

VILLAGE OF THE HILLS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF THE HILLS, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditor’s Report ·····	1
Management’s Discussion and Analysis ·····	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position ·····	15
Statement of Activities ·····	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds ·····	20
Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Position ·····	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ·····	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities ·····	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund ·····	25
Statement of Net Position – Proprietary Funds ·····	26
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds ·····	27
Statement of Cash Flows – Proprietary Funds ·····	29
Notes to the Financial Statements ·····	33
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios ·····	54
Schedule of Employer Contributions ·····	55
Notes to Schedule of Employer Contributions ·····	57
Schedule of Changes in OPEB Liability and Related Ratios ·····	58
Schedule of Employer Contributions – OPEB Liability ·····	59
Notes to Schedule of Employer Contributions – OPEB Liability ·····	61
Other Reporting:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ·····	63
Schedule of Findings and Questioned Costs ·····	67

FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor and Members of the Village Council of
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 information of Village of The Hills, Texas (the "Village") as of and for the year ended September 30, 2021, 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 information of the Village as of September 30, 2021, 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.

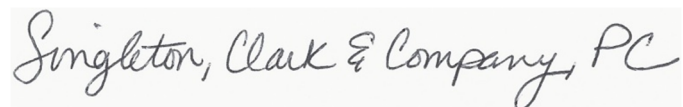
Other Information

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

The individual fund financial statements and supplemental 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 financial statements 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 15, 2022 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 15, 2022

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VILLAGE OF THE HILLS, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Management’s Discussion and Analysis

The Management’s Discussion and Analysis section of the Village of The Hills, Texas’s (hereafter the “Village”) Annual Financial Report offers readers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2021. Please read it in conjunction with the independent auditor’s report beginning on page 1 of this report and the Village’s basic financial statements which follow this section.

Financial Highlights

- The Village’s net position for governmental activities increased by \$310,583 to end at \$1,936,220 primarily due to an increase in sales tax revenue during the year.
- 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 \$1,369,609, to end at \$1,979,627. The Village’s fund balance in the General Fund decreased by \$7,662 after a transfer of \$389,000 to the Capital Projects Fund to end at \$589,228.
- As of September 30, 2021, the Capital Projects Fund’s fund balance increased by \$1,377,271 to end at \$1,390,399 due to the issuance of \$1,125,000 Limited Tax Notes, Series 2021 and a transfer of \$389,000 from the General Fund.
- As of September 30, 2021, the Solid Waste Fund’s fund balance was \$107,360, an increase of \$7,397. 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 is intended to serve as an introduction to the Village’s basic financial statements. The Village’s basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village’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 between assets and liabilities 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village 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 activities of the Village include solid waste removal.

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The government-wide financial statements include not only the Village itself (known as the *primary government*), but also a legally separate economic development corporation for which the Village financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Village's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds as applicable.

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 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 considered to be major fund.

The Village 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 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 removal 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 removal utility, which is considered to be major fund of the Village. Conversely, when internal service funds are utilized, they are combined into a single, aggregated presentation in the proprietary fund financial statements.

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 does not utilize fiduciary funds.

Basis of Reporting. The government-wide statements and the fund-level proprietary statements are reported using the full accrual basis of accounting. The governmental funds are reported using the modified accrual basis of accounting.

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's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 54 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, assets and deferred outflows of resources exceeded liabilities by \$1,936,220 at the close of the most recent fiscal year.

**Condensed Statement of Net Position
September 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 2,361,607	\$ 684,625	\$ 108,672	\$ 123,259	\$ 2,470,279	\$ 807,884
Capital assets	1,068,106	1,005,440	-	-	1,068,106	1,005,440
Total assets	3,429,713	1,690,065	108,672	123,259	3,538,385	1,813,324
Deferred outflows of resources	10,140	8,103	-	-	10,140	-
Current liabilities	369,160	65,140	1,312	23,296	370,472	88,436
Noncurrent liabilities	1,132,979	5,942	-	-	1,132,979	5,942
Total liabilities	1,502,139	71,082	1,312	23,296	1,503,451	94,378
Deferred inflows of resources	1,494	1,449	-	-	1,494	1,449
Net position:						
Net investment in capital assets	(56,894)	1,005,440	-	-	(56,894)	1,005,440
Restricted	1,125,000	-	-	-	1,125,000	-
Unrestricted	868,114	620,197	107,360	99,963	975,474	720,160
Total net position	\$ 1,936,220	\$ 1,625,637	\$ 107,360	\$ 99,963	\$ 2,043,580	\$ 1,725,600

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

By far, the largest portion of the Village's net position (58%) is restricted for capital projects. The Village issued \$1,125,000 Series 2021, Limited Tax Notes for capital projects, which was not spent as of year-end. The Village's investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets is (-2.9%). due to fact that the Limited Tax Notes were not yet used for capital projects during the year. The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$868,114 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The Village's overall net position increased by \$317,980 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 \$310,583 from the prior fiscal year for an ending balance of \$1,936,220. The increase in the overall net position of governmental activities is the result of an increase in sales tax revenue during the year due to the re-opening of business locations and the return to normal consumer spending.

**Condensed Statement of Activities
For the Years Ended September 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for services	\$ 1,194	\$ 450	\$ 278,709	\$ 276,540	\$ 279,903	\$ 276,990
General Revenues:						
Property taxes	469,424	469,301	-	-	469,424	469,301
Other taxes	273,203	207,823	-	-	273,203	207,823
Grants and contributions not restricted to specific programs	116,910	131,387	-	-	116,910	131,387
Other	1,100	4,818	-	-	1,100	4,818
Total revenue	861,831	813,779	278,709	276,540	1,140,540	1,090,319
Expenses:						
General government	299,312	297,105	-	-	299,312	297,105
Public safety	91,021	105,013	-	-	91,021	105,013
Culture and recreation	160,915	99,083	-	-	160,915	99,083
Solid waste	-	-	271,312	252,573	271,312	252,573
Total expenses	551,248	501,201	271,312	252,573	822,560	753,774
Increase (decrease) in net position	310,583	312,578	7,397	23,967	317,980	336,545
Net position - beginning	1,625,637	1,313,059	99,963	75,996	1,725,600	1,389,055
Net position - ending	\$ 1,936,220	\$ 1,625,637	\$ 107,360	\$ 99,963	\$ 2,043,580	\$ 1,725,600

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 \$107,360. The total increase in net position for business-type activities was \$7,397 from the prior fiscal year. The growth, in large part, is attributable to an increase in charges for services revenue.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the Village'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'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 itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Village's Council.

At September 30, 2021, the Village's governmental funds reported combined fund balances of \$1,979,627, an increase of \$1,369,609 in comparison with the prior year. Approximately 30% of this amount, \$589,228 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form \$89,318; 2) legally required to be maintained intact \$0; 3) restricted for particular purposes \$1,125,000; 4) committed for particular purposes \$0; or 5) assigned for particular purposes \$176,081.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$589,228, while total fund balance decreased to \$589,228. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 123% of total general fund expenditures, while total fund balance represents approximately 100% of unassigned fund balance amount.

The fund balance of the Village's General Fund decreased by \$7,662 during the current fiscal year. As discussed earlier in connection with governmental activities, the decrease was due to a transfer of \$389,000 to Capital Projects Fund during the year. Before the transfer, the General Fund had an increase of \$381,338 attributable to an increase in sales tax revenue during the year.

The Capital Projects Fund, a major fund, had a \$1,377,271 increase in fund balance during the current fiscal year which put the overall fund balance at \$1,390,399. The increase was due to the issuance of \$1,125,000 Limited Tax Notes, Series 2021 during the year, which was not spent during the year and the transfer of \$389,000 from the General Fund during the year.

Proprietary Funds. The Village'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 at the end of the year was \$107,360. The total growth in net position was \$7,397. As noted earlier in the discussion of business-type activities, the increase in the Solid Waste Fund's fund balance in the current year was due to an increase in charges for services revenue.

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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. However, there was a need to make an amendment to reallocate appropriations among departments when it became clear which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was *not* significant.

Capital Assets and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$1,068,106 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment and furniture. The total increase in capital assets for the current fiscal year was approximately 6%.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities 2021	Governmental Activities 2020	Change
Land	\$ 39,540	\$ 39,540	\$ -
Buildings	147,211	147,211	-
Furniture and equipment	108,821	108,821	-
Construction in progress	89,670	-	89,670
Infrastructure	1,183,578	1,157,107	26,471
Total	<u>1,568,820</u>	<u>1,452,679</u>	<u>116,141</u>
Less accumulated depreciation	<u>(500,714)</u>	<u>(447,239)</u>	<u>(53,475)</u>
Capital assets, net of depreciation	<u>\$ 1,068,106</u>	<u>\$ 1,005,440</u>	<u>\$ 62,666</u>

Additional information on the Village'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 had total bonded debt outstanding of \$1,125,000. During the year, the Village issued \$1,125,000 Series 2021, Limited Tax Notes to fund capital projects. The remainder of the Village's long-term obligations is comprised of pension and OPEB related debt.

Outstanding Debt

	Governmental Activities 2021	Governmental Activities 2020	Change
Notes payable	\$ 1,125,000	\$ -	\$ 1,125,000
Total	<u>\$ 1,125,000</u>	<u>\$ -</u>	<u>\$ 1,125,000</u>

VILLAGE OF THE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Additional information on the Village 's long-term debt can be found in Note III.G on pages 48-49 of this report.

Economic Factors and Next Year's Budgets and Rates

The Village considered many factors when setting the fiscal year 2021-2022 budget. The Village's General Fund budget for fiscal year 2021-2022 includes expenditures of \$670,286 which is a decrease of \$76,583 from the fiscal year 2020-2021 total adopted expenditures. The Village maintained the tax rate for fiscal year 2021-2022 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 Village 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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,804,629	\$ 61,551	\$ 1,866,180
Investments - current	454,840	-	454,840
Taxes receivable - delinquent	14,243	-	14,243
Allowance for uncollectible taxes	(1,423)	-	(1,423)
Accounts receivable, net	-	47,121	47,121
Prepaid items	89,318	-	89,318
Capital assets, not being depreciated:			
Land	39,540	-	39,540
Construction in progress	89,670	-	89,670
Capital assets, being depreciated:			
Buildings and improvements	147,211	-	147,211
Machinery, equipment, and vehicles	108,821	-	108,821
Infrastructure	1,183,578	-	1,183,578
Accumulated depreciation	(500,714)	-	(500,714)
Total assets	<u>3,429,713</u>	<u>108,672</u>	<u>3,538,385</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows NPL/OPEB	10,140	-	10,140
Total deferred outflows of resources	<u>10,140</u>	<u>-</u>	<u>10,140</u>
LIABILITIES			
Accounts payable	61,038	1,312	62,350
Unearned revenue	308,122	-	308,122
Noncurrent liabilities:			
Due within one year	155,000	-	155,000
Due in more than one year	977,979	-	977,979
Total liabilities	<u>1,502,139</u>	<u>1,312</u>	<u>1,503,451</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows NPL/OPEB	1,494	-	1,494
Total deferred inflows of resources	<u>1,494</u>	<u>-</u>	<u>1,494</u>
NET POSITION			
Net investment in capital assets	(56,894)	-	(56,894)
Restricted for capital projects	1,125,000	-	1,125,000
Unrestricted	868,114	107,360	975,474
Total net position	<u>\$ 1,936,220</u>	<u>\$ 107,360</u>	<u>\$ 2,043,580</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, 2021

Functions/Programs:	Expenses	Program Revenues
		Charges for Services
Primary Government:		
Governmental activities:		
General government	\$ 299,312	\$ 200
Public safety	91,021	-
Culture and recreation	160,915	994
Total governmental activities:	551,248	1,194
Business-type activities:		
Solid Waste Fund	271,312	278,709
Total business-type activities:	271,312	278,709
Total primary government	\$ 822,560	\$ 279,903

General revenues:
Property taxes
Sales taxes
Franchise taxes
Investment earnings
Miscellaneous
Total general revenues

Change in net position

Net position - beginning
Net position - ending

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (299,112)	\$ -	\$ (299,112)
(91,021)	-	(91,021)
(159,921)	-	(159,921)
<u>(550,054)</u>	<u>-</u>	<u>(550,054)</u>
-	7,397	7,397
<u>-</u>	<u>7,397</u>	<u>7,397</u>
<u>(550,054)</u>	<u>7,397</u>	<u>(542,657)</u>
469,424	-	469,424
273,203	-	273,203
116,910	-	116,910
226	-	226
874	-	874
<u>860,637</u>	<u>-</u>	<u>860,637</u>
310,583	7,397	317,980
1,625,637	99,963	1,725,600
<u>\$ 1,936,220</u>	<u>\$ 107,360</u>	<u>\$ 2,043,580</u>

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FUND BASIS FINANCIAL STATEMENTS

VILLAGE OF THE HILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 679,629	\$ 1,125,000	\$ 1,804,629
Investments - current	244,140	210,700	454,840
Taxes receivable - delinquent	14,243	-	14,243
Allowance for uncollectible delinquent taxes	(1,423)	-	(1,423)
Prepaid items	-	89,318	89,318
Total assets	<u>\$ 936,589</u>	<u>\$ 1,425,018</u>	<u>\$ 2,361,607</u>
LIABILITIES			
Accounts payable	\$ 26,419	\$ 34,619	\$ 61,038
Unearned revenue	308,122	-	308,122
Total liabilities	<u>334,541</u>	<u>34,619</u>	<u>369,160</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	12,820	-	12,820
Total deferred inflows of resources	<u>12,820</u>	<u>-</u>	<u>12,820</u>
FUND BALANCES			
Nonspendable:			
Prepays	-	89,318	89,318
Restricted:			
Capital Projects	-	1,125,000	1,125,000
Assigned:			
Capital Projects	-	176,081	176,081
Unassigned	589,228	-	589,228
Total fund balances	<u>589,228</u>	<u>1,390,399</u>	<u>1,979,627</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 936,589</u>	<u>\$ 1,425,018</u>	<u>\$ 2,361,607</u>

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

VILLAGE OF THE HILLS, TEXAS
RECONCILIATION OF THE BALANCE SHEET -GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

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

Total fund balance of all governmental funds	\$ 1,979,627
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,068,106
Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds.	12,820
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,125,000)
Additional long-term liabilities related to the recognition of the net pension liability and/or the net OPEB liability is/are not reported in the funds.	667
	667
Net position of governmental activities	\$ 1,936,220

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, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 466,078	\$ -	\$ 466,078
Sales taxes	273,203	-	273,203
Franchise taxes	116,910	-	116,910
Licenses and permits	1,194	-	1,194
Investment earnings	226	-	226
Miscellaneous revenue	874	-	874
Total revenues	858,485	-	858,485
EXPENDITURES			
Current:			
General government	249,652	20,588	270,240
Public safety	82,191	-	82,191
Culture and recreation	145,304	-	145,304
Capital outlay	-	116,141	116,141
Total expenditures	477,147	136,729	613,876
Excess (deficiency) of revenues over expenditures	381,338	(136,729)	244,609
OTHER FINANCING SOURCES (USES)			
Transfers in	-	389,000	389,000
Transfers out	(389,000)	-	(389,000)
Limited tax notes issued	-	1,125,000	1,125,000
Total other financing sources (uses)	(389,000)	1,514,000	1,125,000
Net change in fund balance	(7,662)	1,377,271	1,369,609
Fund balance - beginning	596,890	13,128	610,018
Fund balance - ending	\$ 589,228	\$ 1,390,399	\$ 1,979,627

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

VILLAGE OF THE HILLS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Net change in fund balances for total governmental funds	\$ 1,369,609	
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.	62,666	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,346	
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,125,000)	
The net effect of various transactions involving the net pension liability and/or the net OPEB liability is to decrease net position.	(38)	
Change in net position for governmental activities	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 310,583</td> </tr> </table>	\$ 310,583
\$ 310,583		

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, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 469,155	\$ 469,155	\$ 466,078	\$ (3,077)
Sales taxes	161,500	161,500	273,203	111,703
Franchise taxes	126,000	126,000	116,910	(9,090)
Licenses and permits	500	500	1,194	694
Investment earnings	500	500	226	(274)
Miscellaneous revenue	400	400	874	474
Total revenues	<u>758,055</u>	<u>758,055</u>	<u>858,485</u>	<u>100,430</u>
EXPENDITURES				
Current:				
General government	303,269	303,269	249,652	53,617
Public safety	96,800	96,800	82,191	14,609
Culture and recreation	162,800	162,800	145,304	17,496
Total Expenditures	<u>562,869</u>	<u>562,869</u>	<u>477,147</u>	<u>85,722</u>
Excess (deficiency) of revenues over expenditures	<u>195,186</u>	<u>195,186</u>	<u>381,338</u>	<u>186,152</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(184,000)	(389,000)	(389,000)	-
Total other financing sources (uses)	<u>(184,000)</u>	<u>(389,000)</u>	<u>(389,000)</u>	<u>-</u>
Net change in fund balances	11,186	(193,814)	(7,662)	186,152
Fund balance - beginning	596,890	596,890	596,890	-
Fund balance - ending	<u>\$ 608,076</u>	<u>\$ 403,076</u>	<u>\$ 589,228</u>	<u>\$ 186,152</u>

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

VILLAGE OF THE HILLS, TEXAS
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2021

	Business-Type Activities
	Solid Waste Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 61,551
Accounts receivable, net	47,121
Total current assets	108,672
Total assets	108,672
LIABILITIES	
Current liabilities:	
Accounts payable	1,312
Total current liabilities	1,312
NET POSITION	
Unrestricted	107,360
Total net position	\$ 107,360

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 FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities
	Solid Waste Fund
REVENUES	
Operating revenues:	
Charges for services:	
Solid waste charges	\$ 278,709
Total operating revenues	278,709
EXPENSES	
Operating expenses:	
Refuse removal	221,300
Administrative fees	19,544
Miscellaneous	30,468
Total operating expenses	271,312
Operating income (loss)	7,397
Change in net position	7,397
Net position-beginning	99,963
Net position-ending	\$ 107,360

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 FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities
	Solid Waste Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	278161
Receipts from interfund charges for services	
Receipt (return) of customer deposits	
Payments to suppliers and service providers	(293,296)
Payments to employees for salaries and benefits	
Net cash provided by (used for) operating activities	(15,135)
Net increase (decrease) in cash and cash equivalents	(15,135)
Cash and cash equivalents-beginning	76,686
Cash and cash equivalents-ending	\$ 61,551
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	7,397
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	(548)
(Decrease) increase in accounts payable	(21,984)
Total adjustments	(22,532)
Net cash provided by (used for) operating activities	\$ (15,135)

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, 2021

I. Summary of Significant Accounting Policies

This section describes the significant accounting and reporting guidelines of the Village.

A. Reporting Entity

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

B. 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 and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. 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.

The government reports the following major enterprise fund:

The Solid Waste Fund accounts for the activities of the solid waste department. The solid waste department provides trash removal services for residents of the government.

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, 2021

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.

D. 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, 2021

E. 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 are 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, 2021, expenditures did not exceed appropriations in any of the Village's legally adopted budgets.

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

1. Cash and cash equivalents

The government'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, 2021

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:

Capital asset classes	Lives
Buildings	40
Machinery and equipment	5-20
Vehicles	5-10
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 government currently does not have any financial transactions that qualify 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 two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021

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, 2020, upon which the levy for the 2020-2021 fiscal year was based, was \$474,057,600. 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, 2021, to finance General Fund operations were \$0.10 per \$100 valuation. The total tax levy for the General Fund for the 2020-2021 fiscal year was \$474,058. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2021, were 98% 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 employee of the Village accrues three weeks of annual vacation. Any unused vacation is rolled into the sick leave.

Sick Leave

The Village provides two weeks of paid sick leave to its employee annually.

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 water fund and electric fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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, 2021 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, 2021

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 government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2021, the government’s bank balance was \$1,885,424 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, 2021, the government had the following investments:

Investment Type	Maturity Time in Years Less than 1
TexPool Investment Pool	\$ 454,840
Total investments	\$ 454,840

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, 2021, 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, 2021

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, 2021, was as follows:

Governmental Activities:

	Balance 10/1/20	Increases	Decreases	Balance 9/30/21
Capital assets, not being depreciated:				
Land	\$ 39,540	\$ -	\$ -	\$ 39,540
Construction in progress	-	89,670	-	89,670
Total capital assets, not being depreciated	<u>39,540</u>	<u>89,670</u>	<u>-</u>	<u>129,210</u>
Capital assets, being depreciated:				
Buildings and improvements	147,211	-	-	147,211
Machinery, equipment, and vehicles	108,821	-	-	108,821
Infrastructure	1,157,107	26,471	-	1,183,578
Total capital assets, being depreciated	<u>1,413,139</u>	<u>26,471</u>	<u>-</u>	<u>1,439,610</u>
Less accumulated depreciation for:				
Buildings and improvements	(59,494)	(4,477)	-	(63,971)
Machinery, equipment, and vehicles	(74,741)	(12,519)	-	(87,260)
Infrastructure	(313,004)	(36,479)	-	(349,483)
Total accumulated depreciation	<u>(447,239)</u>	<u>(53,475)</u>	<u>-</u>	<u>(500,714)</u>
Total capital assets being depreciated, net	<u>965,900</u>	<u>(27,004)</u>	<u>-</u>	<u>938,896</u>
Governmental activities capital assets, net	<u>\$ 1,005,440</u>	<u>\$ 62,666</u>	<u>\$ -</u>	<u>\$ 1,068,106</u>

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

Governmental activities:

General government	\$ 29,034
Public safety	8,830
Culture and recreation	15,611
Total depreciation expense - governmental activities	<u>\$ 53,475</u>

VILLAGE OF THE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

D. Defined Benefit Pension Plan

Plan Description

The Village participates as one of 895 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 annual comprehensive financial report (ACFR) 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees 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 village 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 were 7.99% and 6.81% in calendar years 2020 and 2021, respectively. The Village's contributions to TMRS for the year ended September 30, 2021 and 2020 were \$8,916 and \$7,827 respectively, and were equal to the required contributions.

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net Pension Liability

The Village's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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).

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global 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>	

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 12/31/2019	\$ 39,333	\$ 33,959	\$ 5,374
Changes for the year:			
Service cost	14,954	-	14,954
Interest	3,160	-	3,160
Change of benefit terms	-	-	-
Difference between expected and actual experience	2,066	-	2,066
Changes of assumptions	-	-	-
Contributions - employer	-	8,688	(8,688)
Contributions - employee	-	7,093	(7,093)
Net investment income	-	2,605	(2,605)
Benefit payments, including refunds of employee contr.	-	-	-
Administrative expense	-	(17)	17
Other changes	-	-	-
Net changes	<u>20,180</u>	<u>18,369</u>	<u>1,811</u>
Balance at 12/31/2020	<u>\$ 59,513</u>	<u>\$ 52,328</u>	<u>\$ 7,185</u>

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Village's net pension liability	\$ 17,016	\$ 7,185	\$ (859)

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, 2021, the Village recognized pension expense of \$494.

At September 30, 2021, 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	\$ 287	\$ 1,213
Differences between expected and actual economic experience	1,945	126
Difference in assumption changes	610	-
Contributions subsequent to the measurement date	6,785	-
Total	\$ 9,627	\$ 1,339

\$6,785 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Ended Dec 31st:	Resources
2021	\$ 18
2022	17
2023	(126)
2024	197
2025	258
Thereafter	1,139
	\$ 1,503

VILLAGE OF THE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2020 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	1
	<hr style="border: 0.5px solid black;"/>
	1
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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, 2021 and 2020 were \$230 and \$563 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2020 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2020 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% based on Fidelity Index’s 20-year Municipal GO AA Index
Retirees’ share of benefit costs	\$0

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.

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 12/31/2019	\$ 568	\$ -	\$ 568
Changes for the year:			
Service cost	189	-	189
Interest	18	-	18
Change of benefit terms	-	-	-
Difference between expected and actual experience	(147)	-	(147)
Changes of assumptions	166	-	166
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contr.	-	-	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	226	-	226
Balance at 12/31/2020	\$ 794	\$ -	\$ 794

VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 2.00%, 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 1.00% or 1-percentage-point higher 3.00% than the current rate:

	1% Decrease in Discount Rate 1.00%	Current Discount Rate 2.00%	1% Increase in Discount Rate 3.00%
Village's net OPEB liability	\$ 1,112	\$ 794	\$ 572

Pension Plan Fiduciary Net Position

Detailed information about the OPEB 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 OPEB

For the year ended September 30, 2021, the Village recognized OPEB expense of \$532.

At September 30, 2021, 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 projected and actual investment earnings	\$ -	\$ -
Differences between expected and actual economic experience	11	137
Difference in assumption changes	272	18
Contributions subsequent to the measurement date	230	-
Total	\$ 513	\$ 155

\$230 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Ended Dec 31st:	Resources
2021	\$ 14
2022	14
2023	14
2024	14
2025	15
Thereafter	57
Total	\$ 128

VILLAGE OF THE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 are 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. Long-Term Liabilities

General Obligation Bonds

The government issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and business-type activities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the government. General obligation bonds and certificates of obligation generally are issued with repayment scheduled to occur as equal amounts of principal maturing each year with maturities that range from 5 to 20 years.

The government issues maintenance tax notes or obtains regular notes payable financing arrangements from banks to provide funds for the acquisition of equipment or minor capital projects. Tax notes and regular notes payable are direct obligations and pledge the full faith and credit of the government. These debt instruments are generally repaid in equal installments of principal and interest over a period of 3 to 10 years.

Details of long-term debt obligations outstanding at September 30, 2021 are as follows:

Governmental Activities:

Notes Payable:

\$1,125,000 Limited Tax Notes, Series 2021	2021	\$ 1,125,000	0.625%-1.326%	2028	\$ 1,125,000
Total Notes Payable					\$ 1,125,000

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2021 are as follows:

Governmental Activities:

Description	Balance 10/1/20	Additions	Deletions	Balance 9/30/21	Due in One Year
Notes payable	\$ -	\$1,125,000	\$ -	\$1,125,000	\$ 155,000
Governmental activities long-term liabilities	\$ -	\$1,125,000	\$ -	\$1,125,000	\$ 155,000

VILLAGE OF THE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

The debt service requirements for the government's notes are as follows:

Governmental Activities:

Year Ended September 30,	Principal	Interest	Total Requirements
2022	\$ 155,000	\$ 11,528	\$ 166,528
2023	160,000	9,175	169,175
2024	160,000	8,015	168,015
2025	160,000	6,651	166,651
2026	160,000	5,046	165,046
2027-2028	330,000	4,278	334,278
	<u>\$ 1,125,000</u>	<u>\$ 44,693</u>	<u>\$ 1,169,693</u>

H. Fund Balance

Minimum fund balance policy. The Village will maintain budgeted minimum reserves in the ending working capital fund balances to provide a secure, healthy financial base for the Village in the event of a natural disaster or other emergency, allow stability of Village 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 Village. The Village's objective is to maintain reserves at a minimum of 25% of the operating budget in the General Fund and Solid Waste Fund, respectively.

I. Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2021 is as follows:

<u>Transfer in to:</u>	
<u>Governmental Funds</u>	
<u>Capital Projects</u>	
<u>Fund</u>	
Transfer out from:	
General Fund	\$ 389,000
Total	<u>\$ 389,000</u>

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, 2) move general fund resources to provide subsidies to other funds as needs arise, and 3) move resources from the solid waste fund to the general fund to subsidize governmental activities.

Furthermore, during the year ended September 30, 2021 the government made a one-time transfer of \$389,000 from the general fund to the capital projects fund to fulfill the general fund's commitment to contribute a percentage of required funding.

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VILLAGE OF THE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

J. 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.

K. Subsequent Events

As of April 15, 2022, there were no items noted requiring recording and/or disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER REPORTING

VILLAGE OF THE HILLS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
A. Total pension liability				
1. Service cost	\$ 7,197	\$ 10,706	\$ 13,364	\$ 14,954
2. Interest (on the Total Pension Liability)	387	1,017	2,027	3,160
3. Changes of benefit terms	2,130	-	1,814	-
4. Difference between expected and actual experience	-	99	(154)	2,066
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	\$ 20,180
8. Total pension liability - beginning	-	9,714	21,536	39,333
9. Total pension liability - ending	<u>\$ 9,714</u>	<u>\$ 21,536</u>	<u>\$ 39,333</u>	<u>\$ 59,513</u>
B. Plan fiduciary net position				
1. Contributions - employer	\$ 3,620	\$ 5,385	\$ 6,649	\$ 8,688
2. Contributions - employee	3,726	5,542	6,456	7,093
3. Net investment income	-	(223)	2,823	2,605
4. Benefit payments, including refunds of employee contributions	-	-	-	-
5. Administrative expense	-	(3)	(16)	(17)
6. Other changes	-	-	-	-
7. Net change in plan fiduciary net position	\$ 7,346	\$ 10,701	\$ 15,912	\$ 18,369
8. Plan fiduciary net position - beginning	-	7,346	18,047	33,959
9. Plan fiduciary net position - ending	<u>\$ 7,346</u>	<u>\$ 18,047</u>	<u>\$ 33,959</u>	<u>\$ 52,328</u>
C. Net pension liability [A.9 - B.9]	<u>\$ 2,368</u>	<u>\$ 3,489</u>	<u>\$ 5,374</u>	<u>\$ 7,185</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	75.62%	83.80%	86.34%	87.93%
E. Covered-employee payroll	\$ 62,101	\$ 92,371	\$ 107,597	\$ 118,211
F. Net position as a percentage of covered employee payroll [C / E]	3.81%	3.78%	4.99%	6.08%

VILLAGE OF THE HILLS, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 2,520	\$ 5,226	\$ 5,975	\$ 6,215	\$ 8,916
Contributions in relation to the actuarially determined contribution	(2,520)	(5,226)	(5,975)	(6,215)	(8,916)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 42,000	\$ 87,100	\$ 97,823	\$ 117,346	\$ 116,210
Contributions as a percentage of covered employee payroll	6.00%	6.00%	6.11%	5.30%	7.67%

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VILLAGE OF THE HILLS, TEXAS
 NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Valuation Date:

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% per year
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 Village'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 There were no benefit changes during the year.

VILLAGE OF THE HILLS, TEXAS
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
A. Total OPEB liability				
1. Service cost	\$ 87	\$ 157	\$ 151	\$ 189
2. Interest on Total OPEB Liability	2	6	13	18
3. Changes of benefit terms	16	-	-	-
4. Difference between expected and actual experience	-	14	(6)	(147)
5. Changes of assumptions	9	(24)	143	166
6. Benefit payments	-	-	-	-
7. Net changes	<u>\$ 114</u>	<u>\$ 153</u>	<u>\$ 301</u>	<u>\$ 226</u>
8. Total OPEB Liability - beg. of the year	<u>-</u>	<u>114</u>	<u>267</u>	<u>568</u>
9. Total OPEB Liability - end of the year	<u><u>\$ 114</u></u>	<u><u>\$ 267</u></u>	<u><u>\$ 568</u></u>	<u><u>\$ 794</u></u>
 E. Covered-employee payroll	 \$ 62,101	 \$ 92,371	 \$ 107,597	 \$ 118,211
 F. Total OPEB Liability as a Percentage of Covered Payroll	 0.18%	 0.29%	 0.53%	 0.67%

VILLAGE OF THE HILLS, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year			
	2018	2019	2020	2021
Actuarially Determined Contribution	\$ -	\$ 44	\$ 548	\$ 230
Contributions in relation to the actuarially determined contribution	-	(44)	(548)	(230)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 87,100	\$ 97,823	\$ 117,346	\$ 116,210
Contributions as a percentage of covered employee payroll	0.00%	0.04%	0.47%	0.20%

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VILLAGE OF THE HILLS, TEXAS
 NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB LIABILITY
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50%; including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of 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, 2020.

The Actuarial assumptions used in the December 31, 2020 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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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 Village 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, 2021, 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 15, 2022.

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.

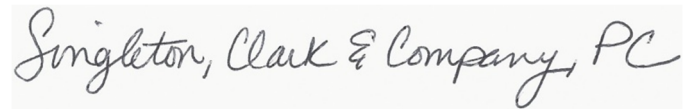
Compliance and Other Matters

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 cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light gray rectangular background.

Singleton, Clark & Company, PC
Cedar Park, Texas

April 15, 2022

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VILLAGE OF THE HILLS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021 and 2020.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.