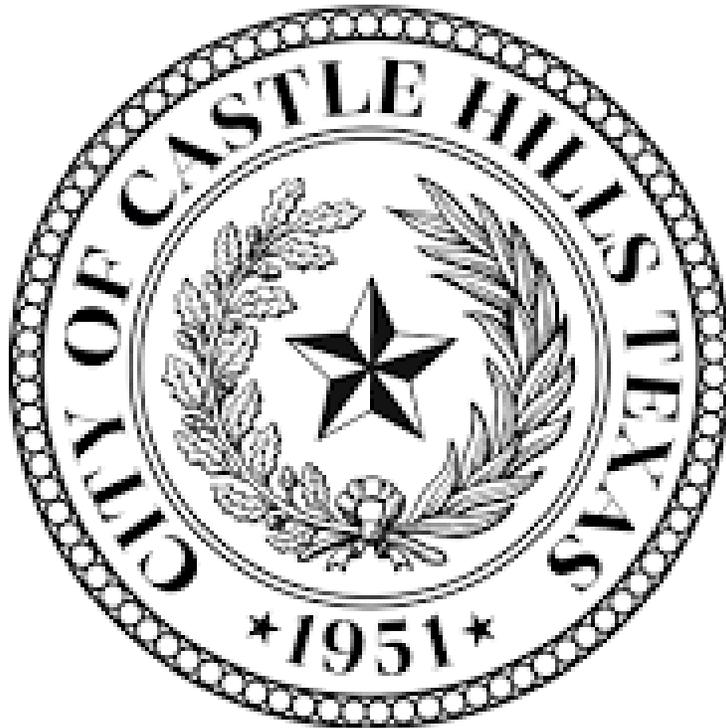


**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
December 31, 2020**



CITY OF CASTLE HILLS, TEXAS

CITY OF CASTLE HILLS, TEXAS

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CITY OF CASTLE HILLS, TEXAS

Table of Contents Year Ended December 30, 2020

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INTRODUCTORY SECTION

CITY OF CASTLE HILLS, TEXAS

LIST OF CITY PRINCIPAL OFFICIALS

CITY COUNCIL MEMBERS

JR Trevino
Mayor City of Castle Hills, Texas

Joe Izbrand,
Mayor Pro term, Place 1

Frank Paul
Place 2

Kurt May
Place 3

Jack Joyce
Place 4

Douglas Gregory
Place 5

ADMINISTRATORS

Ryan Rapelye – City Manager

Mark Schnall, Langley & Banack – City Attorney

Luis Zamarron – Assistant to the City Manager

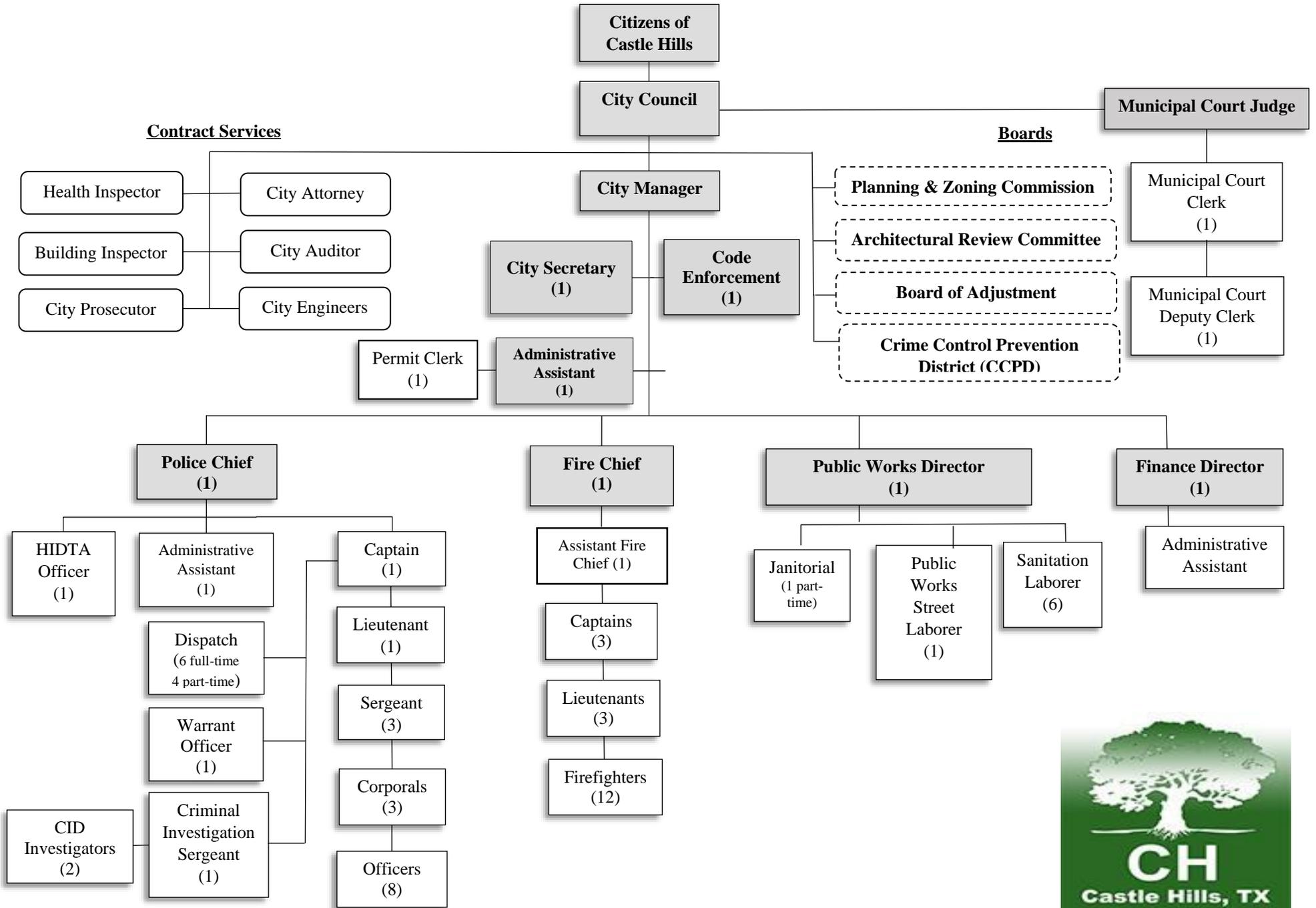
Lara Feagins – Finance Director

Chief Zuniga – Police Chief

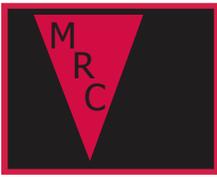
Jim Ladewig – Fire Chief

Rick Harada – PW Director

ORGANIZATIONAL CHART



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Castle Hills (the "City"), as of and for the year ended December 31, 2020 and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting 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 on pages 4-11, Budgetary Comparison Schedules on pages 49-51, Schedule of Changes in Net Pension Liability and Related Ratios on page 52, and Schedule of Contributions and Notes to Schedule of Contributions on page 53 and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 54, 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's basic financial statements. The supplemental and other supplemental information, as listed in the table of contents 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.

The 2019 amounts which are included in the individual comparative financial statements are presented for comparative purposes and were audited by other auditors whose report dated September 23, 2020 expressed an unmodified opinion on those statements in relation to the 2019 basic financial statements as a whole.

Martinez, Rosario & Company, LLP

Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, Texas

September 10, 2021

City of Castle Hills, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

On behalf of the City of Castle Hills management team, we are pleased to provide an overview of the financial activities of the City for the fiscal year ended December 31, 2020. The intended purpose of this MD&A is to introduce the basic financial statements and notes to the financial statements in an easy to read format, analyzing our financial activities and which will help to determine if the City's financial position has improved or deteriorated over the past year. When referring to prior year data in this analysis, we included information from last year's audited financial reports.

FINANCIAL HIGHLIGHTS

- The City's total net position was \$14.1 million at December 31, 2020.
- During the year, the City's expenses were \$1.1 million less than the \$8.9 million generated in taxes and other revenues for governmental activities.
- The total cost of the City's programs increased 8.1% from the previous year.
- The general fund reported a fund balance this year of \$4.6 million.

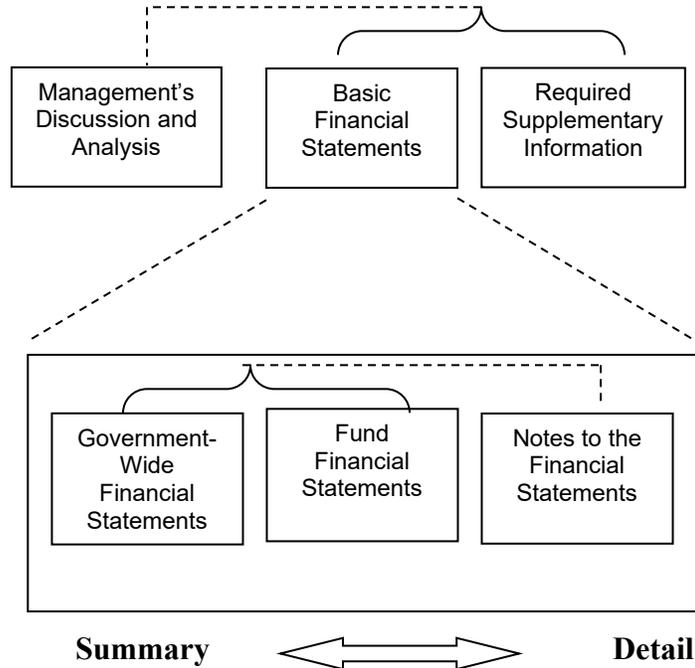
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts (1) Management's Discussion and Analysis (this section), (2) the basic financial statements and (3) 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 City government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

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

**Figure A-1
Required Components of
City of Castle Hills Annual Financial Reports**



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

The City's net position was at year end was \$14.1 million.

CITY OF CASTLE HILLS, TEXAS			
NET POSITION			
	Governmental Activities		Total Increase (Decrease)
	2020	2019	
<i>Assets:</i>			
Cash and Cash Equivalents	\$ 16,208,191	\$ 10,479,546	\$ 5,728,645
Receivables, Net	2,529,242	2,368,611	160,631
Prepaid Expenses	115,927	106,422	9,505
Capital Assets (Net)	<u>11,205,148</u>	<u>7,287,635</u>	<u>3,917,513</u>
Total Assets	30,058,508	20,242,214	9,816,294
<i>Deferred Outflow:</i>			
Deferred Pension Related Outflows	1,499,468	1,314,098	185,370
Deferred OPEB Related Outflows	<u>30,408</u>	<u>6,129</u>	<u>24,279</u>
Total Asset Plus Deferred Outflow of Resources	<u>\$ 31,588,384</u>	<u>\$ 21,562,441</u>	<u>\$ 10,025,943</u>
<i>Liabilities:</i>			
Accounts Payable and Accruals	\$ 799,954	\$ 737,961	\$ 61,993
Unearned Revenues	99,750	266,959	(167,209)
Other Current Liabilities	438,443	164,096	274,347
Long-Term Liabilities	<u>10,653,362</u>	<u>3,823,552</u>	<u>6,829,810</u>
Total Liabilities	11,991,509	4,992,568	6,998,941
<i>Deferred Inflows:</i>			
Property Taxes Levied for Future Periods	3,964,601	3,555,930	408,671
Deferred Pension Related Inflows	6,920	47	6,873
Deferred OPEB Related Inflows	<u>1,535,095</u>	<u>1,305</u>	<u>1,533,790</u>
Total Liabilities Plus Deferred Inflows of Resources	17,498,125	8,549,850	8,948,275
<i>Net Position:</i>			
Net Invested in			
Capital Assets	8,241,631	6,884,216	1,357,415
Restricted	3,866,947	3,652,473	214,474
Unrestricted	<u>1,981,681</u>	<u>2,475,902</u>	<u>(494,221)</u>
Total Net Position	<u>\$ 14,090,259</u>	<u>\$ 13,012,591</u>	<u>\$ 1,077,668</u>

GOVERNMENTAL ACTIVITIES

Changes in net position. The City's total revenues were \$8.9 million, an increase of \$364 thousand. A significant portion, \$6.1 million comes from taxes, \$1.3 million relates to charges for services, and \$ 1.5 million comes from operating contributions and other revenues. The total cost of all programs and services was \$7.8 million.

**CITY OF CASTLE HILLS, TEXAS
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>Total Increase(Decrease)</u>
<i>Revenues:</i>			
<i>Program Revenues:</i>			
Changes for Services	\$ 1,329,600	\$ 1,721,684	\$ (392,084)
Operating Grants and Contributions	247,174	13,208	233,966
<i>General Revenues:</i>			
Property Taxes	3,747,192	3,538,804	208,388
Sales Taxes	1,893,079	1,767,223	125,856
Franchise Taxes	468,367	501,204	(32,837)
License Agreements	848,126	460,000	388,126
Investment Earnings	65,339	187,187	(121,848)
Miscellaneous	270,472	218,376	52,096
Total Revenues	8,869,349	8,407,686	461,663
<i>Expenses:</i>			
Administration	1,597,603	1,153,120	444,483
Municipal Court	305,290	381,767	(76,477)
Police	2,684,365	2,763,622	(79,257)
Fire	1,992,562	1,942,727	49,835
Streets and Drainage	727,266	485,317	241,949
Sanitation	473,380	466,054	7,326
Debt Services	11,215	13,279	(2,064)
Total Operating Expenses	7,791,681	7,205,886	585,795
Change in Net Position	1,077,668	1,201,800	(124,132)
Net Position, Beginning of Year	13,012,591	11,810,791	1,201,800
Net Position, End of Year	<u>\$ 14,090,259</u>	<u>\$ 13,012,591</u>	<u>\$ 1,077,668</u>

The below table 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 \$7.8 million.
- The amount that our taxpayers paid for these activities through property taxes was \$3.8 million.
- Some of the cost, \$1.3 million, was paid by those who directly benefited from the programs.

	<u>2020</u>		<u>2019</u>	
Administration	\$ 1,597,603	21%	\$ 1,153,120	16%
Municipal Court	305,290	4%	381,767	5%
Police	2,684,365	34%	2,763,622	38%
Fire	1,992,562	26%	1,942,727	27%
Streets and Drainage	727,266	9%	485,317	7%
Sanitation	473,380	6%	466,054	6%
Debt Services	11,215	0%	13,279	0%
	<u>\$ 7,791,681</u>		<u>\$ 7,205,886</u>	

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Revenues from governmental fund types totaled \$8.9 million, an increase of \$364 thousand.

General Fund Budgetary Highlights

The City has a legally adopted budget for the General Fund. Revenues were \$446 thousand over budget in total due primarily to a favorable variance in property and sales tax collections. Expenditures were \$3.7 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 2020 and was completed later in the year.

CAPITAL ASSETS

The City’s net investment in capital assets at the end of the fiscal year December 31, 2020, amounted to \$11,205,148 with \$4,725,764 in accumulated depreciation. It is the City’s policy to capitalize only purchases of \$5,000 or over. Items less than \$5,000 are expensed. This investment in capital assets includes buildings, improvements, vehicles, and equipment. A more detail presentation is presented in the Notes to Financial Statements at Note 6.

CAPITAL ASSETS AT YEAR-END

	2020	2019
Land	\$ 383,700	\$ 383,700
Building and Improvements	3,069,636	3,069,636
Vehicle and Equipment	3,945,046	3,490,365
Infrastructure	8,273,643	2,820,802
Construction in Progress	258,887	1,995,228
Total Capital Assets	15,930,912	11,759,731
Less Accumulated Depreciation	(4,725,764)	(4,472,096)
Total Capital Assets, Net	\$ 11,205,148	\$ 7,287,635

LONG-TERM DEBT

At the end of the current fiscal year, the City’s had \$327,098 in capital leases and \$7,955,000 in bonds payable. A more detail presentation is presented in the Notes to Financial Statement at Note 7.

BONDS PAYABLE

	2020	2019
Capital Leases	\$ 327,098	\$ 403,419
Bonds Payable	7,955,000	-
TOTAL	\$ 8,282,098	\$ 403,419

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s elected and appointed officials considered many factors when setting the fiscal year 2021 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 2021 utilized the approve tax rate of \$0.516038 per \$100 of taxable value. This rate consists of only a maintenance and operations (M&O) tax rate of \$0.516038 and no interest and sinking (debt service) tax rate. The rate was set based on a net assessed value of \$801,160,978 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.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, taxpayer, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, please contact:

Ryan D. Rapelye
City Manager
209 Lemonwood Dr.
San Antonio, Texas 78213
210-342-2341

BASIC FINANCIAL STATEMENTS

**CITY OF CASTLE HILLS, TEXAS
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020**

EXHIBIT A-1

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 10,889,610
Receivables, Net	
Property Taxes	2,033,654
Sales and Franchise Fees	426,434
Garbage, Stormwater and Other Fees	69,154
Prepaid Expenses	115,927
Restricted Assets:	
Cash and Cash Equivalents	5,318,581
Capital Assets:	
Land	383,700
Building and Improvements	3,069,636
Vehicles and Equipment	3,945,046
Infrastructure	8,273,643
Construction in Progress	258,887
Accumulated Depreciation	<u>(4,725,764)</u>
Capital Assets, Net	<u>11,205,148</u>
Total Assets	30,058,508
Deferred Outflows of Resources	
Deferred outflows related to OPEB	30,408
Deferred Outflows Related to Pension Plan	<u>1,499,468</u>
Total Deferred Outflows of Resources	<u>1,529,876</u>
Total Assets Plus Deferred Outflows of Resources	\$ <u><u>31,588,384</u></u>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF CASTLE HILLS, TEXAS
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020**

EXHIBIT A-1

LIABILITIES	
Accounts Payable	\$ 605,467
Wages and Salaries Payable	114,049
Compensated Absences	80,438
License Agreements Received in Advance	99,750
Other Current Liabilities:	
Bonds Payable	360,000
Capital Lease Payable	78,443
	<hr/>
Total Current Liabilities	1,338,147
Non-Current Liabilities:	
Bonds Payable	8,070,920
Compensated Absences	411,812
Capital Lease Obligation	248,655
OPEB Liability	253,409
Net Pension Liability	1,668,566
	<hr/>
Total Non-Current Liabilities	10,653,362
	<hr/>
Total Liabilities	11,991,509
Deferred Inflows of Resources	
Property Taxes Levied for Future Periods	3,964,601
Deferred Inflows Related to OPEB	6,920
Deferred Inflows Related to Pension Plan	1,535,095
	<hr/>
Total Deferred Inflows of Resources	5,506,616
	<hr/>
Total Liabilities Plus Deferred Inflows of Resources	\$ <u><u>17,498,125</u></u>
NET POSITION	
Restricted for:	
Street Repair	1,181,648
Draiage Improvements	1,242,537
Police	1,329,625
Municipal Court	39,741
PEG Funds	67,843
Animal Control	5,553
Net Investment in Capital Assets	8,241,631
Unrestricted	1,981,681
	<hr/>
Total Net Position	\$ <u><u>14,090,259</u></u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF CASTLE HILLS, TEXAS
 STATEMENT OF ACTIVITIES
 AS OF DECEMBER 31, 2020

EXHIBIT B-1

	<u>Program Revenue</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary government				
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 1,597,603	\$ 164,900	\$ 241,799	\$ (1,190,904)
Municipal Court	305,290	482,179	-	176,889
Police	2,684,365	76,527	5,375	(2,602,463)
Fire	1,992,562	7,583	-	(1,984,979)
Streets and Drainage	727,266	138,518	-	(588,748)
Sanitation	473,380	459,893	-	(13,487)
Interest on Capital Leases	11,215	-	-	(11,215)
Total Governmental Activities	<u>\$ 7,791,681</u>	<u>\$ 1,329,600</u>	<u>\$ 247,174</u>	<u>\$ (6,214,907)</u>
General Revenues:				
Taxes:				
				3,747,192
				1,893,079
				468,367
				848,126
				65,339
				172,972
				<u>7,292,575</u>
				1,077,668
				<u>13,012,591</u>
				<u>\$ 14,090,259</u>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF CASTLE HILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2020**

EXHIBIT C-1

	<u>General Fund</u>	<u>2020 Bond Construction</u>	<u>Street Repair Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 6,914,773	\$ -	\$ 1,143,244
Receivables, Net			
Property Taxes	1,691,366	-	-
Sales and Franchise Fees	310,189	-	58,354
Garbage and Other Fees	69,154	-	-
Restricted Cash:			
Cash and Cash Equivalents	-	5,318,581	-
Total Assets	<u>\$ 8,985,482</u>	<u>\$ 5,318,581</u>	<u>\$ 1,201,598</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 573,024	\$ 29,203	\$ -
Wages and Salaries Payable	114,049	-	-
License Agreements Received in Advance	-	-	19,950
Total Liabilities	687,073	29,203	19,950
DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Tax Revenue	219,982	-	-
Property Taxes Levied for Future Periods	3,462,375	-	-
Total Deferred Inflows of Resources	3,682,357	-	-
Fund Balances:			
Restricted Fund Balance:			
Debt Services	-	-	-
2020 Bond Construction	-	5,289,378	-
Street Repair	-	-	1,181,648
Draiage Improvements	-	-	-
Police	-	-	-
Municipal Court	-	-	-
PEG Funds	67,843	-	-
Animal Control	-	-	-
Committed Fund Balance:			
Street Maintenance	35,901	-	-
Workstation Upgrade	29,136	-	-
Assigned Fund Balance:			
Major Vehicle Purchases	346,949	-	-
Improvements Projects from CIED	431,076	-	-
Unassigned Fund Balances	3,705,147	-	-
Total Fund Balances	<u>4,616,052</u>	<u>5,289,378</u>	<u>1,181,648</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,985,482</u>	<u>\$ 5,318,581</u>	<u>\$ 1,201,598</u>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF CASTLE HILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2020**

EXHIBIT C-1

	<u>Drainage Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,324,389	\$ 1,507,204	\$ 10,889,610
Receivables, Net			
Property Taxes	-	118,585	1,809,951
Sales and Franchise Fees	-	57,891	426,434
Garbage and Other Fees	-	-	69,154
Restricted Cash:			
Cash and Cash Equivalents	-	-	5,318,581
	<u>1,324,389</u>	<u>1,683,680</u>	<u>18,513,730</u>
Total Assets	<u>\$ 1,324,389</u>	<u>\$ 1,683,680</u>	<u>\$ 18,513,730</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 2,052	\$ 1,188	\$ 605,467
Wages and Salaries Payable	-	-	114,049
License Agreements Received in Advance	79,800	-	99,750
	<u>81,852</u>	<u>1,188</u>	<u>819,266</u>
Total Liabilities	81,852	1,188	819,266
DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Tax Revenue	-	-	219,982
Property Taxes Levied for Future Periods	-	282,244	3,744,619
	<u>-</u>	<u>282,244</u>	<u>3,964,601</u>
Total Deferred Inflows of Resources	-	282,244	3,964,601
Fund Balances:			
Restricted Fund Balance:			
Debt Services	-	25,329	25,329
2020 Bond Construction			5,289,378
Street Repair	-	-	1,181,648
Draiage Improvements	1,242,537	-	1,242,537
Police	-	1,329,625	1,329,625
Municipal Court	-	39,741	39,741
PEG Funds	-	-	67,843
Animal Control	-	5,553	5,553
Committed Fund Balance:			
Street Maintenance	-	-	35,901
Workstation Upgrade	-	-	29,136
Assigned Fund Balance:			
Major Vehicle Purchases	-	-	346,949
Improvements Projects from CIED	-	-	431,076
Unassigned Fund Balances	-	-	3,705,147
	<u>1,242,537</u>	<u>1,400,248</u>	<u>13,729,863</u>
Total Fund Balances	1,242,537	1,400,248	13,729,863
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,324,389</u>	<u>\$ 1,683,680</u>	<u>\$ 18,513,730</u>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF CASTLE HILLS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020**

EXHIBIT C-2

Total Fund Balance - Governmental Funds	\$ 13,729,863
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	115,927
Capital Assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements	11,205,148
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:	
Bond Payable	(7,955,000)
Unamortized Premium (Discount) on Bonds	(475,920)
Capital Lease Payable	(327,098)
Compensated Absences	(492,250)
Net Pension Asset / Liability (and related deferred inflows and outflows of resources) do not consume current financial resources, therefore, are not reported in the governmental funds.	
Net Pension Liability	(1,668,566)
Pension Related Deferred Outflows	1,499,468
Pension Related Deferred Inflows	(1,535,095)
OPEB Liability (and related deferred inflows and outflows of resources) do not consume current financial resources, therefore, are not reported in the governmental funds	
OPEB Liability	(253,409)
OPEB Related Deferred Outflows	30,408
OPEB Related Deferred Inflows	(6,920)
Net Position of Governmental Activities	\$ <u>14,090,259</u>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF CASTLE HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

EXHIBIT C-3

	<u>General Fund</u>	<u>2020 Bond Construction</u>	<u>Street Repair Fund</u>
REVENUES			
Taxes:			
Property Taxes	\$ 3,731,923	\$ -	-
General Sales and Use Taxes	1,254,694	-	330,788
Franchise Tax	468,367	-	-
Garbage Fees	459,893	-	-
Stormwater Fees	-	-	-
Building and Other Permits	164,900	-	-
Fines and Forfeitures	495,085	-	-
License Agreements	564,926	-	41,440
Investment Income	39,050	1,758	-
Miscellaneous	331,052	-	-
Total Revenues	<u>7,509,890</u>	<u>1,758</u>	<u>372,228</u>
EXPENDITURES			
Current:			
Administration	1,223,748	95,000	-
Municipal Court	239,222	-	-
Police	2,463,996	-	-
Fire	1,849,217	-	-
Streets	333,776	-	232,936
Sanitation	439,933	-	-
Drainage	1,570	-	-
Debt Service:			
Capital Lease - Principal	76,321	-	-
Capital Lease - Interest	11,215	-	-
Capital Outlay:			
Capital Outlay	3,885,863	56,405	-
Total Expenditures	<u>10,524,861</u>	<u>151,405</u>	<u>232,936</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,014,971)</u>	<u>(149,647)</u>	<u>139,292</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Bonds	-	7,919,051	-
Premium on Issuance of Bonds	-	475,920	-
Proceeds from the Sale of Capital Assets	-	-	-
Transfers In	3,157,340	-	-
Transfers Out	-	(2,955,946)	-
Total Other Financing Sources and (Uses)	<u>3,157,340</u>	<u>5,439,025</u>	<u>-</u>
Net Change in Fund Balances	142,369	5,289,378	139,292
Fund Balances - Beginning	4,473,683	-	1,042,356
Fund Balances - Ending	<u>\$ 4,616,052</u>	<u>\$ 5,289,378</u>	<u>\$ 1,181,648</u>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF CASTLE HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

EXHIBIT C-3

	<u>Drainage Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property Taxes	\$ -	\$ 15,269	\$ 3,747,192
General Sales and Use Taxes	-	307,597	1,893,079
Franchise Tax	-	-	468,367
Garbage Fees	-	-	459,893
Stormwater Fees	138,518	-	138,518
Building and Other Permits	-	-	164,900
Fines and Forfeitures	-	56,211	551,296
License Agreements	241,760	-	848,126
Investment Income	-	3,848	44,656
Miscellaneous	-	30,034	361,086
Total Revenues	<u>380,278</u>	<u>412,959</u>	<u>8,677,113</u>
EXPENDITURES			
Current:			
Administration	-	-	1,318,748
Municipal Court	-	17,125	256,347
Police	-	56,777	2,520,773
Fire	-	-	1,849,217
Streets	-	-	566,712
Sanitation	-	-	439,933
Drainage	9,451	-	11,021
Debt Service:			
Capital Lease - Principal	-	-	76,321
Capital Lease - Interest	-	-	11,215
Capital Outlay:			
Capital Outlay	<u>24,404</u>	<u>432,826</u>	<u>4,399,498</u>
Total Expenditures	<u>33,855</u>	<u>506,728</u>	<u>11,449,785</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>346,423</u>	<u>(93,769)</u>	<u>(2,772,672)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Bonds	-	10,060	7,929,111
Premium on Issuance of Bonds	-	-	475,920
Proceeds from the Sale of Capital Assets	-	33,900	33,900
Transfers In	-	-	3,157,340
Transfers Out	<u>(200,971)</u>	<u>(423)</u>	<u>(3,157,340)</u>
Total Other Financing Sources and (Uses)	<u>(200,971)</u>	<u>43,537</u>	<u>8,438,931</u>
Net Change in Fund Balances	145,452	(50,232)	5,666,259
Fund Balances - Beginning	<u>1,097,085</u>	<u>1,450,480</u>	<u>8,063,604</u>
Fund Balances - Ending	<u>\$ 1,242,537</u>	<u>\$ 1,400,248</u>	<u>\$ 13,729,863</u>

The notes to the Financial Statements are an integral part of this statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Total Net Change in Fund Balances - Governmental Funds \$ 5,666,259

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 expenses. This is the amount by which capital outlays exceeds depreciation.

Capital Outlays	4,399,498
Depreciation	(504,530)
Other	(17,608)
	<u>3,877,360</u>

The proceeds from notes payable provide current financial resources to governmental funds, while the repayment of principal of the debt consumes the current financial resources of governmental funds.

Proceeds from Issuance of Certificate of Obligation	(8,405,031)
Bond Issuance Costs	(46,573)
Interest Income	20,684
Principal Payments of Long-Term Debt	76,321
	<u>(8,354,599)</u>

Governmental funds report proceeds from the sale of capital assets as other financing sources. However, in the Statement of Activities, the proceeds are reduced by the net book value of the capital assets disposed. This amount represents the net book value of capital assets disposed.

40,153

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	9,505
Change in Compensated Absences	(53,369)
	<u>(43,864)</u>

Governmental funds report contributions to employee Pensions/OPEB plans as expenditures. However, in the Statement of Activities, the cost of the pension is recorded based on the actuarially determined cost of the plans. This is the amount that pension expense exceeded the actuarially determined contributions.

(107,641)

Change in Net Position of Governmental Activities

\$ 1,077,668

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1: 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:

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.

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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Separate fund financial statements are provided for governmental funds. Five of the City's funds meet the criteria of a *major governmental fund*: General Fund, Street Projects Fund, Street Repair Fund, Street Drainage Projects 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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2020. Taxes receivable but not collected within 60 days are used to finance the budget of the fiscal year beginning January 1, 2021, 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, 2020.

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 Project Fund is used to account for major street related projects.

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 Project Fund is used to account for major street drainage related projects.

The Street 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 FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less.

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).

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Allowances have been established by management based on best available information for a variety of receivables as of December 31, 2020. An allowance for uncollectible accounts has been recorded in the General Fund for property taxes in the amount of \$36,287.

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.

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.

CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the governmental type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more 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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

CAPITAL ASSETS - Continued

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

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.

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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES - Continued

Deferred inflows of resources represent 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.

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.

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

NET PENSION LIABILITY - Continued

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.

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.

FUND EQUITY

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

Non-spendable - 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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

FUND EQUITY - Continued

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.

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.

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.

SUBSEQUENT EVENTS

Subsequent events were evaluated by management through September 10, 2021, which is the date the financial statements were available to be issued. Material subsequent events, if any, are disclosed in a separate note to the Financial Statements.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation. These reclassifications had no effect on the change in fund balance.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 2: CASH AND CASH EQUIVALENTS

Cash

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.

As of December 31, 2020, the City had the following cash, cash equivalents, and short-term investments:

	<u>Amount</u>
Unrestricted Cash and Cash Equivalents	\$ 10,889,610
Restricted Cash and Cash Equivalents	<u>5,318,581</u>
Total	<u>\$ 16,208,191</u>

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 FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 2: CASH AND CASH EQUIVALENTS - Continued

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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 3: INTERFUND TRANSACTIONS

The following summary of Interfund receivables and payables for the City as of December 31, 2020:

	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Governmental Funds:</i>		
<i>Major Funds:</i>		
General Fund	\$ 3,157,340	\$ -
Drainage Project Funds	-	2,955,946
Drainage Fund	-	200,971
Total Major Funds	<u>3,157,340</u>	<u>3,156,917</u>
<i>Non-Major Funds:</i>		
Animal Control	-	423
Total Non-Major Funds	<u>-</u>	<u>423</u>
<i>Total Governmental Funds Transfers</i>	<u>\$ 3,157,340</u>	<u>\$ 3,157,340</u>

NOTE 4: RECEIVABLES

Receivables as of December 31, 2020 are as follow:

	<u>Governmental Funds</u>			
	<u>General</u>	<u>Street Repair</u>	<u>Non-Major</u>	<u>Totals</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	
<i>Receivables:</i>				
Property Taxes	\$ 1,727,653	\$ -	\$ 118,585	\$ 1,846,238
Sales and Franchise Fees	310,189	58,354	57,891	426,434
Garbage and Other Fees	69,154	-	-	69,154
Gross Receivables	2,106,996	58,354	176,476	2,341,826
Less: Allowance for Uncollectible Accounts	<u>(36,287)</u>	<u>-</u>	<u>-</u>	<u>(36,287)</u>
<i>Net Total Receivables</i>	<u>\$ 2,070,709</u>	<u>\$ 58,354</u>	<u>\$ 176,476</u>	<u>\$ 2,305,539</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 5: 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 2020 financials is from the collections on the 2019 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, 2020, upon which the fiscal 2020 levy (2019 tax year) was \$801,160,978 (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, 2020, was \$0.516038 per \$100 of assessed value, which means that the City has a tax margin of \$1.983962 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 \$37,356.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Balance</u> <u>December 31, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31, 2020</u>
<i>Governmental Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 383,700	\$ -	\$ -	\$ 383,700
Construction In Progress	1,995,228	96,903	1,833,244	258,887
Total assets not being depreciated	2,378,928	96,903	1,833,244	642,587
Capital assets, being depreciated:				
Buildings and Improvements	3,069,636	-	-	3,069,636
Vehicles and Equipments	3,490,365	707,890	253,209	3,945,046
Infrastructure	2,820,802	5,452,841	-	8,273,643
Total assets being depreciated	9,380,803	6,160,731	253,209	15,288,325
Less accumulated depreciation:				
Buildings and Improvements	1,660,064	93,791	-	1,753,855
Vehicles and Equipment	2,188,960	316,527	250,862	2,254,625
Infrastructure	623,072	94,212	-	717,284
Total accumulated depreciation	4,472,096	504,530	250,862	4,725,764
Total capital assets being depreciated, net	4,908,707	5,656,201	2,347	10,562,561
Government activities capital assets, net	<u>\$ 7,287,635</u>	<u>\$ 5,753,104</u>	<u>\$ 1,835,591</u>	<u>\$ 11,205,148</u>
Summary:				
Capital Assets, net	\$ 5,292,407	\$ 5,656,201	\$ 2,347	\$ 10,946,261
Construction-In-Progress	1,995,228	96,903	1,833,244	258,887
Total	<u>\$ 7,287,635</u>	<u>\$ 5,753,104</u>	<u>\$ 1,835,591</u>	<u>\$ 11,205,148</u>

Depreciation Expense was charged to the governmental function as follows:

Administration	\$ 73,695
Municipal Court	3,889
Police	130,508
Fire	142,485
Streets and Drainage	124,640
Sanitation	29,313
Total Depreciation Expense	<u>\$ 504,530</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 7: LONG-TERM DEBT

Changes in the City's long-term debt during the fiscal year ended December 31, 2020, were as follows:

	Balance, December 31, 2019	Additions	Reductions	Balance, December 31, 2020	Due Within One Year
<i>Governmental Activities</i>					
Bonds:					
Tax and Revenue - C.O. Series 2020	\$ -	\$ 7,955,000	\$ -	\$ 7,955,000	\$ 360,000
Premium on Issuance	-	475,920	-	475,920	-
Capital Lease	403,419	-	76,321	327,098	78,443
Compensated absences	438,881	141,145	87,776	492,250	80,438
OPEB Liability	214,772	38,637	-	253,409	-
Net Pension Liability	2,930,576	-	1,262,010	1,668,566	-
Governmental Activities -Long-Term Liabilities	<u>\$ 3,987,648</u>	<u>\$ 8,610,702</u>	<u>\$ 1,426,107</u>	<u>\$ 11,172,243</u>	<u>\$ 518,881</u>

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, 2020, \$306,228 had been recognized in accumulated depreciation.

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

Year End	Amount
December 31,	
2021	\$ 87,536
2022	87,536
2023	87,536
2024	<u>87,536</u>
Total Minimum Lease Payments	350,144
Less: Interest	<u>(23,046)</u>
Present Value of Minimum Payments	\$ <u>327,098</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 7: LONG-TERM DEBT - Continued

In September 2020, the City issued Series 2020 of “Combination Tax and Revenue Certificates of Obligation” in the amount of \$7,955,000. The Series 2020 funds are being used for construction and improvements of streets and drainage system in the City. The interest rate ranges from 0.25% - 3% and the obligation matures in December 2040.

NOTE 8: LICENSE AGREEMENTS

The City is leasing four billboards for a period of 25 years each. These agreements are staggered from 2015 through 2045. The license is paid in annual installments. The Lessee 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, the Lessee may terminate the agreement and receive any prepaid license payments from the City. License payments received in advance are 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:

<u>Year End December 31,</u>	<u>Billboard License</u>
2021	\$ 239,194
2022	242,481
2023	245,823
2024	261,862
2025	265,571
2026-2030	1,357,588
2031-2035	1,413,059
2036-2040	1,517,291
2041-2045	<u>645,445</u>
	<u>\$ 6,188,314</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 9: 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. 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:

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 9: EMPLOYEE RETIREMENT SYSTEM - Continued

<u>Type of Employee</u>	<u>2018</u>	<u>2019</u>
Inactive employees or beneficiaries currently receiving benefits	52	55
Inactive employees entitled to but not yet receiving benefits	40	47
Active Employees	<u>60</u>	<u>60</u>
TOTAL	<u><u>152</u></u>	<u><u>162</u></u>

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, 2020, 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 11.58% and 11.44% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended December 31, 2020 were \$458,490 and were \$62,082 more than the required contributions.

Net Pension Liability

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 9: EMPLOYEE RETIREMENT SYSTEM - Continued

Actuarial Assumptions

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

Inflation	2.50% per year.
Salary Increases	3.50% to 11.50% including inflation.
Investment Rate of Return *	6.75%

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

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees are used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation.

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 9: EMPLOYEE RETIREMENT SYSTEM - Continued

Actuarial Assumptions (Cont.)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate Return (Arithmetic)
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%</u>	

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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 9: EMPLOYEE RETIREMENT SYSTEM - Continued

<u>Changes in the Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at 12/31/2018	\$ 18,803,129	\$ 15,872,553	\$ 2,930,576
Changes for the year:			
Service cost	535,770	-	535,770
Interest	1,251,508	-	1,251,508
Change of benefit terms	-	-	-
Difference between expected and actual experience	(8,695)	-	(8,695)
Changes of assumptions	37,787	-	37,787
Contributions - employer	-	396,408	(396,408)
Contributions - employee	-	242,587	(242,587)
Net investment income	-	2,453,667	(2,453,667)
Benefit payments, including refunds of employee contributions	(1,060,324)	(1,060,324)	-
Administrative expense	-	(13,865)	13,865
Other changes	-	(417)	417
Net changes	<u>756,046</u>	<u>2,018,056</u>	<u>(1,262,010)</u>
Balance at 12/31/2019	\$ <u>19,559,175</u>	\$ <u>17,890,609</u>	\$ <u>1,668,566</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 9: EMPLOYEE RETIREMENT SYSTEM - Continued

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:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability \$	\$ 4,460,114	\$ 1,668,566	\$ (606,417)

Pension Plan Fiduciary Net Position

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

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

For the year ended December 31, 2020, the City recognized pension expense of \$547,669. Also as of December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 1,526,242	\$ 976,502
Changes in Actuarial Assumptions	-	28,682
Net difference between projected and actual Investment Earnings	8,853	35,794
Contributions subsequent to the measurement date of December 31, 2019	N/A	458,490
Total	\$ 1,535,095	\$ 1,499,468

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 9: EMPLOYEE RETIREMENT SYSTEM - Continued

Deferred outflows of resources in the amount of \$458,490 are 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, 2020.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$ 128,816
2021	145,436
2022	(55,537)
2023	275,402
2024	-
Thereafter	<u>-</u>
TOTAL	\$ <u>494,117</u>

NOTE 10: 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.

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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

Membership in the plan at December 31, 2019, the valuation and measurement date, consisted of:

<u>Type of Employee</u>	<u>Number</u>
Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	5
Active Employees	<u>60</u>
TOTAL	<u>107</u>

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

<u>For the Plan Year Ended</u> <u>December 31,</u>	<u>Total SDBF</u> <u>Contribution Rate</u>	<u>Retiree Portion of</u> <u>SDBF Contribution Rate</u>
2019	0.16%	0.05%
2020	0.17%	0.06%

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, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

The postretirement 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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

The assumptions are summarized below:

Inflation	2.5% per year
Salary Increases	3.5% to 10.5%, including inflation
Discount Rate *	2.75%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. These rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index"

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

The City's Total OPEB Liability (TOL), based on the actuarial factors, as of December 31, 2019 was calculated as follows:

<u>Changes in the Total OPEB Liability</u>	
Balance at 12/31/2018	\$ 214,772
Changes for the year:	
Service cost	5,545
Interest on Total OPEB Liability	8,039
Change of benefit terms including TMRS plan participation	-
Difference between expected and actual experience	(11,617)
Changes in assumptions or other inputs	38,403
Benefits payments *	<u>(1,733)</u>
Net changes	<u>38,637</u>
Balance at 12/31/2019	<u>\$ 253,409</u>

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions

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 2.75% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (1.75%) and 1-percentage point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total	\$ <u>303,650</u>	\$ <u>253,409</u>	\$ <u>213,937</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

For the year ended December 31, 2019, the City recognized OPEB expense of \$19,973. Also as of December 31, 2019, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

<u>Source</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ 6,920	\$ -
Change of assumptions	<u>-</u>	<u>30,408</u>
Total	\$ <u>6,920</u>	\$ <u>30,408</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$ 5,545
2021	5,545
2022	5,545
2023	3,473
2024	3,380
Thereafter	<u>-</u>
TOTAL	\$ <u>23,488</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 11: 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 was 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 12: CONTRACTS AND COMMITMENTS

The City has contracts with architects for the improvement of the Drainage System in several locations throughout the City. There are two active contracts totaling \$338,550. As of December 31, 2020, the City had incurred \$126,352 of construction expenses related to these contracts, leaving a commitment of \$212,198 at December 31, 2020.

NOTE 13: 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.

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 October 31, 2021, were \$69,890.

CITY OF CASTLE HILLS, TEXAS
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2020

NOTE 13: RISK MANAGEMENT - Continued

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, 2021. 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, 2021, were \$57,500.

**REQUIRED SUPPLEMENTARY
INFORMATION – OTHER THAN
MD&A - UNAUDITED**

**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, 2020**

EXHIBIT G-1

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Tax	\$ 3,653,235	\$ 3,653,235	\$ 3,731,923	\$ 78,688
Sales Taxes	1,125,365	1,156,365	1,254,694	98,329
Franchise Fees	480,236	480,236	468,367	(11,869)
Garbage Fees	458,362	469,621	459,893	(9,728)
Building and Other Permits	197,856	18,613	164,900	146,287
Fines and Forfeitures	470,829	483,443	495,085	11,642
License Agreements	589,631	607,194	564,926	(42,268)
Investment Income	62,032	62,955	39,050	(23,905)
Miscellaneous	145,236	132,632	331,052	198,420
TOTAL REVENUES	<u>7,182,782</u>	<u>7,064,294</u>	<u>7,509,890</u>	<u>445,596</u>
EXPENDITURES				
<i>Current:</i>				
Administration	1,036,295	1,036,295	1,223,748	(187,453)
Municipal Court	321,928	321,928	239,222	82,706
Police	2,368,829	2,568,829	2,463,996	104,833
Fire	1,716,352	1,816,354	1,864,439	(48,085)
Streets	384,445	384,445	333,776	50,669
Sanitation	516,102	516,102	439,933	76,169
Drainage	2,356	2,356	1,570	786
Capital Outlay:				
Capital Outlay	94,568	94,568	3,870,641	(3,776,073)
Debt Service:				
Principal	76,321	76,321	76,321	-
Interest	11,215	11,215	11,215	-
TOTAL EXPENDITURES	<u>6,528,411</u>	<u>6,828,413</u>	<u>10,524,861</u>	<u>(3,696,448)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>654,371</u>	<u>235,881</u>	<u>(3,014,971)</u>	<u>(3,250,852)</u>
OTHER FINANCING SOURCES				
Transfers In (Out)	<u>(95,000)</u>	<u>(95,000)</u>	<u>3,157,340</u>	<u>3,252,340</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(95,000)</u>	<u>(95,000)</u>	<u>3,157,340</u>	<u>3,252,340</u>
Net Change in Fund Balance	559,371	140,881	142,369	1,488
Fund Balance - January 1	4,473,683	4,473,683	4,473,683	-
Fund Balance - December 31	<u>\$ 5,033,054</u>	<u>\$ 4,614,564</u>	<u>\$ 4,616,052</u>	<u>\$ 1,488</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, 2020**

EXHIBIT G-2

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales Taxes	\$ 275,000	275,000	\$ 330,788	\$ 55,788
License Agreements	62,340	62,340	41,440	(20,900)
TOTAL REVENUES	<u>337,340</u>	<u>337,340</u>	<u>372,228</u>	<u>34,888</u>
EXPENDITURES				
<i>Current:</i> Streets	410,000	410,000	232,936	177,064
TOTAL EXPENDITURES	<u>410,000</u>	<u>410,000</u>	<u>232,936</u>	<u>177,064</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(72,660)</u>	<u>(72,660)</u>	<u>139,292</u>	<u>211,952</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	700,770	700,770	-	700,770
TOTAL OTHER FINANCING SOURCES (USES)	<u>700,770</u>	<u>700,770</u>	<u>-</u>	<u>700,770</u>
Net Change in Fund Balance	628,110	628,110	139,292	(488,818)
Fund Balance - January 1	1,042,356	1,042,356	1,042,356	-
Fund Balance - December 31	<u>\$ 1,670,466</u>	<u>1,670,466</u>	<u>\$ 1,181,648</u>	<u>\$ (488,818)</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, 2020**

EXHIBIT G-3

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Stormwater Fees	\$ 140,000	\$ 140,000	\$ 138,518	\$ (1,482)
License Agreements	249,360	249,360	241,760	(7,600)
TOTAL REVENUES	<u>389,360</u>	<u>389,360</u>	<u>380,278</u>	<u>(9,082)</u>
EXPENDITURES				
Drainage	10,000	10,000	33,855	(23,855)
TOTAL EXPENDITURES	<u>10,000</u>	<u>10,000</u>	<u>33,855</u>	<u>(23,855)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>379,360</u>	<u>379,360</u>	<u>346,423</u>	<u>(32,937)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>(807,389)</u>	<u>(807,389)</u>	<u>(200,971)</u>	<u>606,418</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(807,389)</u>	<u>(807,389)</u>	<u>(200,971)</u>	<u>606,418</u>
Net Change in Fund Balance	(428,029)	(428,029)	145,452	573,481
Fund Balance - January 1	<u>1,097,085</u>	<u>1,097,085</u>	<u>1,097,085</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 669,056</u>	<u>\$ 669,056</u>	<u>\$ 1,242,537</u>	<u>\$ 573,481</u>

CITY OF CASTLE HILLS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 For the Year Ended December 31, 2020

EXHIBIT G-4

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST 10 YEARS (will ultimately be displayed)

Measurement Year Actuarial Valuation Date	2015 12/31/2014	2016 12/31/2015	2017 12/31/2016	2018 12/31/2017	2019 12/31/2018	2020 12/31/2019
Total Pension Liability						
Service Cost	\$ 373,750	\$ 475,976	\$ 519,906	\$ 543,595	\$ 527,993	\$ 535,770
Interest (on the Total Pension Liability)	1,039,608	1,069,749	1,076,375	1,143,903	1,203,461	1,251,508
Changes of benefit terms	-	(1,015)	-	-	-	-
Difference between expected and actual experience	(417,323)	(302,567)	91,064	88,526	(3,985)	(8,695)
Changes of assumptions	-	(1,015)	-	-	-	37,787
Benefit payments, including refunds of employee contributions	(637,785)	(595,341)	(604,541)	(793,003)	(978,783)	(1,060,324)
Net Change in Total Pension Liability	358,250	646,802	1,082,804	983,021	748,686	756,046
Total Pension Liability - Beginning	14,983,566	15,341,816	15,988,618	17,071,422	18,054,443	18,803,129
Total Pension Liability - Ending (a)	\$ 15,341,816	\$ 15,988,618	\$ 17,071,422	\$ 18,054,443	\$ 18,803,129	\$ 19,559,175
Plan Fiduciary Net Position						
Contributions - Employer	\$ 380,234	\$ 433,297	\$ 420,366	\$ 423,323	\$ 411,903	\$ 396,408
Contributions - Employee	209,084	228,052	242,785	255,895	249,053	242,587
Net Investment Income	745,640	20,251	932,351	2,048,055	(500,201)	2,453,667
Benefit payments, including refunds of employee contributions	(637,785)	(595,341)	(604,541)	(793,003)	(978,784)	(1,060,324)
Administrative Expense	(7,786)	(12,335)	(10,531)	(10,614)	(9,668)	(13,865)
Other	(640)	(610)	(567)	(538)	(505)	(417)
Net Change in Plan Fiduciary Net Position	688,747	73,314	979,863	1,923,118	(828,202)	2,018,056
Plan Fiduciary Net Position - Beginning	13,035,713	13,724,460	13,797,774	14,777,637	16,700,755	15,872,553
Plan Fiduciary Net Position - Ending (b)	\$ 13,724,460	\$ 13,797,774	\$ 14,777,637	\$ 16,700,755	\$ 15,872,553	\$ 17,890,609
Net Pension Liability (Asset) - Ending (a) - (b)	\$ 1,617,356	\$ 2,190,844	\$ 2,293,785	\$ 1,353,688	\$ 2,930,576	\$ 1,668,566
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89%	86%	87%	93%	84%	91%
Covered-Employee Payroll	\$ 2,986,911	\$ 3,257,881	\$ 3,468,354	\$ 3,655,649	\$ 3,557,903	\$ 3,465,527
Net Pension Liability as a Percentage of Covered Employee Payroll	54%	67%	66%	37%	82%	48%

Fiscal Year	SCHEDULE OF CONTRIBUTIONS						
	LAST 10 YEARS (will ultimately be displayed)						
	2014	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 380,831	\$ 433,317	\$ 420,402	\$ 423,129	\$ 411,648	\$ 395,417	\$ 396,408
Contributions in relation to the actuarially determined contribution.	380,831	433,317	420,402	423,129	411,970	394,897	416,955
Contribution Deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (322)	\$ 520	\$ (20,547)
Covered Employee Payroll	\$ 2,986,911	\$ 3,257,881	\$ 3,468,354	\$ 3,655,649	\$ 3,557,903	\$ 3,465,529	\$ 3,465,527
Contributions as a Percentage of Covered Employee Payroll	12.75%	13.30%	12.12%	11.57%	11.58%	11.39%	12.03%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year

RETIREE HEALTH PLAN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS (will ultimately be displayed)

Measurement Year Actuarial Date	2020 12/31/2019	2019 12/31/2018	2018 12/31/2017
Total OPEB Liability			
Service Cost	\$ 5,545	\$ 7,116	\$ 6,580
Interest on the total OPEB liability	8,039	7,101	7,046
Effect of plan changes	-	-	-
Difference between expected and actual experience	(11,617)	4,986	-
Effect of assumption changes or inputs	38,403	(14,520)	16,051
Benefit payments	(1,733)	(1,779)	(1,828)
Net Change in Total OPEB Liability	38,637	2,904	27,849
Total OPEB Liability - Beginning	214,772	211,868	184,019
Total OPEB Liability - Ending	\$ 253,409	\$ 214,772	\$ 211,868
Pensionable Covered Payroll	\$ 3,465,527	\$ 3,557,903	\$ 3,655,649
Net Pension OPEB liability as a Percentage of Covered Payroll	7.31%	6.04%	5.80%

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.

SUPPLEMENTAL INFORMATION

**CITY OF CASTLE HILLS, TEXAS
COMPARATIVE BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2020 AND 2019**

EXHIBIT H-1

	<u>Debt Services</u>	<u>Child Safety</u>	<u>Animal Control</u>	<u>Municipal Court Technology</u>
ASSETS				
Cash and Cash Equivalents	\$ 188,988	\$ 73,230	\$ 5,553	\$ 871
Receivables, Net				
Property Taxes	118,585	-	-	-
Sales and Franchise Fees	-	-	-	-
Total Assets	<u>\$ 307,573</u>	<u>\$ 73,230</u>	<u>\$ 5,553</u>	<u>\$ 871</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Levied for Future Periods	282,244	-	-	-
Total Deferred Inflows of Resources	282,244	-	-	-
Fund Balances:				
Restricted Fund Balance:	25,329	73,230	5,553	871
Total Fund Balances	<u>25,329</u>	<u>73,230</u>	<u>5,553</u>	<u>871</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 307,573</u>	<u>\$ 73,230</u>	<u>\$ 5,553</u>	<u>\$ 871</u>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF CASTLE HILLS, TEXAS
COMPARATIVE BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2020 AND 2019**

EXHIBIT H-1

	<u>Municipal Court Security</u>	<u>Municipal Court Efficiency</u>	<u>Municipal Jury</u>	<u>Local Truancy Prevention</u>
ASSETS				
Cash and Cash Equivalents	\$ 30,496	\$ 8,266	\$ 108	\$ 5,397
Receivables, Net				
Property Taxes	-	-	-	-
Sales and Franchise Fees	-	-	-	-
Total Assets	<u>\$ 30,496</u>	<u>\$ 8,266</u>	<u>\$ 108</u>	<u>\$ 5,397</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted Fund Balance:	30,496	8,266	108	5,397
Total Fund Balances	<u>30,496</u>	<u>8,266</u>	<u>108</u>	<u>5,397</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 30,496</u>	<u>\$ 8,266</u>	<u>\$ 108</u>	<u>\$ 5,397</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AS OF DECEMBER 31, 2020 AND 2019

EXHIBIT H-1

	<u>Police Seizure</u>	<u>LEOSE</u>	<u>Crime Control and Prevention District</u>	<u>2020 Total Nonmajor Governmental Funds</u>	<u>2019 Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 422,097	\$ 7,361	\$ 764,837	\$ 1,507,204	\$ 1,400,390
Receivables, Net					
Property Taxes	-	-	-	118,585	
Sales and Franchise Fees	-	-	57,891	57,891	51,718
Total Assets	<u>\$ 422,097</u>	<u>\$ 7,361</u>	<u>\$ 822,728</u>	<u>\$ 1,683,680</u>	<u>\$ 1,452,108</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ 1,188	\$ 1,188	\$ 1,628
Total Liabilities	-	-	1,188	1,188	1,628
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	-	282,244	-
Total Deferred Inflows of Resources	-	-	-	282,244	-
Fund Balances:					
Restricted Fund Balance:	422,097	7,361	821,540	1,400,248	1,450,480
Total Fund Balances	<u>422,097</u>	<u>7,361</u>	<u>821,540</u>	<u>1,400,248</u>	<u>1,450,480</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 422,097</u>	<u>\$ 7,361</u>	<u>\$ 822,728</u>	<u>\$ 1,683,680</u>	<u>\$ 1,452,108</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

EXHIBIT H-2

	<u>Debt Services</u>	<u>Child Safety</u>	<u>Animal Control</u>	<u>Municipal Court Technology</u>
REVENUES				
Taxes:				
Property Taxes	\$ 15,269	\$ -	\$ -	-
General Sales and Use Taxes	-	-	-	-
Fines and Forfeitures	-	-	-	10,279
Investment Income	-	-	-	-
Miscellaneous	0	7,802	-	-
Total Revenues	15,269	7,802	-	10,279
EXPENDITURES				
Current:				
Municipal Court	-	-	-	14,741
Police	-	2,500	-	-
Capital Outlay:	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	2,500	-	14,741
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,269	5,302	-	(4,462)
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds	10,060	-	-	-
Proceeds from the Sale of Capital Assets	-	-	-	-
Transfers Out	-	-	(423)	-
Total Other Financing Sources (Uses)	10,060	-	(423)	-
Net Change in Fund Balances	25,329	5,302	(423)	(4,462)
Fund Balances - Beginning	-	67,928	5,976	5,333
Fund Balances - Ending	\$ 25,329	\$ 73,230	\$ 5,553	\$ 871

The notes to the Financial Statements are an integral part of this statement.

**CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

EXHIBIT H-2

	<u>Municipal Court Security</u>	<u>Municipal Court Efficiency</u>	<u>Municipal Jury</u>	<u>Local Truancy Prevention</u>
REVENUES				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	-
General Sales and Use Taxes	-	-	-	-
Fines and Forfeitures	9,764	2,058	108	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	5,397
Total Revenues	9,764	2,058	108	5,397
EXPENDITURES				
Current:				
Municipal Court	2,384	-	-	-
Police	-	-	-	-
Capital Outlay:	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	2,384	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,380	2,058	108	5,397
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds	-	-	-	-
Proceeds from the Sale of Capital Assets	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	7,380	2,058	108	5,397
Fund Balances - Beginning	23,116	6,208	-	-
Fund Balances - Ending	\$ 30,496	\$ 8,266	\$ 108	\$ 5,397

The notes to the Financial Statements are an integral part of this statement.

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

EXHIBIT H-2

	Police Seizure	LEOSE	Crime Control and Prevention District	2020 Total Nonmajor Governmental Funds	2019 Total Nonmajor Governmental Funds
REVENUES					
Taxes:					
Property Taxes	\$ -	\$ -	\$ -	\$ 15,269	\$ -
General Sales and Use Taxes	-	-	307,597	307,597	287,776
Fines and Forfeitures	34,002	-	-	56,211	88,898
Investment Income	1,254	-	2,594	3,848	22,097
Miscellaneous	353	1,794	14,688	30,034	16,115
Total Revenues	35,609	1,794	324,879	412,959	414,886
EXPENDITURES					
Current:					
Municipal Court	-	-	-	17,125	64,251
Police	2,277	4,865	47,135	56,777	80,529
Capital Outlay:					
Capital Outlay	30,566	-	402,260	432,826	127,391
Total Expenditures	32,843	4,865	449,395	506,728	272,171
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,766	(3,071)	(124,516)	(93,769)	142,715
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	-	-	-	10,060	-
Proceeds from the Sale of Capital Assets	-	-	33,900	33,900	-
Transfers Out	-	-	-	(423)	-
Total Other Financing Sources (Uses)	-	-	33,900	43,537	-
Net Change in Fund Balances	2,766	(3,071)	(90,616)	(50,232)	142,715
Fund Balances - Beginning	419,331	10,432	912,156	1,450,480	1,307,765
Fund Balances - Ending	\$ 422,097	\$ 7,361	\$ 821,540	\$ 1,400,248	\$ 1,450,480

The notes to the Financial Statements are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF CASTLE HILLS, TEXAS
COMPARATIVE BALANCE SHEETS
GENERAL FUND
AS OF DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	\$ 6,914,773	\$ 5,552,824
Investments	-	1,343,847
Receivables, Net		
Property Taxes	1,691,366	1,925,724
Sales and Franchise Fees	310,189	294,186
Garbage and Other Fees	69,154	44,084
Total Assets	<u>\$ 8,985,482</u>	<u>\$ 9,160,665</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 573,024	\$ 621,341
Wages and Salaries Payable	114,049	114,049
Interlocal Agreements Received in Advance	-	171,959
Total Liabilities	<u>687,073</u>	<u>907,349</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Property Tax Revenue	219,982	223,703
Property Taxes Levied for Future Periods	3,462,375	3,555,930
Total Deferred Inflows of Resources	<u>3,682,357</u>	<u>3,779,633</u>
Fund Balances:		
Restricted Fund Balance:		
PEG Funds	67,843	62,552
Committed Fund Balance:		
Street Maintenance	35,901	35,901
Workstation Upgrade	29,136	29,136
Assigned Fund Balance:		
Major Vehicle Purchases	346,949	346,949
Improvements Projects from CIED	431,076	431,076
Unassigned Fund Balances	3,705,147	3,568,069
Total Fund Balances	<u>4,616,052</u>	<u>4,473,683</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,985,482</u>	<u>\$ 9,160,665</u>

CITY OF CASTLE HILLS, TEXAS
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Taxes:	\$	\$
Property Taxes	3,731,923	3,536,678
General Sales and Use Taxes	1,254,694	1,185,729
Franchise Tax	468,367	501,204
Garbage Fees	459,893	453,609
Building and Other Permits	164,900	197,414
Fines and Forfeitures	495,085	806,873
License Agreements	564,926	-
Investment Income	39,050	165,090
Miscellaneous	331,052	251,693
Total Revenues	<u>7,509,890</u>	<u>7,098,290</u>
EXPENDITURES		
Current:		
Administration	1,223,748	997,220
Municipal Court	239,222	306,029
Police	2,463,996	2,419,307
Fire	1,864,439	1,667,494
Streets	333,776	352,520
Sanitation	439,933	455,469
Drainage	1,570	2,030
Debt Service:		
Bond Principal	76,321	74,257
Bond Interest	11,215	13,279
Capital Outlay:		
Capital Outlay	<u>3,870,641</u>	<u>1,825,539</u>
Total Expenditures	<u>10,524,861</u>	<u>8,113,144</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,014,971)</u>	<u>(1,014,854)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	3,157,340	236,008
Proceeds from Sale of Capital Asstes	<u>-</u>	<u>33,250</u>
Total Other Financing Sources and (Uses)	<u>3,157,340</u>	<u>269,258</u>
Net Change in Fund Balances	142,369	(745,596)
Fund Balances - Beginning	<u>4,473,683</u>	<u>5,219,279</u>
Fund Balances - Ending	<u>\$ 4,616,052</u>	<u>\$ 4,473,683</u>

**CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS
 STREET REPAIR FUND
 AS OF DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,143,244	\$ 1,008,457
Receivables, Net		
Sales and Franchise Fees	58,354	52,899
Total Assets	<u>\$ 1,201,598</u>	<u>\$ 1,061,356</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
License Agreements Received in Advance	\$ 19,950	\$ 19,000
Total Liabilities	<u>19,950</u>	<u>19,000</u>
 Fund Balances:		
Restricted Fund Balance:		
Street Repair	1,181,648	1,042,356
Total Fund Balances	<u>1,181,648</u>	<u>1,042,356</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,201,598</u>	<u>\$ 1,061,356</u>

CITY OF CASTLE HILLS, TEXAS
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
STREET REPAIR FUND
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Taxes:		
General Sales and Use Taxes	\$ 330,788	\$ 293,719
License Agreements	41,440	92,000
Total Revenues	<u>372,228</u>	<u>385,719</u>
EXPENDITURES		
Current:		
Streets	232,936	58,843
Capital Outlay:		
Capital Outlay	<u>-</u>	<u>8,005</u>
Total Expenditures	<u>232,936</u>	<u>66,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>139,292</u>	<u>318,871</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	<u>-</u>	<u>(57,548)</u>
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(57,548)</u>
Net Change in Fund Balances	139,292	261,323
Fund Balances - Beginning	<u>1,042,356</u>	<u>781,033</u>
Fund Balances - Ending	<u>\$ 1,181,648</u>	<u>\$ 1,042,356</u>

**CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS
 STREET DRAINAGE FUND
 AS OF DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,324,389	\$ 1,174,028
Total Assets	<u>1,324,389</u>	<u>1,174,028</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 2,052	\$ 943
License Agreements Received in Advance	<u>79,800</u>	<u>76,000</u>
Total Liabilities	81,852	76,943
Fund Balances:		
Restricted Fund Balance:		
Draiange Improvements	<u>1,242,537</u>	<u>1,097,085</u>
Total Fund Balances	<u>1,242,537</u>	<u>1,097,085</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,324,389</u>	<u>\$ 1,174,028</u>

CITY OF CASTLE HILLS, TEXAS
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
STREET DRAINAGE FUND
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Taxes:	\$	\$
Stormwater Fees	138,518	138,665
License Agreements	241,760	368,000
Total Revenues	<u>380,278</u>	<u>506,665</u>
 EXPENDITURES		
Current:		
Drainage	33,855	116,076
Total Expenditures	<u>33,855</u>	<u>116,076</u>
 Excess (Deficiency) of Revenues Over (Under)		
Expenditures	<u>346,423</u>	<u>390,589</u>
 OTHER FINANCING SOURCES (USES)		
Transfers Out	(200,971)	(178,460)
Total Other Financing Sources and (Uses)	<u>(200,971)</u>	<u>(178,460)</u>
 Net Change in Fund Balances	145,452	212,129
 Fund Balances - Beginning	<u>1,097,085</u>	<u>884,957</u>
 Fund Balances - Ending	<u>\$ 1,242,537</u>	<u>\$ 1,097,086</u>