$ 79,349,351</u></u>

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

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

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

TABLE 13

Taxable Value			<u>\$ 1,576,230,952</u>
Debt Limit - 10% of taxable value			\$ 157,623,095
Amount of Debt Applicable to Debt Limit:			
Total Bonded Debt	\$	7,696,223	
Resources available in Debt Service Fund		<u>747,677</u>	
Total Amount of Debt Applicable to Debt Limit			<u>(6,948,546)</u>
Legal Debt Margin			<u>\$ 150,674,549</u>
Total Net Debt as a Percentage of Debt Margin			4.61%
Fiscal Year			
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt Limit	\$ 147,414,277	\$ 152,099,119	\$ 154,552,823
Total net debt applicable to limit	<u>(8,549,562)</u>	<u>(7,573,551)</u>	<u>(7,489,194)</u>
Legal Debt Margin	<u>\$ 138,864,715</u>	<u>\$ 144,525,568</u>	<u>\$ 147,063,629</u>
Total Net Debt as a Percentage of Debt Margin	6.16%	5.24%	5.09%
Fiscal Year			
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit	\$ 121,314,444	\$ 133,344,528	\$ 141,665,246
Total net debt applicable to limit	<u>(9,089,670)</u>	<u>(8,653,702)</u>	<u>(9,069,940)</u>
Legal Debt Margin	<u>\$ 112,224,774</u>	<u>\$ 124,690,826</u>	<u>\$ 132,595,306</u>
Total Net Debt as a Percentage of Debt Margin	8.10%	6.94%	6.84%
Fiscal Year			
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 111,733,765	\$ 111,340,559	\$ 116,095,234
Total net debt applicable to limit	<u>(10,277,582)</u>	<u>(9,970,424)</u>	<u>(9,535,954)</u>
Legal Debt Margin	<u>\$ 101,456,183</u>	<u>\$ 101,370,135</u>	<u>\$ 106,559,280</u>
Total Net Debt as a Percentage of Debt Margin	10.13%	9.84%	8.95%

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
2011	4,878	398,971,620	81,790	6.8%
2012	4,998	411,300,414	82,293	5.7%
2013	4,929	376,905,843	76,467	5.3%
2014	4,964	386,819,700	77,925	3.8%
2015	5,214	413,334,636	79,274	3.5%
2016	5,287	430,869,352	81,496	3.7%
2017	5,190	493,460,010	95,079	3.0%
2018	5,248	457,410,432	87,159	3.2%
2019	5,425	479,119,725	88,317	2.1%
2020	5,447	428,117,859	78,597	6.4%

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

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

TABLE 15

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Joint Base San Antonio	80,000	1	7.71%	80,165	1, 2, 3	9.62%
HEB Food Stores	22,000	2	2.12%	14,588	5	1.75%
USAA	19,000	3	1.83%	15,000	4	1.80%
Northside ISD	13,977	4	1.35%	12,244	6	1.47%
City of San Antonio	13,881	5	1.34%	12,211	7	1.47%
Methodist Healthcare	9,851	6	0.95%	7,747	9	0.93%
North East ISD	9,001	7	0.87%	10,522	8	1.26%
San Antonio ISD	7,677	8	0.74%	7,581	10	0.91%
Baptist Health Systems	6,371	9	0.61%			
JP Morgan Chase & Co.	5,000	10	0.48%			
Total	186,758		18.00%	160,058		19.22%

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

Source: San Antonio Express-News

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

TABLE 16

Fiscal Year Ending December, 31	Full-Time Equivalent Employees as of December 31,				
	Administration	Police	Fire	Development Public Works	Total
2020	4	16	16	15	51
2019	4	16	16	14	50
2018	4	16	16	17	53
2017	3	17	16	17	53
2016	3	17	16	15	51
2015	3	17	16	15	51
2014	3	16	16	15	50
2013	5	16	16	15	52
2012	3	16	16	16	51
2011	3	15	15	16	49

Source: City Adopted Budget Authorized Positions

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

Function	Fiscal Year				
	2011	2012	2013	2014	2015
General Government					
Building Permits Issued	800	847	1,038	955	891
Police					
CFS	2,576	2,345	2,299	2,392	2,588
Arrests	25	33	13	16	15
Traffic Violations	970	664	1,361	768	705
Traffic Citations	308	127	559	284	397
Accidents	56	44	48	52	50
Fire					
Emergency Responses	627	586	560	629	685
Number of Rescue/Other Responses	618	571	550	616	669
Non-emergency response/Service Calls	50	36	42	22	52
Number of Fire Responses	9	15	10	13	16
Number of Inspections	118	140	140	179	243
Number of Pre-Plan Inspections	66	66	66	68	68
Number of Training Classes Conducted	137	165	183	186	222

Source: City Departments

TABLE 17

Fiscal Year				
2016	2017	2018	2019	2020
1,043	944	762	780	1,202
2,807	2,591	2,390	2,413	2,160
19	23	21	12	14
909	542	1,262	571	186
371	166	421	145	6
48	43	27	36	22
667	725	672	725	462
647	716	671	718	451
60	78	76	49	47
20	9	1	7	11
157	223	182	164	76
68	66	68	68	34
247	283	348	208	192

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

Function	Fiscal Year				
	2011	2012	2013	2014	2015
General Government					
Acreage	1.34	1.34	1.34	1.34	1.34
Facilities	1	1	1	1	1
Administration					
Facilities	1	1	1	1	1
Vehicles	1	1	2	2	1
Police					
Stations	1	1	1	1	1
Patrol Units	7	9	7	6	7
Fire					
Stations	1	1	1	1	1
Vehicles	3	3	3	4	3
Development Services & Public Works					
Streets (miles of paved)	32	32	32	32	32
Number of Parks	1	1	1	1	1
Vehicles	8	8	8	8	9

Source: City Departments

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

TABLE 18

Fiscal Year				
<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
1.34	1.34	1.34	1.34	1.34
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
7	9	9	10	6
1	1	1	1	1
3	3	3	3	3
32	32	32	32	32
1	1	1	1	1
7	7	8	8	8



CITY OF
TERRELL HILLS
TEXAS