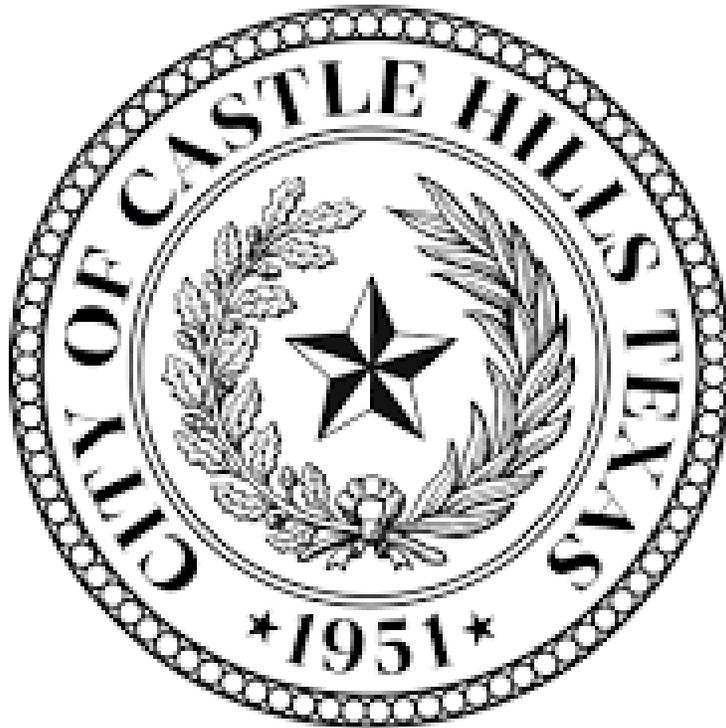


**ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
December 31, 2021**



**CITY OF CASTLE HILLS, TEXAS**

# **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*

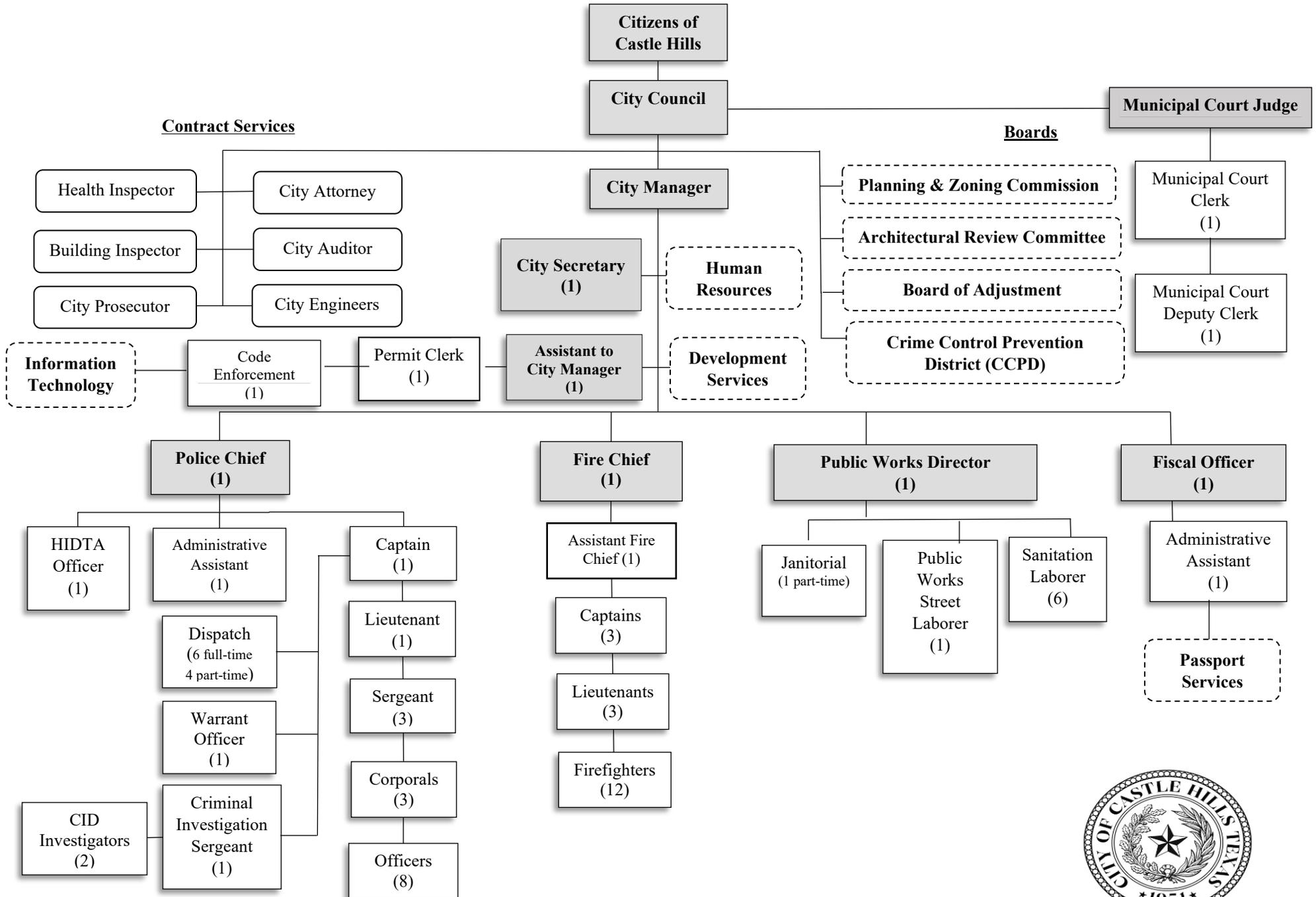
*Chief Zuniga – Police Chief*

*Jim Ladewig – Fire Chief*

*Rick Harada – PW Director*

# ORGANIZATIONAL CHART

FY 2022



# CITY OF CASTLE HILLS, TEXAS

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# CITY OF CASTLE HILLS, TEXAS

## Table of Contents Year Ended December 30, 2021

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# **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

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, 2021 and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, 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.

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

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

### ***Supplementary 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended December 31, 2020, which are not presented with the accompanying financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole.

The 2020 amounts which are included in the individual comparative financial statements are presented for comparative purposes whose report dated September 10, 2021 expressed an unmodified opinion on those statements.

*Martinez, Rosario & Company, LLP*

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

June 27, 2022

**City of Castle Hills, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2021**

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, 2021. 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 \$15.5 million at December 31, 2021.
- During the year, the City's expenses were \$1.4 million less than the \$9.3 million generated in taxes and other revenues for governmental activities.
- The total cost of the City's programs increased 8.5% from the previous year.
- The general fund reported a fund balance this year of \$4.6 million.

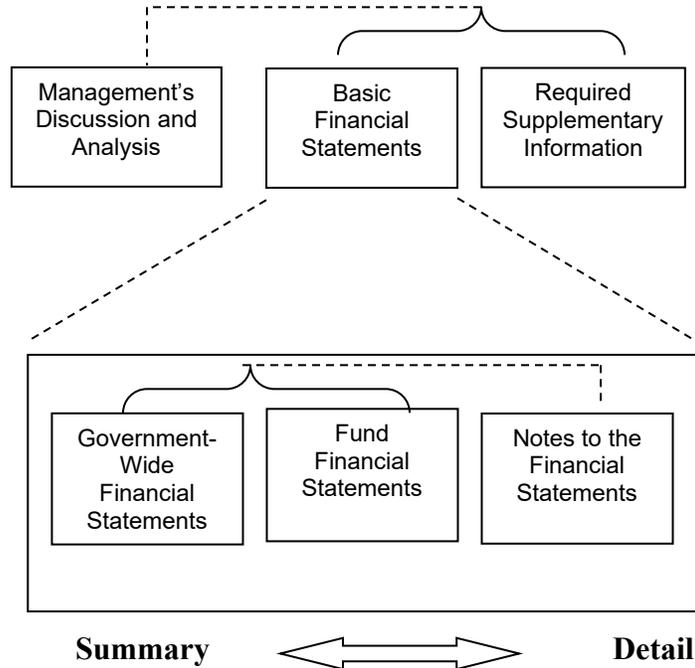
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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 \$15.5 million.

CITY OF CASTLE HILLS, TEXAS			
NET POSITION			
	Governmental Activities		Total Increase (Decrease)
	2021	2020	
<i>Assets:</i>			
Cash and Cash Equivalents	\$ 14,751,425	\$ 16,208,191	\$ (1,456,766)
Receivables, Net	3,363,617	2,529,242	834,375
Prepaid Expenses	127,504	115,927	11,577
Due From Others	5,772	-	5,772
Capital Assets (Net)	<u>12,648,524</u>	<u>11,205,148</u>	<u>1,443,376</u>
<b>Total Assets</b>	<b>30,896,842</b>	<b>30,058,508</b>	<b>838,334</b>
<i>Deferred Outflow:</i>			
Deferred Pension Related Outflows	1,167,604	1,499,468	(331,864)
Deferred OPEB Related Outflows	<u>54,087</u>	<u>30,408</u>	<u>23,679</u>
<b>Total Asset Plus Deferred Outflow of Resources</b>	<b>\$ <u>32,118,533</u></b>	<b>\$ <u>31,588,384</u></b>	<b>\$ <u>530,149</u></b>
<i>Liabilities:</i>			
Accounts Payable and Accruals	\$ 782,016	\$ 799,954	\$ (17,938)
Unearned Revenues	100,748	99,750	998
Due To Others	5,772	-	5,772
Other Current Liabilities	420,623	438,443	(17,820)
Long-Term Liabilities	<u>9,957,091</u>	<u>10,653,362</u>	<u>(696,271)</u>
<b>Total Liabilities</b>	<b>11,266,250</b>	<b>11,991,509</b>	<b>(725,259)</b>
<i>Deferred Inflows:</i>			
Property Taxes Levied for Future Periods	4,216,119	3,964,601	251,518
Deferred Pension Related Inflows	8,863	6,920	1,943
Deferred OPEB Related Inflows	<u>1,187,415</u>	<u>1,535,095</u>	<u>(347,680)</u>
<b>Total Liabilities Plus Deferred Inflows of Resources</b>	<b>16,678,647</b>	<b>17,498,125</b>	<b>(819,478)</b>
<i>Net Position:</i>			
Net Invested in			
Capital Assets	8,763,450	8,241,631	521,819
Restricted	4,905,942	3,866,947	1,038,995
Unrestricted	<u>1,770,494</u>	<u>1,981,681</u>	<u>(211,187)</u>
<b>Total Net Position</b>	<b>\$ <u>15,439,886</u></b>	<b>\$ <u>14,090,259</u></b>	<b>\$ <u>1,349,627</u></b>

## GOVERNMENTAL ACTIVITIES

*Changes in net position.* The City's total revenues were \$9.3 million, an increase of \$389 thousand. A significant portion, \$6.3 million comes from taxes, \$1.6 million relates to charges for services, and \$ 1.3 million comes from operating contributions and other revenues. The total cost of all programs and services was \$7.9 million.

**CITY OF CASTLE HILLS, TEXAS  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>Total Increase(Decrease)</u>
<i>Revenues:</i>			
<i>Program Revenues:</i>			
Changes for Services	\$ 1,609,017	\$ 1,329,600	\$ 279,417
Operating Grants and Contributions	567,283	247,174	320,109
<i>General Revenues:</i>			
Property Taxes	3,711,938	3,747,192	(35,254)
Sales Taxes	2,071,312	1,893,079	178,233
Franchise Taxes	495,370	468,367	27,003
License Agreements	713,612	848,126	(134,514)
Investment Earnings	2,875	65,339	(62,464)
Miscellaneous	87,501	270,472	(182,971)
Total Revenues	9,258,908	8,869,349	389,559
<i>Expenses:</i>			
Administration	950,019	1,597,603	(647,584)
Municipal Court	349,177	305,290	43,887
Police	2,717,053	2,684,365	32,688
Fire	2,212,108	1,992,562	219,546
Streets and Drainage	916,534	727,266	189,268
Sanitation	525,239	473,380	51,859
Interest on Long-Term Debt	239,151	11,215	227,936
Total Operating Expenses	7,909,281	7,791,681	117,600
Change in Net Position	1,349,627	1,077,668	271,959
Net Position, Beginning of Year	14,090,259	13,012,591	1,077,668
Net Position, End of Year	\$ 15,439,886	\$ 14,090,259	\$ 1,349,627

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 \$7.9 million.
- The amount that our taxpayers paid for these activities through property taxes was \$3.8 million.
- Some of the cost, \$1.6 million, was paid by those who directly benefited from the programs.

	<u>2021</u>		<u>2020</u>	
Administration	\$ 950,019	12%	\$ 1,597,603	21%
Municipal Court	349,177	4%	305,290	4%
Police	2,717,053	34%	2,684,365	34%
Fire	2,212,108	28%	1,992,562	26%
Streets and Drainage	916,534	12%	727,266	9%
Sanitation	525,239	7%	473,380	6%
Interest on Long-Term Debt	239,151	3%	11,215	0%
	<u>\$ 7,909,281</u>		<u>\$ 7,791,681</u>	

## FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Revenues from governmental fund types totaled \$9.3 million, an increase of \$582 thousand.

## CAPITAL ASSETS

The City’s net investment in capital assets at the end of the fiscal year December 31, 2021, amounted to \$12,648,524 with \$5,413,401 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**

	<u>2021</u>	<u>2020</u>
Land	\$ 383,700	\$ 383,700
Building and Improvements	3,083,664	3,069,636
Vehicle and Equipment	3,945,046	3,945,046
Infrastructure	8,273,643	8,273,643
Construction in Progress	<u>2,375,872</u>	<u>258,887</u>
 Total Capital Assets	 18,061,925	 15,930,912
 Less Accumulated Depreciation	 <u>(5,413,401)</u>	 <u>(4,725,764)</u>
 Total Capital Assets, Net	 <u>\$ 12,648,524</u>	 <u>\$ 11,205,148</u>

### **LONG-TERM DEBT**

At the end of the current fiscal year, the City's had \$248,655 in capital leases and \$7,595,000 in bonds payable. A more detail presentation is presented in the Notes to Financial Statement at Note 7.

### **BONDS PAYABLE**

	<u>2021</u>	<u>2020</u>
Capital Leases	\$ 248,655	\$ 327,098
Bonds Payable	<u>7,595,000</u>	<u>7,955,000</u>
 <b>TOTAL</b>	 <u>\$ 7,843,655</u>	 <u>\$ 8,282,098</u>

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2022 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 2022 utilized the approved tax rate of \$0.524899 per \$100 of taxable value. This rate consists of only a maintenance and operations (M&O) tax rate of \$0.496535 and an interest and sinking (debt service) tax rate of \$0.028364. The rate was set based on a net assessed value of \$811.8 million excluding frozen values.

The City's second largest source of revenue in the General Fund is sales tax. The City anticipates the sales tax to stabilize in anticipation of a moderate increase. The City has seen an increase in the opening of several businesses over the last year with hopes of seeing an opportunity in growth to the City's sales tax base.

### **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

**CITY OF CASTLE HILLS, TEXAS  
STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2021**

**EXHIBIT A-1**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 11,171,803
Receivables, Net	
Property Taxes	2,844,830
Sales and Franchise Fees	477,385
Garbage, Stormwater and Other Fees	41,402
Prepaid Expenses	127,504
Due From Others	5,772
Restricted Assets:	
Cash and Cash Equivalents	3,579,622
Capital Assets:	
Land	383,700
Construction in Progress	2,375,872
Building and Improvements	3,083,664
Vehicles and Equipment	3,945,046
Infrastructure	8,273,643
Accumulated Depreciation	<u>(5,413,401)</u>
Capital Assets, Net	<u>12,648,524</u>
<b>Total Assets</b>	<b>30,896,842</b>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to OPEB	54,087
Deferred Outflows Related to Pension Plan	<u>1,167,604</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>1,221,691</u></b>
<b>Total Assets Plus Deferred Outflows of Resources</b>	<b>\$ <u><u>32,118,533</u></u></b>

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

**CITY OF CASTLE HILLS, TEXAS  
STATEMENT OF NET POSITION- Continued  
AS OF DECEMBER 31, 2021**

**EXHIBIT A-1**

**LIABILITIES**

Accounts Payable	\$	475,778
Wages and Salaries Payable		151,764
Due to Others		5,772
Compensated Absences		82,698
License Agreements Received in Advance		100,748
Accrued Interest Payable		71,776
Other Current Liabilities:		
Bonds Payable		340,000
Capital Lease Payable		80,623
<b>Total Current Liabilities</b>		<b>1,309,159</b>
Non-Current Liabilities:		
Bonds Payable		7,707,170
Compensated Absences		329,113
Capital Lease Obligation		168,032
OPEB Liability		298,786
Net Pension Liability		1,453,990
<b>Total Non-Current Liabilities</b>		<b>9,957,091</b>
<b>Total Liabilities</b>		<b>11,266,250</b>
<b>Deferred Inflows of Resources</b>		
Property Taxes Levied for Future Periods		4,216,119
Deferred Inflows Related to OPEB		8,863
Deferred Inflows Related to Pension Plan		1,187,415
<b>Total Deferred Inflows of Resources</b>		<b>5,412,397</b>
<b>Total Liabilities Plus Deferred Inflows of Resources</b>	\$	<b>16,678,647</b>

**NET POSITION**

Restricted for:		
Street Repair		1,176,282
Drairage Improvements		1,408,391
Police		1,642,591
Municipal Court		51,315
PEG Funds		67,843
Animal Control		5,718
American Rescue		553,802
Net Investment in Capital Assets		8,763,450
Unrestricted		1,770,494
<b>Total Net Position</b>	\$	<b>15,439,886</b>

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

CITY OF CASTLE HILLS, TEXAS  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2021

EXHIBIT B-1

	Program Revenue			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government
Primary government				Governmental Activities
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 950,019	\$ 239,820	\$ 564,783	\$ (145,416)
Municipal Court	349,177	676,962	-	327,785
Police	2,717,053	70,992	2,500	(2,643,561)
Fire	2,212,108	8,239	-	(2,203,869)
Streets and Drainage	916,534	148,663	-	(767,871)
Sanitation	525,239	464,341	-	(60,898)
Interest on Long-Term Debt	239,151	-	-	(239,151)
Total Governmental Activities	\$ 7,909,281	\$ 1,609,017	\$ 567,283	\$ (5,732,981)
<b>General Revenues:</b>				
Taxes:				
				3,711,938
				2,071,312
				495,370
				713,612
				2,875
				87,501
			Total General Revenues and Transfers	7,082,608
			Change in Net Position	1,349,627
			Net Position - Beginning	14,090,259
			Net Position - Ending	\$ 15,439,886

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, 2021**

**EXHIBIT C-1**

	<u>General Fund</u>	<u>2020 Bond Construction</u>	<u>Street Repair Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,181,525	\$ -	\$ 1,132,668
Receivables, Net			
Property Taxes	2,488,848	-	-
Sales and Franchise Fees	350,267	-	63,764
Garbage and Other Fees	41,402	-	-
Due From Others	5,772	-	-
Restricted Cash:			
Cash and Cash Equivalents	-	3,579,622	-
Total Assets	<u>\$ 9,067,814</u>	<u>\$ 3,579,622</u>	<u>\$ 1,196,432</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 314,647	\$ 158,327	\$ -
Wages and Salaries Payable	151,764	-	-
Due to Others	-	-	-
License Agreements Received in Advance	-	-	20,150
Total Liabilities	<u>466,411</u>	<u>158,327</u>	<u>20,150</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Property Tax Revenue	212,736	-	-
Property Taxes Levied for Future Periods	3,788,344	-	-
Total Deferred Inflows of Resources	<u>4,001,080</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted Fund Balance:			
Debt Services	-	-	-
2020 Bond Construction	-	3,421,295	-
Street Repair	-	-	1,176,282
Draianage Improvements	-	-	-
Police	-	-	-
Municipal Court	-	-	-
PEG Funds	67,843	-	-
Animal Control	-	-	-
American Rescue	-	-	-
Committed Fund Balance:			
Street Maintenance	-	-	-
Workstation Upgrade	40,238	-	-
Assigned Fund Balance:			
Major Vehicle Purchases	283,635	-	-
Improvements Projects from CIED	414,983	-	-
Unassigned Fund Balances	<u>3,793,624</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>4,600,323</u>	<u>3,421,295</u>	<u>1,176,282</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,067,814</u>	<u>\$ 3,579,622</u>	<u>\$ 1,196,432</u>

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

**CITY OF CASTLE HILLS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS - Continued  
AS OF DECEMBER 31, 2021**

**EXHIBIT C-1**

	<u>Drainage Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,489,069	\$ 2,368,541	\$ 11,171,803
Receivables, Net			
Property Taxes	-	132,279	2,621,127
Sales and Franchise Fees	-	63,354	477,385
Garbage and Other Fees	-	-	41,402
Due From Others	-	-	5,772
Restricted Cash:			
Cash and Cash Equivalents	-	-	3,579,622
	<u>1,489,069</u>	<u>2,564,174</u>	<u>17,897,111</u>
Total Assets	<u>\$ 1,489,069</u>	<u>\$ 2,564,174</u>	<u>\$ 17,897,111</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 80	\$ 2,724	\$ 475,778
Wages and Salaries Payable	-	-	151,764
Due to Others	-	5,772	5,772
License Agreements Received in Advance	80,598	-	100,748
	<u>80,678</u>	<u>8,496</u>	<u>734,062</u>
Total Liabilities	<u>80,678</u>	<u>8,496</u>	<u>734,062</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Property Tax Revenue	-	-	212,736
Property Taxes Levied for Future Periods	-	215,039	4,003,383
	<u>-</u>	<u>215,039</u>	<u>4,216,119</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>215,039</u>	<u>4,216,119</u>
Fund Balances:			
Restricted Fund Balance:			
Debt Services	-	87,213	87,213
2020 Bond Construction			3,421,295
Street Repair	-	-	1,176,282
Drainage Improvements	1,408,391	-	1,408,391
Police	-	1,642,591	1,642,591
Municipal Court	-	51,315	51,315
PEG Funds	-	-	67,843
Animal Control	-	5,718	5,718
American Rescue	-	553,802	553,802
Committed Fund Balance:			
Street Maintenance	-	-	-
Workstation Upgrade	-	-	40,238
Assigned Fund Balance:			
Major Vehicle Purchases	-	-	283,635
Improvements Projects from CIED	-	-	414,983
Unassigned Fund Balances	-	-	3,793,624
	<u>1,408,391</u>	<u>2,340,639</u>	<u>12,946,930</u>
Total Fund Balances	<u>1,408,391</u>	<u>2,340,639</u>	<u>12,946,930</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,489,069</u>	<u>\$ 2,564,174</u>	<u>\$ 17,897,111</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, 2021**

**EXHIBIT C-2**

<b>Total Fund Balance - Governmental Funds</b>	\$ 12,946,930
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	127,504
Capital Assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements	12,648,524
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	(7,595,000)
Premium (Discount) on Bonds	(452,170)
Capital Lease Payable	(248,655)
Compensated Absences	(411,811)
Accrued Interest Payable	(71,776)
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	(1,453,990)
Pension Related Deferred Outflows	1,167,604
Pension Related Deferred Inflows	(1,187,415)
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	(298,786)
OPEB Related Deferred Outflows	54,087
OPEB Related Deferred Inflows	(8,863)
<b>Net Position of Governmental Activities</b>	<b>\$ <u>15,439,886</u></b>

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, 2021**

**EXHIBIT C-3**

	<u>General Fund</u>	<u>2020 Bond Construction</u>	<u>Street Repair Fund</u>
<b>REVENUES</b>			
Taxes:			
Property Taxes	\$ 3,431,368	\$ -	\$ -
General Sales and Use Taxes	1,375,690	-	358,857
Franchise Tax	495,370	-	-
Garbage Fees	464,341	-	-
Stormwater Fees	-	-	-
Building and Other Permits	239,820	-	-
Fines and Forfeitures	682,753	-	-
License Agreements	273,418	-	72,838
Investment Income	1,537	1,338	-
Grants and Contributions	-	-	-
Miscellaneous	100,792	-	-
Total Revenues	<u>7,065,089</u>	<u>1,338</u>	<u>431,695</u>
<b>EXPENDITURES</b>			
Current:			
Administration	1,089,122	-	-
Municipal Court	319,297	-	-
Police	2,538,491	-	-
Fire	2,034,780	-	-
Streets	300,782	-	436,023
Sanitation	490,972	-	-
Drainage	5,843	-	-
Debt Service:			
Capital Lease - Principal	78,443	-	-
Capital Lease - Interest	9,093	-	-
Debt Principal	-	-	-
Debt Interest	-	-	-
Capital Outlay:			
Capital Outlay	213,995	1,869,421	1,038
Total Expenditures	<u>7,080,818</u>	<u>1,869,421</u>	<u>437,061</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,729)</u>	<u>(1,868,083)</u>	<u>(5,366)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Bonds	-	-	-
Premium on Issuance of Bonds	-	-	-
Proceeds from the Sale of Capital Assets	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(15,729)	(1,868,083)	(5,366)
Fund Balances - Beginning	4,616,052	5,289,378	1,181,648
Fund Balances - Ending	<u>\$ 4,600,323</u>	<u>\$ 3,421,295</u>	<u>\$ 1,176,282</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- Continued  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**EXHIBIT C-3**

	<u>Drainage Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes:			
Property Taxes	\$ -	\$ 280,570	\$ 3,711,938
General Sales and Use Taxes	-	336,765	2,071,312
Franchise Tax	-	-	495,370
Garbage Fees	-	-	464,341
Stormwater Fees	148,663	-	148,663
Building and Other Permits	-	-	239,820
Fines and Forfeitures	-	49,322	732,075
License Agreements	367,356	-	713,612
Investment Income	-	-	2,875
Grants and Contributions	-	553,802	553,802
Miscellaneous	-	24,308	125,100
Total Revenues	<u>516,019</u>	<u>1,244,767</u>	<u>9,258,908</u>
<b>EXPENDITURES</b>			
Current:			
Administration	-	-	1,089,122
Municipal Court	-	21,316	340,613
Police	-	64,374	2,602,865
Fire	-	-	2,034,780
Streets	-	-	736,805
Sanitation	-	-	490,972
Drainage	18,038	-	23,881
Debt Service:			
Capital Lease - Principal	-	-	78,443
Capital Lease - Interest	-	-	9,093
Debt Principal	205,000	155,000	360,000
Debt Interest	94,596	63,686	158,282
Capital Outlay:			
Capital Outlay	32,531	-	2,116,985
Total Expenditures	<u>350,165</u>	<u>304,376</u>	<u>10,041,841</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>165,854</u>	<u>940,391</u>	<u>(782,933)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Bonds	-	-	-
Premium on Issuance of Bonds	-	-	-
Proceeds from the Sale of Capital Assets	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	165,854	940,391	(782,933)
Fund Balances - Beginning	<u>1,242,537</u>	<u>1,400,248</u>	<u>13,729,863</u>
Fund Balances - Ending	<u>\$ 1,408,391</u>	<u>\$ 2,340,639</u>	<u>\$ 12,946,930</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, 2021**

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**Total Net Change in Fund Balances - Governmental Funds** \$ (782,933)

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	2,116,985
Depreciation	(687,637)
Other	14,028
	<u>1,443,376</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.

Accrued Interest	(71,776)
Amortization on Premium (Discount)	23,750
Principal Payments of Long-Term Debt	438,443
	<u>390,417</u>

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	11,577
Change in Compensated Absences	80,439
	<u>92,016</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.

	<u>206,751</u>
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**Change in Net Position of Governmental Activities** \$ 1,349,627

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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**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, 2021**

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**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. Four of the City's funds meet the criteria of a *major governmental fund*: General Fund, 2020 Bond Construction, Street Repair Fund, and Drainage Fund. The City has designated, Street Repair Fund, and the Drainage Fund, as a major fund due to the high-profile nature and fiscal transparency for the fund.

The City's nonmajor governmental funds are made up of several special revenue funds: Debt Service, Child Safety, Animal Control, Municipal Court Technology, Municipal Court Security, Municipal Court Efficiency, Municipal Jury, Local Truancy Prevention, Police Seizure, LEOSE, American Rescue Plan, 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.

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends.

Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue. Property taxes which were levied and collected within 60 days of the fiscal period are considered revenue for the year ending December 31, 2021. Taxes receivable but not collected within 60 days are used to finance the budget of the fiscal year beginning January 1, 2022, 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, 2021.

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 2020 Bond Construction** is used to account for major street drainage 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 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, 2021**

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**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, 2021**

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**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, 2021**

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**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, 2021. An allowance for uncollectible accounts has been recorded in the General Fund for property taxes in the amount of \$48,707.

**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, 2021**

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**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, 2021**

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**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, 2021**

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**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, 2021**

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**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 June 27, 2022, 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.

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

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**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 September 30, 2020, the City had the following cash, cash equivalents, and short-term investments:

	<u>Amount</u>
Unrestricted Cash and Cash Equivalents	\$ 11,171,803
Restricted Cash and Cash Equivalents	<u>3,579,622</u>
<b>Total</b>	<b>\$ <u>14,751,425</u></b>

*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, 2021**

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**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, 2021**

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**NOTE 3: RECEIVABLES**

Receivables as of December 31, 2021 are as follow:

	<u>Governmental Funds</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Street Repair Fund</u>	<u>Non-Major Funds</u>	
<i>Receivables:</i>				
Property Taxes	\$ 2,537,555	\$ -	\$ 132,279	\$ 2,669,834
Sales and Franchise Fees	350,267	63,764	63,354	477,385
Garbage and Other Fees	41,402	-	-	41,402
Gross Receivables	2,929,224	63,764	195,633	3,188,621
Less: Allowance for Uncollectible Accounts	<u>(48,707)</u>	<u>-</u>	<u>-</u>	<u>(48,707)</u>
<i>Net Total Receivables</i>	<u>\$ 2,880,517</u>	<u>\$ 63,764</u>	<u>\$ 195,633</u>	<u>\$ 3,139,914</u>

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

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**NOTE 4:     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 2021 financials is from the collections on the 2020 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, 2021, upon which the fiscal 2021 levy (2020 tax year) was \$817,360,407 (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, 2021, was \$0.524899 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 three point five percent (3.5%) of the previous year's effective tax rate. The current year delinquent tax receivable is \$48,707.

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>Balance</u> <u>December 31, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31, 2021</u>
<i>Governmental Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 383,700	\$ -	\$ -	\$ 383,700
Construction In Progress	258,887	2,116,985	-	2,375,872
Total capital assets not being depreciated, net	642,587	2,116,985	-	2,759,572
Capital assets, being depreciated:				
Buildings and Improvements	3,069,636	14,028	-	3,083,664
Vehicles and Equipments	3,945,046	-	-	3,945,046
Infrastructure	8,273,643	-	-	8,273,643
Total assets being depreciated	15,288,325	14,028	-	15,302,353
Less accumulated depreciation:				
Buildings and Improvements	1,753,855	93,447	-	1,847,302
Vehicles and Equipment	2,254,625	318,217	-	2,572,842
Infrastructure	717,284	275,973	-	993,257
Total accumulated depreciation	4,725,764	687,637	-	5,413,401
Total capital assets being depreciated, net	10,562,561	(673,609)	-	9,888,952
Government activities capital assets, net	\$ 11,205,148	\$ 1,443,376	\$ -	\$ 12,648,524

Depreciation Expense was charged to the governmental function as follows:

Administration	\$ 100,441
Municipal Court	5,300
Police	177,873
Fire	194,197
Streets and Drainage	169,876
Sanitation	39,950
<b>Total Depreciation Expense</b>	<b>\$ 687,637</b>

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

**NOTE 6: LONG-TERM DEBT**

Changes in the City’s long-term debt during the fiscal year ended December 31, 2021, were as follows:

	Balance, December 31, 2020	Additions	Reductions	Balance, December 31, 2021	Due Within One Year
<i>Governmental Activities</i>					
Bonds:					
Tax and Revenue - C.O. Series 2020	\$ 7,955,000	\$	\$ 360,000	\$ 7,595,000	\$ 340,000
Premium Issuance	475,920		23,750	452,170	23,750
Capital Lease	327,098	-	78,443	248,655	80,623
Compensated absences	492,250	-	80,438	411,812	82,699
OPEB Liability	253,409	45,377	-	298,786	-
Net Pension Liability	1,668,566	-	214,576	1,453,990	-
Governmental Activities -Long-Term Liabilities	\$ 11,172,243	\$ 45,377	\$ 757,207	\$ 10,460,413	\$ 527,072

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, 2021, \$411,220 had been recognized in accumulated depreciation.

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

Year End December 31,	Amount
2022	87,536
2023	87,536
2024	87,536
<b>Total Minimum Lease Payments</b>	<b>262,608</b>
<b>Less: Interest</b>	<b>(13,953)</b>
<b>Present Value of Minimum Payments</b>	<b>\$ 248,655</b>

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

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**NOTE 6: 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.

Year Ended September 30,	Principal	Interest	Total
2022	340,000	167,163	507,163
2023	350,000	156,813	506,813
2024	330,000	146,613	476,613
2025	340,000	136,563	476,563
2026	355,000	126,137	481,137
2027-2031	1,925,000	474,275	2,399,275
2032-2036	2,110,000	286,506	2,396,506
2037-2040	1,845,000	74,650	1,919,650
<b>Total</b>	<b>\$ 7,595,000</b>	<b>\$ 1,568,719</b>	<b>\$ 9,163,719</b>

**NOTE 7: 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:

Year End December 31,	Billboard License
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	645,445
	<b>\$ 5,949,120</b>

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

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**NOTE 8: 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.tMrs.com](http://www.tMrs.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, 2021**

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**NOTE 8: EMPLOYEE RETIREMENT SYSTEM - Continued**

<u>Type of Employee</u>	<u>2019</u>	<u>2020</u>
Inactive employees or beneficiaries currently receiving benefits	55	55
Inactive employees entitled to but not yet receiving benefits	47	51
Active Employees	<u>60</u>	<u>62</u>
<b>TOTAL</b>	<u><u>162</u></u>	<u><u>168</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, 2021, 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 13.35% and 12.03% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended December 31, 2021 were \$487,539 and were \$35,297 less than the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

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**NOTE 8: EMPLOYEE RETIREMENT SYSTEM - Continued**

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2020 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, 2021**

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**NOTE 8: 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)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
	100%	

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, 2021**

**NOTE 8: 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>
<b>Balance at 12/31/2019</b>	\$ 19,559,175	\$ 17,890,609	\$ 1,668,566
Changes for the year:			
Service cost	563,706	-	563,706
Interest	1,307,886	-	1,307,886
Change of benefit terms	-	-	-
Difference between expected and actual experience	(29,753)	-	(29,753)
Changes of assumptions	-	-	-
Contributions - employer	-	452,242	(452,242)
Contributions - employee	-	255,732	(255,732)
Net investment income	-	1,357,571	(1,357,571)
Benefit payments, including refunds of employee contributions	(929,891)	(929,891)	-
Administrative expense	-	(8,787)	8,787
Other changes	-	(343)	343
<b>Net changes</b>	<u>911,948</u>	<u>1,126,524</u>	<u>(214,576)</u>
<b>Balance at 12/31/2020</b>	\$ <u>20,471,123</u>	\$ <u>19,017,133</u>	\$ <u>1,453,990</u>

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

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**NOTE 8: 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:

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's Net Pension Liability \$	\$ 4,352,985	\$ 1,453,990	\$ (912,395)

**Pension Plan Fiduciary Net Position**

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

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

For the year ended December 31, 2021, the City recognized pension expense of \$250,899. Also as of December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Source</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual economic experience	\$ 1,159,438	\$ 651,002
Changes in Actuarial Assumptions	-	19,577
Net difference between projected and actual Investment Earnings	27,977	9,486
Contributions subsequent to the measurement date of December 31, 2019	N/A	487,539
<b>Total</b>	<b>\$ 1,187,415</b>	<b>\$ 1,167,604</b>

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

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**NOTE 8: EMPLOYEE RETIREMENT SYSTEM - Continued**

Deferred outflows of resources in the amount of \$487,539 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, 2021.

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

<u>Year Ended September 30,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	\$ (183,095)
2022	17,878
2023	(312,142)
2024	(29,991)
2025	-
Thereafter	<u>-</u>
<b>TOTAL</b>	<b>\$ <u>(507,350)</u></b>

**NOTE 9: 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, 2021**

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**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued**

Membership in the plan at December 31, 2020, 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>62</u>
<b>TOTAL</b>	<u><u>109</u></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>
2020	0.17%	0.06%
2021	0.26%	0.18%

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, 2021**

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**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued**

The assumptions are summarized below:

Inflation	2.5% per year
Salary Increases	3.5% to 11.50%, including inflation
Discount Rate *	2.00%
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 basiss 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 accton for future mortality improvemens 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, 2021**

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued**

The City's Total OPEB Liability (TOL), based on the actuarial factors, as of December 31, 2020 was calculated as follows:

<u>Changes in the Total OPEB Liability</u>	
<b>Balance at 12/31/2019</b>	\$ 253,409
Changes for the year:	
Service cost	8,403
Interest on Total OPEB Liability	7,054
Change of benefit terms including TMRS plan participation	-
Difference between expected and actual experience	(4,480)
Changes in assumptions or other inputs	36,592
Benefits payments *	<u>(2,192)</u>
<b>Net changes</b>	<u>45,377</u>
<b>Balance at 12/31/2020</b>	<u>\$ 298,786</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% 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%) and 1-percentage point higher (3%) than the current rate:

	<b>1% Decrease in Discount Rate (1%)</b>	<b>Discount Rate (2%)</b>	<b>1% Increase in Discount Rate (3%)</b>
Total	\$ <u>359,191</u>	\$ <u>298,786</u>	\$ <u>251,444</u>

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

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**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued**

For the year ended December 31, 2020, the City recognized OPEB expense of \$23,641. Also as of December 31, 2020, 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	\$ 8,863	\$ -
Change of assumptions	-	54,087
<b>Total</b>	<u>\$ 8,863</u>	<u>\$ 54,087</u>

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

<u>Year Ended September 30,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	\$ 11,006
2022	11,006
2023	8,934
2024	9,471
2025	4,807
Thereafter	-
<b>TOTAL</b>	<u>\$ 45,224</u>

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

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**NOTE 10: 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 11: CONTRACTS AND COMMITMENTS**

The City has contract with architects for the improvement of the Drainage System in several locations throughout the City. There is an active contract totaling \$1,966,964. As of December 31, 2021, the City had incurred \$975,720 of construction expenses related to these contracts, leaving a commitment of \$991,244 at December 31, 2021.

The City contracted with RL Jones for construction costs of \$2,031,610. As of December 31, 2021, the City had incurred \$578,132 of construction expenses related to this contract, leaving a commitment of \$1,453,478 at December 31, 2021.

**NOTE 12: 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 \$72,530.

**CITY OF CASTLE HILLS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**For the Year Ended December 31, 2021**

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**NOTE 12: 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.

**NOTE 13: EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Departmental expenditures exceeded appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<b><i>General Fund</i></b>			
Administration	\$ 1,022,652	\$ 1,089,122	\$ (66,470)
Fire	1,901,074	2,034,780	(133,706)
Capital Outlay	94,568	213,995	(119,427)
<b><i>Street Repair Fund</i></b>			
Street	267,000	436,023	(169,023)

**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, 2021**

**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>		
<b>REVENUES</b>				
Property Tax	\$ 3,653,235	\$ 3,653,235	\$ 3,431,368	\$ (221,867)
Sales Taxes	1,125,365	1,156,365	1,375,690	219,325
Franchise Fees	480,236	480,236	495,370	15,134
Garbage Fees	458,362	469,621	464,341	(5,280)
Building and Other Permits	197,856	18,613	239,820	221,207
Fines and Forfeitures	470,829	483,443	682,753	199,310
License Agreements	589,631	607,194	273,418	(333,776)
Investment Income	62,032	62,955	1,537	(61,418)
Miscellaneous	145,236	132,632	100,792	-31,840
<b>TOTAL REVENUES</b>	<u>7,182,782</u>	<u>7,064,294</u>	<u>7,065,089</u>	<u>795</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Administration	1,036,295	1,022,652	1,089,122	(66,470)
Municipal Court	321,928	272,781	319,297	(46,516)
Police	2,368,829	2,601,136	2,538,491	62,645
Fire	1,716,352	1,901,074	2,034,780	(133,706)
Streets	384,445	391,396	300,782	90,614
Sanitation	516,102	525,374	490,972	34,402
Drainage	2,356	5,000	5,843	(843)
Capital Outlay:				
Capital Outlay	94,568	94,568	213,995	(119,427)
Debt Service:				
Principal	76,321	76,321	78,443	(2,122)
Interest	11,215	11,215	9,093	2,122
<b>TOTAL EXPENDITURES</b>	<u>6,528,411</u>	<u>6,901,517</u>	<u>7,080,818</u>	<u>(179,301)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>654,371</u>	<u>162,777</u>	<u>(15,729)</u>	<u>(178,506)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	<u>(95,000)</u>	<u>(95,000)</u>	<u>-</u>	<u>95,000</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(95,000)</u>	<u>(95,000)</u>	<u>-</u>	<u>95,000</u>
Net Change in Fund Balance	559,371	67,777	(15,729)	(83,506)
Fund Balance - January 1	4,616,052	4,616,052	4,616,052	-
Fund Balance - December 31	<u>\$ 5,175,423</u>	<u>\$ 4,683,829</u>	<u>\$ 4,600,323</u>	<u>\$ (83,506)</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, 2021

EXHIBIT G-2

	Budget Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales Taxes	\$ 275,000	275,000	\$ 358,857	\$ 83,857
License Agreements	63,189	63,189	72,838	9,649
<b>TOTAL REVENUES</b>	<u>338,189</u>	<u>338,189</u>	<u>431,695</u>	<u>93,506</u>
<b>EXPENDITURES</b>				
<i>Current:</i> Streets	267,000	267,000	436,023	(169,023)
Capital Outlay	-	-	1,038	(1,038)
<b>TOTAL EXPENDITURES</b>	<u>267,000</u>	<u>267,000</u>	<u>437,061</u>	<u>(170,061)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>71,189</u>	<u>71,189</u>	<u>(5,366)</u>	<u>(76,555)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	71,189	71,189	(5,366)	(76,555)
Fund Balance - January 1	1,181,648	1,181,648	1,181,648	-
Fund Balance - December 31	<u>\$ 1,252,837</u>	<u>1,252,837</u>	<u>\$ 1,176,282</u>	<u>\$ (76,555)</u>

**CITY OF CASTLE HILLS, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DRAINAGE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2021**

**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>		
<b>REVENUES</b>				
Stormwater Fees	\$ 138,600	\$ 138,600	\$ 148,663	\$ 10,063
License Agreements	252,751	252,751	367,356	114,605
<b>TOTAL REVENUES</b>	<u>391,351</u>	<u>391,351</u>	<u>516,019</u>	<u>124,668</u>
<b>EXPENDITURES</b>				
Drainage	389,360	389,360	18,038	371,322
Capital Outlay:				
Capital Outlay	30,523	30,523	32,531	(2,008)
Debt Service:				
Principal	215,000	215,000	205,000	10,000
Interest	95,765	95,765	94,596	1,169
<b>TOTAL EXPENDITURES</b>	<u>730,648</u>	<u>730,648</u>	<u>350,165</u>	<u>380,483</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(339,297)</u>	<u>(339,297)</u>	<u>165,854</u>	<u>505,151</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(339,297)	(339,297)	165,854	505,151
<b>Fund Balance - January 1</b>	<u>1,242,537</u>	<u>1,242,537</u>	<u>1,242,537</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 903,240</u>	<u>\$ 903,240</u>	<u>\$ 1,408,391</u>	<u>\$ 505,151</u>

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

Measurement Year Actuarial Valuation Date	2021 12/31/2020	2020 12/31/2019	2019 12/31/2018	2018 12/31/2017	2017 12/31/2016	2016 12/31/2015	2015 12/31/2014
<b>Total Pension Liability</b>							
Service Cost	\$ 563,706	\$ 535,770	\$ 527,993	\$ 543,595	\$ 519,906	\$ 475,976	\$ 373,750
Interest (on the Total Pension Liability)	1,307,886	1,251,508	1,203,461	1,143,903	1,076,375	1,069,749	1,039,608
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(29,753)	(8,695)	(3,985)	88,526	91,064	(302,567)	(417,323)
Changes of assumptions	-	37,787	-	-	-	(1,015)	-
Benefit payments, including refunds of employee contributions	(929,891)	(1,060,324)	(978,783)	(793,003)	(604,541)	(595,341)	(637,785)
<b>Net Change in Total Pension Liability</b>	911,948	756,046	748,686	983,021	1,082,804	646,802	358,250
<b>Total Pension Liability - Beginning</b>	19,559,175	18,803,129	18,054,443	17,071,422	15,988,618	15,341,816	14,983,566
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 20,471,123</u>	<u>\$ 19,559,175</u>	<u>\$ 18,803,129</u>	<u>\$ 18,054,443</u>	<u>\$ 17,071,422</u>	<u>\$ 15,988,618</u>	<u>\$ 15,341,816</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 452,242	\$ 396,408	\$ 411,903	\$ 423,323	\$ 420,366	\$ 433,297	\$ 380,234
Contributions - Employee	255,732	242,587	249,053	255,895	242,785	228,052	209,084
Net Investment Income	1,357,571	2,453,667	(500,201)	2,048,055	932,351	20,251	745,640
Benefit payments, including refunds of employee contributions	(929,891)	(1,060,324)	(978,784)	(793,003)	(604,541)	(595,341)	(637,785)
Administrative Expense	(8,787)	(13,865)	(9,668)	(10,614)	(10,531)	(12,335)	(7,786)
Other	(343)	(417)	(505)	(538)	(567)	(610)	(640)
<b>Net Change in Plan Fiduciary Net Position</b>	1,126,524	2,018,056	(828,202)	1,923,118	979,863	73,314	688,747
<b>Plan Fiduciary Net Position - Beginning</b>	17,890,609	15,872,553	16,700,755	14,777,637	13,797,774	13,724,460	13,035,713
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 19,017,133</u>	<u>\$ 17,890,609</u>	<u>\$ 15,872,553</u>	<u>\$ 16,700,755</u>	<u>\$ 14,777,637</u>	<u>\$ 13,797,774</u>	<u>\$ 13,724,460</u>
<b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<u>\$ 1,453,990</u>	<u>\$ 1,668,566</u>	<u>\$ 2,930,576</u>	<u>\$ 1,353,688</u>	<u>\$ 2,293,785</u>	<u>\$ 2,190,844</u>	<u>\$ 1,617,356</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	93%	91%	84%	93%	87%	86%	89%
<b>Covered-Employee Payroll</b>	<u>\$ 3,653,309</u>	<u>\$ 3,465,527</u>	<u>\$ 3,557,903</u>	<u>\$ 3,655,649</u>	<u>\$ 3,468,354</u>	<u>\$ 3,257,881</u>	<u>\$ 2,986,911</u>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	40%	48%	82%	37%	66%	67%	54%

Fiscal Year	SCHEDULE OF CONTRIBUTIONS LAST 10 YEARS (will ultimately be displayed)							
	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 452,242	\$ 396,408	\$ 395,417	\$ 411,648	\$ 423,129	\$ 420,402	\$ 433,317	\$ 380,831
Contributions in relation to the actuarially determined contribution.	487,539	416,955	394,897	411,970	423,129	420,402	433,317	380,831
Contribution Deficiency (excess)	\$ (35,297)	\$ (20,547)	\$ 520	\$ (322)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 3,653,309	\$ 3,465,527	\$ 3,465,529	\$ 3,557,903	\$ 3,655,649	\$ 3,468,354	\$ 3,257,881	\$ 2,986,911
Contributions as a Percentage of Covered Employee Payroll	13.35%	12.03%	11.39%	11.58%	11.57%	12.12%	13.30%	12.75%

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	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 11.5% 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	2021 <u>12/31/2020</u>	2020 <u>12/31/2019</u>	2019 <u>12/31/2018</u>	2018 <u>12/31/2017</u>
<b>Total OPEB Liability</b>				
Service Cost	\$ 8,403	\$ 5,545	\$ 7,116	\$ 6,580
Interest on the total OPEB liability	7,054	8,039	7,101	7,046
Effect of plan changes	-	-	-	-
Difference between expected and actual experience	(4,480)	(11,617)	4,986	-
Effect of assumption changes or inputs	36,592	38,403	(14,520)	16,051
Benefit payments	<u>(2,192)</u>	<u>(1,733)</u>	<u>(1,779)</u>	<u>(1,828)</u>
<b>Net Change in Total OPEB Liability</b>	45,377	38,637	2,904	27,849
<b>Total OPEB Liability - Beginning</b>	<u>253,409</u>	<u>214,772</u>	<u>211,868</u>	<u>184,019</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 298,786</u>	<u>\$ 253,409</u>	<u>\$ 214,772</u>	<u>\$ 211,868</u>
<b>Pensionable Covered Payroll</b>	<u>\$ 3,653,309</u>	<u>\$ 3,465,527</u>	<u>\$ 3,557,903</u>	<u>\$ 3,655,649</u>
<b>Net Pension OPEB liability as a Percentage of Covered Payroll</b>	<u>8.18%</u>	<u>7.31%</u>	<u>6.04%</u>	<u>5.80%</u>

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.

CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AS OF DECEMBER 31, 2021 AND 2020

EXHIBIT H-1

	Debt Services	Child Safety	Animal Control	Municipal Court Technology
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 169,973	\$ 82,887	\$ 5,718	\$ (5,570)
Receivables, Net				
Property Taxes	132,279	-	-	-
Sales and Franchise Fees	-	-	-	-
Total Assets	<u>\$ 302,252</u>	<u>\$ 82,887</u>	<u>\$ 5,718</u>	<u>\$ (5,570)</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Others	-	-	-	-
Total Liabilities	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes Levied for Future Periods	215,039	-	-	-
Total Deferred Inflows of Resources	215,039	-	-	-
Fund Balances:				
Restricted Fund Balance:	87,213	82,887	5,718	(5,570)
Total Fund Balances	<u>87,213</u>	<u>82,887</u>	<u>5,718</u>	<u>(5,570)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 302,252</u>	<u>\$ 82,887</u>	<u>\$ 5,718</u>	<u>\$ (5,570)</u>

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

EXHIBIT H-1

	Municipal Court Security	Municipal Court Efficiency	Municipal Jury	Local Truancy Prevention
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 46,375	\$ 10,154	\$ 356	\$ 18,081
Receivables, Net	-	-	-	-
Property Taxes	-	-	-	-
Sales and Franchise Fees	-	-	-	-
Total Assets	<u>\$ 46,375</u>	<u>\$ 10,154</u>	<u>\$ 356</u>	<u>\$ 18,081</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Others	-	-	-	-
Total Liabilities	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted Fund Balance:	46,375	10,154	356	18,081
Total Fund Balances	<u>46,375</u>	<u>10,154</u>	<u>356</u>	<u>18,081</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 46,375</u>	<u>\$ 10,154</u>	<u>\$ 356</u>	<u>\$ 18,081</u>

CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS- Continued  
 AS OF DECEMBER 31, 2021 AND 2020

EXHIBIT H-1

	Police Seizure	LEOSE	Crime Control and Prevention District	American Rescue Plan	2021 Total Nonmajor Governmental Funds	2020 Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 432,910	\$ 9,138	\$ 1,044,717	\$ 553,802	\$ 2,368,541	\$ 1,400,390
Receivables, Net	-	-	-	-	132,279	-
Property Taxes	-	-	63,354	-	63,354	51,718
Sales and Franchise Fees	-	-	-	-	-	-
Total Assets	<u>\$ 432,910</u>	<u>\$ 9,138</u>	<u>\$ 1,108,071</u>	<u>\$ 553,802</u>	<u>\$ 2,564,174</u>	<u>\$ 1,452,108</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ 2,724	\$ -	\$ 2,724	\$ 1,628
Due to Others	-	-	5,772	-	5,772	-
Total Liabilities	-	-	8,496	-	8,496	1,628
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	-	-	-	-	215,039	-
Total Deferred Inflows of Resources	-	-	-	-	215,039	-
Fund Balances:						
Restricted Fund Balance:	432,910	9,138	1,099,575	553,802	2,340,639	1,450,480
Total Fund Balances	<u>432,910</u>	<u>9,138</u>	<u>1,099,575</u>	<u>553,802</u>	<u>2,340,639</u>	<u>1,450,480</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 432,910</u>	<u>\$ 9,138</u>	<u>\$ 1,108,071</u>	<u>\$ 553,802</u>	<u>\$ 2,564,174</u>	<u>\$ 1,452,108</u>

CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

EXHIBIT H-2

	Debt Services	Child Safety	Animal Control	Municipal Court Technology
<b>REVENUES</b>				
Taxes:				
Property Taxes	\$ 280,570	\$ -	\$ -	\$ -
General Sales and Use Taxes	-	-	-	-
Fines and Forfeitures	-	-	-	14,875
Investment Income	-	-	-	-
Grants and Contributions	-	-	-	-
Miscellaneous	-	9,657	165	-
Total Revenues	280,570	9,657	165	14,875
<b>EXPENDITURES</b>				
Current:				
Municipal Court	-	-	-	21,316
Police	-	-	-	-
Debt Service:				
Bond Principal	155,000	-	-	-
Bond Interest	63,686	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	218,686	-	-	21,316
Excess (Deficiency) of Revenues Over (Under) Expenditures	61,884	9,657	165	(6,441)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Bonds	-	-	-	-
Proceeds from the Sale of Capital Assets	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	61,884	9,657	165	(6,441)
Fund Balances - Beginning	25,329	73,230	5,553	871
Fund Balances - Ending	\$ 87,213	\$ 82,887	\$ 5,718	\$ (5,570)

CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS- Continued  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

EXHIBIT H-2

	Municipal Court Security	Municipal Court Efficiency	Municipal Jury	Local Truancy Prevention
<b>REVENUES</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	-
General Sales and Use Taxes	-	-	-	-
Fines and Forfeitures	15,879	1,888	248	-
Investment Income	-	-	-	-
Grants and Contributions	-	-	-	-
Miscellaneous	-	-	-	12,684
Total Revenues	15,879	1,888	248	12,684
<b>EXPENDITURES</b>				
Current:				
Municipal Court	-	-	-	-
Police	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	15,879	1,888	248	12,684
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Bonds	-	-	-	-
Proceeds from the Sale of Capital Assets	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	15,879	1,888	248	12,684
Fund Balances - Beginning	30,496	8,266	108	5,397
Fund Balances - Ending	\$ 46,375	\$ 10,154	\$ 356	\$ 18,081

CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS- Continued  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

EXHIBIT H-2

	Police Seizure	LEOSE	Crime Control and Prevention District	American Rescue Plan	2021 Total Nonmajor Governmental Funds	2020 Total Nonmajor Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 280,570	\$ 15,269
General Sales and Use Taxes	-	-	336,765	-	336,765	307,597
Fines and Forfeitures	16,432	-	-	-	49,322	56,211
Investment Income	-	-	-	-	-	3,848
Grants and Contributions	-	-	-	553,802	553,802	-
Miscellaneous	25	1,777	-	-	24,308	30,034
Total Revenues	16,457	1,777	336,765	553,802	1,244,767	412,959
<b>EXPENDITURES</b>						
Current:						
Municipal Court	-	-	-	-	21,316	17,125
Police	5,644	-	58,730	-	64,374	56,777
Debt Service:						
Bond Principal	-	-	-	-	155,000	-
Bond Interest	-	-	-	-	63,686	-
Capital Outlay:						
Capital Outlay	-	-	-	-	-	432,826
Total Expenditures	5,644	-	58,730	-	304,376	506,728
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,813	1,777	278,035	553,802	940,391	(93,769)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of Bonds	-	-	-	-	-	10,060
Proceeds from the Sale of Capital Assets	-	-	-	-	-	33,900
Transfers Out	-	-	-	-	-	(423)
Total Other Financing Sources (Uses)	-	-	-	-	-	43,537
Net Change in Fund Balances	10,813	1,777	278,035	553,802	940,391	(50,232)
Fund Balances - Beginning	422,097	7,361	821,540	-	1,400,248	1,450,480
Fund Balances - Ending	\$ 432,910	\$ 9,138	\$ 1,099,575	\$ 553,802	\$ 2,340,639	\$ 1,400,248

**OTHER SUPPLEMENTAL  
INFORMATION**

**CITY OF CASTLE HILLS, TEXAS  
COMPARATIVE BALANCE SHEETS  
GENERAL FUND  
AS OF DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,181,525	\$ 6,914,773
Investments	-	-
Receivables, Net		
Property Taxes	2,488,848	1,691,366
Sales and Franchise Fees	350,267	310,189
Garbage and Other Fees	41,402	69,154
Due From Others	5,722	-
Total Assets	<u>\$ 9,067,764</u>	<u>\$ 8,985,482</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 314,647	\$ 573,024
Wages and Salaries Payable	151,764	114,049
Total Liabilities	<u>466,411</u>	<u>687,073</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Property Tax Revenue	212,736	219,982
Property Taxes Levied for Future Periods	3,788,344	3,462,375
Total Deferred Inflows of Resources	<u>4,001,080</u>	<u>3,682,357</u>
Fund Balances:		
Restricted Fund Balance:		
PEG Funds	67,843	67,843
Committed Fund Balance:		
Street Maintenance	-	35,901
Workstation Upgrade	40,238	29,136
Assigned Fund Balance:		
Major Vehicle Purchases	283,635	346,949
Improvements Projects from CIED	414,983	431,076
Unassigned Fund Balances	3,793,624	3,705,147
Total Fund Balances	<u>4,600,323</u>	<u>4,616,052</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,067,814</u>	<u>\$ 8,985,482</u>

**CITY OF CASTLE HILLS, TEXAS**  
**COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE GENERAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
Taxes:	\$	\$
Property Taxes	3,431,368	3,731,923
General Sales and Use Taxes	1,375,690	1,254,694
Franchise Tax	495,370	468,367
Garbage Fees	464,341	459,893
Building and Other Permits	239,820	164,900
Fines and Forfeitures	682,753	495,085
License Agreements	273,418	564,926
Investment Income	1,537	39,050
Miscellaneous	100,792	331,052
Total Revenues	<u>7,065,089</u>	<u>7,509,890</u>
<b>EXPENDITURES</b>		
Current:		
Administration	1,089,122	1,223,748
Municipal Court	319,297	239,222
Police	2,538,491	2,463,996
Fire	2,034,780	1,849,217
Streets	300,782	333,776
Sanitation	490,972	439,933
Drainage	5,843	1,570
Debt Service:		
Bond Principal	78,443	76,321
Bond Interest	9,093	11,215
Capital Outlay:		
Capital Outlay	<u>213,995</u>	<u>3,885,863</u>
Total Expenditures	<u>7,080,818</u>	<u>10,524,861</u>
Excess (Deficiency) of Revenues Over (Under)		
Expenditures	<u>(15,729)</u>	<u>(3,014,971)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	3,157,340
Proceeds from Sale of Capital Asstes	<u>-</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>-</u>	<u>3,157,340</u>
Net Change in Fund Balances	(15,729)	142,369
Fund Balances - Beginning	<u>4,616,052</u>	<u>4,473,683</u>
Fund Balances - Ending	<u>\$ 4,600,323</u>	<u>\$ 4,616,052</u>

**CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE BALANCE SHEETS  
 STREET REPAIR FUND  
 AS OF DECEMBER 31, 2021 AND 2020**

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	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,132,668	\$ 1,143,244
Receivables, Net		
Sales and Franchise Fees	63,764	58,354
Total Assets	<u>\$ 1,196,432</u>	<u>\$ 1,201,598</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
License Agreements Received in Advance	\$ 20,150	\$ 19,950
Total Liabilities	<u>20,150</u>	<u>19,950</u>
 Fund Balances:		
Restricted Fund Balance:		
Street Repair	1,176,282	1,181,648
Total Fund Balances	<u>1,176,282</u>	<u>1,181,648</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,196,432</u>	<u>\$ 1,201,598</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, 2021 AND 2020**

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	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
Taxes:		
General Sales and Use Taxes	\$ 358,857	\$ 330,788
License Agreements	72,838	41,440
Total Revenues	<u>431,695</u>	<u>372,228</u>
<b>EXPENDITURES</b>		
Current:		
Streets	436,023	232,936
Capital Outlay:		
Capital Outlay	<u>1,038</u>	<u>-</u>
Total Expenditures	<u>437,061</u>	<u>232,936</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,366)</u>	<u>139,292</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	<u>-</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(5,366)	139,292
Fund Balances - Beginning	<u>1,181,648</u>	<u>1,042,356</u>
Fund Balances - Ending	<u>\$ 1,176,282</u>	<u>\$ 1,181,648</u>

**CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE BALANCE SHEETS  
 DRAINAGE FUND  
 AS OF DECEMBER 31, 2021 AND 2020**

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	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,489,069	\$ 1,324,389
Total Assets	<u>1,489,069</u>	<u>1,324,389</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 80	\$ 2,052
License Agreements Received in Advance	<u>80,598</u>	<u>79,800</u>
Total Liabilities	80,678	81,852
 Fund Balances:		
Restricted Fund Balance:		
Drairage Improvements	<u>1,408,391</u>	<u>1,242,537</u>
Total Fund Balances	<u>1,408,391</u>	<u>1,242,537</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,489,069</u>	<u>\$ 1,324,389</u>

**CITY OF CASTLE HILLS, TEXAS  
 COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND  
 BALANCE DRAINAGE FUND  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
Taxes:	\$	\$
Stormwater Fees	148,663	138,518
License Agreements	367,356	241,760
Total Revenues	<u>516,019</u>	<u>380,278</u>
<b>EXPENDITURES</b>		
Current:		
Drainage	18,038	9,451
Debt Service:		
Debt Principal	205,000	-
Interest Interest	94,596	-
Capital Outlay:		
Capital Outlay	32,531	-
Total Expenditures	<u>350,165</u>	<u>9,451</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>165,854</u>	<u>370,827</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers Out	-	(200,971)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(200,971)</u>
Net Change in Fund Balances	165,854	169,856
Fund Balances - Beginning	<u>1,242,537</u>	<u>1,097,085</u>
Fund Balances - Ending	<u>\$ 1,408,391</u>	<u>\$ 1,266,941</u>