

VILLAGE OF THE HILLS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF THE HILLS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor and Members of the Village Council of the
Village of The Hills, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Village of The Hills, Texas (the "Village") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village as of September 30, 2020, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section preceding the basic financial statements and the pension and other post-employment benefit related schedules following the notes to the financials 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 sufficient evidence to express an opinion or provide any assurance.

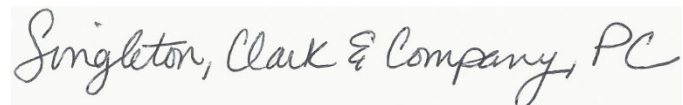
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC
Cedar Park, Texas

April 30, 2021

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VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Management's Discussion and Analysis

As management of the Village of The Hills, Texas, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2020. Please read it in conjunction with the independent auditor's report on page 1 and the Village's basic financial statements which follow this section.

Financial Highlights

- The Village's adjusted net position for governmental activities increased by \$312,578 as a result of this year's operations to end at \$1,625,637. The Village's adjusted net position for business-type activities increased by \$23,967 to end at \$99,963. Total assets of the Village exceeded its total liabilities at the close of the most recent fiscal year by \$1,725,600 (*total net position*).
- As of the close of the current fiscal year, the governmental funds of the Village (the General Fund and the Capital Projects Fund) reported an overall fund balance increase of \$5,196, to end at \$610,018. The General Fund of the Village reported an overall fund balance increase of \$147,992, to end at \$596,890.
- As of September 30, 2020, the Solid Waste Fund's fund balance was \$99,963, an increase of \$23,967. The increase in fund balance was a result of charges for services exceeding expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Village of The Hills, Texas's basic financial statements. The Village's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements.

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

The *statement of net position* presents financial information on all of the Village's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Village of The Hills, Texas that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public safety, and culture and recreation. The business-type activity of the Village consists of solid waste removal.

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of The Hills, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of The Hills, Texas can be divided into two categories: governmental funds and proprietary funds.

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

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

The Village of The Hills, Texas maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which is also considered to be a major fund.

The Village of The Hills, Texas adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds. The Village of The Hills, Texas has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses an enterprise fund to account for its solid waste utility operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a Village's functions. The Village is not currently utilizing an internal service fund. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste utility fund, which is considered to be a major fund of the Village of The Hills, Texas. Conversely, when internal service funds are utilized, they are combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Village of The Hills, Texas does not utilize fiduciary funds.

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Village of The Hills, Texas's progress in funding its obligation to provide pension and OPEB benefits to its employee. Required supplementary information can be found beginning on page 52 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Village, total assets exceeded total liabilities by \$1,625,637 at the close of the most recent fiscal year.

Table I
Village of The Hills, Texas's
Net Position

	Governmental Activities 2020	Governmental Activities 2019	Change	Business- Type Activities 2020	Business- Type Activities 2019	Change
Current & Other Assets	\$ 684,625	\$ 636,778	\$ 47,847	\$ 123,259	\$ 93,936	\$ 29,323
Capital Assets	1,005,440	697,677	307,763	-	-	-
Deferred Outflows	8,103	6,698	1,405	-	-	-
Total Assets and Deferred Outflows	1,698,168	1,341,153	357,015	123,259	93,936	29,323
Current & Other Liabilities	65,140	24,316	40,824	23,296	17,940	5,356
Long-term Liabilities	5,942	3,756	2,186	-	-	-
Deferred Inflows	1,449	22	1,427	-	-	-
Total Liabilities and Deferred Inflows	72,531	28,094	44,437	23,296	17,940	5,356
Net Position						
Net Investment in Capital Assets	1,005,440	697,677	307,763	-	-	-
Unrestricted	620,197	615,382	4,815	99,963	75,996	23,967
Total Net Position	\$ 1,625,637	\$ 1,313,059	\$ 312,578	\$ 99,963	\$ 75,996	\$ 23,967

The largest portion of the Village of The Hills, Texas's net position (61.8%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure). The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The Village of The Hills, Texas does not have resources that are subject to external restrictions on how they may be used. The remaining balance of \$620,197 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the Village is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Village of The Hills, Texas's overall net position increased by \$336,545 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$312,578 for an ending balance of \$1,625,637. The increase in the overall net position of governmental activities is the result of actual revenues exceeding budgeted revenues and actual expenditures being less than budgeted expenditures.

Table II
Village of The Hills, Texas's
Changes in Net Position

	Governmental Activities 2020	Governmental Activities 2019	Change	Business- Type Activities 2020	Business- Type Activities 2019	Change
REVENUES						
Program Revenues:						
Charges for Services	\$ 450	\$ 1,800	\$ (1,350)	\$ 276,540	\$ 256,728	\$ 19,812
Operating Grants & Contributions	-	21,110	(21,110)	-	-	-
General Revenues:						
Property Taxes	469,301	453,526	15,775	-	-	-
Other Taxes	207,823	189,329	18,494	-	-	-
Grants and Contributions Not Restricted to Specific Programs	131,387	142,438	(11,051)	-	-	-
Other	4,818	3,385	1,433	-	-	-
Total Revenue	813,779	811,588	2,191	276,540	256,728	19,812
EXPENSES						
General Government	297,105	276,041	21,064	-	-	-
Public Safety	105,013	95,669	9,344	-	-	-
Culture and Recreation	99,083	124,068	(24,985)	-	-	-
Solid Waste	-	-	-	252,573	238,443	14,130
Total Expenses	501,201	495,778	5,423	252,573	238,443	14,130
Increase (Decrease) in Net Position	312,578	315,810	(3,232)	23,967	18,285	5,682
Net Position - Beginning	1,313,059	1,039,246	273,813	75,996	48,914	27,082
Prior Period Adjustment	-	(41,997)	41,997	-	8,797	(8,797)
Net Position - Ending	\$ 1,625,637	\$ 1,313,059	\$ 312,578	\$ 99,963	\$ 75,996	\$ 23,967

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Business-type Activities. For the Village of The Hills, Texas's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$99,963. The total increase in net position for the Village's business-type activities, the Solid Waste Fund, was \$23,967 or an approximate 32% increase from the prior fiscal year's adjusted balance. The growth, in large part, is attributable to charges for services exceeding expenditures.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the Village of The Hills, Texas's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village of The Hills, Texas's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Village of The Hills, Texas itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Village of The Hills, Texas's Council.

At September 30, 2020, the Village of The Hills, Texas's governmental funds reported combined fund balances of \$610,018, an increase of \$5,196 in comparison with the prior year. Approximately 98% of this amount \$596,890 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *assigned* (to indicate that it is assigned) for capital projects, \$13,128.

The General Fund is the chief operating fund of the Village of The Hills, Texas. At the end of the current fiscal year the total fund balance consisted entirely of unassigned funds. The total fund balance of the General Fund increased to \$596,890. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 134% of total General Fund current year expenditures.

The fund balance of the Village of The Hills, Texas's General Fund increased by \$147,992 during the current fiscal year. The increase is the result of actual revenues exceeding budgeted revenues and actual expenditures being less than budgeted expenditures.

The Capital Projects Fund had a \$142,796 decrease in fund balance during the current fiscal year which put the overall fund balance at \$13,128. The decrease in fund balance was a result of infrastructure projects undertaken during the year.

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Proprietary Funds. The Village of The Hills, Texas's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the solid waste fund increased \$23,967 to end the fiscal year at \$99,963. As noted earlier in the discussion of business-type activities, the increase for the Solid Waste Fund results from charges for services in the current year exceeding expenditures.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

Capital Assets and Debt Administration

Capital assets. The Village of The Hills, Texas's investment in capital assets for its governmental activities as of September 30, 2020, amounts to \$1,005,440 (net of accumulated depreciation). This investment in capital assets includes land, buildings, leasehold improvements, infrastructure, machinery, equipment, furniture, and construction in progress. The net increase in capital assets for the current fiscal year was 44% over the prior year or \$307,763.

Table III
Village of The Hills, Texas's
Capital Assets

	Governmental Activities 2020	Governmental Activities 2019	Change
Land	\$ 39,540	\$ 39,540	\$ -
Buildings and Improvements	147,211	147,211	-
Furniture and Equipment	108,821	108,821	-
Infrastructure	1,157,107	742,864	414,243
Construction in Progress	-	54,222	(54,222)
Total	<u>1,452,679</u>	<u>1,092,658</u>	<u>360,021</u>
Less Accumulated Depreciation	<u>(447,239)</u>	<u>(394,981)</u>	<u>(52,258)</u>
Capital Assets, Net of Depreciation	<u><u>\$ 1,005,440</u></u>	<u><u>\$ 697,677</u></u>	<u><u>\$ 307,763</u></u>

Additional information on the Village of The Hills, Texas's capital assets can be found in Note III.C on page 40 of this report.

Long-term Debt. At the end of the current fiscal year, the Village of The Hills, Texas did not have any bonded debt. The Village's long-term obligations consisted entirely of pension and OPEB related obligations.

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Economic Factors and Next Year's Budgets and Rates

The Village considered many factors when setting the fiscal year 2020-2021 budget. The Village's General Fund budget for fiscal year 2020-2021 includes expenditures of \$746,869 which is a slight decrease from fiscal year 2019-2020 total adopted expenditures. The Village maintained the tax rate for fiscal year 2020-2021 at \$0.10 per \$100 valuation.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those interested in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Wendy Smith May, the City Manager, at 102 Trophy Drive, The Hills, Texas 78738, or by calling (512) 261-6281.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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VILLAGE OF THE HILLS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 219,580	\$ 76,686	\$ 296,266
Investments - Current	454,614	-	454,614
Taxes Receivable - Delinquent	10,519	-	10,519
Allowance for Uncollectible Taxes	(1,052)	-	(1,052)
Accounts Receivable	964	46,573	47,537
Capital Assets, Not Being Depreciated:			
Land	39,540	-	39,540
Capital Assets, Being Depreciated:			
Buildings and Improvements	147,211	-	147,211
Machinery, Equipment, and Vehicles	108,821	-	108,821
Infrastructure	1,157,107	-	1,157,107
Accumulated Depreciation	(447,239)	-	(447,239)
Total Assets	<u>1,690,065</u>	<u>123,259</u>	<u>1,813,324</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows NPL/OPEB	8,103	-	8,103
Total Deferred Outflows of Resources	<u>8,103</u>	<u>-</u>	<u>8,103</u>
LIABILITIES			
Accounts Payable	65,140	23,296	88,436
Noncurrent Liabilities:			
Due in More than One Year	5,942	-	5,942
Total Liabilities	<u>71,082</u>	<u>23,296</u>	<u>94,378</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows NPL/OPEB	1,449	-	1,449
Total Deferred Inflows of Resources	<u>1,449</u>	<u>-</u>	<u>1,449</u>
NET POSITION			
Net Investment in Capital Assets	1,005,440	-	1,005,440
Unrestricted	620,197	99,963	720,160
Total Net Position	<u>\$ 1,625,637</u>	<u>\$ 99,963</u>	<u>\$ 1,725,600</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF THE HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs:	Expenses	Program Revenues
		Charges for Services
Primary Government:		
Governmental Activities:		
General Government	\$ 297,105	\$ 150
Public Safety	105,013	-
Culture and Recreation	99,083	300
Total Governmental Activities:	501,201	450
Business - Type Activities:		
Solid Waste Fund	252,573	276,540
Total Business - Type Activities:	252,573	276,540
Total Primary Government	\$ 753,774	\$ 276,990
General Revenues:		
Property Taxes		
Sales Taxes		
Franchise Taxes		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning		
Net Position - Ending		

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activites	Total
\$ (296,955)	\$ -	\$ (296,955)
(105,013)	-	(105,013)
(98,783)	-	(98,783)
<u>(500,751)</u>	<u>-</u>	<u>(500,751)</u>
-	23,967	23,967
-	<u>23,967</u>	<u>23,967</u>
<u>(500,751)</u>	<u>23,967</u>	<u>(476,784)</u>
469,301	-	469,301
207,823	-	207,823
131,387	-	131,387
4,318	-	4,318
500	-	500
<u>813,329</u>	<u>-</u>	<u>813,329</u>
312,578	23,967	336,545
1,313,059	75,996	1,389,055
<u>\$ 1,625,637</u>	<u>\$ 99,963</u>	<u>\$ 1,725,600</u>

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FUND BASIS FINANCIAL STATEMENTS

VILLAGE OF THE HILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 152,418	\$ 67,162	\$ 219,580
Investments - Current	454,614	-	454,614
Taxes Receivable - Delinquent	10,519	-	10,519
Allowance for Uncollectible Delinquent Taxes	(1,052)	-	(1,052)
Accounts Receivable	964	-	964
Total Assets	<u>\$ 617,463</u>	<u>\$ 67,162</u>	<u>\$ 684,625</u>
LIABILITIES			
Accounts Payable	\$ 11,106	\$ 54,034	\$ 65,140
Total Liabilities	<u>11,106</u>	<u>54,034</u>	<u>65,140</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	9,467	-	9,467
Total Deferred Inflows of Resources	<u>9,467</u>	<u>-</u>	<u>9,467</u>
FUND BALANCES			
Assigned:			
Capital Projects	-	13,128	13,128
Unassigned	596,890	-	596,890
Total Fund Balances	<u>596,890</u>	<u>13,128</u>	<u>610,018</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 617,463</u>	<u>\$ 67,162</u>	<u>\$ 684,625</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF THE HILLS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance of all governmental funds		\$ 610,018
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets		\$ 1,057,698
Less accumulated depreciation		<u>(52,258)</u>
		1,005,440
<p>Other long-term assets, such as uncollected property taxes, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		
		9,467
<p>Additional long-term liabilities related to the recognition of the net pension liability and the net OPEB liability are not reported in the funds.</p>		
		<u>712</u>
Net position of governmental activities		<u><u>\$ 1,625,637</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF THE HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property Taxes	\$ 467,474	\$ -	\$ 467,474
Sales Taxes	207,823	-	207,823
Franchise Taxes	131,387	-	131,387
Licenses and Permits	450	-	450
Investment Earnings	4,318	-	4,318
Miscellaneous Revenue	500	-	500
Total Revenues	811,952	-	811,952
EXPENDITURES			
Current:			
General Government	262,238	1,775	264,013
Public Safety	94,015	-	94,015
Culture and Recreation	88,707	-	88,707
Capital Outlay	-	360,021	360,021
Total Expenditures	444,960	361,796	806,756
Excess (Deficiency) of Revenues Over Expenditures	366,992	(361,796)	5,196
OTHER FINANCING SOURCES (USES)			
Transfers In	-	219,000	219,000
Transfers Out	(219,000)	-	(219,000)
Total Other Financing Sources (Uses)	(219,000)	219,000	-
Net Change in Fund Balance	147,992	(142,796)	5,196
Fund Balance - Beginning	448,898	155,924	604,822
Fund Balance - Ending	\$ 596,890	\$ 13,128	\$ 610,018

The notes to the financial statements are an integral part of this statement.

VILLAGE OF THE HILLS, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

Net change in fund balances for total governmental funds	\$	5,196
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		307,763
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,827
The net effect of various transactions involving the net pension liability and the net OPEB liability is to decrease net position.		(2,208)
Change in net position for governmental activities	\$	<u><u>312,578</u></u>

The notes to the financial statements are an integral part of this statement.

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VILLAGE OF THE HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 473,160	\$ 473,160	\$ 467,474	\$ (5,686)
Sales Taxes	148,500	148,500	207,823	59,323
Franchise Taxes	129,000	129,000	131,387	2,387
Licenses and Permits	1,400	1,400	450	(950)
Investment Earnings	1,000	1,000	4,318	3,318
Grants and Contributions	8,200	8,200	-	(8,200)
Miscellaneous Revenue	-	-	500	500
Total Revenues	<u>761,260</u>	<u>761,260</u>	<u>811,952</u>	<u>50,692</u>
EXPENDITURES				
Current:				
General Government	312,409	312,409	262,238	50,171
Public Safety	91,500	91,500	94,015	(2,515)
Culture and Recreation	173,300	173,300	88,707	84,593
Total Expenditures	<u>577,209</u>	<u>577,209</u>	<u>444,960</u>	<u>132,249</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>184,051</u>	<u>184,051</u>	<u>366,992</u>	<u>182,941</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	15,000	15,000	-	(15,000)
Transfers Out	(184,000)	(219,000)	(219,000)	-
Total Other Financing Sources (Uses)	<u>(169,000)</u>	<u>(204,000)</u>	<u>(219,000)</u>	<u>(15,000)</u>
Net Change in Fund Balances	15,051	(19,949)	147,992	167,941
Fund Balance - Beginning	448,898	448,898	448,898	-
Fund Balance - Ending	<u>\$ 463,949</u>	<u>\$ 428,949</u>	<u>\$ 596,890</u>	<u>\$ 167,941</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF THE HILLS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020

	Business-Type Activities
	Solid Waste Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 76,686
Accounts Receivable	46,573
Total Current Assets	123,259
LIABILITIES	
Current Liabilities:	
Accounts Payable	23,296
Total Current Liabilities	23,296
NET POSITION	
Unrestricted	99,963
Total Net Position	\$ 99,963

The notes to the financial statements are an integral part of this statement.

VILLAGE OF THE HILLS, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
	Solid Waste Fund
REVENUES	
Operating Revenues:	
Solid Waste Charges	\$ 276,540
Total Operating Revenues	276,540
EXPENSES	
Operating Expenses:	
Refuse Removal	232,573
Administrative Fees	20,000
Total Operating Expenses	252,573
Operating Income (Loss)	23,967
Change in Net Position	23,967
Net Position - Beginning	75,996
Net Position - Ending	\$ 99,963

The notes to the financial statements are an integral part of this statement.

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VILLAGE OF THE HILLS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
SEPTEMBER 30, 2020

	Business-Type Activities
	Solid Waste Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 272,127
Payments to Suppliers and Service Providers	(247,217)
Net Cash Provided by (Used for) Operating Activities	24,910
Net Increase (Decrease) in Cash and Cash Equivalents	24,910
Cash and Cash Equivalents - Beginning	51,776
Cash and Cash Equivalents - Ending	\$ 76,686
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:	
Operating Income (Loss)	\$ 23,967
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
(Increase) Decrease in Accounts Receivable	(4,413)
(Decrease) Increase in Accounts Payable	5,356
Total Adjustments	943
Net Cash Provided by (Used for) Operating Activities	\$ 24,910

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

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VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The Village of The Hills is a municipal corporation governed by an elected mayor and five-member governing council (council).

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, and proprietary funds, even though the latter is excluded from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Capital Projects Fund* accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

F. Budgetary Information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The capital projects fund is appropriated on a project-length basis. Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. Excess of expenditures over appropriations

For the year ended September 30, 2020, expenditures did not exceed appropriations in any of the Village's legally adopted budgets.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the government are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools (TexPool) when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

VILLAGE OF THE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. Inventories and prepaid items

The Village does not report inventories of supplies for consumable items due to the unused amount of these items being on hand at any given time being immaterial. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life of more than one year.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	40
Machinery and Equipment	5-20
Infrastructure	15-40

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Village currently does not have any items that qualifies for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government currently has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

6. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. 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. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Village levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2019, upon which the levy for the 2019-2020 fiscal year was based, was \$473,672,600. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2020, to finance General Fund operations was \$0.10 per \$100 valuation. The total tax levy for the General Fund for the 2019-2020 fiscal year was \$473,673. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2020, were 99% of the year end adjusted tax levy. Allowances for uncollectible taxes within the General Fund is based on historical experience in collecting taxes.

3. Compensated absences

Vacation

The Village does not have a vacation policy. As such vacation pay is not accumulated and no monetary obligation exists.

Sick Leave

The Village does not have a sick leave policy. As such sick leave is not accumulated and no monetary obligation exists.

4. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Solid Waste Fund are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. Stewardship, Compliance and Accountability

A. Violations of Legal or Contractual Provisions

No violations of legal or contractual provisions were noted during the current year.

B. Deficit Fund Equity

For the year ended September 30, 2020 there were no funds reported with deficit fund equity.

VILLAGE OF THE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

III. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of September 30, 2020, the Village’s bank balance was \$301,807, all of which was insured and collateralized with securities held by the pledging or financial institution’s trust department or agent, but not in the Village’s name.

B. Investments

The TexPool Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state. The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer’s Investment Pool.

As of September 30, 2020, the government had the following investments:

Investment Type	Maturity Time in Years Less than 1
TexPool Investment Pool	\$ 454,614
Total Investments	\$ 454,614

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government’s policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2020, the government’s investment in the TexPool investment pool was rated AAA by Standard & Poor’s and AAA by Moody’s Investors Service.

Concentration of credit risk. The government’s investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the government’s total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

C. Capital Assets

Capital assets activity for the year ended September 30, 2020, was as follows:

Governmental Activities:

	Balance 10/1/19	Increases	Decreases	Adjustments	Balance 9/30/20
Capital Assets, Not Being Depreciated:					
Land	\$ 39,540	\$ -	\$ -	\$ -	\$ 39,540
Construction in Progress	54,222	-	-	(54,222)	-
Total Capital Assets, Not Being Depreciated	<u>93,762</u>	<u>-</u>	<u>-</u>	<u>(54,222)</u>	<u>39,540</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	147,211	-	-	-	147,211
Machinery, Equipment, and Vehicles	108,821	-	-	-	108,821
Infrastructure	742,864	360,021	-	54,222	1,157,107
Total Capital Assets, Being Depreciated	<u>998,896</u>	<u>360,021</u>	<u>-</u>	<u>54,222</u>	<u>1,413,139</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(55,017)	(4,477)	-	-	(59,494)
Machinery, Equipment, and Vehicles	(62,222)	(12,519)	-	-	(74,741)
Infrastructure	(277,742)	(35,262)	-	-	(313,004)
Total Accumulated Depreciation	<u>(394,981)</u>	<u>(52,258)</u>	<u>-</u>	<u>-</u>	<u>(447,239)</u>
Total Capital Assets Being Depreciated, Net	<u>603,915</u>	<u>307,763</u>	<u>-</u>	<u>54,222</u>	<u>965,900</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 697,677</u>	<u>\$ 307,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,005,440</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental Activities:

General Government	\$ 30,884
Public Safety	10,998
Culture and Recreation	10,376
Total Depreciation Expense - Governmental Activities	<u>\$ 52,258</u>

VILLAGE OF THE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

D. Defined Benefit Pension Plan

Plan Description

The Village participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

All eligible employees of the Village are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Village, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Village-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or Beneficiaries Currently Receiving Benefits	-
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	1
	1
	1

Contributions

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

Employees for the Village were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the Village of the Hills were 6.18% and 6.81% in calendar years 2019 and 2020, respectively. The Village's contributions to TMRS for the year ended September 30, 2020 and 2019 were \$7,827 and \$5,974 respectively, and were equal to the required contributions.

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net Pension Liability

The Village's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
International Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100%	

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 21,536	\$ 18,047	\$ 3,489
Changes for the Year:			
Service Cost	13,364	-	13,364
Interest	2,027	-	2,027
Change of Benefit Terms	1,814	-	1,814
Difference Between Expected and Actual Experience	(154)	-	(154)
Changes of Assumptions	746	-	746
Contributions - Employer	-	6,649	(6,649)
Contributions - Employee	-	6,456	(6,456)
Net Investment Income	-	2,823	(2,823)
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Administrative Expense	-	(16)	16
Other Changes	-	-	-
Net Changes	17,797	15,912	1,885
Balance at 12/31/2019	\$ 39,333	\$ 33,959	\$ 5,374

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's Net Pension Liability	\$ 12,012	\$ 5,374	\$ (40)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2020, the Village recognized pension expense of \$2,543.

At September 30, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Projected and Actual Investment Earnings	\$ 431	\$ 1,284
Differences Between Expected and Actual Economic Experience	83	140
Difference in Assumption Changes	678	-
Contributions Subsequent to the Measurement Date	6,215	-
Total	\$ 7,407	\$ 1,424

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

\$7,407 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2020	\$ (115)
2021	(115)
2022	(116)
2023	(259)
2024	62
Thereafter	311
Total	<u>\$ (232)</u>

E. Other Post-Employment Benefit (OPEB) Obligations

Benefits Provided

The Village also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The Village elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Village 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 post-employment benefit, or OPEB.

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees Currently Receiving Benefits	-
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	<u>1</u>
	<u><u>1</u></u>

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Contributions

The Village 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 Village's contributions to the TMRS SDBF for the years September 30, 2020 and September 30, 2019 were \$563 and \$44 respectively. The Village made the required contributions each year.

Plan Assets

At the December 31, 2019 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

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

Inflation	2.5% per year
Salary increases	3.5%-11.5% including inflation per year
Discount rate	2.75% based on Fidelity Index's 20-year Municipal GO AA Index
Retirees' share of benefit costs	\$0

Salary increases were based on a service-related table. Mortality rates for service retirees are calculated using the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB; while the mortality rate for disabled retirees are calculated using the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females and projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method.

Discount Rate

Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Table-2

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
International Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	<u>100%</u>	

Schedule of Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 267	\$ -	\$ 267
Changes for the Year:			
Service Cost	151	-	151
Interest	13	-	13
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(6)	-	(6)
Changes of Assumptions	143	-	143
Contributions - Employer	-	-	-
Contributions - Employee	-	-	-
Net Investment Income	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Administrative Expense	-	-	-
Other Changes	-	-	-
Net Changes	<u>301</u>	<u>-</u>	<u>301</u>
Balance at 12/31/2019	<u>\$ 568</u>	<u>\$ -</u>	<u>\$ 568</u>

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Village, calculated using the discount rate of 2.75%, as well as what the Village's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.75% or 1-percentage-point higher 3.75% than the current rate:

	1% Decrease in Discount Rate 1.75%	Current Discount Rate 2.75%	1% Increase in Discount Rate 3.75%
City's Net OPEB Liability	\$ 809	\$ 568	\$ 412

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the Village recognized OPEB expense of \$335.

At September 30, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 12	\$ 5
Difference in Assumption Changes	136	20
Contributions Subsequent to the Measurement Date	548	-
Total	\$ 696	\$ 25

\$44 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2020	\$ 12
2021	12
2022	12
2023	12
2024	12
Thereafter	63
Total	\$ 123

VILLAGE OF THE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

F. Risk Management

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year, the Village purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Fund Balance

Minimum fund balance policy. The City will maintain budgeted minimum reserves in the ending working capital fund balances to provide a secure, healthy financial base for the City in the event of a natural disaster or other emergency, allow stability of City operations should revenues fall short of budgeted projections, and provide available resources to implement budgeted expenditures without regard to actual timing of cash flow into the City. The City's objective is to maintain reserves at a minimum of 25% of the operating budget in the General Fund and Solid Waste Fund, respectively.

H. Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2020 is as follows:

	Transfer In To:
	Governmental Funds
	Capital Projects Fund
Transfer Out From:	
General Fund	\$ 219,000
Total	\$ 219,000

During the year, recurring transfers are used to move general fund resources to provide subsidies to other funds as needs arise.

I. Contingencies

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

J. Subsequent Events

As of April 30, 2021, there were no items noted requiring recording and/or disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF THE HILLS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
A. Total Pension Liability			
1. Service Cost	\$ 7,197	\$ 10,706	\$ 13,364
2. Interest (on the Total Pension Liability)	387	1,017	2,027
3. Changes of Benefit Terms	2,130	-	1,814
4. Difference Between Expected and Actual Experience	-	99	(154)
5. Changes of Assumptions	-	-	746
6. Benefit Payments, Including Refunds of Employee Contributions	-	-	-
7. Net Change in Total Pension Liability	\$ 9,714	\$ 11,822	\$ 17,797
8. Total Pension Liability - Beginning	-	9,714	21,536
9. Total Pension Liability - Ending	<u>\$ 9,714</u>	<u>\$ 21,536</u>	<u>\$ 39,333</u>
B. Plan Fiduciary Net Position			
1. Contributions - Employer	\$ 3,620	\$ 5,385	\$ 6,649
2. Contributions - Employee	3,726	5,542	6,456
3. Net Investment Income	-	(223)	2,823
4. Benefit Payments, Including Refunds of Employee Contributions	-	-	-
5. Administrative Expense	-	(3)	(16)
6. Other Changes	-	-	-
7. Net Change in Plan Fiduciary Net Position	\$ 7,346	\$ 10,701	\$ 15,912
8. Plan Fiduciary Net Position - Beginning	-	7,346	18,047
9. Plan Fiduciary Net Position - Ending	<u>\$ 7,346</u>	<u>\$ 18,047</u>	<u>\$ 33,959</u>
C. Net Pension Liability [A.9 - B.9]	<u>\$ 2,368</u>	<u>\$ 3,489</u>	<u>\$ 5,374</u>
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability [B.9 / A.9]	75.62%	83.80%	86.34%
E. Covered Employee Payroll	\$ 62,101	\$ 92,371	\$ 107,597
F. Net Position as a Percentage of Covered Employee Payroll [C / E]	3.81%	3.78%	4.99%

VILLAGE OF THE HILLS, TEXAS
 SCHEDULE OF EMPLOYER NPL CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiscal Year			
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 2,520	\$ 5,226	\$ 5,975	\$ 6,215
Contributions in Relation to the Actuarially Determined Contribution	<u>(2,520)</u>	<u>(5,226)</u>	<u>(5,975)</u>	<u>(6,215)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 42,000	\$ 87,100	\$ 97,823	\$ 117,346
Contributions as a Percentage of Covered Employee Payroll	6.00%	6.00%	6.11%	5.30%

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VILLAGE OF THE HILLS, TEXAS
 NOTES TO THE SCHEDULE OF NPL EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Valuation Date: December 31, 2019

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll, Closed

Remaining Amortization Period 6 Years

Asset Valuation Method 10 Year smoothed market; 12% soft corridor

Inflation 2.50%

Salary Increases 3.50% to 11.50% including inflation

Investment Rate of Return 6.75%

Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
 Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes Adopted 100% repeating USC.

VILLAGE OF THE HILLS, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
A. Total OPEB Liability			
1. Service Cost	\$ 87	\$ 157	\$ 151
2. Interest on Total OPEB Liability	2	6	13
3. Changes of Benefit Terms	16	-	-
4. Difference Between Expected and Actual Experience	-	14	(6)
5. Changes of Assumptions	9	(24)	143
6. Benefit Payments	-	-	-
7. Net Changes	\$ 114	\$ 153	\$ 301
8. Total OPEB Liability - Beginning of the Year	-	114	267
9. Total OPEB Liability - End of the Year	<u>\$ 114</u>	<u>\$ 267</u>	<u>\$ 568</u>
E. Covered Employee Payroll	\$ 62,101	\$ 92,371	\$ 107,597
F. Total OPEB Liability as a Percentage of Covered Payroll	0.18%	0.29%	0.53%

VILLAGE OF THE HILLS, TEXAS
SCHEDULE OF NET OPEB EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiscal Year		
	2018	2019	2020
Actuarially Determined Contribution	\$ -	\$ 44	\$ 548
Contributions in Relation to the Actuarially Determined Contribution	-	(44)	(548)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 87,100	\$ 97,823	\$ 117,346
Contributions as a Percentage of Covered Employee Payroll	0.00%	0.04%	0.47%

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VILLAGE OF THE HILLS, TEXAS
NOTES TO SCHEDULE OF NET OPEB EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Discount rate*	2.75%
Retirees' Share of Benefit-related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

Notes

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

The Actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor, Members of the City Council and Citizens of
the Village of The Hills, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of The Hills, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Village of The Hills, Texas's basic financial statements, and have issued our report thereon dated April 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of The Hills, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of The Hills, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of The Hills, Texas's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

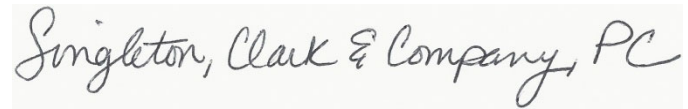
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of The Hills, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light gray rectangular background.

Singleton, Clark & Company,
Cedar Park, Texas

April 30, 2021

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VILLAGE OF THE HILLS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended September 30, 2020 and 2019.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.