



**CITY OF CASTLE HILLS, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
DECEMBER 31, 2019**



CITY OF CASTLE HILLS, TEXAS  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED DECEMBER 31, 2019

CITY OFFICIALS

MAYOR

JR TREVINO

CITY COUNCIL

JOE IZBRAND

KURT MAY

MARK SANDERSON

LESLEY WENGER

DOUGLAS A. GREGORY

CITY MANAGER

RYAN RAPELYE

CITY ATTORNEY

MARC SCHNALL, LANGLEY & BANACK

CITY OF CASTLE HILLS, TEXAS  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED DECEMBER 31, 2019

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# Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Castle Hills, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Castle Hills' basic financial statements as listed in the table of contents.

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

The City of Castle Hills' management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements as they relate to municipal court revenues, which account for \$843 thousand, or 10%, of the City's revenues for the year ended December 31, 2019. Municipal court revenues were audited by other auditors in accordance with accounting principles generally accepted in the United States of America, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for municipal court revenues, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. These standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Castle Hills, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

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



Armstrong, Vaughan & Associates, P.C.

September 23, 2020

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of City of Castle Hills’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended December 31, 2019. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

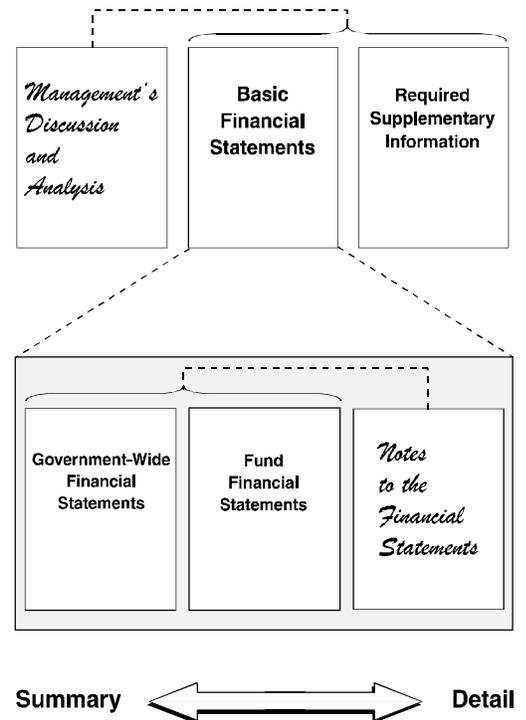
- The City’s total net position was \$13 million at December 31, 2019.
- During the year, the City’s expenses were \$1.2 million less than the \$8.4 million generated in taxes and other revenues for governmental activities.
- The total cost of the City’s programs increased 5.7% from the previous year.
- The general fund reported a fund balance this year of \$4.5 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

## **GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net position and how they have changed. Net position—the difference between the City’s assets and liabilities—is one way to measure the City’s financial health or *position*.

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

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

## FUND FINANCIAL STATEMENTS

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

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

The City has Governmental Funds as follows:

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net position.** The City’s net position was \$13 million at December 31, 2019. (See Table A-1).

**Table A-1**  
City of Castle Hills Net Position

	Governmental Activities		Percentage Change
	2019	2018	
<i>Assets:</i>			
Cash and Investments	\$ 10,479,546	\$ 9,215,464	13.7%
Receivables	2,368,611	3,158,914	-25.0%
Prepaid Expenses	106,422	121,491	-12.4%
Capital Assets (Net)	7,287,635	5,697,073	27.9%
<b>Total Assets</b>	<b>20,242,214</b>	<b>18,192,942</b>	<b>11.3%</b>
<i>Deferred Outflows:</i>			
Deferred Pension Related Outflows	1,314,098	436,799	200.8%
Deferred OPEB Related Outflows	6,129	15,242	-59.8%
<b>Total Deferred Outflows</b>	<b>1,320,227</b>	<b>452,041</b>	<b>192.1%</b>
<i>Liabilities:</i>			
Accounts Payable and Accruals	737,961	353,757	108.6%
Unearned Revenues	431,055	95,000	353.7%
Long-Term Liabilities	3,823,552	2,442,641	56.5%
<b>Total Liabilities</b>	<b>4,992,568</b>	<b>2,891,398</b>	<b>72.7%</b>
<i>Deferred Inflows:</i>			
Property Taxes Levied for Future Periods	3,555,930	3,511,010	1.3%
Deferred Pension Related Inflows	47	431,784	-100.0%
Deferred OPEB Related Inflows	1,305	-	100.0%
<b>Total Deferred Inflows</b>	<b>3,557,282</b>	<b>3,942,794</b>	<b>-9.8%</b>
<i>Net Position:</i>			
Net Invested in Capital Assets	6,884,216	5,219,397	31.9%
Restricted	3,652,473	3,030,351	20.5%
Unrestricted	2,475,902	3,561,043	-30.5%
<b>Total Net Position</b>	<b>\$ 13,012,591</b>	<b>\$ 11,810,791</b>	<b>10.2%</b>

## GOVERNMENTAL ACTIVITIES

**Changes in net position.** The City's total revenues were \$8.4 million, an increase of 4.1%. A significant portion, 69%, comes from taxes, 20% percent relates to charges for services, and 11% comes from operating contributions and other revenues.

The total cost of all programs and services was \$7.2 million. (See Table A-2).

**Table A-2**  
Changes in City of Castle Hills Net Position

	Governmental Activities		Percentage
	2019	2018	Change
Program Revenues:			
Charges for Services	\$ 1,721,684	\$ 2,067,876	-16.7%
Operating Contributions	13,208	10,938	20.8%
General Revenues			
Property Taxes	3,538,804	3,337,287	6.0%
Sales Taxes	1,767,223	1,644,208	7.5%
Franchise Fees	501,204	555,339	-9.7%
License Agreements	460,000	190,000	142.1%
Investment Income	187,187	140,223	33.5%
Miscellaneous	218,376	128,966	69.3%
Total Revenues	<u>8,407,686</u>	<u>8,074,837</u>	<u>4.1%</u>
Administration	1,153,120	1,184,184	-2.6%
Municipal Court	381,767	381,894	0.0%
Police	2,763,622	2,489,814	11.0%
Fire	1,942,727	1,759,803	10.4%
Streets and Drainage	485,317	526,616	-7.8%
Sanitation	466,054	463,976	0.4%
Debt Service	13,279	15,288	-13.1%
Total Expenses	<u>7,205,886</u>	<u>6,821,575</u>	<u>5.6%</u>
Change in Net Position	<u>\$ 1,201,800</u>	<u>\$ 1,253,262</u>	<u>-4.1%</u>

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

- The cost of all *governmental* activities this year was \$7.2 million.
- The amount that our taxpayers paid for these activities through property taxes was \$3.5 million.
- Some of the cost, \$1.7 million, was paid by those who directly benefited from the programs.

**Table A-3**  
Net Cost of Selected City Functions

	Total Cost of Services			Net Cost (Revenue) of Services		
	2019	2018	% Change	2019	2018	% Change
Administration	\$ 1,153,120	\$ 1,184,184	-2.6%	\$ 924,360	\$ 813,827	13.6%
Municipal Court	381,767	381,894	0.0%	(461,020)	(515,886)	-10.6%
Police	2,763,622	2,489,814	11.0%	2,698,281	2,285,228	18.1%
Fire	1,942,727	1,759,803	10.4%	1,936,997	1,749,220	10.7%
Streets and Drainage	485,317	516,365	-6.0%	346,652	516,365	-32.9%
Sanitation	466,054	463,976	0.4%	12,445	9,865	26.2%
Debt Service	13,279	15,288	-13.1%	13,279	15,288	-13.1%

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$8.4 million, an increase of 4.1%. The City received approximately \$1.4 million under an inter-local agreement with SAWS to assist with drainage modifications.

### General Fund Budgetary Highlights

The City has a legally adopted budget for the General Fund. Revenues were \$7 thousand over budget in total due primarily to a favorable variance in sales tax collections. Expenditures were \$1.4 million greater than budgeted expenditures due to higher than expected outlays for streets and drainage related to the SAWS inter-local agreement. This is a result of the antler Roadway Capital Project. City council approved the project in early 2019 and was completed later in the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2019 the City had invested \$11.8 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. More detailed information about the City's capital assets is presented in the notes to the financial statements.

**Table A-4**  
City's Capital Assets

	2019	2018	Percentage Change
Land	\$ 383,700	\$ 383,700	0.00%
Buildings and Improvements	3,069,636	3,031,911	1.24%
Vehicles and Equipment	3,490,365	4,081,537	-14.48%
Infrastructure	2,820,802	2,751,847	2.51%
Construction in Progress	1,995,228	133,742	1391.85%
Totals at Historical Cost	11,759,731	10,382,737	13.26%
Total Accumulated Depreciation	(4,472,096)	(4,685,664)	-4.56%
Net Capital Assets	\$ 7,287,635	\$ 5,697,073	27.92%

## Long Term Debt

At the end of 2019, the City had \$403 thousand in capital leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-5**  
City's Long Term Debt

	2019	2018	Percentage Change
Capital Leases	\$ 403,419	\$ 477,676	-15.55%
Total Long Term Debt	\$ 403,419	\$ 477,676	-15.5%

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rates, and fees that will be charged. The City's budget levels remain similar to previous years, with the final approval taking place prior to the onset of the COVID-19 pandemic. It is unclear what economic effect the pandemic will have on the City.

The City's largest single source of revenue in the General Fund continues to be ad valorem taxes. The adopted budget for the fiscal year 2020 remained the same at a tax rate of \$0.480619 per \$100 of taxable value. This rate consists of only a maintenance and operations (M&O) tax rate of \$0.480619 and no interest and sinking (debt service) tax rate. The rate was set based on a net assessed value of \$575 million excluding frozen values.

The City's second largest source of revenue in the General Fund is sales tax. Recent distributions of sales tax to the City have been somewhat lower than historical averages, possibly due to decreased economic activity related to the COVID-19 pandemic. It is unclear whether this decline will continue.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City of Castle Hills citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall by phone at 210-342-2341.

## BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board (GASB). The sets of statements include:

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

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

CITY OF CASTLE HILLS, TEXAS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 9,135,699
Investments	1,343,847
Receivables (Net of Allowances for Uncollectible Accounts):	
Property Taxes	1,925,724
Sales and Franchise Fees	398,803
Garbage, Stormwater and Other Fees	44,084
Prepaid Expenses	106,422
Capital Assets:	
Land	383,700
Buildings and Improvements	3,069,636
Vehicles and Equipment	3,490,365
Infrastructure	2,820,802
Construction In Progress	1,995,228
Accumulated Depreciation	<u>(4,472,096)</u>
<b>TOTAL ASSETS</b>	<u>20,242,214</u>
 <b>DEFERRED OUTFLOWS</b>	
Deferred Pension Related Outflows	1,314,098
Deferred Other Post-Employment Benefit Related Outflows	<u>6,129</u>
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>\$ 1,320,227</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS  
STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2019

	<u>Governmental Activities</u>
<b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 623,912
Accrued Expenses	114,049
Interlocal Agreement Received in Advance	171,959
License Agreements Received in Advance	95,000
Capital Lease - Due within One Year	76,320
Compensated Absences - Due within One Year	87,776
<i>Noncurrent Liabilities:</i>	
Capital Lease - Due in more than One Year	327,099
Compensated Absences - Due in more than One Year	351,105
Net Pension Liability	2,930,576
Other Post-Employment Benefit Liability	214,772
<b>TOTAL LIABILITIES</b>	<u>4,992,568</u>
<b>DEFERRED INFLOWS</b>	
Property Taxes Levied for Future Periods	3,555,930
Deferred Pension Related Inflows	47
Deferred Other Post-Employment Benefit Related Inflows	1,305
<b>TOTAL DEFERRED INFLOWS</b>	<u>3,557,282</u>
<b>NET POSITION</b>	
Restricted for:	
Street Repairs	1,042,356
Drainage Improvements	1,097,085
Police	1,409,847
Municipal Court	34,657
PEG Funds	62,552
Animal Control	5,976
Net Investment in Capital Assets	6,884,216
Unrestricted	2,475,902
<b>TOTAL NET POSITION</b>	<u>\$ 13,012,591</u>

See accompanying notes to basic financial statements.



CITY OF CASTLE HILLS, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

<b>Functions and Programs</b>	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
<b>Primary Government:</b>				
Governmental Activities:				
Administration	\$ 1,153,120	\$ 227,910	\$ 850	\$ (924,360)
Municipal Court	381,767	842,787	-	461,020
Police	2,763,622	52,983	12,358	(2,698,281)
Fire	1,942,727	5,730	-	(1,936,997)
Streets and Drainage	485,317	138,665	-	(346,652)
Sanitation	466,054	453,609	-	(12,445)
Interest on Long Term Debt	13,279	-	-	(13,279)
<i>Total Governmental Activities</i>	<u>7,205,886</u>	<u>1,721,684</u>	<u>13,208</u>	<u>(5,470,994)</u>
<b>Total Government</b>	<u>\$ 7,205,886</u>	<u>\$ 1,721,684</u>	<u>\$ 13,208</u>	<u>(5,470,994)</u>
<b>General Revenues:</b>				
Taxes:				
Property Taxes				3,538,804
Sales Taxes				1,767,223
Franchise Fees				501,204
License Agreements				460,000
Investment Income				187,187
Miscellaneous				218,376
<b>Total General Revenues</b>				<u>6,672,794</u>
Change in Net Position				1,201,800
<b>Net Position at Beginning of Year</b>				<u>11,810,791</u>
<b>Net Position at End of Year</b>				<u>\$ 13,012,591</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	Major Funds			Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund	Drainage Fund		
<b>ASSETS</b>					
Cash	\$ 5,552,824	\$ 1,008,457	\$ 1,174,028	\$ 1,400,390	\$ 9,135,699
Investments	1,343,847	-	-	-	1,343,847
Receivables (Net of Allowances for Uncollectible Accounts):					
Property Taxes	1,925,724	-	-	-	1,925,724
Sales and Franchise Fees	294,186	52,899	-	51,718	398,803
Garbage and Other Fees	44,084	-	-	-	44,084
<b>TOTAL ASSETS</b>	<b>\$ 9,160,665</b>	<b>\$ 1,061,356</b>	<b>\$ 1,174,028</b>	<b>\$ 1,452,108</b>	<b>\$ 12,848,157</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<i>Liabilities:</i>					
Accounts Payable	\$ 621,341	\$ -	\$ 943	\$ 1,628	\$ 623,912
Accrued Expenditures	114,049	-	-	-	114,049
Interlocal Agreements Received in Advance	171,959	-	-	-	171,959
License Agreements Received in Advance	-	19,000	76,000	-	95,000
<i>Total Liabilities</i>	<u>907,349</u>	<u>19,000</u>	<u>76,943</u>	<u>1,628</u>	<u>1,004,920</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Property Tax Revenue	223,703	-	-	-	223,703
Property Taxes Levied for Future Periods	3,555,930	-	-	-	3,555,930
<i>Total Deferred Inflows of Resources</i>	<u>3,779,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,779,633</u>
<i>Fund Balances:</i>					
Restricted For:					
Street Repairs	-	1,042,356	-	-	1,042,356
Drainage Improvements	-	-	1,097,085	-	1,097,085
Police	-	-	-	1,409,847	1,409,847
Municipal Court	-	-	-	34,657	34,657
PEG Funds	62,552	-	-	-	62,552
Animal Control	-	-	-	5,976	5,976
Committed For:					
Street Maintenance	35,901	-	-	-	35,901
Workstation Upgrade	29,136	-	-	-	29,136
Assigned for:					
Major Vehicle Purchases	346,949	-	-	-	346,949
Improvement Projects from CIED	431,076	-	-	-	431,076
Unassigned	3,568,069	-	-	-	3,568,069
<i>Total Fund Balances</i>	<u>4,473,683</u>	<u>1,042,356</u>	<u>1,097,085</u>	<u>1,450,480</u>	<u>8,063,604</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 9,160,665</b>	<b>\$ 1,061,356</b>	<b>\$ 1,174,028</b>	<b>\$ 1,452,108</b>	<b>\$ 12,848,157</b>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2019

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 8,063,604

Amounts reported for governmental activities in the Statement of Net Position are different because:

Assets created from expenditures paid in advance are not considered financial resources and, therefore, are not reported in the governmental funds. 106,422

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 7,287,635

Property taxes receivable are not available to pay current period expenditures and, therefore, are deferred in the fund statements. 223,703

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds:  
Capital Lease Payable (403,419)

Net pension liabilities (and related deferred outflows and inflows of resources) do not consume current financial resources and are not reported in the funds.  
Net Pension Liability (2,930,576)  
Pension Related Deferred Outflows 1,314,098  
Pension Related Deferred Inflows (47) (1,616,525)

Other Post-Employment Benefit Liabilities (and related deferred inflows and outflows of resources) do not consume financial resources and are not reported in the governmental funds:  
Other Post-Employment Benefit Liability (214,772)  
Other Post-Employment Benefit Related Deferred Outflows 6,129  
Other Post-Employment Benefit Related Deferred Inflows (1,305) (209,948)

Other noncurrent liabilities, including accrued compensated absences, are not due and payable in the current period and, therefore not reported in the governmental funds. (438,881)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 13,012,591

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Major Funds			Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund	Drainage Fund		
<b>REVENUES</b>					
Property Taxes	\$ 3,536,678	\$ -	\$ -	\$ -	\$ 3,536,678
Sales Taxes	1,185,729	293,719	-	287,776	1,767,224
Franchise Fees	501,204	-	-	-	501,204
Garbage Fees	453,609	-	-	-	453,609
Stormwater Fees	-	-	138,665	-	138,665
Building and Other Permits	197,414	-	-	-	197,414
Fines and Forfeitures	806,873	-	-	88,898	895,771
License Agreements	-	92,000	368,000	-	460,000
Investment Income	165,090	-	-	22,097	187,187
Miscellaneous	251,693	-	-	16,115	267,808
<b>TOTAL REVENUES</b>	<u>7,098,290</u>	<u>385,719</u>	<u>506,665</u>	<u>414,886</u>	<u>8,405,560</u>
<b>EXPENDITURES</b>					
Current:					
Administration	997,220	-	-	-	997,220
Municipal Court	306,029	-	-	64,251	370,280
Police	2,419,307	-	-	80,529	2,499,836
Fire	1,667,494	-	-	-	1,667,494
Streets	352,520	58,843	-	-	411,363
Sanitation	455,469	-	-	-	455,469
Drainage	2,030	-	116,077	-	118,107
Capital Outlay	1,825,539	8,005	-	127,391	1,960,935
Debt Service:					
Principal	74,257	-	-	-	74,257
Interest	13,279	-	-	-	13,279
<b>TOTAL EXPENDITURES</b>	<u>8,113,144</u>	<u>66,848</u>	<u>116,077</u>	<u>272,171</u>	<u>8,568,240</u>
Excess ( Deficiency) of Revenues Over (Under) Expenditures	(1,014,854)	318,871	390,588	142,715	(162,680)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In (Out)	236,008	(57,548)	(178,460)	-	-
Proceeds on Sale of Capital Assets	33,250	-	-	-	33,250
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>269,258</u>	<u>(57,548)</u>	<u>(178,460)</u>	<u>-</u>	<u>33,250</u>
Net Change in Fund Balance	(745,596)	261,323	212,128	142,715	(129,430)
<b>FUND BALANCES - JANUARY 1</b>	<u>5,219,279</u>	<u>781,033</u>	<u>884,957</u>	<u>1,307,765</u>	<u>8,193,034</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ 4,473,683</u>	<u>\$ 1,042,356</u>	<u>\$ 1,097,085</u>	<u>\$ 1,450,480</u>	<u>\$ 8,063,604</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (129,430)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation. 1,590,562

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 2,126

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Payments on Capital Leases 74,257

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Prepaid Expenses	(15,069)	
Change in Accrued Compensated Absences	(39,472)	(54,541)

Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plans. This is the amount that actuarially determined pension expense exceeded contributions. (267,852)

Governmental funds report required contributions to OPEB as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plans. This is the amount that actuarially determined OPEB expense exceeded contributions: (13,322)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,201,800



CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. REPORTING ENTITY**

In evaluating how to define the government for financial purposes, management has considered all potential component units. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The City has the following component unit:

The Castle Hills Crime Control and Prevention District - This entity is legally separate from the City, and was created pursuant to Section 363.051, et Seq. of the Crime Control District Act. The District was created October 1, 2004 to act on behalf of the City of Castle Hills for promotion, development, and enhancement of crime control and prevention within the City. The District is governed by a board appointed by the City Council. For financial reporting purposes, the District is reported as if it were part of the City's operations because its purpose is to benefit the citizens of the City.

**2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers, if any, has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

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

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

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

Separate **fund financial statements** are provided for governmental funds. Three of the City's funds meet the criteria of a **major governmental fund**: General Fund, Street Repair Fund and Street Drainage Fund. The City's other nonmajor governmental funds are made up of several special revenue funds: Child Safety, Animal Control, Fiesta, Municipal Court Technology, Municipal Court Security, Municipal Court Efficiency, Police Seizure, LEOSE, Crime Control and Prevention District. The major funds are reflected in individual columns and the nonmajor funds are reflected in an aggregate column titled "Nonmajor Funds" in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

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

**Governmental fund level financial statements** are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue. Property taxes which were levied and collected within 60 days of the fiscal period are considered revenue for the year ending December 31, 2019. Taxes receivable but not collected within 60 days are used to finance the budget of the fiscal year beginning January 1, 2018 and, accordingly, have been reflected as property taxes levied for future periods (a deferred inflow of resources) in the fund financial statements at December 31, 2019.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as claims and judgments, are recorded only when the liability has matured and payment is due. The government reports the following major governmental funds:

**The General Fund** is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales taxes, franchise fees, garbage fees, and fines and forfeitures. Primary expenditures are for administration, police, fire, street maintenance, and sanitation.

**The Street Repair Fund** is used to account for sales tax to be specifically used on the maintenance of streets within the City.

**The Drainage Fund** is used to account for stormwater fees and electronic billboard licensing fees to be used for maintenance of the drainage system within the City.

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**4. INVESTMENTS**

State statutes authorize the City to invest in (a) obligations of the United States or its agencies, and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market investments and local government investment pools. Those investments are stated at share price, which approximates fair value.

Fair value measurement is measured by the City using the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City's investments carried at fair value are valued using quoted market prices (Level 1 inputs).

**5. ACCOUNTS RECEIVABLE**

Property taxes are levied based on taxable value at January 1, become due October 1 and are past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables are shown net of an allowance for uncollectible.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements. Receivables are shown net of an allowance for uncollectible.

**6. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

Allowances have been established by management based on best available information for a variety of receivables as of December 31, 2019. An allowance for uncollectible accounts has been recorded in the General Fund for property taxes in the amount of \$36,158.

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

7. BUDGET

An operating budget is adopted each fiscal year for all City funds. The budget is adopted on the GAAP basis of accounting. Additional budgetary information is provided in the required supplementary information.

8. PREPAID ITEMS

Payments to vendors that reflect costs applicable to future periods are recognized as expenditures when paid in the fund financial statements. However, for the government-wide financial statements, these payments are recorded as prepaid expenses on the statement of net position.

9. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the governmental type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$1,000 or more with an estimated useful life in excess of one year. Infrastructure assets include City-owned streets, sidewalks, and curbs. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Time Period</u>
Buildings and Improvements	10 to 35 years
Vehicles and Equipment	3 to 15 years
Infrastructure	25 to 30 years

10. COMPENSATED ABSENCES

The liability for compensated absences reported in the government-wide statements consists of unpaid accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for employees who are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The City's policy is to allow vacation no more than 160 hours for regular employees and 200 hours for Fire and Police employees to be carried over from year to year. Sick leave not used during the fiscal year in which it accrues accumulates and is available for use in succeeding years, and the City will pay 160 hours on termination for any employee's unused sick leave in excess of 1,200 hours.

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**11. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

A deferred outflow of resources is 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 City has two items that qualify for reporting in this category: deferred pension and OPEB related outflows reported on the government-wide statements. The deferred pension and OPEB related outflows result from contributions made after the measurement date and changes in actuarial assumptions.

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of reporting. Unavailable revenues from property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as unavailable revenue as an inflow of resource in the period the amounts become available. In addition property taxes levied to fund future periods are recorded on the financial statements as property taxes levied for future periods. The deferred pension related inflows result from differences between expected and actual experiences and differences in between expected and actual investment return.

**12. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities in the statement of net position. On new bond issues, bond premiums and discounts, are amortized over the life of the bond. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period of issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**13. NET PENSION LIABILITY**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**14. OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY**

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the Total OPEB Liability of the Texas Municipal Retirement System (TMRS) and additions to/deletions from TMRS' Total OPEB Liability have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

**15. FUND EQUITY**

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

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

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

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

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. Assignments may be created by the Council or City Manager.

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

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

**16. NET POSITION**

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

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

17. USE OF ESTIMATES

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

18. RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. These reclassifications had no effect on the change in fund balance.

**NOTE B -- CASH AND INVESTMENTS**

1. Cash

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. As of December 31, 2019, the City's balances were fully collateralized.

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

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE B -- CASH AND INVESTMENTS (CONT.)**

2. Investments

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. The Act requires that the Council review the investment policy at least annually, investment officers obtain minimum investment training, and investment officers sign quarterly investment reports submitted to Council. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that the City had not complied with those provisions as the investment policy was not approved in 2019; however, a policy was approved in March, 2020.

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

The City’s investments at December 31, 2019 are as shown below:

<u>Investment</u>	<u>Rating</u>	<u>Input Level</u>	<u>Reported Value</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
<i>General Fund:</i>					
Texas CLASS Investment Pool	AAAm	1	\$ 1,343,847	\$ 1,343,847	52
<i>Total Government</i>			<u>\$ 1,343,847</u>	<u>\$ 1,343,847</u>	

The certificates of deposit are not fully collateralized under the City’s depository agreement.

3. Analysis of Specific Deposit and Investment Risks

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

a. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. At year-end, the City was not exposed to a concentration of credit risk.

b. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

CITY OF CASTLE HILLS, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2019

**NOTE B -- CASH AND INVESTMENTS (CONT.)**

c. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

**NOTE C -- INTERFUND TRANSACTIONS**

Interfund Transfers during 2019 were as follows:

	General Fund	Street Repair Fund	Drainage Fund	Totals	Reason
Transfer To (From)	\$ 236,008	\$ (57,548)	\$ (178,460)	\$ -	Support General Fund Activities
	<u>\$ 236,008</u>	<u>\$ (57,548)</u>	<u>\$ (178,460)</u>	<u>\$ -</u>	

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE D -- RECEIVABLES**

Receivables as of December 31, 2019 are as follows:

	Governmental Funds			Total
	General Fund	Street Repair Fund	Nonmajor Funds	
<i>Receivables:</i>				
Property Taxes	\$ 1,961,881	\$ -	\$ -	\$ 1,961,881
Sales and Franchise Fees	294,186	52,899	51,718	398,803
Garbage and Other Fees	44,084	-	-	44,084
Gross Receivables	2,300,151	52,899	51,718	2,404,768
Less: Allowance for Uncollectibles	(36,157)	-	-	(36,157)
Net Total Receivables	<u>\$ 2,263,994</u>	<u>\$ 52,899</u>	<u>\$ 51,718</u>	<u>\$ 2,368,611</u>

**NOTE E -- PROPERTY TAXES**

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District. Assessed values are reduced by lawful exemptions to arrive at taxable values. The City uses the October 1 levy to fund the operations of the City for the following calendar year. Since the City has an enforceable legal claim to the property taxes, the receivable is recognized in the year of the levy but the revenue is recognized in the fiscal year for which it is budgeted. Thus, property tax revenue recognized on these 2019 financials is from the collections on the 2018 and prior levies. For the fund financial statements the City accrues property tax collections received within 60 days of year end as this is considered available financial resources to fund current operations.

The total taxable value as of January 1, 2019 upon which the fiscal 2019 levy (2018 tax year) was based was \$574,577,518 (i.e., market value less exemptions). The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt.

The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended December 31, 2019, was \$0.480619 per \$100 of assessed value, which means that the City has a tax margin of \$2.019381 for each \$100 of assessed value and could increase its annual levy by approximately \$11.6 million based upon present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Code without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's effective tax rate. The current year delinquent tax receivable is \$48,144.

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE F -- CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 was as follows:

<u>Governmental Activities</u>	Balances at 1/1/2019	Additions	Disposals	Transfers	Balances at 12/31/2019
Land	\$ 383,700	\$ -	\$ -	\$ -	\$ 383,700
Buildings and Improvements	3,031,911	37,725	-	-	3,069,636
Vehicles and Equipment	4,081,537	81,835	(673,007)	-	3,490,365
Infrastructure	2,751,847	68,955	-	-	2,820,802
Construction in Progress	133,742	1,861,486	-	-	1,995,228
	<u>10,382,737</u>	<u>2,050,001</u>	<u>(673,007)</u>	<u>-</u>	<u>11,759,731</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and Improvements	(1,566,438)	(93,626)	-	-	(1,660,064)
Vehicles and Equipment	(2,588,168)	(273,799)	673,007	-	(2,188,960)
Infrastructure	(531,058)	(92,014)	-	-	(623,072)
	<u>(4,685,664)</u>	<u>(459,439)</u>	<u>673,007</u>	<u>-</u>	<u>(4,472,096)</u>
Governmental Capital Assets, Net	<u>\$ 5,697,073</u>	<u>\$ 1,590,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,287,635</u>

Land and Construction in Progress are not depreciated.

Depreciation Expense was charged to the governmental functions as follows:

Administration	\$ 67,109
Municipal Court	3,541
Police	118,844
Fire	129,751
Streets	113,501
Sanitation	26,693
Total Depreciation Expense	<u>\$ 459,439</u>

**NOTE G -- LONG-TERM DEBT**

Changes in the City's long-term debt during the fiscal year ended December 31, 2019 were as follows:

<u>Governmental Activities</u>	Balance Outstanding 1/1/2019	Additions	Retirements	Balance Outstanding 12/31/2019	Due Within One Year
Capital Lease	\$ 477,676	\$ -	\$ (74,257)	\$ 403,419	\$ 76,320
Accrued Compensated Absences	399,409	119,354	(79,882)	438,881	87,776
Totals	<u>\$ 877,085</u>	<u>\$ 119,354</u>	<u>\$ (154,139)</u>	<u>\$ 842,300</u>	<u>\$ 164,096</u>

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE G -- LONG-TERM DEBT (CONT.)**

In December 2017, the City entered into a capital lease agreement with PNC Equipment Finance, LLC for the purchase of a new fire truck. The total cost of the fire truck was \$1,049,924. The City paid a down payment of \$500,000 and the remaining balance was financed over 7 years with an interest rate of 2.78% per annum. The lease calls for annual payments of \$87,536 beginning December 20, 2018 through December 20, 2024. The fire truck is recorded as a capital asset of the City with a cost of \$1,049,924. As of December 31, 2019, \$201,235 had been recognized in accumulated depreciation.

Requirements to amortize the capital lease over the remaining life is as follows:

Year End December 31	Capital Lease
2020	\$ 87,536
2021	87,536
2022	87,536
2023	87,536
2024	87,536
Total Minimum Lease Payments	437,680
Less Interest	(34,261)
Present Value of Minimum Payments	\$ 403,419

**NOTE H -- LICENSE AGREEMENTS**

The City is leasing three billboards to Clear Channel Outdoor, Inc. for a period of 25 years each. These agreements are staggered from 2015 through 2045. The license is paid in annual installments. Clear Channel Outdoor, Inc. has the right to remove the billboards at any time or within 120 days following the termination of such rights to use or possess the billboards. If the value or utilization of the billboard is reduced, Clear Channel Outdoor, Inc. may terminate the agreement and receive any prepaid license payments from the City. The balance of unrecognized license agreement revenue is shown as license agreements received in advance on the Balance Sheet and the Statement of Net Position. The future minimum lease revenues under the license are as follows:

Year End December 31,	Billboard License
2020	\$ 302,200
2021	313,944
2022	313,696
2023	317,954
2024	322,279
2025-2029	1,678,605
2030-2034	1,797,114
2035-2039	1,925,093
2040-2044	1,074,961
2045	176,928
	\$ 8,222,774

CITY OF CASTLE HILLS, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2019

**NOTE I -- EMPLOYEE RETIREMENT SYSTEM**

Texas Municipal Retirement System

**Plan Description**

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the City are required to participate in TMRS retirement system.

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	<u>2017</u>	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefits	48	52
Inactive employees entitled to but not yet receiving benefits	32	40
Active employees	67	60
	<u>147</u>	<u>152</u>

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONT.)**

**Contributions**

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

For the year ending December 31, 2019, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.57% and 11.59% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended December 31, 2019 were \$394,897 and were \$520 less than the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return*	6.75%

\* Presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. 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 Disabled Retiree 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 rate 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.

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONT.)**

**Actuarial Assumptions (Cont.)**

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
	<u>100.00%</u>	

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONT.)**

**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.

**Changes in the Net Pension Liability**

The schedule below presents the changes in the Net Pension Liability as of December 31, 2018:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 18,054,443	\$ 16,700,755	\$ 1,353,688
Changes for the year:			
Service Cost	527,993	-	527,993
Interest (on Total Pension Liability)	1,203,461	-	1,203,461
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(3,985)	-	(3,985)
Changes of Assumptions	-	-	-
Contributions - Employer	-	411,903	(411,903)
Contributions - Employee	-	249,053	(249,053)
Net Investment Income	-	(500,201)	500,201
Benefit Payments, Including Refunds of Employee Contributions	(978,783)	(978,784)	1
Administrative Expense	-	(9,668)	9,668
Other Changes	-	(505)	505
Net Changes	748,686	(828,202)	1,576,888
Balance at December 31, 2018	\$ 18,803,129	\$ 15,872,553	\$ 2,930,576

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 5,601,777	\$ 2,930,576	\$ 751,427

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONT.)**

**Pension Plan Fiduciary Net Position**

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

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

For the year ended December 31, 2019, the City recognized pension expense of \$622,710. Also as of December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 59,845	\$ -
Changes in Actuarial Assumptions	-	47
Differences Between Projected and Actual Investment Earnings	859,356	-
Contributions Subsequent to the Measurement Date	394,897	-
	\$ 1,314,098	\$ 47

Deferred outflows of resources in the amount of \$394,897 is related to contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,		
2019	\$	329,537
2020		140,628
2021		124,008
2022		324,981
	\$	919,154

**NOTE J -- OTHER POST EMPLOYMENT BENEFITS**

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

CITY OF CASTLE HILLS, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2019

**NOTE J -- OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONT.)**

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. Membership in the plan at December 31, 2018, the valuation and measurement date, consisted of:

	2017	2018
Inactive employees or beneficiaries currently receiving benefits	41	38
Inactive employees entitled to but not yet receiving benefits	5	4
Active employees	60	67
	106	109

The SDBF required contribution rates, based on these assumptions, are as follows:

For the Plan Year Ended December 31,	Total SDBF Contribution Rate	Retiree Portion of SDBF Contribution Rate
2018	0.18%	0.05%
2019	0.16%	0.05%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method. The assumptions are summarized below:

Inflation	2.5% per year
Salary Increases	3.5% to 10.5%, including inflation
Discount Rate	3.71% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	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.
Mortality Rates - Disabled Retirees	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. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF CASTLE HILLS, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2019

**NOTE J -- OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONT.)**

The City's Total OPEB Liability (TOL), based on the actuarial factors, as of December 31, 2018 was calculated as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2017	\$ 211,868
Changes for the year:	
Service Cost	7,116
Interest (on Total OPEB Liability)	7,101
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	4,986
Changes of Assumptions or Other Inputs	(14,520)
Benefit Payments	(1,779)
Net Changes	2,904
Balance at December 31, 2018	\$ 214,772

A separate trust is not maintained to fund this Total OPEB Liability. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 3.71% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.71%) and 1-percentage point higher (4.71%) than the current rate:

	Discount Rate 2.71%	Discount Rate 3.71%	Discount Rate 4.71%
Total OPEB Liability	\$ 253,896	\$ 214,772	\$ 184,069

For the year ended December 31, 2019, the City recognized OPEB expense of \$15,268. Also as of December 31, 2019, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Changes in Actuarial Assumptions	\$ -	\$ 1,305
Differences Between Projected and Actual Experience	4,182	-
Contributions Subsequent to the Measurement Date	1,947	-
	\$ 6,129	\$ 1,305

CITY OF CASTLE HILLS, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2019

**NOTE J -- OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONT.)**

Deferred outflows of resources in the amount of \$1,947 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the plan year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Plan Year ended December 31,</u>	
2019	\$ 1,051
2020	1,051
2021	1,051
2022	1,051
2023	(1,021)
Thereafter	(306)
	<u>\$ 2,877</u>

**NOTE K -- CONTINGENCIES**

Litigation

On November 26, 2019, a lawsuit was filed against the City alleging violations of the First and Fourteenth Amendments of the United States Constitution. The parties were ordered to mediation, which occurred on April 7, 2020. In mediation, the City agreed to pay \$55,000 in attorney's fees to the plaintiff, which will be fully covered by the City's insurance company.

The City is the subject of various other claims and litigation that have arisen in the course of its operations. Management and legal counsel are of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

**NOTE L -- CONTRACTS AND COMMITMENTS**

In the prior fiscal year, the City approved a project for repairs and improvements to Antler Drive. In April, 2019, the City contracted with RL Jones for construction costs of \$2,835,372. As of December 31, 2019, the City had incurred \$1,456,579 of construction expenses related to this contract, leaving a commitment of \$1,378,793 at December 31, 2019.

**NOTE M -- RISK MANAGEMENT**

The City has identified possible risk of losses arising from events such as the following: torts; theft of, damage to, or destruction of assets; errors and omissions; job-related illnesses or injuries to employees; acts of God.

CITY OF CASTLE HILLS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

**NOTE M -- RISK MANAGEMENT (CONT.)**

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified liability risks. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts up to coverage limits. Annual contributions for the plan year ending December 31, 2019 were \$67,250.

For risks related to workers compensation, the City participates in the Deep East Texas Self Insurance Fund, a public entity risk pool, which is self-sustained through member contributions. The Fund reinsures to statutory limits through commercial companies for claims in excess of \$850,000 for the plan year ending October 31, 2019. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves. The members of Deep East Texas Self Insurance Fund have no known premium liabilities for workers' compensation coverage excess of their contracted annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and as of the most recent audit, the Fund has adequate assets to more than cover more than 100% of all liabilities. Annual contributions for the plan year ending October 31, 2019 were \$57,500.

**NOTE N -- SUBSEQUENT EVENTS**

On January 14, 2020, the City awarded a contract to EZ Bel Construction for drainage improvements at Banyan Drive and Glentower Drive. The base bid approved was \$2,282 million, with supplemental related projects totaling \$1.443 million, for a total award of \$3.725 million.

On September 15, 2020, the City adopted an ordinance authorizing the issuance of \$8.250 million of Texas Combination Tax and Revenue Certificates of Obligation. The bonds are to be utilized to enhance the infrastructure of the City, primarily its street and drainage systems. The bonds are payable primarily from the proceeds of ad valorem tax collections, and are secured by surplus revenues derived from the ownership and operation of the City's municipal drainage utility system. The bonds mature serially through February 12, 2040 at an interest rate yet to be determined as of the date of the report.



## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Street Repair Fund
- Budgetary Comparison Schedule – Street Drainage Fund
- Schedule of Changes – Net Pension Liability and Related Ratios
- Schedule of Employer Contributions
- Schedule of Changes – Total Other Post-Employment Benefit Liability and Related Ratios

CITY OF CASTLE HILLS, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Tax	\$ 3,485,329	\$ 3,485,329	\$ 3,536,678	\$ 51,349
Sales Taxes	1,035,000	1,035,000	1,185,729	150,729
Franchise Fees	520,000	520,000	501,204	(18,796)
Garbage Fees	455,000	455,000	453,609	(1,391)
Building and Other Permits	309,500	309,500	197,414	(112,086)
Fines and Forfeitures	978,500	978,500	806,873	(171,627)
Investment Income	55,000	166,213	165,090	(1,123)
Miscellaneous	136,698	106,995	251,693	144,698
<b>TOTAL REVENUES</b>	<u>6,975,027</u>	<u>7,056,537</u>	<u>7,098,290</u>	<u>41,753</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Administration	875,311	1,118,240	997,220	121,020
Municipal Court	318,375	318,375	306,029	12,346
Police	2,479,866	2,479,866	2,419,307	60,559
Fire	1,726,981	1,726,981	1,667,494	59,487
Streets	342,695	364,353	352,520	11,833
Sanitation	501,883	501,883	455,469	46,414
Drainage	3,500	3,500	2,030	1,470
Capital Outlay	94,800	109,054	1,825,539	(1,716,485)
Debt Service:				
Principal	74,257	74,257	74,257	-
Interest	13,279	13,279	13,279	-
<b>TOTAL EXPENDITURES</b>	<u>6,430,947</u>	<u>6,709,788</u>	<u>8,113,144</u>	<u>(1,403,356)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>544,080</u>	<u>346,749</u>	<u>(1,014,854)</u>	<u>(1,361,603)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Assets	35,000	35,000	33,250	1,750
Transfers In (Out)	(95,000)	(95,000)	236,008	331,008
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(60,000)</u>	<u>(60,000)</u>	<u>269,258</u>	<u>332,758</u>
Net Change in Fund Balance	484,080	286,749	(745,596)	(1,028,845)
<b>Fund Balance - January 1</b>	<u>5,219,279</u>	<u>5,219,279</u>	<u>5,219,279</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 5,703,359</u>	<u>\$ 5,506,028</u>	<u>\$ 4,473,683</u>	<u>\$ (1,032,345)</u>

CITY OF CASTLE HILLS, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – STREET REPAIR FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales Taxes	\$ 256,250	\$ 256,250	\$ 293,719	\$ 37,469
License Agreements	38,000	38,000	92,000	54,000
<b>TOTAL REVENUES</b>	<u>294,250</u>	<u>294,250</u>	<u>385,719</u>	<u>91,469</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Streets	-	-	58,843	(58,843)
Capital Outlay	-	-	8,005	(8,005)
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>66,848</u>	<u>(66,848)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>318,871</u>	<u>24,621</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	-	-	(57,548)	(57,548)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(57,548)</u>	<u>(57,548)</u>
Net Change in Fund Balance	294,250	294,250	261,323	(32,927)
<b>Fund Balance - January 1</b>	<u>781,033</u>	<u>781,033</u>	<u>781,033</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 1,075,283</u>	<u>\$ 1,075,283</u>	<u>\$ 1,042,356</u>	<u>\$ (32,927)</u>

CITY OF CASTLE HILLS, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – STREET DRAINAGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Stormwater Fees	\$ 150,000	\$ 150,000	\$ 138,665	\$ (11,335)
License Agreements	152,000	152,000	368,000	216,000
<b>TOTAL REVENUES</b>	<u>302,000</u>	<u>302,000</u>	<u>506,665</u>	<u>204,665</u>
<b>EXPENDITURES</b>				
Drainage	-	-	116,077	(116,077)
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>116,077</u>	<u>(116,077)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>390,588</u>	<u>88,588</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	-	-	(178,460)	(178,460)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(178,460)</u>	<u>(178,460)</u>
Net Change in Fund Balance	302,000	302,000	212,128	(89,872)
<b>Fund Balance - January 1</b>	<u>884,957</u>	<u>884,957</u>	<u>884,957</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 1,186,957</u>	<u>\$ 1,186,957</u>	<u>\$ 1,097,085</u>	<u>\$ (89,872)</u>

CITY OF CASTLE HILLS, TEXAS  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
DECEMBER 31, 2019

**Budgetary Information**

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund, Street Repair Fund, Drainage and Crime Control and Prevention District.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. Actual expenditures exceeded appropriations in the General Fund.

The City does not use encumbrances.

CITY OF CASTLE HILLS, TEXAS  
 REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS  
 LAST FIVE PLAN YEARS

	Total Pension Liability				
	2014	2015	2016	2017	2018
Service Cost	\$ 373,750	\$ 475,976	\$ 519,906	\$ 543,595	\$ 527,993
Interest (on the Total Pension Liability)	1,039,608	1,069,749	1,076,375	1,143,903	1,203,461
Changes of Benefit Terms	-	-	-	-	-
Difference between Expected and Actual Experience	(417,323)	(302,567)	91,064	88,526	(3,985)
Change of Assumptions	-	(1,015)	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(637,785)	(595,341)	(604,541)	(793,003)	(978,783)
Net Change in Total Pension Liability	358,250	646,802	1,082,804	983,021	748,686
Total Pension Liability - Beginning	14,983,566	15,341,816	15,988,618	17,071,422	18,054,443
Total Pension Liability - Ending	<u>\$ 15,341,816</u>	<u>\$ 15,988,618</u>	<u>\$ 17,071,422</u>	<u>\$ 18,054,443</u>	<u>\$ 18,803,129</u>
	Plan Fiduciary Net Position				
	2014	2015	2016	2017	2018
Contributions - Employer	\$ 380,234	\$ 433,297	\$ 420,366	\$ 423,323	\$ 411,903
Contributions - Employee	209,084	228,052	242,785	255,895	249,053
Net Investment Income	745,640	20,251	932,351	2,048,055	(500,201)
Benefit Payments, Including Refunds of Employee Contributions	(637,785)	(595,341)	(604,541)	(793,003)	(978,784)
Administrative Expense	(7,786)	(12,335)	(10,531)	(10,614)	(9,668)
Other	(640)	(610)	(567)	(538)	(505)
Net Change in Plan Fiduciary Net Position	688,747	73,314	979,863	1,923,118	(828,202)
Plan Fiduciary Net Position - Beginning	13,035,713	13,724,460	13,797,774	14,777,637	16,700,755
Plan Fiduciary Net Position - Ending	<u>\$ 13,724,460</u>	<u>\$ 13,797,774</u>	<u>\$ 14,777,637</u>	<u>\$ 16,700,755</u>	<u>\$ 15,872,553</u>
Net Pension Liability (Asset) - Ending	\$ 1,617,356	\$ 2,190,844	\$ 2,293,785	\$ 1,353,688	\$ 2,930,577
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.46%	86.30%	86.56%	92.50%	84.41%
Covered Payroll	\$ 2,986,911	\$ 3,257,881	\$ 3,468,354	\$ 3,655,649	\$ 3,557,903
Net Pension Liability as a Percentage of Covered Payroll	54.15%	67.25%	66.13%	37.03%	82.37%

Note: The schedule above reflects the changes in the net pension liability for the current year and the previous four years. GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. The City will build this schedule over the 10-year period beginning December 31, 2014 as data becomes available.

CITY OF CASTLE HILLS, TEXAS  
 REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 LAST SIX FISCAL YEARS

**Schedule of Contributions:**

	2014	2015	2016	2017	2018	2019
Actuarially Determined Contribution	\$ 380,831	\$ 433,317	\$ 420,402	\$ 423,129	\$ 411,648	\$ 395,417
Contributions in Relation to the Actuarially Determined Contribution	380,831	433,317	420,402	423,129	411,970	394,897
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ (322)	\$ 520
 Covered Payroll	 \$ 2,986,911	 \$ 3,257,881	 \$ 3,468,354	 \$ 3,655,649	 \$ 3,557,903	 \$ 3,465,529
 Contributions as a Percentage of Covered Payroll	 12.75%	 13.30%	 12.12%	 11.57%	 11.57%	 11.41%

Note: The schedule above reflects the TMRS contributions made by the City for the current year and the previous five fiscal years. GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. The City will build this schedule over the 10-year period beginning December 31, 2014 as data becomes available.

**Notes to the Schedule of Contributions:**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	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.

**Other Information:**

Notes: There were no benefit changes during the year.

CITY OF CASTLE HILLS, TEXAS  
 REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CHANGES – OTHER POST-EMPLOYMENT BENEFIT  
 LIABILITY AND RELATED RATIOS  
 LAST TWO CALENDAR YEARS

	<u>Total OPEB Liability</u>	
	<u>2017</u>	<u>2018</u>
Beginning of Year	<u>\$ 184,019</u>	<u>\$ 211,868</u>
Changes for the year:		
Service Cost	6,580	7,116
Interest (on Total OPEB Liability)	7,046	7,101
Change of Benefit Terms	-	-
Difference Between Expected and Actual Experience	-	4,986
Changes of Assumptions or Other Inputs	16,051	(14,520)
Benefit Payments	<u>(1,828)</u>	<u>(1,779)</u>
Net Changes	<u>27,849</u>	<u>2,904</u>
End of Year	<u><u>\$ 211,868</u></u>	<u><u>\$ 214,772</u></u>
Covered Payroll	\$ 3,655,649	\$ 3,557,903
Total OPEB Liability at a Percentage of Covered Payroll	5.80%	6.04%

Note: The schedule above reflects the changes in the net pension liability for the current year and previous plan year. GASB Statement No. 75 requires 10 years of data to be provided in this schedule. The City will build this schedule over the 10-year period beginning December 31, 2017 as data becomes available.

**NOTES TO SCHEDULE OF CHANGES**

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

**Methods and Assumptions Used to Determine Contribution Rate**

Inflation	2.5% per year
Salary Increases	3.5% to 10.5%, including inflation
Discount Rate	3.71% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	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.
Mortality Rates - Disabled Retirees	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. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

## SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

- Comparative Statements – General Fund
- Comparative Statements – Street Repair Fund
- Comparative Statements – Street Drainage Fund
- Combining Statements – Nonmajor Funds
- Budgetary Comparison Schedule – Crime Control and Prevention District

CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE BALANCE SHEETS  
 GENERAL FUND  
 DECEMBER 31, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
Cash	\$ 5,552,824	\$ 5,583,987
Investments	1,343,847	607,300
Receivables (Net of Allowances for Uncollectible Accounts):		
Property Taxes	1,925,724	2,764,020
Sales and Franchise Fees	294,186	271,008
Garbage and Other Fees	44,084	38,360
<b>TOTAL ASSETS</b>	<b>\$ 9,160,665</b>	<b>\$ 9,264,675</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 621,341	\$ 225,416
Accrued Expenditures	114,049	87,393
Interlocal Agreements Received in Advance	171,959	-
<i>Total Liabilities</i>	<b>907,349</b>	<b>312,809</b>
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	223,703	221,577
Property Taxes Levied for Future Periods	3,555,930	3,511,010
<i>Total Deferred Inflows of Resources</i>	<b>3,779,633</b>	<b>3,732,587</b>
 <i>Fund Balance:</i>		
Restricted for:		
PEG Funds	62,552	56,596
Committed for:		
Street Maintenance	35,901	1,035,602
Workstation Upgrade	29,136	16,036
Assigned for:		
Major Vehicle Purchases	346,949	251,949
Improvements from CIED	431,076	482,351
Unassigned	3,568,069	3,376,745
<i>Total Fund Balance</i>	<b>4,473,683</b>	<b>5,219,279</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 9,160,665</b>	<b>\$ 9,264,675</b>

CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GENERAL FUND  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>REVENUES</b>		
Property Taxes	\$ 3,536,678	\$ 3,313,412
Sales Taxes	1,185,729	1,117,587
Franchise Fees	501,204	555,339
Garbage Fees	453,609	454,111
Building and Other Permits	197,414	377,086
Fines and Forfeitures	806,873	864,791
Interest	165,090	122,305
Miscellaneous	251,693	122,992
<b>TOTAL REVENUES</b>	<b>7,098,290</b>	<b>6,927,623</b>
<b>EXPENDITURES</b>		
Current:		
Administration	997,220	1,115,492
Municipal Court	306,029	344,887
Police	2,419,307	2,258,238
Fire	1,667,494	1,641,665
Streets	352,520	388,459
Sanitation	455,469	439,256
Drainage	2,030	3,435
Capital Outlay	1,825,539	32,859
Debt Service:		
Principal	74,257	72,248
Interest	13,279	15,288
<b>TOTAL EXPENDITURES</b>	<b>8,113,144</b>	<b>6,311,827</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(1,014,854)</b>	<b>615,796</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	236,008	-
Proceeds on Sale of Capital Assets	33,250	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>269,258</b>	<b>-</b>
Net Change in Fund Balance	(745,596)	615,796
<b>Fund Balance at Beginning of Year</b>	<b>5,219,279</b>	<b>4,603,483</b>
<b>Fund Balance at End of Year</b>	<b>\$ 4,473,683</b>	<b>\$ 5,219,279</b>

CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE BALANCE SHEETS  
 STREET REPAIR FUND  
 DECEMBER 31, 2019 AND 2018

	<b>2019</b>	2018
<b>ASSETS</b>		
Cash	\$ 1,008,457	\$ 760,042
Sales Tax Receivable	52,899	43,269
<b>TOTAL ASSETS</b>	<b>\$ 1,061,356</b>	<b>\$ 803,311</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ 3,278
License Agreements Received in Advance	19,000	19,000
<i>Total Liabilities</i>	<b>19,000</b>	22,278
<i>Fund Balance - Restricted for Streets</i>	<b>1,042,356</b>	781,033
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,061,356</b>	<b>\$ 803,311</b>

CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 STREET REPAIR FUND  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>REVENUES</b>		
Sales Taxes	\$ 293,719	\$ 267,079
License Agreements	<u>92,000</u>	<u>38,000</u>
<b>TOTAL REVENUES</b>	<u><b>385,719</b></u>	<u>305,079</u>
 <b>EXPENDITURES</b>		
Streets	58,843	11,503
Capital Outlay	<u>8,005</u>	<u>29,775</u>
<b>TOTAL EXPENDITURES</b>	<u><b>66,848</b></u>	<u>41,278</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u><b>318,871</b></u>	 <u>263,801</u>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	<u>(57,548)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u><b>(57,548)</b></u>	<u>-</u>
 Net Change in Fund Balance	 261,323	 263,801
 <b>Fund Balances at Beginning of Year</b>	 <u><b>781,033</b></u>	 <u>517,232</u>
 <b>Fund Balances at End of Year</b>	 <u><u><b>\$ 1,042,356</b></u></u>	 <u><u>\$ 781,033</u></u>

CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE BALANCE SHEETS  
 STREET DRAINAGE FUND  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<b>2019</b>	2018
<b>ASSETS</b>		
Cash	\$ 1,174,028	\$ 960,957
<b>TOTAL ASSETS</b>	<b>\$ 1,174,028</b>	<b>\$ 960,957</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 943	\$ -
License Agreements Received in Advance	76,000	76,000
<i>Total Liabilities</i>	<b>76,943</b>	76,000
<i>Fund Balance - Restricted for Drainage</i>	<b>1,097,085</b>	884,957
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,174,028</b>	<b>\$ 960,957</b>

CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 STREET DRAINAGE FUND  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>REVENUES</b>		
Stormwater Fees	\$ 138,665	\$ 141,397
License Agreements	<u>368,000</u>	<u>152,000</u>
<b>TOTAL REVENUES</b>	<u>506,665</u>	<u>293,397</u>
 <b>EXPENDITURES</b>		
Drainage	<u>116,076</u>	<u>6,816</u>
<b>TOTAL EXPENDITURES</b>	<u>116,076</u>	<u>6,816</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>390,589</u>	 <u>286,581</u>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	<u>(178,460)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(178,460)</u>	<u>-</u>
 Net Change in Fund Balance	 212,129	 286,581
 <b>Fund Balances at Beginning of Year</b>	 <u>884,957</u>	 <u>598,376</u>
 <b>Fund Balances at End of Year</b>	 <u>\$ 1,097,086</u>	 <u>\$ 884,957</u>

CITY OF CASTLE HILLS, TEXAS  
 COMBINING BALANCE SHEETS  
 NONMAJOR FUNDS  
 DECEMBER 31, 2019  
 (WITH COMPARATIVE TOTALS FOR 2018)

	Child Safety	Animal Control	Municipal Court Technology	Municipal Court Security	Municipal Court Efficiency
<b>ASSETS</b>					
Cash	\$ 67,928	\$ 5,976	\$ 5,427	\$ 23,387	\$ 6,208
Sales Tax Receivable	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 67,928</b>	<b>\$ 5,976</b>	<b>\$ 5,427</b>	<b>\$ 23,387</b>	<b>\$ 6,208</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ -	\$ 94	\$ 271	\$ -
<i>Total Liabilities</i>	-	-	94	271	-
<i>Restricted Fund Balance</i>	67,928	5,976	5,333	23,116	6,208
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 67,928</b>	<b>\$ 5,976</b>	<b>\$ 5,427</b>	<b>\$ 23,387</b>	<b>\$ 6,208</b>

Police Seizure	LEOSE	Crime Control and Prevention District	2019 Total	2018 Total
\$ 419,331	\$ 10,432	\$ 861,701	\$ 1,400,390	\$ 1,303,179
-	-	51,718	51,718	42,257
<u>\$ 419,331</u>	<u>\$ 10,432</u>	<u>\$ 913,419</u>	<u>\$ 1,452,108</u>	<u>\$ 1,345,436</u>
\$ -	\$ -	\$ 1,263	\$ 1,628	\$ 37,671
-	-	1,263	1,628	37,671
<u>419,331</u>	<u>10,432</u>	<u>912,156</u>	<u>1,450,480</u>	<u>1,307,765</u>
<u>\$ 419,331</u>	<u>\$ 10,432</u>	<u>\$ 913,419</u>	<u>\$ 1,452,108</u>	<u>\$ 1,345,436</u>

CITY OF CASTLE HILLS, TEXAS  
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE – NONMAJOR FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (WITH COMPARATIVE TOTALS FOR 2018)

	Child Safety	Animal Control	Municipal Court Technology	Municipal Court Security	Municipal Court Efficiency
<b>REVENUES</b>					
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	19,823	14,873	1,219
Investment Income	-	-	-	-	-
Miscellaneous	12,358	295	-	-	-
<b>TOTAL REVENUES</b>	<u>12,358</u>	<u>295</u>	<u>19,823</u>	<u>14,873</u>	<u>1,219</u>
<b>EXPENDITURES</b>					
Municipal Court	-	-	51,450	12,801	-
Police	8,560	-	-	-	-
Capital Outlay	-	-	-	68,317	-
<b>TOTAL EXPENDITURES</b>	<u>8,560</u>	<u>-</u>	<u>51,450</u>	<u>81,118</u>	<u>-</u>
Net Change in Fund Balance	3,798	295	(31,627)	(66,245)	1,219
<b>Beginning Fund Balance</b>	<u>64,130</u>	<u>5,681</u>	<u>36,960</u>	<u>89,361</u>	<u>4,989</u>
<b>Ending Fund Balance</b>	<u>\$ 67,928</u>	<u>\$ 5,976</u>	<u>\$ 5,333</u>	<u>\$ 23,116</u>	<u>\$ 6,208</u>

Police Seizure	LEOSE	Crime Control and Prevention District	2019 Total	2018 Total
\$ -	\$ -	\$ 287,776	\$ 287,776	\$ 259,542
52,983	-	-	88,898	226,584
7,607	-	14,490	22,097	17,919
1,525	1,937	-	16,115	20,818
62,115	1,937	302,266	414,886	524,863
-	-	-	64,251	38,846
2,573	-	69,396	80,529	131,206
24,125	-	34,949	127,391	99,322
26,698	-	104,345	272,171	269,374
35,417	1,937	197,921	142,715	255,489
383,914	8,495	714,235	1,307,765	1,052,276
\$ 419,331	\$ 10,432	\$ 912,156	\$ 1,450,480	\$ 1,307,765

CITY OF CASTLE HILLS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – CRIME CONTROL AND PREVENTION DISTRICT  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales Taxes	\$ 256,250	\$ 256,250	\$ 287,776	\$ 31,526
Other Income	4,000	4,000	14,490	10,490
<b>TOTAL REVENUES</b>	<u>260,250</u>	<u>260,250</u>	<u>302,266</u>	<u>42,016</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Police	101,500	101,500	69,396	32,104
Capital Outlay	292,000	292,000	34,949	257,051
<b>TOTAL EXPENDITURES</b>	<u>393,500</u>	<u>393,500</u>	<u>104,345</u>	<u>289,155</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(133,250)</u>	<u>(133,250)</u>	<u>197,921</u>	<u>331,171</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Equipment	69,250	69,250	-	(69,250)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>69,250</u>	<u>69,250</u>	<u>-</u>	<u>(69,250)</u>
Net Change in Fund Balance	(64,000)	(64,000)	197,921	261,921
<b>Fund Balance - January 1</b>	<u>714,235</u>	<u>714,235</u>	<u>714,235</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 650,235</u>	<u>\$ 650,235</u>	<u>\$ 912,156</u>	<u>\$ 261,921</u>

