

**CITY OF TERRELL HILLS, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
DECEMBER 31, 2012**



CITY OF TERRELL HILLS, TEXAS  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED DECEMBER 31, 2012

CITY OFFICIALS

MAYOR

J BRADFORD CAMP

MAYOR PRO-TEM

MICHELLE BRADY

CITY COUNCIL

ANNE BALLANTYNE  
WILLIAM W. OCHSE, III  
CHARLES W. PARISH, JR

CITY MANAGER

COLUMBUS STUTES

CITY ATTORNEY

FRANK GARZA

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.



CITY OF TERRELL HILLS, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

	PAGE
TITLE PAGE	i
CITY OFFICIALS	ii
TABLE OF CONTENTS	iii

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT .....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	3
BASIC FINANCIAL STATEMENTS .....	9
STATEMENT OF NET POSITION .....	10
STATEMENT OF ACTIVITIES .....	11
BALANCE SHEET - GOVERNMENTAL FUNDS .....	12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION .....	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS .....	14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES .....	15
NOTES TO BASIC FINANCIAL STATEMENTS .....	16
REQUIRED SUPPLEMENTARY INFORMATION .....	31
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND .....	32
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND .....	33
SCHEDULE OF FUNDING PROGRESS - DEFINED BENEFIT PENSION PLAN .....	34
SUPPLEMENTARY INFORMATION .....	35
COMPARATIVE BALANCE SHEETS - GENERAL FUND .....	36
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND .....	37
COMPARATIVE BALANCE SHEETS - DEBT SERVICE .....	38
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - DEBT SERVICE FUND .....	39
COMPARATIVE BALANCE SHEETS - CAPITAL PROJECTS FUND .....	40
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CAPITAL PROJECTS FUND .....	41

CITY OF TERRELL HILLS, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION

NET POSITION BY COMPONENT .....	43
CHANGE IN NET POSITION .....	45
FUND BALANCES, GOVERNMENTAL FUNDS .....	47
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS .....	49
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS .....	51
ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY .....	52
DIRECT AND OVERLAPPING PROPERTY TAX RATES .....	53
PRINCIPAL PROPERTY TAX PAYERS .....	54
PROPERTY TAX LEVIES AND COLLECTIONS .....	55
RATIOS OF OUTSTANDING DEBT BY TYPE .....	56
RATIO OF GENERAL BONDED DEBT .....	57
LEGAL DEBT MARGIN .....	58
DEMOGRAPHIC AND ECONOMIC STATISTICS .....	59
PRINCIPAL EMPLOYERS .....	60



## 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 and each major fund of the City of Terrell Hills, as of December 31, 2012, and for the year then ended, and the related notes to the financial statements, which collectively comprise City of Terrell Hills's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

City of Terrell Hills's 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 and each major fund of the City of Terrell Hills, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

***Other Matters***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedule, and schedule of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Terrell Hills's basic financial statements. The individual comparative fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Terrell Hills's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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 it.



Armstrong, Vaughan & Associates, P.C.

March 25, 2013



CITY OF TERRELL HILLS, TEXAS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

This section of City of Terrell Hills's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

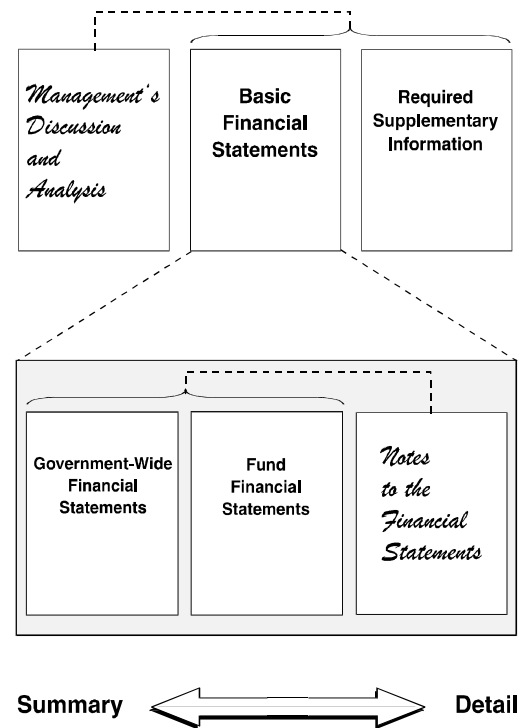
- The City's net position was \$12,519,580 at December 31, 2012.
- During the year, the City's expenses were \$523,092 less than the \$5,443,764 generated in taxes and other revenues for governmental activities. The total cost of the City's programs decreased \$103,177 from the prior year.
- The general fund reported a fund balance this year of \$3,683,737.
- General Obligation Bonds, Series 2012 were issued in 2012 to refund the 2003 Certificates of Obligation.

**Figure A-1, Required Components of the City's Annual Financial Report**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government services* were financed in the *short-term* as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF TERRELL HILLS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)  
FOR THE YEAR ENDED DECEMBER 31, 2012

<b>Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements</b>		
<i>Type of Statements</i>	<b>Fund Statements</b>	
	Government-wide	Governmental Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.

**GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as public safety, public works and general administration. Property taxes, sales taxes, franchise fees and charges for services finance most of these activities.

CITY OF TERRELL HILLS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)  
FOR THE YEAR ENDED DECEMBER 31, 2012

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has only one kind of fund as follows:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net position.** The City's combined net position was \$12,519,580 at December 31, 2012. Of this amount, \$6,322,988 is unrestricted, representing resources available to fund the programs of the City next year. (See Table A-1).

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

	Governmental Activities		Percentage Change
	2012	2011	2012-2011
<i>Assets:</i>			
Cash and Investments	\$ 5,974	\$ 10,926	-45.3%
Receivables	2,111	1,966	7.4%
Prepaid Expenses and Other Assets	140	107	30.4%
Capital Assets (Net)	16,192	10,960	47.7%
<i>Total Assets</i>	<u>\$ 24,417</u>	<u>\$ 23,959</u>	<u>1.9%</u>
<i>Liabilities:</i>			
Accounts Payable and Accruals	\$ 1,081	\$ 827	30.7%
Long Term Debt	10,816	11,135	-2.9%
<i>Total Liabilities</i>	<u>11,897</u>	<u>11,962</u>	<u>-0.5%</u>
<i>Net Position:</i>			
Invested in capital assets	5,547	4,989	11.2%
Restricted	650	582	11.7%
Unrestricted	6,323	6,426	-1.6%
<i>Total Net Position</i>	<u>\$ 12,520</u>	<u>\$ 11,997</u>	<u>4.4%</u>

CITY OF TERRELL HILLS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)  
FOR THE YEAR ENDED DECEMBER 31, 2012

**GOVERNMENTAL ACTIVITIES**

**Changes in net position.** The City's total revenues were \$5,443,764, an increase of 4.7%. A significant portion, 90%, comes from taxes, while only 3% relates to charges for services. The total cost of all programs and services was \$4,920,672. (See Table A-2)

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

	Governmental Activities		Percentage Change
	2012	2011	2012-2011
Program Revenues:			
Charges for Services	\$ 174	\$ 162	7.4%
Operating Contributions	8	27	-70.5%
General Revenues			
Property Taxes	4,305	4,311	-0.1%
Franchise Taxes	351	401	-12.5%
Sales Taxes	250	202	24.0%
Investment Earnings	35	62	-43.8%
Gain on Capital Asset Sales	-	4	-100.0%
Miscellaneous	321	31	935.0%
Total Revenues	<u>5,444</u>	<u>5,200</u>	<u>4.7%</u>
General Government	812	808	0.5%
Police Department	1,078	1,042	3.5%
Fire Department	943	969	-2.7%
Streets and Sanitation Department	1,448	1,361	6.4%
Administration	279	259	7.9%
Interest on Long-term Debt	360	378	-4.8%
Total Expenses	<u>4,921</u>	<u>4,817</u>	<u>2.2%</u>
Increase (Decrease) in Net Position	<u>\$ 523</u>	<u>\$ 383</u>	<u>36.6%</u>

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local governments as well as local tax dollars.

- The cost of all *governmental* activities this year was \$4,920,672.
- The amount that our taxpayers paid for these activities through taxes was \$4,305,085.
- Some of the cost, \$173,927, was paid by those who directly benefited from the programs.

**Table A-3**  
Net Cost of Selected City Functions  
(in thousands of dollars)

	Total Cost of Services			Net Cost (Revenue) of Services		
	2012	2011	% Change	2012	2011	% Change
General Government	\$ 812	\$ 808	0.5%	\$ 812	\$ 808	0.5%
Police Department	1,078	1,042	3.5%	1,058	1,003	5.5%
Fire Department	943	969	-2.7%	943	969	-2.7%
Streets and Sanitation Dept	1,448	1,361	6.3%	1,446	1,355	6.7%
Administration	279	259	7.8%	119	115	3.8%

CITY OF TERRELL HILLS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)  
FOR THE YEAR ENDED DECEMBER 31, 2012

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

Revenues from governmental fund types totaled \$5,467,008, an increase of 4.3%. Expenditures increased \$5,342,541 to \$13,246,481 because of the 2011 bond projects and the refunding of the 2003 bonded debt.

**General Fund Budgetary Highlights**

Actual expenditures were \$360,951 less than final budget amounts. The majority of this excess is a result of general street repairs being less than anticipated.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2012 the City had invested \$16,191,721 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) More detailed information about the City's capital assets is presented in the notes to the financial statements.

**Table A-4**  
City's Capital Assets  
(In thousands of dollars)

	Governmental Activities		Percentage Change
	2012	2011	2012-2011
Land	\$ 641	\$ 498	28.71%
Buildings	8	245	-96.73%
Vehicles and Equipment	1,267	1,192	6.29%
Infrastructure	12,099	11,069	9.31%
Construction in Progress	7,798	3,096	151.87%
Totals at Historical Cost	<u>21,813</u>	<u>16,100</u>	<u>35.48%</u>
Total Accumulated Depreciation	(5,621)	(5,141)	9.34%
Net Capital Assets	<u>\$ 16,192</u>	<u>\$ 10,959</u>	<u>47.75%</u>

**Long-Term Debt**

At year-end, the City had \$10,645,000 in bonds outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-5**  
City's Long Term Debt  
(In thousands of dollars)

	Governmental Activities		Percentage Change
	2012	2011	2012-2011
Bonds Payable	\$ 10,645	\$ 10,965	-2.92%
Total Long-Term Debt	<u>\$ 10,645</u>	<u>\$ 10,965</u>	<u>-2.92%</u>

CITY OF TERRELL HILLS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)  
FOR THE YEAR ENDED DECEMBER 31, 2012

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The 2012 budget was prepared with an estimated assessed taxable value of \$1,133,754,858, an increase of 1.8% over the 2012 assessed taxable value. The property tax rate for 2013 is estimated to be \$0.385068 per \$100 of valuation.
- General fund revenues are expected to increase from \$4,703,294 to \$4,770,369 in the 2013 budget. General fund expenditures are expected to increase from \$4,028,504 to \$4,470,369.

The projected increase of \$300,000 in the general fund balance can be attributed to City Public Service dissolving and distributing the community economic investment development (CEID) fund. The City will be as efficient as possible to ensure that expenses are kept to the minimum necessary to deliver quality services to the citizens.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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 824-7401.

## BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – wide financial statements
- Fund financial statements:
  - Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF TERRELL HILLS, TEXAS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 5,973,902
Receivables (net of allowance for uncollectibles):	
Property Taxes	2,016,177
Sales and Franchise Taxes	95,268
Prepaid Expenses	35,026
Deferred Bond Issue Costs	104,544
Capital Assets:	
Land	641,149
Buildings and Improvements	8,183
Vehicles and Equipment	1,266,832
Infrastructure	12,099,033
Construction In Progress	7,797,667
Accumulated Depreciation	<u>(5,621,143)</u>
<b>TOTAL ASSETS</b>	<b><u><u>24,416,638</u></u></b>
 <b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts Payable	792,242
Accrued Expenses	40,437
Accrued Vacation Payable	104,286
Accrued Interest Payable	<u>143,616</u>
<i>Total Current Liabilities</i>	<b><u><u>1,080,581</u></u></b>
 <i>Noncurrent Liabilities:</i>	
Net Pension Obligation	171,477
Due within One Year	430,000
Due in more than One Year	<u>10,215,000</u>
<i>Total Noncurrent Liabilities</i>	<b><u><u>10,816,477</u></u></b>
<b>TOTAL LIABILITIES</b>	<b><u><u>11,897,058</u></u></b>
 <b>NET POSITION</b>	
Investment in Capital Assets, Net of Related Debt	5,546,721
Restricted for Debt Service	649,871
Unrestricted	<u>6,322,988</u>
<b>TOTAL NET POSITION</b>	<b><u><u>\$ 12,519,580</u></u></b>



CITY OF TERRELL HILLS, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

<b>Functions and Programs</b>	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 812,325	\$ -	\$ -	\$ (812,325)
Police Department	1,078,398	13,861	6,590	(1,057,947)
Fire Department	943,061	-	-	(943,061)
Streets and Sanitation Department	1,447,636	-	1,387	(1,446,249)
Administration	279,390	160,066	-	(119,324)
Interest on Long-Term Debt	359,862	-	-	(359,862)
Total Governmental Activities	4,920,672	173,927	7,977	(4,738,768)
<b>Total Government</b>	<b>\$ 4,920,672</b>	<b>\$ 173,927</b>	<b>\$ 7,977</b>	<b>(4,738,768)</b>
<b>General Revenues:</b>				
Taxes:				
General Property Taxes				4,305,085
Franchise Taxes				350,681
Sales Taxes				250,432
Interest and Investment Earnings				34,822
Miscellaneous				320,840
<b>Total General Revenues</b>				<b>5,261,860</b>
Change in Net Position				523,092
Net Position at Beginning of Year				11,996,488
Net Position at End of Year				<b>\$ 12,519,580</b>

CITY OF TERRELL HILLS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,524,578	\$ 3,025,387	\$ 423,937	\$ 5,973,902
Receivables:				
Property Taxes (Net of Uncollectibles)	1,646,627	-	369,550	2,016,177
Sales and Franchise Taxes Receivable	95,268	-	-	95,268
Due from Other Funds	66,700	-	-	66,700
Prepaid Items	35,026	-	-	35,026
	<b>TOTAL ASSETS</b>	<b>\$ 3,025,387</b>	<b>\$ 793,487</b>	<b>\$ 8,187,073</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 9,900	\$ 782,342	\$ -	\$ 792,242
Accrued Payroll Expenditures	40,437	-	-	40,437
Accrued Vacation Payable	104,286	-	-	104,286
Due to Other Funds	-	66,700	-	66,700
Unavailable Property Tax Revenue	529,839	-	118,911	648,750
	<b>TOTAL LIABILITIES</b>	<b>849,042</b>	<b>118,911</b>	<b>1,652,415</b>
<i>Fund Balances:</i>				
Nonspendable Prepaid Items	35,026	-	-	35,026
Restricted for:				
Debt Service	-	-	674,576	674,576
Assigned for:				
Capital Projects	-	2,176,345	-	2,176,345
Unassigned	3,648,711	-	-	3,648,711
	<b>TOTAL FUND BALANCES</b>	<b>2,176,345</b>	<b>674,576</b>	<b>6,534,658</b>
	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,025,387</b>	<b>\$ 793,487</b>	<b>\$ 8,187,073</b>

CITY OF TERRELL HILLS, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2012

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 6,534,658
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.		16,191,721
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds:		
Deferred Bond Issue Costs	104,544	
Property Taxes Receivable not Collected within 60 Days	648,750	753,294
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.		(10,645,000)
The governmental funds report pension and other postemployment benefit contributions as expenditures when paid. However, in the statement of activities difference between pension plan and other post employment benefit contributions and costs for the year are reported as an asset or obligation.		(171,477)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.		(143,616)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 12,519,580

CITY OF TERRELL HILLS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 3,585,587	\$ -	\$ 742,738	\$ 4,328,325
Sales Tax	250,432	-	-	250,432
Franchise Tax	350,681	-	-	350,681
Charges for Services	160,066	-	-	160,066
Fines and Forfeitures	20,452	-	-	20,452
Other	336,076	20,976	-	357,052
<b>TOTAL REVENUES</b>	<u>4,703,294</u>	<u>20,976</u>	<u>742,738</u>	<u>5,467,008</u>
<b>EXPENDITURES</b>				
Current:				
General Government	800,471	-	-	800,471
Police Department	1,042,285	-	-	1,042,285
Fire Department	928,254	-	-	928,254
Streets and Sanitation Department	907,610	-	-	907,610
Administration	268,734	-	-	268,734
Capital Outlay	81,150	5,762,397	-	5,843,547
Debt Service:				
Principal	-	-	3,020,000	3,020,000
Interest and Fiscal Charges	-	-	386,028	386,028
Bond Issue Costs	-	-	49,552	49,552
<b>TOTAL EXPENDITURES</b>	<u>4,028,504</u>	<u>5,762,397</u>	<u>3,455,580</u>	<u>13,246,481</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>674,790</u>	<u>(5,741,421)</u>	<u>(2,712,842)</u>	<u>(7,779,473)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Refunding Bonds Issued	-	-	2,700,000	2,700,000
Transfers In (Out)	(2,950,000)	2,950,000	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,950,000)</u>	<u>2,950,000</u>	<u>2,700,000</u>	<u>2,700,000</u>
Net Change in Fund Balance	(2,275,210)	(2,791,421)	(12,842)	(5,079,473)
<b>FUND BALANCES - JANUARY 1</b>	<u>5,958,947</u>	<u>4,967,766</u>	<u>687,418</u>	<u>11,614,131</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ 3,683,737</u>	<u>\$ 2,176,345</u>	<u>\$ 674,576</u>	<u>\$ 6,534,658</u>

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, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (5,079,473)

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. This is the amount by which capital outlay exceeded depreciation. 5,231,757

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (23,240)

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:

Proceeds on Bonds Issued	(2,700,000)	
Bond Issue Costs Paid	49,552	
Principal Payments	3,020,000	
Amortization of Bond Issue Costs	<u>(7,798)</u>	361,754

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:

Deferred Pension Obligation	(1,669)	
Accrued Interest on Long-Term Debt	<u>33,963</u>	<u>32,294</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 523,092

CITY OF TERRELL HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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 39 "Determining Whether Certain Organizations are Component Units". 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. 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. All of the City's funds meet the criteria of a **major governmental fund**. The City's governmental funds are the General Fund, Capital Projects Fund and Debt Service 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, 2012

**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 and in the fund financial statements.

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

The government reports the following major governmental funds:

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

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

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

The City had no nonmajor funds as of December 31, 2012.

CITY OF TERRELL HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012

**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.

**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 deferred 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 \$17,592 and \$3,948, respectively.



CITY OF TERRELL HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012

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

7. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2012 are recorded as prepaid items in both the government-wide and fund financial statements.

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. 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 are recorded at estimated fair market value at the date of donation.

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

11. 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.

CITY OF TERRELL HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012

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

**12. UNAVAILABLE 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.

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.

**13. 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, as well as issuance costs, are deferred and amortized over the life of the bond. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized 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.

**14. NET PENSION OBLIGATION**

The net pension obligation represents the cumulative difference between the annual pension cost and the City's contribution to the plan, calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27. Expenditures are recognized when they are paid or are expected to be paid with current available resources. The net pension obligation is reported as a non-current liability in the government-wide financial statements.

**15. 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.

CITY OF TERRELL HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012

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

15. FUND EQUITY (Cont.)

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 not delegated the authority to make assignments to any other person within the entity.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

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

16. NET POSITION

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, 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.

17. INTERFUND TRANSACTIONS

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

18. 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, 2012, all of the City's deposits were fully collateralized.

CITY OF TERRELL HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012

**NOTE B -- CASH AND INVESTMENTS (Continued)**

2. Investments

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

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

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

The City had no investments as of December 31, 2012.

3. Analysis of Specific Deposit and Investment Risks

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

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

CITY OF TERRELL HILLS, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2012

**NOTE B -- CASH AND INVESTMENTS (CONTINUED)**

3. Analysis of Specific Deposit and Investment Risks (Continued)

- d. Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

**NOTE C -- PROPERTY TAXES**

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District. Assessed values are reduced by lawful exemptions to arrive at taxable values. The total taxable value as of January 01, 2012, upon which the fiscal 2012 levy was based was \$1,113,405,588 (i.e., market value less exemptions). The estimated market value was \$1,125,754,716, making the taxable value 98.9% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended December 31, 2012, was \$0.385068 per \$100 of assessed value, which means that the City has a tax margin of \$2.114932 for each \$100 of assessed value and could increase its annual levy by approximately \$23,547,771 based upon present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Code without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's effective tax rate.

**NOTE D -- INTERFUND RECEIVABLES/PAYABLES**

Internal balances as of December 31, 2012 were as follows:

Due From	Due To	Amount	Reason
Capital Projects Fund	General Fund	\$ 66,700	Reimbursement of Debt Issue Costs

CITY OF TERRELL HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012

**NOTE E -- CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012 was as follows:

Governmental Activities	Balances at 1/1/2012	Additions	Transfers/ Disposals	Balances at 12/31/2012
Land	\$ 497,553	\$ -	\$ 143,596	\$ 641,149
Buildings and Improvements	245,468	-	(237,285)	8,183
Vehicles and Equipment	1,192,330	111,992	(37,490)	1,266,832
Infrastructure	11,069,119	-	1,029,914	12,099,033
Construction in Progress	3,096,027	5,731,554	(1,029,914)	7,797,667
	<u>16,100,497</u>	<u>5,843,546</u>	<u>(131,179)</u>	<u>21,812,864</u>
Less Accumulated Depreciation				
Buildings and Improvements	(97,342)	(4,530)	93,689	(8,183)
Vehicles and Equipment	(614,142)	(99,494)	37,490	(676,146)
Infrastructure	(4,429,049)	(507,765)	-	(4,936,814)
	<u>(5,140,533)</u>	<u>(611,789)</u>	<u>131,179</u>	<u>(5,621,143)</u>
Governmental Capital Assets, Net	<u>\$ 10,959,964</u>	<u>\$ 5,231,757</u>	<u>\$ -</u>	<u>\$ 16,191,721</u>

Land and Construction in Progress are not depreciated.

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 11,855
Police Department	36,113
Fire Department	14,808
Streets and Sanitation Department	540,027
Administration	8,986
Total Depreciation Expense	<u>\$ 611,789</u>

CITY OF TERRELL HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012

**NOTE F -- LONG-TERM DEBT**

In March of 2003 the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2003 for \$3,500,000 dated March 1, 2003. The bonds were issued for the repair, extension, and enlargement of the City sewer system; the construction street improvements; the purchase of materials, supplies, machinery, land, and right-of-way for authorized needs relating to the sewer and street improvements; and payment for professional services. The bonds mature serially through 2020 and bear interest at rates ranging from 1.6% to 4.2%.

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

In January 2012, the City issued General Obligation Bonds, Series 2012 for \$2,700,000 to refund the Series 2003 Certificates of Obligation. The bonds mature serially through 2020 and bear interest at rates ranging from 0.67% to 1.97%. The refunding resulted in a net present value savings of \$253,916.

Changes in the City's long-term debt during the fiscal year ending December 31, 2012 follow:

Governmental Activities	Balance Outstanding 1/1/2012	Additions	Retirements	Balance Outstanding 12/31/2012	Due Within One Year
2003 Series	\$ 2,965,000	\$ -	\$ (2,965,000)	\$ -	\$ -
2011 Series	8,000,000	-	(55,000)	7,945,000	330,000
2012 Series	-	2,700,000	-	2,700,000	100,000
Totals	<u>\$ 10,965,000</u>	<u>\$ 2,700,000</u>	<u>\$ (3,020,000)</u>	<u>\$ 10,645,000</u>	<u>\$ 430,000</u>

The annual requirements to amortize all debt outstanding as of December 31, 2012, including interest payments, are as follows:

Year End December 31	Principal	Interest	Total
2013	\$ 430,000	\$ 343,209	\$ 773,209
2014	430,000	339,847	769,847
2015	430,000	335,553	765,553
2016	435,000	330,392	765,392
2017	435,000	324,432	759,432
2018-2022	2,445,000	1,476,645	3,921,645
2023-2027	3,050,000	997,383	4,047,383
2028-2031	2,990,000	279,214	3,269,214
Total	<u>\$ 10,645,000</u>	<u>\$ 4,426,675</u>	<u>\$ 15,071,675</u>

CITY OF TERRELL HILLS, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2012

**NOTE G -- EMPLOYEE RETIREMENT SYSTEM**

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2011	Plan Year 2012
Employee Deposit Rate	6.0%	6.0%
Matching Ratio (City to Employee)	2 to 1	2 to 1
years required for vesting	5	5
Service Retirement Eligibility (Expressed as age / years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by an actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.



CITY OF TERRELL HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012

**NOTE G -- EMPLOYEE RETIREMENT SYSTEM (Continued)**

The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 271,471
Interest on Net Pension Obligation	11,887
Adjustment to the ARC	<u>(10,218)</u>
Annual Pension Cost (APC)	273,140
Contributions Made	<u>271,471</u>
Increase (decrease) in net pension obligation	1,669
Net Pension Obligation (Asset), beginning of year	169,808
Net Pension Obligation (Asset), end of year	<u><u>\$ 171,477</u></u>

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Increase in Net Pension Obligation</u>
2010	\$ 326,995	80%	\$ 66,720
2011	298,679	87%	37,769
2012	273,140	99%	1,669

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2010 actuarial valuation. Additional information as of the latest actuarial valuation, December 31, 2011 also follows:

Actuarial Valuation Date	Decemeber 31, 2009	Decemeber 31, 2010	Decemeber 31, 2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Period	27.9 years - Closed Period	26.9 years - Closed Period	25.9 years - Closed Period
Asset Valuation Method	10 year Smoothed Market	10 year Smoothed Market	10 year Smoothed Market
Assumptions:			
Rate of Return	7.5%	7.0%	7.0%
Salary Increases	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
Inflation Rate	3.0%	3.0%	3.0%
COLA	2.1%	2.1%	2.1%

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

<u>CALENDAR YEAR</u>	<u>ACTUARIAL VALUE OF ASSETS **</u>	<u>ACTUARIAL ACCRUED LIABILITY* (AAL)</u>	<u>FUNDING RATIO (1)/(2)</u>	<u>UNFUNDED UNFUNDED AAL (UAAL)</u>	<u>ANNUAL COVERED PAYROLL</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL</u>
2011	\$ 7,390,089	\$ 8,836,391	83.6%	\$ 1,446,302	\$ 2,122,934	68.1%

CITY OF TERRELL HILLS, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2012

**NOTE G -- EMPLOYEE RETIREMENT SYSTEM (Continued)**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**NOTE H -- OTHER POST EMPLOYMENT BENEFIT**

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

The 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.

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

The city's contributions to the TMRS SDBF for the years ended December 31, 2012, 2011, and 2010 were \$2,640, \$3,397, and \$3,386, respectively.

**NOTE I -- INTERFUND TRANSFERS**

During the year, the City made the following transfers between funds:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects	General Fund	\$ 2,950,000	Contribution to City Hall Project

CITY OF TERRELL HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012

**NOTE J -- TEXAS HIGHER EDUCATION AUTHORITY**

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

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.

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 obligations:

<u>Entity</u>	<u>Date of Issuance</u>	<u>Date of Maturity</u>	<u>Original Issuance</u>	<u>Estimated Amount Outstanding</u>
Judson Montessori	1999	2014	\$ 3,500,000	\$ 680,000
Texas Lutheran University	2007	2028	8,130,000	7,235,000
Schreiner University	2010	2025	15,660,000	14,104,000
Totals			<u>\$ 27,290,000</u>	<u>\$ 22,019,000</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 K -- RISK MANAGEMENT**

The City has identified possible risk of losses related to torts; theft of, damage to, or destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees; and other claims or various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts, although there are coverage limits of \$1,000,000 for general liability, law enforcement and errors and omissions. Annual contributions for the year ended December 31, 2012, were \$109,803.

CITY OF TERRELL HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012

**NOTE L -- SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

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.

Commitments

The City has the following construction related commitments:

<u>Project</u>	<u>Total Commitment</u>	<u>Incurred Through December 31, 2012</u>	<u>Estimated Future Commitment</u>
2011 Bond Street Repairs:			
Phase 1 Construction	\$ 2,863,208	\$ 2,659,356	\$ 203,852
Phase 2 Engineering	875,180	699,519	175,661
2011 Bond Municipal Complex:			
Architect Services	428,900	402,700	26,200
City Hall Renovation	3,747,526	3,492,488	255,038
Totals	<u>\$ 7,914,814</u>	<u>\$ 7,254,063</u>	<u>\$ 660,751</u>

## 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 Funding Progress – Defined Benefit Pension Plan

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, 2012

	Budget Amounts		2012 Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 3,719,255	\$ 3,719,255	\$ 3,585,587	\$ (133,668)
Sales Tax	170,000	170,000	250,432	80,432
Franchise Fees	310,000	310,000	350,681	40,681
Charges for Services	130,000	130,000	160,066	30,066
Fines and Forfeitures	20,500	20,500	20,452	(48)
Other	36,700	36,700	336,076	299,376
<b>TOTAL REVENUES</b>	<u>4,386,455</u>	<u>4,386,455</u>	<u>4,703,294</u>	<u>316,839</u>
<b>EXPENDITURES</b>				
General Government	1,061,288	1,061,288	829,759	231,529
Police Department	1,113,329	1,113,329	1,094,147	19,182
Fire Department	995,495	995,495	928,254	67,241
Streets and Sanitation Department	955,196	955,196	907,610	47,586
Administration	264,147	264,147	268,734	(4,587)
<b>TOTAL EXPENDITURES</b>	<u>4,389,455</u>	<u>4,389,455</u>	<u>4,028,504</u>	<u>360,951</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,000)</u>	<u>(3,000)</u>	<u>674,790</u>	<u>677,790</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sales of Capital Assets	3,000	3,000	-	(3,000)
Transfer Out	(2,900,000)	(2,900,000)	(2,950,000)	(50,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,897,000)</u>	<u>(2,897,000)</u>	<u>(2,950,000)</u>	<u>(53,000)</u>
Net Change in Fund Balance	(2,900,000)	(2,900,000)	(2,275,210)	624,790
<b>FUND BALANCE - JANUARY 1</b>	<u>5,958,947</u>	<u>5,958,947</u>	<u>5,958,947</u>	<u>-</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 3,058,947</u>	<u>\$ 3,058,947</u>	<u>\$ 3,683,737</u>	<u>\$ 624,790</u>

CITY OF TERRELL HILLS, TEXAS  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
DECEMBER 31, 2012

**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 are the funds which have legally adopted annual budgets: General Fund and Debt Service Funds.

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 FUNDING PROGRESS – DEFINED BENEFIT PENSION PLAN  
 LAST SEVEN ACTUARIAL VALUATIONS

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY*	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
2005	\$ 4,036,575	\$ 4,748,465	85.0%	\$ 711,890	\$ 1,641,210	43.4%
2006	4,064,484	4,852,363	83.8%	787,879	1,700,806	46.3%
2007	4,221,815	5,981,694	70.6%	1,759,879	1,820,578	96.7%
2008	4,215,397	6,141,008	68.6%	1,925,611	1,936,353	99.4%
2009	4,388,874	6,248,017	70.2%	1,859,143	2,054,026	90.5%
2010	6,756,250	8,284,938	81.5%	1,528,688	2,116,055	72.2%
2011	7,390,089	8,836,391	83.6%	1,446,302	2,122,934	68.1%

\* As of December 31 of the preceding year, the date of the actuarial valuation.

\*\* Assets are stated at cost as of December 31 of the preceding year.



## 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 – General Fund
- Comparative Statements – Debt Service Fund
- Comparative Statements – Capital Projects Fund

CITY OF TERRELL HILLS, TEXAS  
 COMPARATIVE BALANCE SHEETS  
 GENERAL FUND  
 DECEMBER 31, 2012 AND 2011

	2012	2011
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,524,578	\$ 4,882,637
Receivables:		
Property Tax (net of uncollectible)	1,646,627	1,667,505
Sales Tax and Other Receivables	95,268	97,178
Due from Other Funds	66,700	66,700
Prepaid Items	35,026	44,198
<b>TOTAL ASSETS</b>	<b>\$ 4,368,199</b>	<b>\$ 6,758,218</b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 9,900	\$ 46,905
Accrued Payroll Expenditures	40,437	8,508
Accrued Vacation Payable	104,286	144,365
Unavailable Property Tax Revenue	529,839	599,493
<i>Total Liabilities</i>	<b>684,462</b>	<b>799,271</b>
 <i>Fund Balance:</i>		
Nonspendable Prepaid Items	35,026	44,198
Unassigned	3,648,711	5,914,749
<i>Total Fund Balance</i>	<b>3,683,737</b>	<b>5,958,947</b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 4,368,199</b>	<b>\$ 6,758,218</b>

CITY OF TERRELL HILLS, TEXAS  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GENERAL FUND  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 3,585,587	\$ 3,897,769
Sales Tax	250,432	201,985
Franchise Taxes	350,681	401,362
Charges for Services	160,066	144,074
Fines and Forfeitures	20,452	38,305
Other	336,076	60,483
<b>TOTAL REVENUES</b>	<b>4,703,294</b>	<b>4,743,978</b>
<b>EXPENDITURES</b>		
<i>Current:</i>		
General Government	800,471	800,422
Police Department	1,042,285	982,854
Fire Department	928,254	941,952
Streets and Sanitation Department	907,610	889,198
Administration	268,734	248,676
Capital Outlay	81,150	450,033
<b>TOTAL EXPENDITURES</b>	<b>4,028,504</b>	<b>4,313,135</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>674,790</b>	<b>430,843</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Sales of Capital Assets	-	7,512
Transfers Out	(2,950,000)	-
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>(2,950,000)</b>	<b>7,512</b>
Net Change in Fund Balance	<b>(2,275,210)</b>	438,355
<b>Fund Balance at Beginning of Year</b>	<b>5,958,947</b>	<b>5,520,592</b>
<b>Fund Balance at End of Year</b>	<b>\$ 3,683,737</b>	<b>\$ 5,958,947</b>

CITY OF TERRELL HILLS, TEXAS  
 COMPARATIVE BALANCE SHEETS  
 DEBT SERVICE FUND  
 DECEMBER 31, 2012 AND 2011

	<b>2012</b>	2011
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 423,937	\$ 558,266
Property Taxes Receivable (net of uncollectibles)	369,550	201,648
<b>TOTAL ASSETS</b>	<b>\$ 793,487</b>	<b>\$ 759,914</b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<i>Liabilities:</i>		
Unavailable Property Tax Revenue	\$ 118,911	\$ 72,496
<i>Total Liabilities</i>	<b>118,911</b>	72,496
 <i>Fund Balance</i>		
Restricted for Debt Service	674,576	687,418
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 793,487</b>	<b>\$ 759,914</b>

CITY OF TERRELL HILLS, TEXAS  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 DEBT SERVICE FUND  
 FOR THE FISCAL YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 742,738	\$ 456,256
<b>TOTAL REVENUES</b>	<b>742,738</b>	456,256
 <b>EXPENDITURES</b>		
Principal	3,020,000	270,000
Interest	386,028	249,667
Bond Issue Costs	49,552	-
<b>TOTAL EXPENDITURES</b>	<b>3,455,580</b>	519,667
 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	<b>(2,712,842)</b>	(63,411)
 <b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Refunding Bond Issued	2,700,000	-
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>2,700,000</b>	-
 Net Change in Fund Balance	<b>(12,842)</b>	(63,411)
 <b>Fund Balances at Beginning of Year</b>	<b>687,418</b>	750,829
 <b>Fund Balances at End of Year</b>	<b>\$ 674,576</b>	\$ 687,418

CITY OF TERRELL HILLS, TEXAS  
 COMPARATIVE BALANCE SHEETS  
 CAPITAL PROJECTS FUND  
 DECEMBER 31, 2012 AND 2011

	2012	2011
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,025,387	\$ 2,465,348
Investments	-	3,019,253
	<b>3,025,387</b>	<b>5,484,601</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,025,387</b>	<b>\$ 5,484,601</b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 782,342	\$ 450,135
Due to Other Funds	66,700	66,700
<i>Total Liabilities</i>	<b>849,042</b>	<b>516,835</b>
 <i>Fund Balance:</i>		
Restricted for Street and City Hall Capital Projects	-	4,967,766
Assigned for Capital Projects	2,176,345	-
<i>Total Fund Balance</i>	<b>2,176,345</b>	<b>4,967,766</b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 3,025,387</b>	<b>\$ 5,484,601</b>

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, 2012 AND 2011

	2012	2011
<b>REVENUES</b>		
Interest	\$ 20,976	\$ 38,904
<b>TOTAL REVENUES</b>	<b>20,976</b>	38,904
 <b>EXPENDITURES</b>		
Administration	-	146
Capital Outlay	5,762,397	3,005,473
Debt Issue Costs	-	65,519
<b>TOTAL EXPENDITURES</b>	<b>5,762,397</b>	3,071,138
 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	<b>(5,741,421)</b>	(3,032,234)
 <b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	2,950,000	-
Proceeds from Bond Issuance	-	8,000,000
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>2,950,000</b>	8,000,000
 <b>Net Change in Fund Balance</b>	<b>(2,791,421)</b>	4,967,766
 <b>Fund Balances at Beginning of Year</b>	<b>4,967,766</b>	-
 <b>Fund Balances at End of Year</b>	<b>\$ 2,176,345</b>	\$ 4,967,766





## STATISTICAL SECTION

The following unaudited Statistical Tables reflect social and economic data, financial trends and fiscal capacity of the City.

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 Terrell Hills' overall financial health

### **Contents**

#### Financial Trends – Tables 1 through 5

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

#### Revenue Capacity – Tables 6 through 9

*These schedules contain information to help the reader assess Terrell Hills' most significant local revenue source, the property tax.*

#### Debt Capacity – Tables 10 through 12

*These schedules present information to help the reader assess the affordability of Terrell Hills' current levels of outstanding debt, and our ability to issue additional debt.*

#### Demographic and Economic Information – Tables 13 and 14

*These schedules offer demographic and economic indicators to help the reader understand the environment within which Terrell Hills' financial activities take place.*

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

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Governmental Activities:</i>				
Invested in Capital Assets, Net of Related Debt	\$ (252,784)	\$ 494,415	\$ 4,230,175	\$ 2,606,563
Restricted	-	-	2,896,324	2,496,894
Unrestricted	5,894,855	6,413,634	1,001,403	4,507,682
<i>Total Governmental Activities Net Position</i>	<u>\$ 5,642,071</u>	<u>\$ 6,908,049</u>	<u>\$ 8,127,902</u>	<u>\$ 9,611,139</u>
 <i>Primary Government:</i>				
Invested in Capital Assets, Net of Related Debt	\$ (252,784)	\$ 494,415	\$ 4,230,175	\$ 2,606,563
Restricted	-	-	2,896,324	2,496,894
Unrestricted	5,894,855	6,413,634	1,001,403	4,507,682
<i>Total Primary Government Net Position</i>	<u>\$ 5,642,071</u>	<u>\$ 6,908,049</u>	<u>\$ 8,127,902</u>	<u>\$ 9,611,139</u>

TABLE 1

<b>Fiscal Year</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
\$ 4,923,809	\$ 3,941,616	\$ 3,781,954	\$ 4,810,825	\$ 4,989,491	\$ 5,546,721
830,521	795,023	832,476	818,392	582,335	649,871
5,235,738	5,502,520	6,346,745	5,984,061	6,424,662	6,322,988
<u>\$ 10,990,068</u>	<u>\$ 10,239,159</u>	<u>\$ 10,961,175</u>	<u>\$ 11,613,278</u>	<u>\$ 11,996,488</u>	<u>\$ 12,519,580</u>
\$ 4,923,809	\$ 3,941,616	\$ 3,781,954	\$ 4,810,825	\$ 4,989,491	\$ 5,546,721
830,521	795,023	832,476	818,392	582,335	649,871
5,235,738	5,502,520	6,346,745	5,984,061	6,424,662	6,322,988
<u>\$ 10,990,068</u>	<u>\$ 10,239,159</u>	<u>\$ 10,961,175</u>	<u>\$ 11,613,278</u>	<u>\$ 11,996,488</u>	<u>\$ 12,519,580</u>

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

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Expenses</b>				
<i>Governmental Activities:</i>				
General Government	\$ 415,588	\$ 462,453	\$ 856,196	\$ 386,051
Police Department	772,091	739,735	742,635	691,947
Fire Department	949,706	783,782	814,854	746,770
Streets and Sanitation Department	1,064,007	1,185,440	881,564	1,211,614
Administration	111,872	142,542	206,403	403,027
Interest on Long-Term Debt	156,265	179,357	166,016	159,881
<i>Total Governmental Activities</i>				
<i>Expenses</i>	<u>3,469,529</u>	<u>3,493,309</u>	<u>3,667,668</u>	<u>3,599,290</u>
<b>Program Revenues</b>				
<i>Governmental Activities:</i>				
Charges for Services	185,846	292,964	250,321	373,988
Operating Grants and Contributions	-	87,634	-	-
Capital Grants and Contributions	-	-	-	-
<i>Total Governmental Activities</i>				
<i>Program Revenues</i>	<u>185,846</u>	<u>380,598</u>	<u>250,321</u>	<u>373,988</u>
<b>Net (Expenses) Revenue</b>				
Governmental Activities	(3,283,683)	(3,112,711)	(3,417,347)	(3,225,302)
Total Primary Government Net Expenses	<u>\$ (3,283,683)</u>	<u>\$ (3,112,711)</u>	<u>\$ (3,417,347)</u>	<u>\$ (3,225,302)</u>
<b>Governmental Revenues and Other Changes in Net Position</b>				
<i>Governmental Activities:</i>				
Taxes:				
General Property Taxes	\$ 3,718,500	\$ 3,912,016	\$ 4,141,871	\$ 4,145,607
Franchise Taxes	248,453	261,530	267,862	276,333
Sales Taxes	99,114	118,399	115,731	120,877
Interest and Investment Earnings	41,423	46,011	85,071	140,055
Gain on Sales of Capital Assets	-	-	-	-
Miscellaneous	21,630	40,733	26,665	25,667
<i>Total Governmental Activities</i>	<u>4,129,120</u>	<u>4,378,689</u>	<u>4,637,200</u>	<u>4,708,539</u>
<i>Special Items</i>				
Loss on Sale of Sewer System	-	-	-	-
Total Primary Government	<u>\$ 4,129,120</u>	<u>\$ 4,378,689</u>	<u>\$ 4,637,200</u>	<u>\$ 4,708,539</u>
<b>Changes In Net Position</b>				
Government Activities	\$ 845,437	\$ 1,265,978	\$ 1,219,853	\$ 1,483,237
Total Primary Government	<u>\$ 845,437</u>	<u>\$ 1,265,978</u>	<u>\$ 1,219,853</u>	<u>\$ 1,483,237</u>

TABLE 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 1,509,745	\$ 1,061,759	\$ 727,653	\$ 810,979	\$ 807,990	\$ 812,325
741,268	766,392	942,463	1,006,564	1,041,675	1,078,398
803,498	884,516	955,350	981,927	969,246	943,061
906,726	1,428,718	1,463,489	1,458,840	1,361,226	1,447,636
440,802	291,411	306,889	260,944	259,126	279,390
152,690	146,046	134,575	125,433	378,232	359,862
<u>4,554,729</u>	<u>4,578,842</u>	<u>4,530,419</u>	<u>4,644,687</u>	<u>4,817,495</u>	<u>4,920,672</u>
972,135	618,936	134,590	144,733	161,500	173,927
-	-	-	-	26,612	7,977
-	49,618	25,871	4,677	-	-
<u>972,135</u>	<u>668,554</u>	<u>160,461</u>	<u>149,410</u>	<u>188,112</u>	<u>181,904</u>
<u>(3,582,594)</u>	<u>(3,910,288)</u>	<u>(4,369,958)</u>	<u>(4,495,277)</u>	<u>(4,629,383)</u>	<u>(4,738,768)</u>
<u>\$ (3,582,594)</u>	<u>\$ (3,910,288)</u>	<u>\$ (4,369,958)</u>	<u>\$ (4,495,277)</u>	<u>\$ (4,629,383)</u>	<u>\$ (4,738,768)</u>
\$ 4,312,128	\$ 4,420,898	\$ 4,546,238	\$ 4,484,433	\$ 4,311,199	\$ 4,305,085
266,969	316,736	322,980	352,965	401,362	350,681
163,256	159,111	161,980	210,504	201,985	250,432
162,878	87,445	40,963	23,896	62,400	34,822
-	17,655	4,420	7,820	4,390	-
56,291	18,700	15,393	67,762	31,257	320,840
<u>4,961,522</u>	<u>5,020,545</u>	<u>5,091,974</u>	<u>5,147,380</u>	<u>5,012,593</u>	<u>5,261,860</u>
-	(1,861,165)	-	-	-	-
<u>\$ 4,961,522</u>	<u>\$ 3,159,380</u>	<u>\$ 5,091,974</u>	<u>\$ 5,147,380</u>	<u>\$ 5,012,593</u>	<u>\$ 5,261,860</u>
\$ 1,378,928	\$ (750,908)	\$ 722,016	\$ 652,103	\$ 383,210	\$ 523,092
<u>\$ 1,378,928</u>	<u>\$ (750,908)</u>	<u>\$ 722,016</u>	<u>\$ 652,103</u>	<u>\$ 383,210</u>	<u>\$ 523,092</u>

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

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	403,188	-	-	-
Unassigned	<u>1,428,679</u>	<u>1,933,415</u>	<u>2,562,681</u>	<u>3,566,548</u>
<b>Total General Fund</b>	<b><u>\$ 1,831,867</u></b>	<b><u>\$ 1,933,415</u></b>	<b><u>\$ 2,562,681</u></b>	<b><u>\$ 3,566,548</u></b>
All Other Governmental Funds				
Reported In:				
Capital Project Funds	\$ 3,459,509	\$ 3,210,581	\$ 2,131,252	\$ 1,701,658
Debt Service Funds	<u>636,479</u>	<u>634,624</u>	<u>667,999</u>	<u>668,850</u>
<b>Total All Other Governmental Funds</b>	<b><u>\$ 4,095,988</u></b>	<b><u>\$ 3,845,205</u></b>	<b><u>\$ 2,799,251</u></b>	<b><u>\$ 2,370,508</u></b>

TABLE 3

<b>Fiscal Year</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
\$ -	\$ 5,539	\$ 33,556	\$ 33,613	\$ 44,198	\$ 35,026
-	-	25,871	3,568	-	-
4,714,569	4,833,062	5,741,567	5,483,411	5,914,749	3,648,711
<u>\$ 4,714,569</u>	<u>\$ 4,838,601</u>	<u>\$ 5,800,994</u>	<u>\$ 5,520,592</u>	<u>\$ 5,958,947</u>	<u>\$ 3,683,737</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,967,766	\$ 2,176,345
592,444	697,952	716,672	750,829	687,418	674,576
<u>\$ 592,444</u>	<u>\$ 697,952</u>	<u>\$ 716,672</u>	<u>\$ 750,829</u>	<u>\$ 5,655,184</u>	<u>\$ 2,850,921</u>

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

	Fiscal Year			
	2003	2004	2005	2006
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 3,718,500	\$ 3,262,914	\$ 4,054,231	\$ 3,748,402
Sales Taxes	99,114	118,399	115,731	120,877
Franchise Taxes	248,453	261,530	267,862	276,333
Charges for Services	162,518	260,851	219,996	341,168
Fines and Forfeitures	21,717	30,558	30,325	32,820
Other	64,666	206,124	111,736	165,722
<b>TOTAL REVENUES</b>	<u>4,314,968</u>	<u>4,140,376</u>	<u>4,799,881</u>	<u>4,685,322</u>
<b>EXPENDITURES</b>				
Current:				
General Government	363,123	461,922	520,299	422,460
Police Department	743,840	712,132	730,097	677,700
Fire Department	931,714	765,661	799,909	731,824
Streets and Sanitation Department	776,868	878,812	1,367,251	872,867
Administration	111,091	139,918	204,391	397,755
Capital Projects/Outlay	437,980	844,812	1,142,544	505,443
Debt Service:				
Principal	280,000	270,000	335,000	340,000
Interest and Fiscal Charges	133,581	230,864	167,761	162,149
<b>TOTAL EXPENDITURES</b>	<u>3,778,197</u>	<u>4,304,121</u>	<u>5,267,252</u>	<u>4,110,198</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>536,771</u>	<u>(163,745)</u>	<u>(467,371)</u>	<u>575,124</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sales of Capital Assets	-	14,510	-	-
Proceeds from Bonds Issued	3,500,000	-	-	-
Proceeds from Capital Lease	-	-	50,682	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>3,500,000</u>	<u>14,510</u>	<u>50,682</u>	<u>-</u>
<b>SPECIAL ITEMS</b>				
Proceeds from Sale of Sewer System	-	-	-	-
Net Change in Fund Balance	<u>\$ 4,036,771</u>	<u>\$ (149,235)</u>	<u>\$ (416,689)</u>	<u>\$ 575,124</u>
Debt Service Expenditures as a Percent of Non-capital expenditures	12.4%	14.2%	12.2%	14.3%



TABLE 4

<b>Fiscal Year</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
\$ 4,623,465	\$ 4,422,874	\$ 4,584,766	\$ 4,551,726	\$ 4,354,025	\$ 4,328,325
163,256	159,111	161,980	210,504	201,985	250,432
266,969	316,736	322,980	352,965	401,362	350,681
946,074	591,481	102,948	127,169	144,074	160,066
26,061	27,455	31,642	17,564	38,305	20,452
219,684	155,763	82,227	96,336	99,387	357,052
<u>6,245,509</u>	<u>5,673,420</u>	<u>5,286,543</u>	<u>5,356,264</u>	<u>5,239,138</u>	<u>5,467,008</u>
519,913	1,059,612	723,009	806,335	800,422	800,471
707,203	733,341	875,975	939,427	982,854	1,042,285
807,338	865,681	912,558	938,906	941,952	928,254
830,294	925,587	943,513	961,159	889,198	907,610
432,656	284,043	291,629	245,878	248,822	268,734
3,072,396	1,663,206	43,271	1,317,073	3,455,506	5,843,547
350,000	370,298	380,906	272,627	270,000	3,020,000
155,752	149,767	138,989	128,924	315,186	435,580
<u>6,875,552</u>	<u>6,051,535</u>	<u>4,309,850</u>	<u>5,610,329</u>	<u>7,903,940</u>	<u>13,246,481</u>
<u>(630,043)</u>	<u>(378,115)</u>	<u>976,693</u>	<u>(254,065)</u>	<u>(2,664,802)</u>	<u>(7,779,473)</u>
-	17,655	4,420	7,820	7,512	-
-	-	-	-	8,000,000	2,700,000
-	-	-	-	-	-
<u>-</u>	<u>17,655</u>	<u>4,420</u>	<u>7,820</u>	<u>8,007,512</u>	<u>2,700,000</u>
-	590,000	-	-	-	-
<u>\$ (630,043)</u>	<u>\$ 229,540</u>	<u>\$ 981,113</u>	<u>\$ (246,245)</u>	<u>\$ 5,342,710</u>	<u>\$ (5,079,473)</u>
11.4%	11.9%	12.2%	9.4%	8.9%	46.7%

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
2003	\$ 3,718,500	\$ 99,114	\$ 248,453	\$ 4,066,067
2004	3,262,914	118,399	261,530	3,642,843
2005	4,054,231	115,731	267,862	4,437,824
2006	3,748,402	120,877	276,333	4,145,612
2007	4,623,465	163,256	266,969	5,053,690
2008	4,422,874	159,111	316,736	4,898,721
2009	4,584,766	161,980	322,980	5,069,726
2010	4,551,726	210,504	352,965	5,115,195
2011	4,354,025	201,985	401,362	4,957,372
2012	4,328,325	250,432	350,681	4,929,438

CITY OF TERRELL HILLS, TEXAS  
 ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY  
 LAST EIGHT 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
2005	\$ 584,788,187	\$ 194,929,396	\$ 3,824,695	\$ 775,892,888	0.516864
2006	669,060,942	223,256,226	4,081,021	888,236,147	0.465853
2007	744,263,876	254,897,984	6,810,026	992,351,834	0.430422
2008	1,055,833,200	53,924,260	17,105,644	1,092,651,816	0.399293
2009	1,157,624,322	43,684,779	47,994,405	1,153,314,696	0.391301
2010	1,144,858,092	33,204,166	23,686,058	1,154,376,200	0.385068
2011	1,102,235,184	29,417,469	14,315,005	1,117,337,648	0.385068
2012	1,093,517,790	32,236,926	12,349,128	1,113,405,588	0.385068

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 EIGHT FISCAL YEARS

TABLE 7

City Direct Rates			
Fiscal Period	General M&O	Debt Service	Total Direct
2005	0.448762	0.068102	0.516864
2006	0.409036	0.056817	0.465853
2007	0.377769	0.052653	0.430422
2008	0.352019	0.047274	0.399293
2009	0.346232	0.045069	0.391301
2010	0.350594	0.034474	0.385068
2011	0.343526	0.041542	0.385068
2012	0.314488	0.070580	0.385068

Overlapping Rates							
Fiscal Period	Alamo Heights ISD	Bexar County	Bexar County Flood	San Antonio River Authority	University Health System	Alamo Community College	Total Overlapping
2005	1.656600	0.318471	0.012719	0.016425	0.243869	0.107050	2.355134
2006	1.486600	0.314147	0.012719	0.016045	0.243869	0.137050	2.210430
2007	1.156600	0.295104	0.031762	0.015951	0.237408	0.134550	1.871375
2008	1.156600	0.289399	0.037467	0.015951	0.261022	0.135855	1.896294
2009	1.162000	0.296187	0.030679	0.015951	0.266235	0.135855	1.906907
2010	1.168000	0.296187	0.030679	0.016652	0.276235	0.141623	1.929376
2011	1.198000	0.296187	0.030679	0.017370	0.276235	0.141623	1.960094
2012	1.218000	0.296187	0.030679	0.017370	0.276235	0.149150	1.987621

Source: Bexar County Tax Office

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

TABLE 8

<u>Taxpayer</u>	<u>2012</u>			<u>2006</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Michael & Candace Humphreys	\$ 10,000,000	1	0.90%	\$ 16,695,000	1	1.88%
Edward & Linda Whitacre	5,007,750	2	0.45%			
Berkley & Bonnie Dawson	4,920,780	3	0.44%			
Thomas Moorman	4,286,240	4	0.38%	4,068,510	3	0.46%
Patrick Condon	3,842,860	5	0.35%			
Patricia Cerisola	3,800,580	6	0.34%			
Richard and Mary Azar	3,750,000	7	0.34%			
John and Laura Zachry	3,725,000	8	0.33%			
Barry Roberts	3,667,960	9	0.33%			
Nicolas & Aliece Hollis	3,371,885	10	0.30%			
Enterprise Leasing				4,992,880	2	0.56%
Robert and Rebecca Young				3,811,440	4	0.43%
Darren Casey				3,427,920	5	0.39%
Dorothy Atwood				3,150,000	6	0.36%
Deborah Rogers				2,965,360	7	0.33%
Karl and Elisabeth Swann				2,842,000	8	0.32%
Thomas and Maria Brundage				2,773,630	9	0.31%
Rayford and Lorena Wilkins				2,700,000	10	0.30%
<b>Total</b>	<u><u>\$46,373,055</u></u>		<u><u>4.16%</u></u>	<u><u>\$47,426,740</u></u>		<u><u>5.34%</u></u>

Taxable Value of \$1,113,405,588

Note Information from nine years ago was not available. Information from six years ago presented instead.

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

TABLE 9

Fiscal Year Ended <u>December 31,</u>	Taxes Levied for the Fiscal Year	Collected within the		Collections In Subsequent Years	Total Collections to Date	
		<u>Fiscal Year of the Levy</u>	<u>Percentage</u>		<u>Amount</u>	<u>Percentage</u>
		<u>Amount</u>	<u>of Levy</u>		<u>Amount</u>	<u>of Levy</u>
2005	\$ 4,010,311	\$ 2,172,717	54.2%	\$ 1,836,241	\$ 4,008,958	100.0%
2006	4,137,874	1,914,580	46.3%	2,220,584	4,135,164	99.9%
2007	4,264,895	1,799,189	42.2%	2,463,276	4,262,465	99.9%
2008	4,362,882	2,027,849	46.5%	2,330,222	4,358,071	99.9%
2009	4,512,971	2,487,685	55.1%	2,004,401	4,492,086	99.5%
2010	4,445,172	2,535,057	57.0%	1,881,257	4,416,314	99.4%
2011	4,304,008	2,475,807	57.5%	1,797,273	4,273,080	99.3%
2012	4,287,463	2,317,228	54.0%	-	2,317,228	54.0%

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

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

TABLE 10

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income**	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Capital Leases			
2003	\$2,025,000	\$ 3,500,000	\$ -	\$ 5,525,000	2.0%	\$ 1,101
2004	1,755,000	3,500,000	-	5,255,000	1.8%	1,047
2005	1,420,000	3,500,000	47,737	4,967,737	1.7%	990
2006	1,080,000	3,500,000	38,555	4,618,555	1.5%	920
2007	730,000	3,500,000	28,831	4,258,831	1.3%	823
2008	370,000	3,500,000	18,533	3,888,533	1.1%	751
2009	-	3,500,000	7,627	3,507,627	0.9%	669
2010	-	3,235,000	-	3,235,000	0.8%	612
2011	8,000,000	2,965,000	-	10,965,000	2.7%	2,248
2012	10,645,000	-	-	10,645,000	2.6%	2,130

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 13.

\*\*Personal Income taken from multiplying per capita personal income times population on table 13.

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	Total	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita*
	General Obligation Bonds	Certificates of Obligation					
2003	\$2,025,000	\$ 3,500,000	\$ (636,479)	\$ 4,888,521	\$ 657,564,426	0.74%	\$ 974
2004	1,755,000	3,500,000	(720,148)	4,534,852	696,696,122	0.65%	904
2005	1,420,000	3,500,000	(667,999)	4,252,001	775,892,888	0.55%	847
2006	1,080,000	3,500,000	(668,850)	3,911,150	888,236,147	0.44%	779
2007	730,000	3,500,000	(592,444)	3,637,556	992,351,834	0.37%	703
2008	370,000	3,500,000	(697,952)	3,172,048	1,092,651,816	0.29%	613
2009	-	3,500,000	(716,672)	2,783,328	1,153,314,696	0.24%	531
2010	-	3,235,000	(750,829)	2,484,171	1,154,376,200	0.22%	470
2011	8,000,000	2,965,000	(687,418)	10,277,582	1,117,337,648	0.92%	2,107
2012	10,645,000	-	(674,576)	9,970,424	1,113,405,588	0.90%	1,995

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 13.



CITY OF TERRELL HILLS, TEXAS  
 LEGAL DEBT MARGIN  
 FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE 12

Taxable Value	<u><u>\$ 1,113,405,588</u></u>
Debt Limit - 10% of taxable value	\$ 111,340,559
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	\$ 10,645,000
Resources available in Debt Service Fund	<u>674,576</u>
Total Amount of Debt Applicable to Debt Limit	<u><u>(9,970,424)</u></u>
Legal Debt Margin	<u><u>\$ 101,370,135</u></u>

	Fiscal Year		
	2009	2010	2011
Debt Limit	115,331,470	115,437,620	111,733,765
Total net debt applicable to limit	<u>(2,783,328)</u>	<u>(2,484,171)</u>	<u>(10,277,582)</u>
Legal Debt Margin	<u><u>\$ 112,548,142</u></u>	<u><u>\$ 112,953,449</u></u>	<u><u>\$ 101,456,183</u></u>

	Fiscal Year		
	2006	2007	2008
Debt Limit	88,823,615	99,269,204	109,265,182
Total net debt applicable to limit	<u>(3,911,150)</u>	<u>(3,399,479)</u>	<u>(3,172,048)</u>
Legal Debt Margin	<u><u>\$ 84,912,465</u></u>	<u><u>\$ 95,869,725</u></u>	<u><u>\$ 106,093,134</u></u>

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

TABLE 13

Year	Population	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2005	5,019	\$ 59,836	41.60	N/A	5.0%
2006	5,019	62,776	41.60	N/A	4.6%
2007	5,177	65,716	41.60	N/A	4.1%
2008	5,177	68,656	41.60	N/A	5.3%
2009	5,241	71,596	41.60	N/A	6.5%
2010	5,287	74,536	40.50	N/A	7.4%
2011	4,878	81,790	44.80	N/A	6.8%
2012	4,998	82,293	41.00	N/A	5.7%

Population, median age, and per capita 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.

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

TABLE 14

Employer	2012			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lackland Air Force Base	37,097	1	3.75%	28,100	2	3.11%
Fort Sam Houston	32,000	2	3.24%	30,793	1	3.41%
USAA	15,000	3	1.52%	14,852	3	1.65%
HEB Food Stores	14,588	4	1.48%	14,588	4	1.62%
Northside ISD	12,751	5	1.29%	12,597	5	1.40%
Randolph Air Force Base	11,068	6	1.12%	10,700	6	1.19%
North East ISD	10,522	7	1.06%	10,223	7	1.13%
City of San Antonio	9,145	8	0.92%	9,000	8	1.00%
Methodist Healthcare	7,747	9	0.78%	7,013	10	0.78%
San Antonio ISD	7,000	10	0.71%	7,581	9	0.84%
<b>Total</b>	<b>156,918</b>		<b>12.12%</b>	<b>145,447</b>		<b>13.01%</b>

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

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

Source: San Antonio Economic Development Foundation

