

VILLAGE OF THE HILLS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2024



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS



**VILLAGE OF THE HILLS, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**TABLE OF CONTENTS**

	Page
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	5
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	29
Statement of Net Position – Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	31
Statement of Cash Flows – Proprietary Funds	33
Notes to the Financial Statements	37
<b>Required Supplementary Information:</b>	
Schedule of Changes in Net Pension Liability and Related Ratios	58
Schedule of Employer Contributions – Net Pension Liability	60
Notes to Schedule of Employer Contributions – Net Pension Liability	63
Schedule of Changes in OPEB Liability and Related Ratios	64
Schedule of Employer Contributions – Net OPEB Liability	66
Notes to Schedule of Employer Contributions – Net OPEB Liability	69
<b>Individual Fund Financial Statements and Schedules:</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	71
<b>Other Reporting:</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73
Schedule of Findings and Questioned Costs	77
Corrective Action Plan	81



## 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 Audit of the Financial Statements**

#### ***Opinions***

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, 2024, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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, 2024, and the respective changes in financial position, and, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary 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 accompanying combining schedules of non-major governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedules of non-major governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2025 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 solely 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 the effectiveness of the Village's 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*

Singleton, Clark & Company, PC  
Cedar Park, Texas

February 14, 2025

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**VILLAGE OF THE HILLS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

## **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, 2024. 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 \$874,069 to end at \$3,638,433 primarily due to higher than anticipated revenue received during the year.
- The Village's fund balance in the General Fund increased by \$94,456 to end at \$1,039,933 largely due to revenue received for investment earnings and sales taxes exceeding originally budgeted amounts.
- As of September 30, 2024, the Solid Waste Fund had an increase in net position of \$34,738 to end at \$158,707.

### **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, 2024**

**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 four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, and the Debt Service Fund, and the Special Revenue Fund, which are considered to be major funds.

The Village adopts an annual appropriated budget for its General Fund and the Debt Service Fund. A budgetary comparison statement has been provided for the General Fund and the Debt Service Fund to demonstrate compliance with these budgets.

**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 funds of the Village. Conversely, when internal service funds are utilized, they are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are then provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

**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.

**VILLAGE OF THE HILLS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**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 58 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 \$3,797,140 at the close of the most recent fiscal year.

#### **Condensed Statement of Net Position As of September 30**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current assets	\$ 1,813,911	\$ 1,870,954	\$ 158,707	\$ 125,445	\$ 1,972,618	\$ 1,996,399
Capital assets	2,829,737	2,158,780	-	-	2,829,737	2,158,780
Total assets	4,643,648	4,029,734	158,707	125,445	4,802,355	4,155,179
Deferred outflows of resources	24,071	25,230	-	-	24,071	22,230
Current liabilities	329,293	643,499	-	1,476	329,293	644,975
Noncurrent liabilities	647,119	839,870	-	-	647,119	839,870
Total liabilities	976,412	1,483,369	-	1,476	976,412	1,484,845
Deferred inflows of resources	52,874	4,171	-	-	52,874	4,171
Net position:						
Net investment in capital assets	2,179,737	1,348,780	-	-	2,179,737	1,348,780
Restricted	350,533	462,997	-	-	350,533	462,997
Unrestricted	1,108,163	755,647	158,707	123,969	1,266,870	879,616
Total net position	\$ 3,638,433	\$ 2,567,424	\$ 158,707	\$ 123,969	\$ 3,797,140	\$ 2,691,393

By far, the largest portion of the Village's net position (57.5%) reflects its 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. 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.

**VILLAGE OF THE HILLS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

An additional portion of the Village's net position (9.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,266,870 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the Village is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Village's overall net position increased by \$908,807 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 \$874,069 from the prior fiscal year for an ending balance of \$3,638,433. The increase in the overall net position of governmental activities is primarily due to actual revenues exceeding expected amounts.

**Condensed Statement of Activities  
For the Years Ended September 30**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Program Revenues:</b>						
Charges for services	\$ 640	\$ 3,496	\$ 271,323	\$ 279,272	\$ 271,963	\$ 282,768
Operating grants & contributions	625,510	-	-	-	625,510	-
<b>General Revenues:</b>						
Property taxes	670,677	617,635	-	-	670,677	617,635
Other taxes	345,188	311,871	-	-	345,188	311,871
Grants and contributions not restricted to specific programs	127,888	122,796	-	-	127,888	122,796
Other	84,276	71,138	-	-	84,276	71,138
<b>Total revenue</b>	<b>1,854,179</b>	<b>1,126,936</b>	<b>271,323</b>	<b>279,272</b>	<b>2,125,502</b>	<b>1,406,208</b>
<b>Expenses:</b>						
General government	480,622	329,637	-	-	480,622	329,637
Public safety	149,580	110,321	-	-	149,580	110,321
Culture and recreation	341,320	415,786	-	-	341,320	415,786
Interest on long-term debt	8,588	9,038	-	-	8,588	9,038
Solid Waste	-	-	236,585	264,744	236,585	264,744
<b>Total expenses</b>	<b>980,110</b>	<b>864,782</b>	<b>236,585</b>	<b>264,744</b>	<b>1,216,695</b>	<b>1,129,526</b>
<b>Increase (decrease) in net position</b>	<b>874,069</b>	<b>262,154</b>	<b>34,738</b>	<b>14,528</b>	<b>908,807</b>	<b>276,682</b>
Net position - beginning	2,567,424	2,305,270	123,969	109,441	2,691,393	2,414,711
Prior period adjustment	196,940	-	-	-	196,940	-
<b>Net position - ending</b>	<b>\$ 3,638,433</b>	<b>\$ 2,567,424</b>	<b>\$ 158,707</b>	<b>\$ 123,969</b>	<b>\$ 3,797,140</b>	<b>\$ 2,691,393</b>

**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 \$158,707. The total increase in net position for business-type activities was \$34,738 or 22% from the prior fiscal year. The growth, in large part, is attributable to lower than anticipated expenses.

**VILLAGE OF THE HILLS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

### **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, 2024, the Village's governmental funds reported combined fund balances of \$1,459,731, an increase of \$53,721 in comparison with the prior year. Approximately 71% of this amount, \$1,039,933, 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 \$0; 2) legally required to be maintained intact \$0; 3) restricted for particular purposes \$309,798; 4) committed for particular purposes \$110,000; or 5) assigned for particular purposes \$0.

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 \$1,039,933, while total fund balance increased to \$1,039,933. 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 121% of total general fund expenditures, while total fund balance represents approximately 121% of that same amount.

The fund balance of the Village's General Fund increased by \$291,396 during the current fiscal year. The Village recognized a prior period adjustment during the year in order to move FEMA award money received in January 2024 that relates to expenditures that occurred in fiscal year 2023. As discussed earlier in connection with governmental activities, the increase was due to actual revenue received for intergovernmental revenue exceeding originally budgeted amounts.

The Debt Service Fund, had a decrease in fund balance during the current year of \$2,569 to bring the year end fund balance to \$10,211. The overall decrease for the year is due to debt payments exceeding property tax revenue.

The Capital Projects fund, a major fund, had a \$38,166 decrease in fund balance during the current fiscal year which put the overall fund balance at \$409,587.

The SLFRF Fund, a major special revenue fund, had an end of the year end fund balance of \$0. Special revenue funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds.

**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 \$158,707. The total growth in net position was \$34,738. As noted earlier in the discussion of business-type activities, the increase for the Solid Waste Fund is due to revenue from charges for services exceeding expenses for the year.

**VILLAGE OF THE HILLS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**General Fund Budgetary Highlights**

**Original budget compared to final budget.** During the year there were significant amendments to increase either the original estimated revenues or original budgeted appropriations. The movement of the appropriations between departments for General Government were considered 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, 2024, amounts to \$2,829,737 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and park facilities. The total increase in capital assets for the current fiscal year was approximately 24%.

**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities	Governmental Activities	
	2024	2023	Change
Land	\$ 39,540	\$ 39,540	\$ -
Buildings	3,199,746	2,457,283	742,463
Furniture and equipment	297,638	292,638	5,000
<b>Total</b>	<b>3,536,924</b>	<b>2,789,461</b>	<b>747,463</b>
Less accumulated depreciation	(707,187)	(630,681)	(76,506)
<b>Capital assets, net of depreciation</b>	<b>\$ 2,829,737</b>	<b>\$ 2,158,780</b>	<b>\$ 670,957</b>

Additional information on the Village's capital assets can be found in Note III.D on page 45 of this report.

**Long-term Debt.** At the end of the current fiscal year, the Village had total bonded debt outstanding of \$650,000. The remainder of the Village long-term obligations comprises pension-related debt and capital leases.

**Outstanding Debt**

	Governmental Activities	Governmental Activities	
	2024	2023	Change
Notes payable	\$ 650,000	\$ 810,000	\$ (160,000)
<b>Total</b>	<b>\$ 650,000</b>	<b>\$ 810,000</b>	<b>\$ (160,000)</b>

The Village's total debt decreased by \$160,000 during the current fiscal year. The reason for the decrease is attributable to the Village making its scheduled debt payments. Additional information on the Village's long-term debt can be found in Note III.I on pages 52-53 of this report.

**VILLAGE OF THE HILLS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Economic Factors and Next Year's Budgets and Rates**

The Village considered many factors when setting the fiscal year 2025 budget. The Village's General Fund budget for fiscal year 2025 includes expenditures of \$1,028,457 which is a slight increase from fiscal year 2024 total adopted expenditures of \$959,773. The Village decreased the tax rate for 2024-2025 to \$0.0703 for the General Fund and to \$0.0233 for the Interest and Sinking Fund. The overall total tax rate decreased to \$0.0936 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 the Village Administrator 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, 2024**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 428,451	\$ 120,763	\$ 549,214
Investments - current	1,338,204	1,193	1,339,397
Taxes receivable - delinquent	29,515	-	29,515
Allowance for uncollectible taxes	(2,951)	-	(2,951)
Accounts receivable	-	36,751	36,751
Prepaid items	20,692	-	20,692
Capital assets, not being depreciated:			
Land	39,540	-	39,540
Capital assets, being depreciated:			
Buildings and improvements	3,199,746	-	3,199,746
Machinery, equipment, and vehicles	297,638	-	297,638
Accumulated depreciation	(707,187)	-	(707,187)
Total assets	<u>4,643,648</u>	<u>158,707</u>	<u>4,802,355</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows NPL/OPEB	24,071	-	24,071
Total deferred outflows of resources	<u>24,071</u>	<u>-</u>	<u>24,071</u>
<b>LIABILITIES</b>			
Accounts payable	327,616	-	327,616
Accrued interest payable	1,677	-	1,677
Noncurrent liabilities:			
Due within one year	160,000	-	160,000
Due in more than one year	487,119	-	487,119
Total liabilities	<u>976,412</u>	<u>-</u>	<u>976,412</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources NPL/OPEB	52,874	-	52,874
Total deferred inflows of resources	<u>52,874</u>	<u>-</u>	<u>52,874</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,179,737	-	2,179,737
Restricted for capital projects	337,753	-	337,753
Restricted for debt service	12,780	-	12,780
Unrestricted	1,108,163	158,707	1,266,870
Total net position	<u>\$ 3,638,433</u>	<u>\$ 158,707</u>	<u>\$ 3,797,140</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, 2024**

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 480,622	\$ 640	\$ 625,510	
Public safety	149,580	-	-	
Culture and recreation	341,320	-	-	
Interest and bank fees	8,588	-	-	
Total governmental activities:	<u>980,110</u>	<u>640</u>	<u>625,510</u>	
Business-type activities:				
Solid Waste Fund	236,585	271,323	-	
Total business-type activities:	<u>236,585</u>	<u>271,323</u>	<u>-</u>	
Total primary government	<u>\$ 1,216,695</u>	<u>\$ 271,963</u>	<u>\$ 625,510</u>	

General revenues:  
 Property taxes  
 Sales taxes  
 Franchise taxes  
 Investment earnings  
 Total general revenues  
  
 Change in net position  
  
 Net position - beginning  
 Prior period adjustment  
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	
\$ 145,528	\$ -	\$ 145,528	
(149,580)	-	(149,580)	
(341,320)	-	(341,320)	
(8,588)	-	(8,588)	
<b>(353,960)</b>	<b>-</b>	<b>(353,960)</b>	
-	34,738	34,738	
-	34,738	34,738	
<b>(353,960)</b>	<b>34,738</b>	<b>(319,222)</b>	
670,677	-	670,677	
345,188	-	345,188	
127,888	-	127,888	
84,276	-	84,276	
<b>1,228,029</b>	<b>-</b>	<b>1,228,029</b>	
874,069	34,738	908,807	
2,567,424	123,969	2,691,393	
196,940	-	196,940	
<b>\$ 3,638,433</b>	<b>\$ 158,707</b>	<b>\$ 3,797,140</b>	

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## FUND BASIS FINANCIAL STATEMENTS

**VILLAGE OF THE HILLS, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2024**

	General Fund	SLFRF Fund	Debt Service Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 72,130	\$ 113,970	\$ 10,211
Investments - current	1,108,356	17,555	-
Taxes receivable - delinquent	24,857	-	4,658
Allowance for uncollectible delinquent taxes	(2,485)	-	(466)
Prepaid items	20,692	-	-
Total assets	<u>\$ 1,223,550</u>	<u>\$ 131,525</u>	<u>\$ 14,403</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 161,245	\$ 131,525	\$ -
Total liabilities	<u>161,245</u>	<u>131,525</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	22,372	-	4,192
Total deferred inflows of resources	<u>22,372</u>	<u>-</u>	<u>4,192</u>
<b>FUND BALANCES</b>			
Restricted:			
Fund balance - restricted for Debt Service	-	-	10,211
Fund balance - restricted for Capital Projects	-	-	-
Committed:			
Fund balance - committed for Capital Projects	-	-	-
Unassigned	1,039,933	-	-
Total fund balances	<u>1,039,933</u>	<u>-</u>	<u>10,211</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,223,550</u>	<u>\$ 131,525</u>	<u>\$ 14,403</u>

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

		Total
Capital Projects Fund	Governmental Funds	
\$ 232,140	\$ 428,451	
212,293	1,338,204	
-	29,515	
-	(2,951)	
-	20,692	
<hr/> <u>\$ 444,433</u>	<hr/> <u>\$ 1,813,911</u>	
 \$ 34,846	\$ 327,616	
<hr/> <u>34,846</u>	<hr/> <u>327,616</u>	
 - 26,564		
<hr/> <u>-</u>	<hr/> <u>26,564</u>	
 - 10,211		
<hr/> <u>299,587</u>	<hr/> <u>299,587</u>	
 110,000	110,000	
- 1,039,933		
<hr/> <u>409,587</u>	<hr/> <u>1,459,731</u>	
<hr/> <u>\$ 444,433</u>	<hr/> <u>\$ 1,813,911</u>	

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**VILLAGE OF THE HILLS, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2024**

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

Total fund balance of all governmental funds	\$ 1,459,731
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,829,737
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.	26,564
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(651,677)
Additional long-term liabilities related to the recognition of the net pension liability and the net OPEB liability are not reported in the funds.	(25,922)
<b>Net position of governmental activities</b>	<b><u>\$ 3,638,433</u></b>

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 BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	General Fund	SLFRF Fund	Debt Service Fund
<b>REVENUES</b>			
Property taxes	\$ 498,156	\$ -	\$ 165,446
Sales taxes	345,188	-	-
Franchise taxes	127,888	-	-
Licenses and permits	640	-	-
Intergovernmental revenues	8,657	-	-
Investment earnings	84,276	-	-
Grants and contributions	-	616,853	-
Total revenues	<u>1,064,805</u>	<u>616,853</u>	<u>165,446</u>
<b>EXPENDITURES</b>			
Current:			
General government	408,204	-	-
Public safety	137,771	-	-
Culture and recreation	314,374	-	-
Debt service:			
Bond principal	-	-	160,000
Interest - bonds	-	-	8,015
Capital outlay	-	616,853	-
Total expenditures	<u>860,349</u>	<u>616,853</u>	<u>168,015</u>
Excess (deficiency) of revenues over expenditures	<u>204,456</u>	<u>-</u>	<u>(2,569)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	(110,000)	-	-
Total other financing sources (uses)	<u>(110,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	94,456	-	(2,569)
Fund balance - beginning	748,537	-	12,780
Prior period adjustment	196,940	-	-
Fund balance - ending	<u>\$ 1,039,933</u>	<u>\$ -</u>	<u>\$ 10,211</u>

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

		Total
Capital Projects Fund	Governmental Funds	

\$	-	\$ 663,602
	-	345,188
	-	127,888
	-	640
	-	8,657
	-	84,276
	-	616,853
	-	<u>1,847,104</u>

32,218	440,422
-	137,771
-	314,374
	160,000
	8,015
115,948	732,801
<u>148,166</u>	<u>1,793,383</u>
<u>(148,166)</u>	<u>53,721</u>

110,000	110,000
-	(110,000)
<u>110,000</u>	<u>-</u>
<u>(38,166)</u>	<u>53,721</u>
<u>447,753</u>	<u>1,209,070</u>
	196,940
<u>\$ 409,587</u>	<u>\$ 1,459,731</u>

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**VILLAGE OF THE HILLS, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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

Net change in fund balances for total governmental funds	\$ 53,721
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.	670,957
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,075
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.	159,427
The net effect of various transactions involving the net pension liability and the net OPEB liability is to decrease net position.	(17,111)
<b>Change in net position for governmental activities</b>	<b><u>\$ 874,069</u></b>

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, 2024**

	<b>Budgeted Amounts</b>			<b>Variance With</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>	
<b>REVENUES</b>					
Property taxes	\$ 502,522	\$ 502,522	\$ 498,156	\$ (4,366)	
Sales taxes	331,873	331,873	345,188	13,315	
Franchise taxes	125,145	125,145	127,888	2,743	
Licenses and permits	3,193	3,193	640	(2,553)	
Intergovernmental revenues	-	-	8,657	8,657	
Investment earnings	40,000	40,000	84,276	44,276	
Miscellaneous revenue	500	500	-	(500)	
<b>Total revenues</b>	<b>1,003,233</b>	<b>1,003,233</b>	<b>1,064,805</b>	<b>61,572</b>	
<b>EXPENDITURES</b>					
Current:					
General government	412,742	374,595	408,204	(33,609)	
Public safety	146,302	149,702	137,771	11,931	
Culture and recreation	280,729	281,297	314,374	(33,077)	
<b>Total Expenditures</b>	<b>839,773</b>	<b>805,594</b>	<b>860,349</b>	<b>(54,755)</b>	
Excess (deficiency) of revenues over expenditures	163,460	197,639	204,456	6,817	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	
Transfers out	(120,000)	(120,000)	(110,000)	10,000	
<b>Total other financing sources (uses)</b>	<b>(120,000)</b>	<b>(120,000)</b>	<b>(110,000)</b>	<b>10,000</b>	
Net change in fund balances	43,460	77,639	94,456	16,817	
Fund balance - beginning	748,537	748,537	748,537	-	
Prior period adjustment	-	-	196,940	196,940	
<b>Fund balance - ending</b>	<b>\$ 791,997</b>	<b>\$ 826,176</b>	<b>\$ 1,039,933</b>	<b>\$ 213,757</b>	

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, 2024**

	<b>Business-Type Activities</b>
	<b>Solid Waste Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 120,763
Investments - current	1,193
Accounts receivable	36,751
Total current assets	<u>158,707</u>
<b>LIABILITIES</b>	
Current liabilities:	
Total current liabilities	<u>-</u>
<b>NET POSITION</b>	
Unrestricted	158,707
Total net position	<u>\$ 158,707</u>

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, 2024**

	<u>Business-Type Activities</u>
	<u>Solid Waste Fund</u>
<b>REVENUES</b>	
Operating revenues:	
Charges for services:	
Solid Waste	\$ 271,323
Total operating revenues	<u>271,323</u>
<b>EXPENSES</b>	
Operating expenses:	
Other purchased services	231,585
Materials and supplies	5,000
Total operating expenses	<u>236,585</u>
Operating income (loss)	34,738
Change in net position	34,738
Net position-beginning	123,969
Net position-ending	<u>\$ 158,707</u>

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

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**VILLAGE OF THE HILLS, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2024**

	<b>Business-Type Activities</b>
	<b>Solid Waste Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 271,323
Payments to suppliers and service providers	(227,772)
Net cash provided by (used for) operating activities	<u>43,551</u>
Net increase (decrease) in cash and cash equivalents	43,551
Cash and cash equivalents-beginning	<u>77,212</u>
Cash and cash equivalents-ending	<u>\$ 120,763</u>
<b>Reconciliation of operating income (loss) to net cash provided (used for) operating activities:</b>	
Operating income (loss)	<u>34,738</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	10,289
(Decrease) increase in accounts payable	(1,476)
Total adjustments	<u>8,813</u>
Net cash provided by (used for) operating activities	<u>\$ 43,551</u>

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, 2024**

## **I. Summary of Significant Accounting Policies**

### **New Governmental Accounting Pronouncement**

Governmental Accounting Standards Board Statement No. 101 – Compensated Absences (GASB 101) provides guidance on the accounting and financial reporting for Compensated Absences for governments. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

The requirements of this statement are effective for fiscal years beginning after December 15, 2023, with earlier application encouraged. GASB 101 will be implemented in the District's fiscal year 2025 financial statements and the impact has not yet been determined.

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

#### **A. Reporting Entity**

The Village 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. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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 Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

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

**VILLAGE OF THE HILLS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

The Special Revenue Fund is a new major fund for the year ended September 30, 2024. This fund became a major fund for the year ended September 30, 2024 as a result of meeting the quantitative threshold. This change within the financial reporting entity is considered a change in circumstance and does not require an adjustment or restatement to fund balance in accordance with GASB Statement No. 100 which is discussed in further detail in Note III.N to the financial statements.

The government reports the following major enterprise funds:

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.

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.

**VILLAGE OF THE HILLS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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.

## **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 and Debt Service 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, 2024, expenditures exceeded appropriations in the protective inspection department (the legal level of budgetary control) within the general government and culture and recreation functions of the general fund by \$33,609 and \$33,077 respectively.

## **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.

**VILLAGE OF THE HILLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

***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.

***3. Inventories and prepaid items***

The Village does not report inventories of supplies for consumable items due to the unused amount of the 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 Village 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	10-50
Machinery and equipment	5-20
Vehicles	5-10
Improvements	10-20
Infrastructure	75-100
Water distribution system	75-100

**VILLAGE OF THE HILLS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**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.

**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.

**VILLAGE OF THE HILLS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

The council has by resolution authorized the Village Bookkeeper to assign fund balance. 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.

## **G. 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.

### ***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, 2023, upon which the levy for the 2023-2024 fiscal year was based, was \$676,299,000. 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, 2024, to finance General Fund and Debt Service Fund operations were \$0.075 and \$0.025, respectively, for a total tax rate of \$0.100 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2023-2024 fiscal year was \$676,299. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2024, were 99% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are 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 sick leave.

#### **Sick Leave**

Accumulated sick leave lapses when employees leave the employment of the government and, upon separation from service, no monetary obligation exists.

**VILLAGE OF THE HILLS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

***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, 2024 there were no funds reported with deficit fund equity.

**III. Detailed Notes on All Activities and Funds**

**A. Cash Deposits with Financial Institution**

*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, 2024, the government's bank balance was \$577,347 all of which was insured and collateralized with securities held by the pledging of the financial institution's trust department or agent, but not in the Village's name.

**B. Investments**

The State Treasurer's 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, 2024, the government had the following investments:

**VILLAGE OF THE HILLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Investment Type	Maturity Time in Years	
	Less than	1
TexPool Investment Pool	\$	1,339,397
Total investments	\$	1,339,397

*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, 2024, the government's investment in the State Treasurer's investment pool was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The government's investments in commercial paper were rated A1 by Standard & Poor's, F-1 by Fitch Ratings, and P-1 by Moody's Investor's Service. The government's investments in corporate bonds were rated AAA by Standard & Poor's and Fitch Ratings, 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.

*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. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is a detail of receivables for the major and nonmajor funds of both the governmental and proprietary funds of the government, including the applicable allowances for uncollectible accounts:

### Governmental Funds:

Receivables	Total		
	General Fund	Debt Service Fund	Governmental Funds
Accounts receivable	\$ 24,857	\$ 4,658	\$ 29,515
Gross receivables	24,857	4,658	29,515
Less: Allowance for uncollectibles	(2,485)	(466)	(2,951)
Net receivables	\$ 22,372	\$ 4,192	\$ 26,564

### Proprietary Funds:

Receivables	Solid Waste Fund	
Accounts receivable	\$ 36,751	
Gross receivables		36,751
Less: Allowance for uncollectibles		-
Net receivables	\$ 36,751	

**VILLAGE OF THE HILLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**D. Capital Assets**

Capital assets activity for the year ended September 30, 2024, was as follows:

**Governmental Activities:**

	Balance 10/1/23	Increases	Decreases	Balance 9/30/24
Capital assets, not being depreciated:				
Land	\$ 39,540	\$ -	\$ -	\$ 39,540
Total capital assets, not being depreciated	<u>39,540</u>	<u>-</u>	<u>-</u>	<u>39,540</u>
Capital assets, being depreciated:				
Buildings and improvements	2,457,283	742,463	-	3,199,746
Machinery, equipment, and vehicles	292,638	5,000	-	297,638
Total capital assets, being depreciated	<u>2,749,921</u>	<u>747,463</u>	<u>-</u>	<u>3,497,384</u>
Less accumulated depreciation for:				
Buildings and improvements	(527,132)	(66,116)	-	(593,248)
Machinery, equipment, and vehicles	(103,549)	(10,390)	-	(113,939)
Total accumulated depreciation	<u>(630,681)</u>	<u>(76,506)</u>	<u>-</u>	<u>(707,187)</u>
Total capital assets being depreciated, net	2,119,240	670,957	-	2,790,197
Governmental activities capital assets, net	<u>\$ 2,158,780</u>	<u>\$ 670,957</u>	<u>\$ -</u>	<u>\$ 2,829,737</u>

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

**Governmental activities:**

General government	\$ 37,751
Public safety	11,809
Culture and recreation	26,946
Total depreciation expense - governmental activities	<u>\$ 76,506</u>

**E. Defined Benefit Pension Plan**

*Plan Description*

The Village participates as one of 928 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.tmrs.com](http://www.tmrs.com).

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

**VILLAGE OF THE HILLS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

*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, 2023 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	1
Active employees	<u>1</u>
	<u><u>2</u></u>

*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 7% of their annual gross earnings during the fiscal year. The contribution rates for the Village were 12.14% and 12.89% in calendar years 2023 and 2024, respectively. The Village's contributions to TMRS for the year ended September 30, 2024 were \$18,126, and were equal to the required contributions.

*Net Pension Liability*

The Village's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

**VILLAGE OF THE HILLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the Village, rates are multiplied by a factor of 95%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2023, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public & Private Markets	12.0%	81.0%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
<b>Total</b>	<b>100%</b>	

**VILLAGE OF THE HILLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

*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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	\$ 116,897	\$ 87,543	\$ 29,354
<b>Balance at 12/31/2022</b>			
<b>Changes for the year:</b>			
Service cost	20,622	-	20,622
Interest	10,017	-	10,017
Change of benefit terms	21,198	-	21,198
Difference between expected and actual experience	(52,208)	-	(52,208)
Changes of assumptions	924	-	924
Contributions - employer	-	14,687	(14,687)
Contributions - employee	-	8,197	(8,197)
Net investment income	-	10,279	(10,279)
Administrative expense	-	(64)	64
Net changes	553	33,099	(32,546)
<b>Balance at 12/31/2023</b>	<b>\$ 117,450</b>	<b>\$ 120,642</b>	<b>\$ (3,192)</b>

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

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

	1% Decrease in Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
	\$ 15,583	\$ (3,192)	\$ (18,425)
City's net pension liability	\$ 15,583	\$ (3,192)	\$ (18,425)

*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.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2024, the Village recognized pension expense of (\$17,081).

**VILLAGE OF THE HILLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

At September 30, 2024, 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	\$ 6,404	\$ 4,900
Differences between expected and actual economic experience	2,601	46,836
Difference in assumption changes	1,221	-
Contributions subsequent to the measurement date	13,540	-
<b>Total</b>	<b>\$ 23,766</b>	<b>\$ 51,736</b>

\$13,540 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2024	\$ (5,150)
2025	(5,088)
2026	(4,421)
2027	(6,553)
2028	(5,679)
Thereafter	<u>(14,619)</u>
<b>Total</b>	<b>\$ (41,510)</b>

## **F. 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.

**VILLAGE OF THE HILLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

*Employees Covered by Benefit Terms*

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>1</u>
	<u><u>1</u></u>

*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, 2024 and 2023 were \$78 and \$88 respectively, which equaled the required contributions each year.

*Plan Assets*

At the December 31, 2023 valuation and measurement date, there are no assets accumulated in trust.

*Actuarial Assumptions*

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.50%-11.50% including inflation per year
Discount rate	3.77% based on Fidelity Index's 20-year Municipal GO AA Index
Retirees' share of benefit costs	\$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68. 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, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

**VILLAGE OF THE HILLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

*Schedule of Changes in the Total OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	\$ 516	\$ -	\$ 516
Balance at 12/31/2022	\$ 516	\$ -	\$ 516
Changes for the year:			
Service cost	129	-	129
Interest	24	-	24
Difference between expected and actual experience	(457)	-	(457)
Changes of assumptions	21	-	21
Net changes	<u>(283)</u>	<u>-</u>	<u>(283)</u>
Balance at 12/31/2023	<u>\$ 233</u>	<u>\$ -</u>	<u>\$ 233</u>

*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 3.77%, 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 2.77% or 1-percentage-point higher 4.77% than the current rate:

	1% Decrease in		Current		1% Increase in	
	Discount Rate 2.77%	\$ 289	Discount Rate 3.77%	\$ 233	Discount Rate 4.77%	\$ 191
City's net OPEB liability						

*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.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2024, the Village recognized OPEB expense of (\$30).

At September 30, 2024, 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
	\$ 8	\$ 786
Differences between expected and actual economic experience	\$ 8	\$ 786
Difference in assumption changes	219	352
Contributions subsequent to the measurement date	78	-
<b>Total</b>	<b>\$ 305</b>	<b>\$ 1,138</b>

**VILLAGE OF THE HILLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

\$78 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2024	\$ (123)
2025	(122)
2026	(123)
2027	(123)
2028	(123)
Thereafter	(297)
Total	<hr/> <hr/> \$ (911)

## **G. 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.

## **H. 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.

**VILLAGE OF THE HILLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Details of long-term debt obligations outstanding at September 30, 2024 are as follows:

**Governmental Activities:**

**Notes Payable:**

\$1,125,000 Limited Tax Notes, Series 2021	2021	\$ 1,125,000	0.625%-1.326%	2028	\$ 650,000
Total Notes Payable					<u>\$ 650,000</u>

**Changes in Long-Term Liabilities**

Changes in the government's long-term liabilities for the year ended September 30, 2024 are as follows:

**Governmental Activities:**

Description	Balance			Balance	Due in
	10/1/23	Additions	Deletions	9/30/24	One Year
Notes payable	\$ 810,000	\$ -	\$ (160,000)	\$ 650,000	\$ 160,000
Governmental activities long-term liabilities	<u>\$ 810,000</u>	<u>\$ -</u>	<u>\$ (160,000)</u>	<u>\$ 650,000</u>	<u>\$ 160,000</u>

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

**Governmental Activities:**

Year Ended September 30,	Governmental Activities		
	Notes Payable		
	Principal	Interest	Total
2025	\$ 160,000	\$ 6,651	\$ 166,651
2026	160,000	5,046	165,046
2027	165,000	3,184	168,184
2028	165,000	1,094	166,094
	<u>\$ 650,000</u>	<u>\$ 15,975</u>	<u>\$ 665,975</u>

**I. Fund Balance**

**Minimum fund balance policy.** The governing council has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at two months of general fund annual revenues (approximately 16.7%). This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within a three-year period.

**VILLAGE OF THE HILLS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**J. Interfund Transfers**

The composition of interfund transfers for the year ended is September 30, 2024 as follows:

<u>Transfer in to:</u>	
<u>Governmental Funds</u>	
<u>    Capital Projects</u>	
<u>    Fund</u>	
<u>Transfer out from:</u>	
General Fund	\$ 110,000
<u>Total</u>	<u>\$ 110,000</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, 2024 the government made the following one-time transfer:

1. A transfer of \$110,000 from the general fund to the capital projects fund to fulfill the general fund's commitment to contribute a percentage of required funding.

**K. 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.

**L. Implementation of New Governmental Accounting Standard**

During the year the District implemented Governmental Accounting Standards Board Statement No. 100 – *Accounting Changes and Error Corrections* (“GASB 100”). The objective of GASB 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

**VILLAGE OF THE HILLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

For the year ended September 30, 2024, the Village did not have any changes in policy or circumstance that required a restatement. However, as a result of the implementation of GASB 100, the Village has disclosed on Note 1 to the financial statements on Page 38 of this report that the Special Revenue Fund became a major fund for the year ended September 30, 2024 as a matter of meeting the quantitative major fund threshold. However, this fund is a new fund for the year ended September 30, 2024 and thereby did not report fund balance in fiscal year 2023. Therefore, no reporting units were affected by the addition of this major fund, and thus, no tabular reconciliation was required.

**M. Prior Period Adjustment**

The Village recognized a prior period adjustment during the year in order to move FEMA award money received in January 2024 that relates to expenditures that occurred in fiscal year 2023. The following is a summary of the financial effects of the prior period adjustment:

	<b>General Fund</b>
Net Position as Previously Stated at September 30, 2023	\$ 748,537
Recording of a grant receivable as of 9/30/2023	<u>196,940</u>
Net Position as Restated at September 30, 2024	<u><u>\$ 945,477</u></u>

	<b>Governmental Activities</b>
Net position as previously stated at September 30, 2023	\$ 2,567,424
Recording of a grant receivable as of 9/30/2023	<u>196,940</u>
Net Position as Restated at September 30, 2024	<u><u>\$ 2,764,364</u></u>

**N. Subsequent Events**

As of February 14, 2025, there were no items noted requiring recording and/or disclosure.

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## REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF THE HILLS, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021	Measurement Year 2020
<b>A. Total pension liability</b>				
1. Service cost	\$ 20,622	\$ 17,887	\$ 14,776	\$ 14,954
2. Interest (on the Total Pension Liability)	10,017	6,881	4,516	3,160
3. Changes of benefit terms	21,198	12,375	-	-
4. Difference between expected and actual experience	(52,208)	(865)	1,814	2,066
5. Changes of assumptions	924	-	-	-
6. Benefit payments, including refunds of employee contributions	-	-	-	-
7. Net change in total pension liability	<u>\$ 553</u>	<u>\$ 36,278</u>	<u>\$ 21,106</u>	<u>\$ 20,180</u>
8. Total pension liability - beginning	116,897	80,619	59,513	39,333
9. Total pension liability - ending	<u>\$ 117,450</u>	<u>\$ 116,897</u>	<u>\$ 80,619</u>	<u>\$ 59,513</u>
<b>B. Plan fiduciary net position</b>				
1. Contributions - employer	\$ 14,687	\$ 10,303	\$ 9,333	\$ 8,688
2. Contributions - employee	8,197	7,281	7,008	7,093
3. Net investment income	10,279	(5,578)	6,891	2,605
4. Benefit payments, including refunds of employee contributions	-	-	-	-
5. Administrative expense	(64)	(48)	(32)	(17)
6. Other changes	-	57	-	-
7. Net change in plan fiduciary net position	<u>\$ 33,099</u>	<u>\$ 12,015</u>	<u>\$ 23,200</u>	<u>\$ 18,369</u>
8. Plan fiduciary net position - beginning	87,543	75,528	52,328	33,959
9. Plan fiduciary net position - ending	<u>\$ 120,642</u>	<u>\$ 87,543</u>	<u>\$ 75,528</u>	<u>\$ 52,328</u>
<b>C. Net pension liability [A.9 - B.9]</b>	<u><u>\$ (3,192)</u></u>	<u><u>\$ 29,354</u></u>	<u><u>\$ 5,091</u></u>	<u><u>\$ 7,185</u></u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]</b>	102.72%	74.89%	93.69%	87.93%
<b>E. Covered-employee payroll</b>	\$ 117,106	\$ 121,352	\$ 116,804	\$ 118,211
<b>F. Net position as a percentage of covered employee payroll [C / E]</b>	-2.73%	24.19%	4.36%	6.08%

Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
\$ 13,364	\$ 10,706	\$ 7,197
2,027	1,017	387
1,814	-	2,130
(154)	99	-
746	-	-
 -	 -	 -
\$ 17,797	\$ 11,822	\$ 9,714
21,536	9,714	-
<b>\$ 39,333</b>	<b>\$ 21,536</b>	<b>\$ 9,714</b>
 <hr/>	 <hr/>	 <hr/>
\$ 6,649	\$ 5,385	\$ 3,620
6,456	5,542	3,726
2,823	(223)	-
 -	 -	 -
(16)	(3)	-
 -	 -	 -
\$ 15,912	\$ 10,701	\$ 7,346
18,047	7,346	-
<b>\$ 33,959</b>	<b>\$ 18,047</b>	<b>\$ 7,346</b>
 <hr/>	 <hr/>	 <hr/>
<b>\$ 5,374</b>	<b>\$ 3,489</b>	<b>\$ 2,368</b>

86.34% 83.80% 75.62%

\$ 107,597 \$ 92,371 \$ 62,101

4.99% 3.78% 3.81%

**VILLAGE OF THE HILLS, TEXAS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**NET PENSION LIABILITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Fiscal Year			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 18,126	\$ 12,986	\$ 10,012	\$ 8,916
Contributions in relation to the actuarially determined contribution	<u>(18,126)</u>	<u>(12,986)</u>	<u>(10,012)</u>	<u>(8,916)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll	 \$ 108,823	 \$ 112,955	 \$ 119,799	 \$ 116,210
Contributions as a percentage of covered employee payroll	16.66%	11.50%	8.36%	7.67%

Fiscal Year				
<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
\$ 6,215	\$ 5,975	\$ 5,226	\$ 2,520	
<u>(6,215)</u>	<u>(5,975)</u>	<u>(5,226)</u>	<u>(2,520)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 117,346	\$ 97,823	\$ 87,100	\$ 42,000	
5.30%	6.11%	6.00%	6.00%	

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**VILLAGE OF THE HILLS, TEXAS**  
**NET PENSION LIABILITY**  
**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Valuation Date:**

## Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	N/A
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2016 Municipal Retirees of Texas Mortality Tables. Male rates by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

### **Other Information:**

Notes Increased city matching ratio from 1.5 - 1 to 2 - 1.

**VILLAGE OF THE HILLS, TEXAS**  
**SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021	Measurement Year 2020
<b>A. Total pension liability</b>				
1. Service cost	\$ 129	\$ 267	\$ 234	\$ 189
2. Interest on Total OPEB Liability	24	16	18	18
3. Changes of benefit terms	-	-	-	-
4. Difference between expected & actual experience	(457)	(88)	(319)	(147)
5. Changes of assumptions	21	(434)	28	166
6. Benefit payments	-	-	-	-
7. Net changes	\$ (283)	\$ (239)	\$ (39)	\$ 226
8. Total OPEB Liability - beginning of the year	516	755	794	568
9. Total OPEB Liability - end of the year	<b>\$ 233</b>	<b>\$ 516</b>	<b>\$ 755</b>	<b>\$ 794</b>
 <b>E. Covered-employee payroll</b>	 \$ 108,823	 \$ 121,352	 \$ 116,804	 \$ 118,211
 <b>F. Total OPEB Liability as a Percentage of Covered Payroll</b>	 0.21%	 0.43%	 0.65%	 0.67%

Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
\$ 151	\$ 157	\$ 87
13	6	2
-	-	16
(6)	14	-
143	(24)	9
-	-	-
\$ 301	\$ 153	\$ 114
267	114	-
<b>\$ 568</b>	<b>\$ 267</b>	<b>\$ 114</b>
\$ 107,597	\$ 92,371	\$ 62,101
0.53%	0.29%	0.18%

**VILLAGE OF THE HILLS, TEXAS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**NET OPEB LIABILITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Fiscal Year			
	2024	2023	2022	2021
Actuarially Determined Contribution	\$ 97	\$ 88	\$ 60	\$ 230
Contributions in relation to the actuarially determined contribution	<u>(97)</u>	<u>(88)</u>	<u>(60)</u>	<u>(230)</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 108,823	\$ 112,955	\$ 119,799	\$ 116,210
Contributions as a percentage of covered employee payroll	0.09%	0.08%	0.05%	0.20%

Fiscal Year		
2020	2019	2018
\$ 548	\$ 44	\$ -
<u>(548)</u>	<u>(44)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>\$ 117,346</b>	<b>\$ 97,823</b>	<b>\$ 87,100</b>
0.47%	0.04%	0.00%

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**VILLAGE OF THE HILLS, TEXAS  
NET OPEB LIABILITY  
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Summary of Actuarial Assumptions:**

Inflation	2.50%
Salary increases	3.60% to 11.85%; including inflation
Discount rate*	3.77%
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	Post-retirement: 2016 Municipal Retirees of Texas Mortality Tables. Male rates by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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, 2023.

The Actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

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**VILLAGE OF THE HILLS, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 164,000	\$ 164,000	\$ 165,446	\$ 1,446
Total revenues	<u>164,000</u>	<u>164,000</u>	<u>165,446</u>	<u>1,446</u>
<b>EXPENDITURES</b>				
Current:				
Debt service:				
Bond principal	160,000	160,000	160,000	-
Interest - bonds	8,015	8,015	8,015	-
Total Expenditures	<u>168,015</u>	<u>168,015</u>	<u>168,015</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(4,015)	(4,015)	(2,569)	1,446
Net Change in Fund Balances	(4,015)	(4,015)	(2,569)	1,446
Fund balance - beginning	12,780	12,780	12,780	-
Fund balance - ending	<u>\$ 8,765</u>	<u>\$ 8,765</u>	<u>\$ 10,211</u>	<u>\$ 1,446</u>

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

To the Honorable Mayor, Members of the 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, and each major fund information of the Village of The Hills, Texas (the "Village"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 14, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 a 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village'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 financial statements. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2024-001.

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### **Village of The Hills, Texas's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Village's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

*Singleton, Clark & Company, PC*

Singleton, Clark & Company, PC  
Cedar Park, Texas

February 14, 2025

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**VILLAGE OF THE HILLS, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

## **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?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
• Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

## FEDERAL AWARDS

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required for the year ended September 30, 2024 due to expenditures of federal awards being below \$750,000.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

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

2024-001	Budgetary Compliance
Criteria:	Each year the Village's Council legally adopts an appropriations budget which limits expenditure amounts within specific line items that can be made by management.
Condition Found:	As of year-end, the General Fund actual expenditures exceeded the budget in General Government by \$33,609, or 9% and Culture and Recreation by \$33,077, or 12%.
Cause:	The needed budget amendments were either not known by year-end or not brought timely for approval.
Effect:	The effect of this condition is a technical noncompliance with the legally adopted appropriations budget.
Recommendation:	We recommend the budget-to-actual expenditure amounts be closely monitored during the year and needed budget amendments be brought to Council as needed to be considered for approval.

(VILLAGE OF THE HILLS, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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**SECTION II – FINANCIAL STATEMENT FINDINGS (continued)**

Prior year financial statement findings as required to be restated with current status:

2023-001	Accounting and Financial Reporting
Criteria:	As part of the regular accounting and financial reporting process, accounts payable, accounts receivable and payroll should be accrued. The balances of the general ledger should be reviewed and monitored on an ongoing basis in order to ensure their accuracy and provide for good financial reporting. This review process is particularly important at year-end during the preparation of the account records for external financial reporting.
Condition Found:	The audit resulted in an excessive amount of adjusting journal entries being applied to the books of the Village to adjust various areas such as beginning account balances, accounts payable, and accounts receivable.
Cause:	Beginning account balances were not verified for accuracy and during the year-end close (most likely related to prior year audit adjustments not having been made). The Village did not consider/accrue balances related to appropriate basis of accounting and generally accepted accounting principles (GAAP).
Effect:	In order to correct these issues for accurate external financial reporting, several audit adjusting entries were required during the year.
Recommendation:	We recommend that the Village make all audit adjustments annually to ensure proper opening balances. And, for the Village to account for all activity based on appropriate basis of accounting and GAAP.
Current Status:	We did not observe the condition for the year ended September 30, 2024.
2023-002	Bank Reconciliations
Criteria:	As part of the regular accounting and financial reporting process, an entity should be properly, and timely reconciling its cash balances.
Condition Found:	As noted in the prior year, during the audit we observed that the Village was reconciling it's individual cash balances to a single pooled amount.
Cause:	It appears that the bookkeeper was reconciling cash as a single total rather than reconciling individual general ledger balances.
Effect:	In order to correct these issues for accurate external financial reporting, these accounts needed to be adjusted per client provided bank reconciliations and confirmations received.
Recommendation:	We recommend that the trial balance accounts be reconciled to and reflect the amounts on the bank reconciliations.
Current Status:	We did not observe the condition for the year ended September 30, 2024.

(VILLAGE OF THE HILLS, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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**SECTION II – FINANCIAL STATEMENT FINDINGS (continued)**

2023-003	Budgetary Compliance
Criteria:	Each year the Village's Council legally adopts an appropriations budget which limits expenditure amounts within specific line items that can be made by management.
Condition Found:	As of year-end, the General Fund actual expenditures exceeded the budget in Culture and Recreation by \$100,938, or 35.47%.
Cause:	The needed budget amendments were either not known by year-end or not brought timely for approval.
Effect:	The effect of this condition is a technical noncompliance with the legally adopted appropriations budget.
Recommendation:	We recommend the budget-to-actual expenditure amounts be closely monitored during the year and needed budget amendments be brought to Council as needed to be considered for approval.
Current Status:	We observed an instance of budgetary non-compliance in the year ended September 30, 2024 and this is noted at finding 2024-001.

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**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Findings Related to Federal Awards Which are Required to be Reported in Accordance with Uniform Guidance:**

Not applicable.

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**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Current Year Audit Findings:

2024-001 Budgetary Compliance

Corrective Action Planned:

The Village Administrator will work closely with the Bookkeeper and request budgetary printouts monthly to enable us to keep a closer watch to prevent overages.

Anticipated Completion Date: August 31, 2025

Contact Person(s): Angie Massey