

CITY OF CASTLE HILLS, TEXAS

ANNUAL FINANCIAL REPORT
FOR THE NINE-MONTHS ENDED
SEPTEMBER 30, 2024

abip

CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**



CITY OF CASTLE HILLS, TEXAS

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CITY OF CASTLE HILLS, TEXAS

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CITY OF CASTLE HILLS, TEXAS

PRINCIPAL OFFICERS

For the nine-months ended September 30, 2024

CITY OFFICIALS

MAYOR JR TREVINO

COUNCIL MEMBERS JASON SMITH – PLACE 1

DENISE HALEY – PLACE 2

KURT MAY – PLACE 3

JACK JOYCE – MAYOR PRO TEM -
PLACE 4

BETH DAINES – PLACE 5

CITY ADMINISTRATORS

CITY MANAGER CHRIS DUQUE

CITY ATTORNEY MARC SCHNALL,
LANGLEY AND BANACK

FISCAL OFFICER NORA DAVIS

POLICE CHIEF VACANT

FIRE CHIEF JAMES LADEWIG

PUBLIC WORKS DIRECTOR RICK HARADA

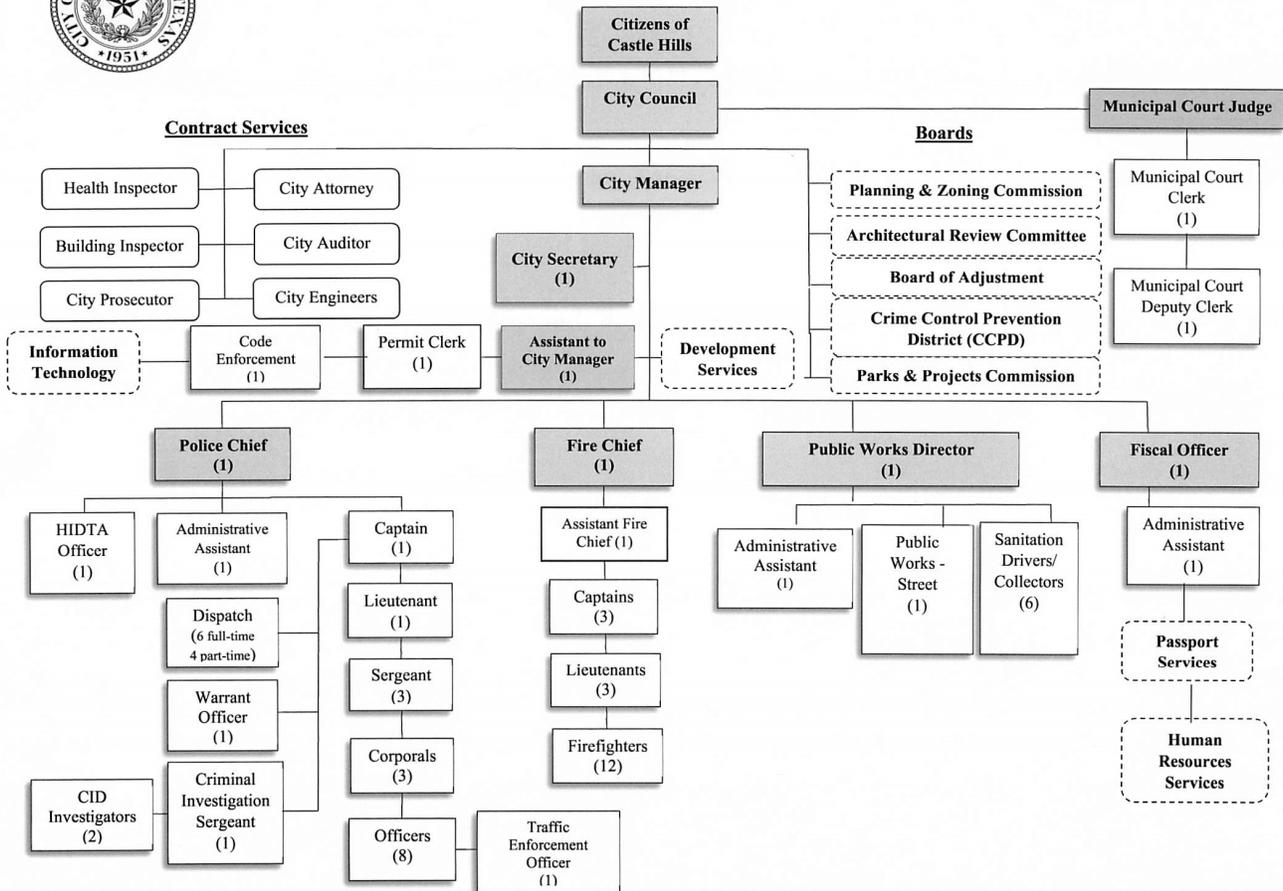
CITY OF CASTLE HILLS, TEXAS

ORGANIZATIONAL CHART

For the nine-months ended September 30, 2024



ORGANIZATIONAL CHART



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, Texas (the "City") as of and for the nine-months ended September 30, 2024, and the 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 September 30, 2024, 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 audit 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.

Emphasis of Matter

As discussed in note 1 to the financial statements, the City changed its fiscal year end from December 31 to September 30. Accordingly, the accompanying financial statements present the results of operations for the nine-month period ended September 30, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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, budgetary comparison information, and schedules of changes and contributions for net pension liability and total other postemployment benefit liability as referred to in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information (as identified in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

ABIP, PC

San Antonio, Texas
July 8, 2025



CITY OF CASTLE HILLS, TEXAS

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

For the nine-months ended September 30, 2024

On behalf of the Castle Hills management team, we are pleased to provide an overview of the financial activities of the City for the nine-months ended September 30, 2024. The intended purpose of this Management’s Discussion and Analysis (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, which will help to determine if the City’s financial position has improved or deteriorated over the past year.

FINANCIAL HIGHLIGHTS

- The City changed fiscal year end from December 31 to September 30 in fiscal year 2024, so fiscal year 2024 consists of only nine-months of operations.
- The City’s total net position was \$18.4 million at September 30, 2024.
- During the year, the City’s expenses were \$68 thousand less than the \$9 million generated in taxes and other revenues for governmental activities.
- The total cost of the City’s programs decreased 9% from the previous year (note-current year was a nine-month period compared to a full year in the prior year).
- The general fund reported a fund balance this year of \$6.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*.

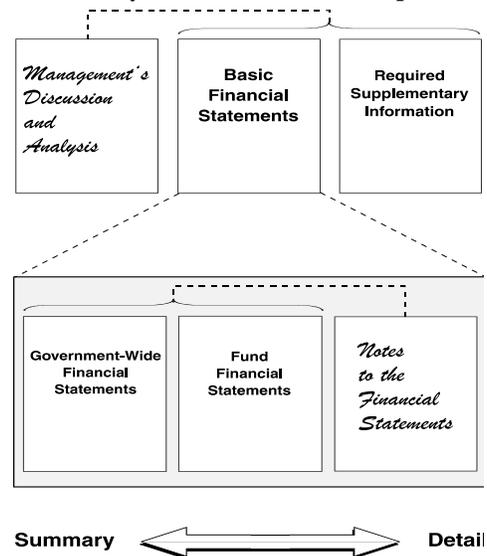
The basic financial statements include two kinds of statements that present different views of the City:

- *Government-wide financial statements* (1) provide both *long-term* and *short-term* information about the City’s overall financial status.
- *Fund financial statements* (2) focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements. These include:

The *governmental funds* statements which tell how *general government services* were financed in the *short-term* as well as what remains for future spending.

Proprietary fund statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*.

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



The financial statements also include notes (3) 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 are related to one another.

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 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 non-financial 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 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 \$18.4 million at September 30, 2024 (see Table A-1).

TABLE A-1
CITY'S NET POSITION

	September 30, 2024	Restated December 31, 2023	Total Increase (Decrease)
Assets:			
Cash and cash equivalents	\$ 14,674,751	\$ 18,218,702	\$ (3,543,951)
Receivables, net	7,180,368	9,440,640	(2,260,272)
Prepaid expenses	3,947	83,512	(79,565)
Capital assets, net	19,059,104	17,503,335	1,555,769
Total assets	<u>40,918,170</u>	<u>45,246,189</u>	<u>(4,328,019)</u>
Deferred outflows of resources:			
Deferred pension related outflows	1,237,971	1,919,909	(681,938)
Deferred OPEB related outflows	39,918	8,983	30,935
Total deferred outflows of resources	<u>1,277,889</u>	<u>1,928,892</u>	<u>(651,003)</u>
Liabilities:			
Accounts payable and accruals	674,195	533,309	140,886
Other current liabilities	161,445	271,642	(110,197)
Long-term liabilities	16,975,646	17,396,933	(421,287)
Total liabilities	<u>17,811,286</u>	<u>18,201,884</u>	<u>(390,598)</u>
Deferred inflows of resources:			
Property taxes levied for future periods	-	4,529,608	(4,529,608)
Deferred inflows related to leases	5,776,273	6,017,000	(240,727)
Deferred pension related inflows	106,404	7,064	99,340
Deferred OPEB related inflows	73,986	59,871	14,115
Total deferred inflows of resources	<u>5,956,663</u>	<u>10,613,543</u>	<u>(4,656,880)</u>
Net position:			
Net investment in capital assets	9,014,420	4,757,213	4,257,207
Restricted	5,693,350	5,883,157	(189,807)
Unrestricted	3,720,340	7,719,284	(3,998,944)
Total net position	<u>\$ 18,428,110</u>	<u>\$ 18,359,654</u>	<u>\$ 68,456</u>

Note: The above information for 2023 has been restated to reflect the correction of certain errors identified in the current year, as well as the adoption of a new accounting standard. More information about this restatement may be found in note 12 of the notes to the financial statements.

Governmental Activities

Changes in net position – The City’s total revenues were \$9 million, a decrease of \$1.8 million (note change in fiscal year from December 31 to September 30 in fiscal year 2024). A significant portion, \$6.6 million comes from taxes, \$1.4 million relates to charges for services, and \$994 thousand comes from other revenues. The total cost of all programs and services was \$9.0 million.

TABLE A-2
CHANGES IN CITY’S NET POSITION

	2024	Restated 2023	Total Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 1,452,935	\$ 1,468,124	\$ (15,189)
General revenues:			
Property taxes	4,501,908	5,052,049	(550,141)
Sales taxes	1,783,588	2,406,774	(623,186)
Franchise taxes	306,181	541,054	(234,873)
License agreements	415,165	470,839	(55,674)
Interest earnings	375,554	574,583	(199,029)
Miscellaneous	<u>193,763</u>	<u>268,129</u>	<u>(74,366)</u>
Total revenues	<u>9,029,094</u>	<u>10,781,552</u>	<u>(1,752,458)</u>
Expenses:			
Administration	1,431,769	1,571,420	(139,651)
Municipal court	256,139	259,540	(3,401)
Police	3,236,913	3,290,998	(54,085)
Fire	2,290,761	2,497,687	(206,926)
Street and drainage	691,736	1,006,026	(314,290)
Sanitation	642,538	686,525	(43,987)
Interest on long-term debt	<u>410,782</u>	<u>501,244</u>	<u>(90,462)</u>
Total expenses	<u>8,960,638</u>	<u>9,813,440</u>	<u>(852,802)</u>
Change in net position	68,456	968,112	(899,656)
Net position - beginning (restated)	<u>18,359,654</u>	<u>17,391,542</u>	<u>968,112</u>
Net position - ending	<u>\$ 18,428,110</u>	<u>18,359,654</u>	<u>\$ 68,456</u>

Note: The above information for 2023 has been restated to reflect the correction of certain errors identified in the current year, as well as the adoption of a new accounting standard. More information about this restatement may be found in note 12 of the notes to the financial statements.

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

- The cost of all governmental activities this year was \$9 million.
- The amount that our taxpayers paid for these activities through property taxes was \$4.5 million.
- Some of the cost, \$1.4 million was paid by those who directly benefited from the programs.

TABLE A-3
NET COST OF SELECTED CITY FUNCTIONS

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2024	2023		2024	2023	
Administration	\$ 1,431,769	\$ 1,639,142	-12.7%	\$ 1,091,102	\$ 1,356,743	-19.6%
Municipal court	256,139	259,540	-1.3%	(334,920)	(234,592)	42.8%
Police	3,236,913	3,209,938	0.8%	3,190,747	3,164,044	0.8%
Fire	2,290,761	2,497,687	-8.3%	2,288,354	2,489,471	-8.1%
Streets and drainage	691,736	1,006,026	-31.2%	586,035	855,471	-31.5%
Sanitation	642,538	656,525	-2.1%	275,603	199,850	37.9%
Interest on long-term debt	410,782	501,244	-18.0%	410,782	501,244	-18.0%

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

- Revenues from governmental fund types totaled \$8.9 million, a decrease of \$1.9 million (note change in fiscal year from December 31 to September 30 in fiscal year 2024).

CAPITAL ASSETS

The City’s net investment in capital assets at the end of the fiscal year September 30, 2024, amounted to \$19.1 million with \$7.5 million 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 detailed presentation is presented in the notes to financial statements in note 4.

TABLE A-4
CITY’S CAPITAL ASSETS

	2024	2023
Land	\$ 383,700	\$ 383,700
Buildings and improvements	3,138,132	3,083,664
Vehicles and equipment	4,619,604	4,393,326
Infrastructure	17,790,440	14,697,794
Construction in progress	587,695	1,807,688
Total capital assets	26,519,571	24,366,172
Less accumulated depreciation	(7,460,467)	(6,862,837)
Total capital assets, net	\$ 19,059,104	\$ 17,503,335

LONG TERM DEBT

At the end of the current fiscal year, the City had \$85 thousand in capital leases and \$13 million in bonds payable net of premium. A more detailed presentation is presented in the notes to financial statements in note 5.

TABLE A-5
CITY'S LONG-TERM DEBT

	<u>2024</u>	<u>2023</u>
Capital leases	\$ 85,167	\$ 85,167
Bonds payable	<u>13,011,665</u>	<u>13,469,067</u>
Total	<u>\$ 13,096,832</u>	<u>\$ 13,554,234</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 2025 budget, tax rates, and fees that will be charged. The City's budget levels remain similar to previous years.

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 2025 utilized the approved tax rate of \$0.540661 per \$100 of taxable value. This rate consists of a maintenance and operations (M&O) tax rate of \$0.482512 and an interest and sinking (debt service) tax rate of \$0.058149.

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.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Gilbert Perales, Interim City Manager
209 Lemonwood Drive
San Antonio, Texas 78213
(210) 342-2341

BASIC FINANCIAL STATEMENTS

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

The sets of statements include:

- Government–Wide Financial Statements
- Fund Financial Statements:
 Governmental Funds

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

CITY OF CASTLE HILLS, TEXAS

STATEMENT OF NET POSITION

September 30, 2024

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 11,581,827
Receivables (net of allowances for uncollectibles):	
Property taxes	275,171
Lease receivables	128,198
Sales and franchise fees	499,286
Municipal Court	353,563
Garbage, stormwater, and other fees	84,848
Interest receivable	18,224
Prepaid expenses	3,947
Restricted assets:	
Cash and cash equivalents	3,092,924
Lease receivables - noncurrent	5,821,078
Capital assets:	
Land	383,700
Construction in progress	587,695
Building and improvements	3,138,132
Vehicles and equipment	4,619,604
Infrastructure	17,790,440
Accumulated depreciation	<u>(7,460,467)</u>
Capital assets (net)	<u>19,059,104</u>
 Total assets	 <u>40,918,170</u>
 Deferred outflows of resources:	
Deferred outflows related to TMRS pension	1,237,971
Deferred outflows related to TMRS OPEB	<u>39,918</u>
 Total deferred outflows of resources	 <u>1,277,889</u>
 Total assets and deferred outflows of resources	 <u>\$ 42,196,059</u>

(continued)

The accompanying notes are an integral part of these financial statements.

CITY OF CASTLE HILLS, TEXAS

STATEMENT OF NET POSITION

September 30, 2024

	<u>Governmental Activities</u>
Liabilities:	
Current:	
Accounts payable	\$ 544,801
Wages and salaries payable	129,394
Accrued interest payable	<u>161,445</u>
Total current liabilities	<u>835,640</u>
Non-current liabilities:	
Due within one year	716,734
Due in more than one year	12,924,239
OPEB liability	234,990
Net pension liability	<u>3,099,683</u>
Total non-current liabilities	<u>16,975,646</u>
Total liabilities	<u>17,811,286</u>
Deferred inflows of resources:	
Deferred inflows related to leases	5,776,273
Deferred inflows related to TMRS pension	106,404
Deferred inflows related to TMRS OPEB	<u>73,986</u>
Total deferred inflows of resources	<u>5,956,663</u>
Net position:	
Net investment in capital assets	9,014,420
Restricted for:	
Debt service	116,536
Street repair	1,015,522
Drainage improvements	1,874,555
Police	2,281,712
Municipal court	89,152
PEG funds	70,191
American rescue	195,357
Hotel occupancy tax	43,407
Other restricted amounts	6,918
Unrestricted	<u>3,720,340</u>
Total net position	<u>18,428,110</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 42,196,059</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CASTLE HILLS, TEXAS

STATEMENT OF ACTIVITIES

For the nine-months ended September 30, 2024

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
Primary government:				
Governmental activities:				
Administration	\$ 1,431,769	\$ 340,667	\$ -	\$ (1,091,102)
Municipal court	256,139	591,059	-	334,920
Police	3,236,913	46,166	-	(3,190,747)
Fire	2,290,761	2,407	-	(2,288,354)
Streets and drainage	691,736	105,701	-	(586,035)
Sanitation	642,538	366,935	-	(275,603)
Interest on long-term debt	410,782	-	-	(410,782)
Total governmental activities	\$ 8,960,638	\$ 1,452,935	\$ -	(7,507,703)
General revenues:				
Taxes:				
Property taxes				4,501,908
Sales taxes				1,783,588
Franchise taxes				306,181
Lease revenues				247,876
Lease interest income				167,289
Investment income				375,554
Miscellaneous				193,763
Total general revenues				7,576,159
Change in net position				68,456
Net position - beginning				18,047,302
Change in accounting principle				(81,060)
Correction of error				393,412
Net position - beginning (restated)				18,359,654
Net position - ending				\$ 18,428,110

The accompanying notes are an integral part of these financial statements.



CITY OF CASTLE HILLS, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2024

	General Fund	2023 Bond Construction	Street Repair Fund	Drainage Fund
Assets:				
Cash and cash equivalents	\$ 6,252,328	\$ -	\$ 938,414	\$ 1,710,155
Receivables (net of allowances for uncollectibles):				
Property taxes	239,633	-	-	-
Lease receivable	-	-	25,640	102,558
Sales and franchise fees	431,548	-	67,738	-
Municipal Court	353,563	-	-	-
Garbage and other fees	-	-	-	11,418
Interest receivable	-	-	3,645	14,579
Prepaid expenses	858	-	-	-
Due from other fund	5,772	-	-	-
Restricted cash:				
Cash and cash equivalents	-	2,862,336	-	-
Leases receivable - noncurrent	-	-	1,164,215	4,656,863
Total assets	<u>\$ 7,283,702</u>	<u>\$ 2,862,336</u>	<u>\$ 2,199,652</u>	<u>\$ 6,495,573</u>
Liabilities:				
Accounts payable	\$ 456,555	\$ 40,776	\$ 28,875	\$ -
Wages and salaries payable	129,394	-	-	-
Due to other fund	-	-	-	-
Total liabilities	<u>585,949</u>	<u>40,776</u>	<u>28,875</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable property tax revenue	239,633	-	-	-
Deferred inflows of resources - leases	-	-	1,155,255	4,621,018
Deferred inflows of resources -municipal court	353,563	-	-	-
Total deferred inflows of resources	<u>593,196</u>	<u>-</u>	<u>1,155,255</u>	<u>4,621,018</u>
Fund balances:				
Nonspendable: prepaids	858	-	-	-
Restricted for:				
Debt services	-	-	-	-
2020 bond construction	-	-	-	-
2023 bond construction	-	2,821,560	-	-
Street repair	-	-	1,015,522	-
Drainage improvements	-	-	-	1,874,555
Police	-	-	-	-
Municipal court	-	-	-	-
PEG funds	70,191	-	-	-
Animal control	-	-	-	-
American rescue	-	-	-	-
Hotel occupancy tax	-	-	-	-
Committed for:				
Workstation upgrade	53,046	-	-	-
Assigned for:				
Major vehicle purchases	725,290	-	-	-
Improvement projects from CIED	213,756	-	-	-
Unassigned	5,041,416	-	-	-
Total fund balances	<u>6,104,557</u>	<u>2,821,560</u>	<u>1,015,522</u>	<u>1,874,555</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,283,702</u>	<u>\$ 2,862,336</u>	<u>\$ 2,199,652</u>	<u>\$ 6,495,573</u>

The accompanying notes are an integral part of these financial statements.

Other Nonmajor Funds	Total Governmental Funds
\$ 2,680,930	\$ 11,581,827
35,538	275,171
-	128,198
-	499,286
-	353,563
73,430	84,848
-	18,224
3,089	3,947
-	5,772
230,588	3,092,924
-	5,821,078
<u>\$ 3,023,575</u>	<u>\$ 21,864,838</u>
\$ 18,595	\$ 544,801
-	129,394
<u>5,772</u>	<u>5,772</u>
<u>24,367</u>	<u>679,967</u>
35,538	275,171
-	5,776,273
-	353,563
<u>35,538</u>	<u>6,405,007</u>
-	858
116,536	116,536
230,588	230,588
-	2,821,560
-	1,015,522
-	1,874,555
2,281,712	2,281,712
89,152	89,152
-	70,191
6,918	6,918
195,357	195,357
43,407	43,407
-	53,046
-	725,290
-	213,756
-	5,041,416
<u>2,963,670</u>	<u>14,779,864</u>
<u>\$ 3,023,575</u>	<u>\$ 21,864,838</u>

CITY OF CASTLE HILLS, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

September 30, 2024

TOTAL FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 14,779,864

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 19,059,104

Property taxes and municipal court receivables are not available to pay current period expenditures and, therefore, are deferred in the fund statements. 628,734

Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds. (544,141)

Long-term liabilities, including capital leases and related accrued interest, are not due and payable in the current period and, therefore, not reported in the funds. (13,258,277)

Net pension liabilities (and related deferred outflows and inflows of resources) do not consume current financial resources and are not reported in the funds.

Net pension liability	\$ (3,099,683)	
Pension related deferred outflows	1,237,971	
Pension related deferred inflows	<u>(106,404)</u>	(1,968,116)

Net other postemployment benefit liabilities (and related deferred outflows and inflows of resources) do not consume current financial resources and are not reported in the funds.

Total OPEB liability	(234,990)	
OPEB related deferred outflows	39,918	
OPEB related deferred inflows	<u>(73,986)</u>	<u>(269,058)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES -
STATEMENT OF NET POSITION

\$ 18,428,110

The accompanying notes are an integral part of these financial statements.



CITY OF CASTLE HILLS, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

For the nine-months ended September 30, 2024

	General Fund	2023 Bond Construction	Street Repair Fund	Drainage Fund
Revenues:				
Taxes:				
Property taxes	\$ 4,078,046	\$ -	\$ -	\$ -
General sales and use taxes	1,198,834	-	289,611	-
Franchise tax	306,181	-	-	-
Garbage fees	366,935	-	-	-
Fines, fees and forfeitures	237,414	-	-	-
Court fees	563,187	-	-	-
Police and fire revenue	48,573	-	-	-
Stormwater fees	-	-	-	105,701
Lease agreements	-	-	49,575	198,301
Interest income from lease agreements	-	-	33,458	133,831
Investment income	203,707	157,925	-	-
Miscellaneous	<u>95,253</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>7,098,130</u>	<u>157,925</u>	<u>372,644</u>	<u>437,833</u>
Expenditures:				
Current:				
Administration	1,175,986	-	-	-
Municipal court	209,694	-	-	-
Police	2,374,812	-	-	-
Fire	1,794,985	-	-	-
Streets	343,496	-	122,554	-
Sanitation	571,031	-	-	209
Debt services:				
Debt principal	-	-	-	215,000
Debt interest	-	-	-	181,862
Capital outlay	<u>37,077</u>	<u>1,864,803</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,507,081</u>	<u>1,864,803</u>	<u>122,554</u>	<u>397,071</u>
Excess (deficiency) of revenues over (under) expenditures	<u>591,049</u>	<u>(1,706,878)</u>	<u>250,090</u>	<u>40,762</u>
Other financing sources (uses):				
Proceeds from the sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>(12,354)</u>	<u>-</u>	<u>-</u>	<u>(28,722)</u>
Total other financing sources (uses)	<u>(12,354)</u>	<u>-</u>	<u>-</u>	<u>(28,722)</u>
Net change in fund balances	578,695	(1,706,878)	250,090	12,040
Fund balances - beginning	5,458,140	4,528,438	765,432	1,862,515
Correction of error	<u>67,722</u>	<u>-</u>	<u>-</u>	<u>-</u>
	5,525,862	4,528,438	765,432	1,862,515
Fund balances - ending	<u>\$ 6,104,557</u>	<u>\$ 2,821,560</u>	<u>\$ 1,015,522</u>	<u>\$ 1,874,555</u>

The accompanying notes are an integral part of these financial statements.

Other Nonmajor Funds	Total Governmental Funds
\$ 388,382	\$ 4,466,428
295,143	1,783,588
-	306,181
-	366,935
103,253	340,667
-	563,187
-	48,573
-	105,701
-	247,876
-	167,289
13,922	375,554
<u>37,037</u>	<u>132,290</u>
<u>837,737</u>	<u>8,904,269</u>
33,803	1,209,789
31,991	241,685
280,911	2,655,723
-	1,794,985
-	466,050
-	571,240
200,000	415,000
339,117	520,979
<u>496,180</u>	<u>2,398,060</u>
<u>1,382,002</u>	<u>10,273,511</u>
<u>(544,265)</u>	<u>(1,369,242)</u>
51,550	51,550
41,076	41,076
-	<u>(41,076)</u>
<u>92,626</u>	<u>51,550</u>
(451,639)	(1,317,692)
3,415,309	16,029,834
-	<u>67,722</u>
<u>3,415,309</u>	<u>16,097,556</u>
<u>\$ 2,963,670</u>	<u>\$ 14,779,864</u>

CITY OF CASTLE HILLS, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the nine-months ended September 30, 2024

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ (1,317,692)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation.

Capital outlay	\$ 2,398,060	
Loss on disposal of capital assets	(32,480)	
Depreciation	<u>(809,811)</u>	1,555,769

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

63,353

Governmental funds report contributions to employee pensions and other postemployment benefits as expenditures. However, in the statement of activities, the cost of these plans are recorded based on the actuarially determined cost of the plan.

Pension Plan	(738,224)	
OPEB Plan	<u>1,816</u>	(736,408)

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

Principal payments and premium amortization	<u>457,402</u>	457,402
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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 compensated absences	(64,165)	
Change in accrued interest	<u>110,197</u>	<u>46,032</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 68,456

NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(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 on 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.

Change in fiscal year end

Effective for fiscal year 2024, the City changed its fiscal year-end from December 31 to September 30. This change was made to align the City's financial reporting cycle more closely with the tax cycle. As a result of this change, the current financial statements present the results for a short period of nine months from January 1, 2024 to September 30, 2024, rather than a full twelve-month fiscal year. Comparative figures presented for the prior period represent the twelve months ended December 31, 2023. This change in fiscal year-end affects the comparability of amounts reported in the financial statements. The change in fiscal year-end does not affect the City's compliance with accounting principles in the United States or the application of its significant accounting policies, which remain consistent with prior periods unless otherwise stated.

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 and its component unit. 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 BASIC FINANCIAL STATEMENTS

September 30, 2024

(1) Summary of significant accounting policies (continued)

Government-wide and fund financial statements (continued)

The statement of activities reflects the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges of 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 among 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, 2023 bond construction, street repair fund and drainage fund. The City has designated the street repair fund and the drainage fund as a major fund due to the high-profile nature and fiscal transparency of the fund.

The City's nonmajor governmental funds are made up of debt service, 2020 construction bond and several special revenue funds: child safety, animal control, municipal court technology, municipal court security, municipal court efficiency, municipal jury, local truancy prevention, police seizure, LEOSE, Crime Control and Prevention District, American Rescue Plan, and hotel occupancy tax. 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, that have been accrued, are revenue from investments, intergovernmental revenue, and charges for services. Property taxes are recognized in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

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

Receivables that are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue. Property taxes that were levied and collected within 60 days of the fiscal period are considered revenue for the year ending September 30, 2024. Taxes receivable but not collected within 60 days are used to finance the budget of the fiscal year beginning January 1, 2024, and accordingly, have been reflected as property taxes levied for future periods (a deferred inflow of resources) in the fund financial statements at September 30, 2024.

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.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

The City 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, and fines and forfeitures. Primary expenditures are for administration, police, fire, street maintenance, and sanitation.

The **2023 Bond Construction** is a major capital project fund used to account for major street drainage related projects funded by the 2023 bonds.

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

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

Additionally, the City reports the following fund types:

Special Revenue Funds – These funds are used to account for funds related to grants and contracts and other general government resources that are restricted by law or contractual agreement to specific purposes other than debt service or capital projects.

Debt Service Fund – This fund is used to account for the resources accumulated for and the payment of principal and interest on long-term debt of the City.

Capital Project Funds – These funds are used to account for the proceeds of debt issues and their expenditures on the approved projects for which the debt was issued.

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 the 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).

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(1) Summary of significant accounting policies (continued)

Cash and cash equivalents and investments (continued)

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 the City's investments carried at fair value are valued using quoted market prices (Level 1 inputs).

Accounts receivable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements and are netted in the government-wide financial statements.

A tax lien attaches to the property on January 1st of each year. The tax lien on the property secures the payment of all ad valorem taxes, penalties, and interest imposed on the property for the year. The City Council sets the tax rate in September of each year and property taxes are assessed each October 1st.

The property taxes are payable at their stated amount, without penalty and interest, from October 1st in the year they are levied to January 31st of the subsequent year. Taxes collected from February 1st through June 30th are considered past due and are assessed a late payment penalty and interest. On July 1st, any remaining uncollected taxes become delinquent. Thereafter, the City may file suit for collection of the unpaid delinquent taxes, which then become subject to additional penalties and attorney fees.

Property taxes are levied based on taxable value at January 1, become due October 1, and 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 unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(1) Summary of significant accounting policies (continued)

Allowance for uncollectible accounts

Allowances have been established by management based on the best available information for a variety of receivables as of September 30, 2024. An allowance for uncollectible accounts has been recorded in the General Fund and the Debt Service Fund for property taxes in the amount of \$15,851.

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 cost if purchased or constructed. Donated capital assets recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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>Estimated Life</u>
Buildings and improvements	10 – 35 years
Vehicles and equipment	3 – 15 years
Infrastructure	25 – 30 years

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(1) Summary of significant accounting policies (continued)

Deferred inflows and outflows of resources

A deferred outflow of resources is a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category: deferred pension and OPEB-related outflows reported on the government-wide statements. The deferred pension and OPEB-related outflows result from contributions made after the measurement date and changes in actuarial assumptions.

Deferred inflows of resources 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. 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. The deferred pension and OPEB related inflows result from differences between expected and actual experiences and differences between expected and actual investment returns. Lease revenues for future periods are recorded on the financial statements as deferred inflows related to leases.

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

Other postemployment benefit (OPEB) liability

For purposes of measuring the OPEB liability, deferred inflows and outflows 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.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(1) Summary of significant accounting policies (continued)

Fund equity

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

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

Restricted – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

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

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

Unassigned – represents the residual balance that may be spent on any other purpose of the City.

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

Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested 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 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(1) Summary of significant accounting policies (continued)

Adoption of new accounting standards

The City implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*, effective January 1, 2024, in accordance with the requirement for fiscal years beginning after June 15, 2023. GASB 100 establishes four distinct categories of financial adjustments: (1) changes in accounting principles, (2) changes in accounting estimates, (3) changed to or within the reporting entity, and (4) corrections of errors from prior periods. As detailed in note 12, the City recognized three retrospective adjustments which resulted in a restatement of beginning net position and general fund balance as of January 1, 2024. Management’s Discussion & Analysis reflects these changes, presenting restated comparative data.

During fiscal year 2024, the City adopted GASB Statement No. 101, *Compensated Absences*, effective for periods beginning after December 15, 2023. GASB 101 establishes a consistent approach for recognizing leave-related liabilities and the City now recognizes a liability when leave: (1) accrues from services rendered, (2) accumulates, and (3) is “more likely than not” to be used or paid/settled in cash or noncash form. The liability is measured at current pay rates, including associated salary-related payments. In accordance with transition guidance under GASB 100, this change was applied retrospectively. The City has restated prior periods presented and adjusted the City’s beginning net position as of January 1, 2024. Note 12 provides details of the restatement. Management’s Discussion & Analysis has been revised to reflect restated comparative data.

(2) Cash and cash equivalents

Cash

Deposits: The City uses a pooled cash system that is available for use by all funds. City monies are deposited in demand accounts. Each fund’s portion of pooled cash reflected on the statement of net position in “cash and cash equivalents.” This amount also includes highly liquid investments with original maturities of 90 days or less.

The City’s deposits are held in Federal Deposit Insurance Corporation (FDIC) insured bank. The City’s depository agreement requires collateralization of all deposits with U.S. Government securities. The fair value of the collateral must be greater than the total amount on deposit.

The carrying amount of the City’s deposits with financial institutions was \$7,159,236 and the bank balance was \$7,241,600. The deposits were fully collateralized by securities pledged in the name of the City.

As of September 30, 2024, the City had the following cash, cash equivalents, and short-term investments:

	<u>Amount</u>
Unrestricted cash and cash equivalents	\$ 11,581,827
Restricted cash and cash equivalents	<u>3,092,924</u>
Total	<u>\$ 14,674,751</u>

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(2) Cash and cash equivalents (continued)

Cash (continued)

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) allowance 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.

Local government investment pools in Texas are established under the government of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition, to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

The pools operate in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2a7 of the Investment Company Act of 1940 but are not registered with the SEC as investment companies. The pools use amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in this pool is the same as the value of the shares in the pool.

TexPool is an external investment tailored to meet the investment needs of Texas local governments and are valued at amortized cost. They do not have any minimum or maximum transaction or balance amounts, and the investment balances are accessible on the same day as the request pending end of business time constraints. There are no limitations or restrictions on withdrawals from the pools.

The City utilizes the Texas Short Term Asset Reserve Program (TexSTAR). JPMorgan Investment Management Inc. and Hilltop Securities Inc. serve as co-administrators under an agreement with the TexSTAR board of directors to provide investment and participant services for the pool. JPMorgan Chase Bank or its subsidiaries provides custodial, fund accounting, and depository services. Boston Financial Data Services serves as the transfer agent to TexSTAR.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The portfolio is a government-repurchase agreement pool (REPO), utilizing primarily U.S. Treasury securities, U.S. agency securities, and REPO collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the US or its agencies or its instrumentalities. The fair values of the investments in this type have been determined using the NAV per share of the investments.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(2) Cash and cash equivalents (continued)

Cash (continued)

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) is a local government investment pool. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and redemption of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust, Public Trust Advisors, LLC as Program Administrator and UMB Bank, N.A. as Custodian. The fund is rated AAAM by Standard and Poor's. The Trust operates like a money market mutual fund with each share valued at \$1.00.

Presented below is the minimum rating required by (where applicable) the City's investment policy and the Act and the actual rating as of September 30, 2024 for each investment:

<u>Description</u>	<u>Investment Policy Minimum Rating</u>	<u>Investment Rating</u>	<u>Rating Organization</u>	<u>Carrying /Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Cash and cash equivalents:					
TexSTAR	AAA	AAAm	Standard & Poor's	\$ 5,631,053	0.16
TexPool	AAA	AAAm	Standard & Poor's	371,090	0.16
Texas CLASS	AAA	AAAm	Standard & Poor's	<u>1,513,372</u>	0.14
Total cash and cash equivalents				<u>\$ 7,515,515</u>	
Portfolio weighted average maturity					0.16

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.
- 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 of the securities are uninsured, 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.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(2) Cash and cash equivalents (continued)

Analysis of specific deposit and investment risks (continued)

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.

(3) Receivables

Receivables as of September 30, 2024 are as follows:

	Governmental Funds				Totals
	General Fund	Street Repair Fund	Drainage Fund	Nonmajor Funds	
Property taxes	\$ 253,437	\$ -	\$ -	\$ 37,585	\$ 291,022
Leases receivable	-	25,640	102,558	-	128,198
Sales and franchise fees	431,548	67,738	-	-	499,286
Garbage and other fees	-	-	11,418	73,430	84,848
Municipal Court	3,535,626	-	-	-	3,535,626
Interest receivable	-	3,645	14,579	-	18,224
Gross receivables	<u>4,220,611</u>	<u>97,023</u>	<u>128,555</u>	<u>111,015</u>	<u>4,557,204</u>
Less allowance for uncollectible accounts	<u>(3,195,867)</u>	<u>-</u>	<u>-</u>	<u>(2,047)</u>	<u>(3,197,914)</u>
Gross receivables	<u>\$ 1,024,744</u>	<u>\$ 97,023</u>	<u>\$ 128,555</u>	<u>\$ 108,968</u>	<u>\$ 1,359,290</u>

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(4) Capital assets

Governmental activities capital asset activity for the nine-months ended September 30, 2024 were as follows:

	Balance 12/31/2023	Increase	Transfer/ Decrease	Balance 09/30/2024
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 383,700	\$ -	\$ -	\$ 383,700
Construction in progress	<u>1,807,688</u>	<u>1,864,803</u>	<u>(3,084,796)</u>	<u>587,695</u>
Total capital assets not being depreciated, net	2,191,388	1,864,803	(3,084,796)	971,395
Capital assets, being depreciated:				
Buildings and improvements	3,083,664	54,468	-	3,138,132
Vehicles and equipment	4,393,326	470,939	(244,661)	4,619,604
Infrastructure	<u>14,697,794</u>	<u>7,850</u>	<u>3,084,796</u>	<u>17,790,440</u>
Total capital assets being depreciated	<u>22,174,784</u>	<u>533,257</u>	<u>2,840,135</u>	<u>25,548,176</u>
Less accumulated depreciation:				
Buildings and improvements	(2,033,807)	(74,184)	-	(2,107,991)
Vehicles and equipment	(3,279,894)	(288,126)	212,181	(3,355,839)
Infrastructure	<u>(1,549,136)</u>	<u>(447,501)</u>	<u>-</u>	<u>(1,996,637)</u>
Total accumulated depreciation	<u>(6,862,837)</u>	<u>(809,811)</u>	<u>212,181</u>	<u>(7,460,467)</u>
Total capital assets being depreciated, net	<u>15,311,947</u>	<u>1,343,068</u>	<u>2,627,954</u>	<u>33,008,643</u>
Governmental activities capital assets, net	<u>\$ 17,503,335</u>	<u>\$ 1,588,249</u>	<u>\$ (32,480)</u>	<u>\$ 19,059,104</u>

Land and construction in progress are not depreciated. Depreciation for the year ending September 30, 2024 was charged to the following functions:

Governmental activities:	
Administration	\$ 118,287
Municipal court	6,241
Police	209,475
Fire	228,700
Streets and drainage	200,058
Sanitation	<u>47,050</u>
Total depreciation expense	<u>\$ 809,811</u>

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(5) Long-term liabilities

Changes in long-term liabilities for the nine-months ended September 30, 2024, were as follows:

	Restated Balance 12/31/2023	Increases	Decreases	Balance 09/30/2024	Amounts Due in One Year
Governmental activities:					
Bonds:					
Tax and revenue - CO Series 2020 and 2023	\$ 12,710,000	\$ -	\$ (415,000)	\$ 12,295,000	\$ 525,000
Premium issuance	759,067	-	(42,402)	716,665	42,402
Capital lease	85,167	-	-	85,167	85,167
Compensated absences	479,976	* 64,165	-	544,141	64,165
OPEB liability	219,986	15,004	-	234,990	-
Net pension liability	3,142,737	-	(43,054)	3,099,683	-
Total governmental activities	<u>\$ 17,396,933</u>	<u>\$ 79,169</u>	<u>\$ (500,456)</u>	<u>\$ 16,975,646</u>	<u>\$ 716,734</u>

*Net increase

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 September 30, 2024, \$699,949 had been recognized in accumulated depreciation.

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

Fiscal Year	Principal	Interest	Total
2025	<u>\$ 85,167</u>	<u>\$ 2,369</u>	<u>\$ 82,798</u>
Total	<u>\$ 85,167</u>	<u>\$ 2,369</u>	<u>\$ 82,798</u>

On 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 systems in the City. The interest rate ranges from 0.25%-4% and the obligation matures in December 2040.

On March 15, 2023, the City issued Series 2023 of “Combination Tax and Revenue Certificates of Obligation” in the amount of \$5,805,000. The series 2023 funds are being used for construction and improvements of streets and drainage systems in the City. The interest rate ranges from 4%-5% and the obligation matures in September 2043.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(5) Long-term liabilities (continued)

The annual requirements for bonds for years subsequent to September 30, 2024 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 525,000	\$ 378,588	\$ 903,588
2026	550,000	358,663	908,663
2027	570,000	337,863	907,863
2028	595,000	316,138	911,138
2029	615,000	293,538	908,538
2030-2034	3,355,000	1,179,719	4,534,719
2035-2039	3,845,000	679,700	4,524,700
2040-2043	2,240,000	153,050	2,393,050
Totals	<u>\$ 12,295,000</u>	<u>\$ 3,697,259</u>	<u>\$ 15,992,259</u>

(6) Lease agreements

The City’s commercial leasing operations consists principally of the leasing of land and space to third parties for the purpose of digital advertising and messaging. The leases expire over the next 15 to 23 years.

Revenue recognized under lease contracts during the year ended September 30, 2024, was \$415,165 and includes both lease revenue and interest. The following is a schedule by year of minimum payments to be received under the City’s leases that are included in the measurement of the lease receivable as of September 30, 2024:

<u>Fiscal Year</u>	<u>Lease Revenue - Digital Billboard Sign</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 128,198	\$ 79,402	\$ 207,600
2026	244,269	139,285	383,554
2027	254,738	133,391	388,129
2028	265,547	127,228	392,775
2029	276,702	120,788	397,490
2030-2034	1,563,808	496,989	2,060,797
2035-2039	1,901,325	288,874	2,190,199
2040-2044	1,265,261	288,874	1,554,135
2045	49,428	572	50,000
Totals	<u>\$ 5,949,276</u>	<u>\$ 1,675,403</u>	<u>\$ 7,624,679</u>

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(7) Property tax

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 2024 financials is from the collections on the 2023 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, 2024, upon which the fiscal 2024 levy (2023 tax year) was \$913,730,719 (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 September 30, 2024, was \$0.543658 per \$100 of assessed value, which means that the City has a tax margin of \$1.956342 for each \$100 of assessed value and could increase its annual levy by approximately \$17.9 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 3.5% of the previous year's effective tax rate. The current year delinquent tax receivable is \$90,151.

(8) Defined benefit pension plan

Plan description

The City of Castle Hills participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.tmrs.com.

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

Benefits provided

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

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(8) Defined benefit pension plan (continued)

Benefits provided (continued)

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contribution and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	68
Active employees	<u>61</u>
Total	<u>191</u>

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 16.42% and 12.62% for calendar years 2024 and 2023 respectively. The City's contributions to TMRS for the years ended September 30, 2024 and 2023 were \$570,478 and \$515,346, respectively.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(8) Defined benefit pension plan (continued)

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2023 and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31st
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the general employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(8) Defined benefit pension plan (continued)

Net pension liability (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates (APRs) is based on a mortality study performed in 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other public and private markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member 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 members. 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 BASIC FINANCIAL STATEMENTS

September 30, 2024

(8) Defined benefit pension plan (continued)

Net pension liability (continued)

Changes in net pension liability

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2023:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2022	\$ 22,621,529	\$ 19,478,793	\$ 3,142,736
Changes for the year:			
Service cost	717,430	-	717,430
Interest	1,566,075	-	1,566,075
Changes in benefit terms including substantively automatic status	727,522	-	727,522
Difference between expected and actual experience	129,240	-	129,240
Changes of assumptions	(161,536)	-	(161,536)
Contributions - employer	-	498,158	(498,158)
Contributions - employee	-	285,829	(285,829)
Net investment income	-	2,252,240	(2,252,240)
Benefit payments, including refunds of employee contributions	(1,013,295)	(1,013,295)	-
Administrative expense	-	(14,343)	14,343
Other changes	-	(100)	100
Net changes	1,965,436	2,008,489	(43,053)
Balance at December 31, 2023	\$ 24,586,965	\$ 21,487,282	\$ 3,099,683

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 6,403,730	\$ 3,099,683	\$ 379,001

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(8) Defined benefit pension plan (continued)

Net pension liability (continued)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the schedule of changes in fiduciary net position, by participant city. The report may be obtained on the internet at www.tnrs.com.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2024, the City recognized pension expense of \$1,308,627.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 131,076	\$ -
Changes in actuarial assumptions	-	106,404
Difference between projected and actual investment earnings	536,417	-
Contributions subsequent to the measurement date	570,478	-
Total	\$ 1,237,971	\$ 106,404

The \$570,478 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended		
2024	\$	164,506
2025		173,515
2026		410,549
2027		(187,481)
Total	\$	561,089

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(9) Other postemployment benefit plan

Plan description

The City participates in a single-employer defined benefit plan, which operates like a group-term life insurance plan operated by 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 members. 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.

Benefit provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The contribution rate for the City was 0.45% and 0.42% for calendar years 2024 and 2023, respectively. The City's contributions to TMRS were \$15,634 for the SDBF program for the fiscal year ended September 30, 2024 and were equal to the required contributions.

Employees covered by benefit terms

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

Inactive employees currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>61</u>
Total	<u>114</u>

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(9) Other postemployment benefit plan (continued)

OPEB liability

The City's total OPEB liability of \$234,990 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate *	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2-21 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

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

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(9) Other postemployment benefit plan (continued)

OPEB liability (continued)

Changes in the OPEB liability:

Balance at December 31, 2022	\$	219,986
Changes for the year:		
Service cost		6,125
Interest on the OPEB liability		8,852
Difference between expected and actual experience		(1,405)
Change of assumptions		10,415
Benefit payments		(8,983)
Net changes		<u>15,004</u>
Balance at December 31, 2023	\$	<u><u>234,990</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

1% Decrease in Discount Rate <u>2.77%</u>	Discount Rate <u>3.77%</u>	1% Increase in Discount Rate <u>4.77%</u>
<u>\$ 275,941</u>	<u>\$ 234,990</u>	<u>\$ 202,628</u>

OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB

For the nine-months ended September 30, 2024, the City recognized OPEB expense of \$7,167.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(9) Other postemployment benefit plan (continued)

OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 663	\$ 9,461
Changes in actuarial assumptions	30,272	64,525
Contributions subsequent to the measurement date	8,983	-
Total	\$ 39,918	\$ 73,986

The City reported \$8,983 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of OPEB for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to the OPEB liability will be recognized in OPEB expense as follows:

Year Ended December 31,	
2024	\$ (7,273)
2025	(11,937)
2026	(16,668)
2027	(7,173)
Total	\$ (43,051)

(10) Contingencies

Litigation

The City is currently involved in two separate pending legal matters:

1. Civil Abatement Litigation – 37th District Court of Bexar County, Texas

The City is a party to ongoing litigation related to a civil abatement matter. Both a lawsuit and counterclaim have been filed in the 37th District Court of Bexar County, Texas. While the matter remains unresolved, the parties have engaged in discussions in an effort to reach a mutually agreeable resolution. Although a settlement may be possible, no final agreement has been reached, and no settlement terms have been formalized as of the date of this disclosure.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(10) Contingencies (continued)

Litigation (continued)

2. Complaint for Retrospective Relief – Federal and State Jurisdictions

The City is also involved in litigation pertaining to a Complaint for Retrospective Relief. The case has proceeded through the U.S. District Court for the Western District of Texas, the U.S. Court of Appeals for the Fifth Circuit, and the U.S. Supreme Court. The matter has since been remanded to state court, where the parties are currently engaged in discovery, including the exchange of information and preparation for depositions. At this stage, City management and legal counsel are unable to determine the likelihood or amount of any potential financial liability.

The City will continue to monitor these proceedings closely and will update this disclosure as material developments occur. The City continues to evaluate all options and remains committed to protecting its legal and financial interests. Given the uncertainty surrounding the outcome of the litigation and potential settlements, there can be no assurance at this state as to the timing, terms, or ultimate resolution of the matter. Any settlement, if reached, may involve financial or operational impacts, which will be disclosed at the appropriate time in accordance with applicable laws and regulations.

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.

(11) 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; and 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. Contributions for the period ending September 30, 2024 were \$67,722.

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 statutory limits through commercial companies for claims in excess of \$1 million for the plan year ending October 31, 2024. 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 worker's compensation coverage in 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 100% of all liabilities. Contributions for the period ending September 30, 2024 were \$75,837.

CITY OF CASTLE HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2024

(12) Restatement of beginning balances due to error correction and change in accounting principle

Restatement of the general fund balance as of January 1, 2024, consists of the following:

	<u>General Fund</u>
Beginning fund balance - January 1, 2024	\$ 5,458,140
Correction of error - understated prepaid expenses	<u>67,722</u>
Restated beginning fund balance - January 1, 2024	<u><u>\$ 5,525,862</u></u>

Restatement of the net position as of January 1, 2024, consists of the following:

	<u>Governmental Activities</u>
Beginning net assets - January 1, 2024	\$ 18,047,302
Correction of error - understated prepaid expenses	67,722
Correction of error - understated accounts receivable	325,690
Change in accounting principle - adoption of GASB 101	<u>(81,060)</u>
Restated beginning net assets - January 1, 2024	<u><u>\$ 18,359,654</u></u>

(13) Subsequent events

The City has evaluated subsequent events through July 8, 2025, the date which the financial statements were available to be issued. There were no subsequent events for disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

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



CITY OF CASTLE HILLS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – GENERAL FUND**

For the nine-months ended September 30, 2024

	Budget Amounts		GAAP Basis Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes	\$ 3,086,196	\$ 3,086,196	\$ 4,078,046	\$ 991,850
Sales taxes	1,384,000	1,384,000	1,198,834	(185,166)
Franchise fees	440,000	440,000	306,181	(133,819)
Court fees	526,250	526,250	563,187	36,937
Garbage fees	410,375	410,375	366,935	(43,440)
Building and other permits	200,450	200,450	237,414	36,964
Police and fire revenues	36,400	36,400	48,573	12,173
Investment income	75,000	75,000	203,707	128,707
Miscellaneous	58,250	58,250	95,253	37,003
Total revenues	<u>6,216,921</u>	<u>6,216,921</u>	<u>7,098,130</u>	<u>881,209</u>
Expenditures:				
Current:				
Administration	806,357	806,357	1,175,986	(369,629)
Municipal court	218,244	218,244	209,694	8,550
Police	2,563,462	2,563,462	2,374,812	188,650
Fire	1,738,577	1,738,577	1,794,985	(56,408)
Streets	338,141	338,141	343,496	(5,355)
Sanitation	438,890	438,890	571,031	(132,141)
Capital outlay	113,250	113,250	37,077	76,173
Total expenditures	<u>6,216,921</u>	<u>6,216,921</u>	<u>6,507,081</u>	<u>(290,160)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>591,049</u>	<u>591,049</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(12,354)</u>	<u>(12,354)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(12,354)</u>	<u>(12,354)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>578,695</u>	<u>578,695</u>
Fund balance - beginning	5,458,140	5,458,140	5,458,140	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>67,722</u>	<u>67,722</u>
Fund balance - beginning (restated)	<u>5,458,140</u>	<u>5,458,140</u>	<u>5,525,862</u>	<u>67,722</u>
Fund balance - ending	<u>\$ 5,458,140</u>	<u>\$ 5,458,140</u>	<u>\$ 6,104,557</u>	<u>\$ 646,417</u>

CITY OF CASTLE HILLS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – STREET REPAIR FUND**

For the nine-months ended September 30, 2024

	Budget Amounts		GAAP Basis Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 265,000	\$ 265,000	\$ 289,611	\$ 24,611
Lease agreements	30,500	30,500	49,575	19,075
Interest income from lease agreements	-	-	33,458	33,458
Total revenues	<u>295,500</u>	<u>295,500</u>	<u>372,644</u>	<u>77,144</u>
Expenditures:				
Current:				
Streets	<u>75,000</u>	<u>75,000</u>	<u>122,554</u>	<u>(47,554)</u>
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>122,554</u>	<u>(47,554)</u>
Excess (deficiency) of revenues over (under) expenditures	220,500	220,500	250,090	29,590
Fund balance - beginning	<u>765,432</u>	<u>765,432</u>	<u>765,432</u>	<u>-</u>
Fund balance - ending	<u>\$ 985,932</u>	<u>\$ 985,932</u>	<u>\$ 1,015,522</u>	<u>\$ 29,590</u>

CITY OF CASTLE HILLS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – DRAINAGE FUND**

For the nine-months ended September 30, 2024

	Budget Amounts		GAAP Basis	Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Stormwater fees	\$ 108,000	\$ 108,000	\$ 105,701	\$ (2,299)
Lease agreements	180,890	180,890	198,301	17,411
Interest from lease agreements	<u>-</u>	<u>-</u>	<u>133,831</u>	<u>133,831</u>
Total revenues	<u>288,890</u>	<u>288,890</u>	<u>437,833</u>	<u>148,943</u>
Expenditures:				
Current:				
Drainage	-	-	209	(209)
Debt service:				
Principal	323,256	323,256	215,000	(108,256)
Interest	<u>73,606</u>	<u>73,606</u>	<u>181,862</u>	<u>(108,256)</u>
Total expenditures	<u>396,862</u>	<u>396,862</u>	<u>397,071</u>	<u>(216,721)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(107,972)</u>	<u>(107,972)</u>	<u>40,762</u>	<u>148,734</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(28,722)</u>	<u>(28,722)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(28,722)</u>	<u>(28,722)</u>
Net change in fund balance	(107,972)	(107,972)	12,040	120,012
Net position - beginning	<u>1,862,515</u>	<u>1,862,515</u>	<u>1,862,515</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,754,543</u>	<u>\$ 1,754,543</u>	<u>\$ 1,874,555</u>	<u>\$ 120,012</u>

CITY OF CASTLE HILLS, TEXAS

**TMRS NET PENSION LIABILITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Fiscal year ending	9/30/2024	12/31/2023	12/31/2022	12/31/2021
Actuarial Valuation Date	12/31/2023	12/31/2022	12/30/2021	12/31/2020
Total Pension Liability				
Service cost	\$ 717,430	\$ 599,473	\$ 574,347	\$ 563,706
Interest (on the total pension liability)	1,566,075	1,437,396	1,369,765	1,307,886
Changes of benefit terms	727,522	-	-	-
Difference between expected and actual experience	129,240	100,613	21,733	(29,753)
Change of assumptions	(161,536)	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,013,295)</u>	<u>(1,021,947)</u>	<u>(930,972)</u>	<u>(929,891)</u>
Net change in total pension liability	1,965,436	1,115,535	1,034,873	911,948
Total pension liability - beginning	<u>22,621,531</u>	<u>21,505,996</u>	<u>20,471,123</u>	<u>19,559,175</u>
Total pension liability - ending (a)	<u><u>\$ 24,586,967</u></u>	<u><u>\$ 22,621,531</u></u>	<u><u>\$ 21,505,996</u></u>	<u><u>\$ 20,471,123</u></u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 498,158	\$ 487,143	\$ 477,622	\$ 452,242
Contributions - employee	285,829	273,019	260,559	255,732
Net investment income	2,252,240	(1,553,027)	2,478,058	1,357,571
Benefit payments, including refunds of employee contributions	(1,013,295)	(1,021,947)	(930,972)	(929,891)
Administrative expense	(14,343)	(13,449)	(11,471)	(8,787)
Other	<u>(100)</u>	<u>16,049</u>	<u>78</u>	<u>(343)</u>
Net change in plan fiduciary net position	2,008,489	(1,812,212)	2,273,874	1,126,524
Plan fiduciary net position - beginning	<u>19,478,795</u>	<u>21,291,007</u>	<u>19,017,133</u>	<u>17,890,609</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 21,487,284</u></u>	<u><u>\$ 19,478,795</u></u>	<u><u>\$ 21,291,007</u></u>	<u><u>\$ 19,017,133</u></u>
Net pension liability (a) - (b)	<u><u>\$ 3,099,683</u></u>	<u><u>\$ 3,142,736</u></u>	<u><u>\$ 214,989</u></u>	<u><u>\$ 1,453,990</u></u>
Plan fiduciary net position as a percentage of total pension liability	87.39%	86.11%	99.00%	92.90%
Covered payroll	<u><u>\$ 4,083,265</u></u>	<u><u>\$ 3,900,266</u></u>	<u><u>\$ 3,722,376</u></u>	<u><u>\$ 3,653,309</u></u>
Net pension liability as a percentage of total covered payroll	75.91%	80.58%	5.78%	39.80%

12/31/2020 12/31/2019	12/31/2019 12/31/2018	12/31/2018 12/31/2017	12/31/2017 12/31/2016	12/31/2016 12/31/2015	12/31/2015 12/31/2014
\$ 535,770	\$ 527,993	\$ 543,595	\$ 519,906	\$ 475,976	\$ 373,750
1,251,508	1,203,461	1,143,903	1,076,375	1,069,749	1,039,608
-	-	-	-	-	-
(8,695)	(3,985)	88,526	91,064	(302,567)	(417,323)
37,787	-	-	-	(1,015)	-
<u>(1,060,324)</u>	<u>(978,783)</u>	<u>(793,003)</u>	<u>(604,541)</u>	<u>(595,341)</u>	<u>(637,785)</u>
756,046	748,686	983,021	1,082,804	646,802	358,250
<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>	<u>14,983,566</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>
\$ 396,408	\$ 411,903	\$ 423,323	\$ 420,366	\$ 433,297	\$ 380,234
242,587	249,053	255,895	242,785	228,052	209,084
2,453,667	(500,201)	2,048,055	932,351	20,251	745,640
(1,060,324)	(978,784)	(793,003)	(604,541)	(595,341)	(637,785)
(13,865)	(9,668)	(10,614)	(10,531)	(12,335)	(7,786)
<u>(417)</u>	<u>(505)</u>	<u>(538)</u>	<u>(567)</u>	<u>(610)</u>	<u>(640)</u>
2,018,056	(828,202)	1,923,118	979,863	73,314	688,747
<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>	<u>13,035,713</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>
<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>
91.47%	84.41%	92.50%	86.56%	86.30%	89.46%
<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>
48.15%	82.37%	37.03%	66.13%	67.25%	54.15%

CITY OF CASTLE HILLS, TEXAS

**TMRS NET PENSION LIABILITY
SCHEDULE OF CONTRIBUTIONS**

Fiscal year ending	<u>9/30/2024</u>	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Actuarially determined contributions	\$ 586,113	\$ 498,233	\$ 477,622	\$ 452,242
Contributions in relation to the actuarially determined contributions	<u>570,478</u>	<u>515,307</u>	<u>450,607</u>	<u>487,539</u>
Contribution deficiency (excess)	<u>\$ 15,635</u>	<u>\$ (17,074)</u>	<u>\$ 27,015</u>	<u>\$ (35,297)</u>
Covered payroll	<u>\$ 3,474,291</u>	<u>\$ 4,083,265</u>	<u>\$ 3,900,266</u>	<u>\$ 3,722,376</u>
Contributions as a percentage of covered payroll	16.42%	12.62%	11.55%	13.10%

<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
\$ 396,408	\$ 395,417	\$ 411,648	\$ 423,129	\$ 420,402	\$ 433,317
<u>416,955</u>	<u>394,897</u>	<u>411,970</u>	<u>423,129</u>	<u>420,402</u>	<u>433,317</u>
<u>\$ (20,547)</u>	<u>\$ 520</u>	<u>\$ (322)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<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>
11.41%	11.40%	11.58%	11.57%	12.12%	13.30%

CITY OF CASTLE HILLS, TEXAS

**SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS***

Fiscal year ending	9/30/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Actuarial Valuation Date	12/31/2023	12/31/2022	12/30/2021	12/31/2020	12/31/2019	12/31/2018
OPEB liability						
Service cost	\$ 6,125	\$ 14,041	\$ 11,539	\$ 8,403	\$ 5,545	\$ 7,116
Interest (on the OPEB liability)	8,852	5,723	6,024	7,054	8,039	7,101
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(1,405)	791	(10,487)	(4,480)	(11,617)	4,986
Change of assumptions	10,415	(100,873)	8,553	36,592	38,403	(14,520)
Benefit payments **	<u>(8,983)</u>	<u>(7,411)</u>	<u>(6,701)</u>	<u>(2,191)</u>	<u>(1,733)</u>	<u>(1,779)</u>
Net change in OPEB liability	15,004	(87,729)	8,928	45,378	38,637	2,904
OPEB liability - beginning	<u>219,986</u>	<u>307,715</u>	<u>298,787</u>	<u>253,409</u>	<u>214,772</u>	<u>211,868</u>
OPEB liability - ending	<u>\$ 234,990</u>	<u>\$ 219,986</u>	<u>\$ 307,715</u>	<u>\$ 298,787</u>	<u>\$ 253,409</u>	<u>\$ 214,772</u>
Covered payroll	<u>\$ 4,083,265</u>	<u>\$ 3,900,266</u>	<u>\$ 3,722,276</u>	<u>\$ 3,653,309</u>	<u>\$ 3,465,527</u>	<u>\$ 3,557,903</u>
OPEB liability as a percentage of total covered payroll	5.75%	5.64%	8.27%	8.18%	7.31%	6.04%

*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the sixth year of implementation of GASB 75. The City will develop the schedule prospectively.

**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 for retirees.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CASTLE HILLS, TEXAS
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2024

			Special Revenue Funds	
	Debt Service	2020 Construction Bond	Child Safety	Animal Control
Assets:				
Cash and cash equivalents	\$ 115,374	\$ -	\$ 115,498	\$ 6,918
Property taxes receivable (net)	35,538	-	-	-
Receivables, net	1,162	-	379	-
Prepaid expenses	-	-	-	-
Restricted cash and cash equivalents	-	230,588	-	-
Total assets	\$ 152,074	\$ 230,588	\$ 115,877	\$ 6,918
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources:				
Unavailable property tax revenue	35,538	-	-	-
Total deferred inflows of resources	35,538	-	-	-
Fund balances:				
Restricted	116,536	230,588	115,877	6,918
Total fund balances	116,536	230,588	115,877	6,918
Total liabilities, deferred inflows of resources, and fund balances	\$ 152,074	\$ 230,588	\$ 115,877	\$ 6,918

Special Revenue Funds

Municipal Court Technology	Municipal Court Security	Municipal Court Efficiency	Municipal Jury	Local Truancy Prevention	Police Seizure
\$ 4,099	\$ 65,692	\$ 15,474	\$ 1,288	\$ 64,689	\$ 570,384
-	-	-	-	-	-
-	-	-	-	-	-
3,089	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 7,188</u>	<u>\$ 65,692</u>	<u>\$ 15,474</u>	<u>\$ 1,288</u>	<u>\$ 64,689</u>	<u>\$ 570,384</u>
\$ -	\$ 490	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	490	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,188	65,202	15,474	1,288	64,689	570,384
<u>7,188</u>	<u>65,202</u>	<u>15,474</u>	<u>1,288</u>	<u>64,689</u>	<u>570,384</u>
<u>\$ 7,188</u>	<u>\$ 65,692</u>	<u>\$ 15,474</u>	<u>\$ 1,288</u>	<u>\$ 64,689</u>	<u>\$ 570,384</u>

CITY OF CASTLE HILLS, TEXAS
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2024

	Special Revenue Funds				Total Nonmajor Funds
	LEOSE	Crime Control and Prevention District	American Rescue Plan	Hotel Occupancy Tax	
Assets:					
Cash and cash equivalents	\$ 16,246	\$ 1,453,624	\$ 212,612	\$ 39,032	\$ 2,680,930
Property taxes receivable (net)	-	-	-	-	35,538
Receivables, net	-	67,514	-	4,375	73,430
Property taxes	-	-	-	-	3,089
Sales and franchise fees	-	-	-	-	230,588
Total assets	<u>\$ 16,246</u>	<u>\$ 1,521,138</u>	<u>\$ 212,612</u>	<u>\$ 43,407</u>	<u>\$ 3,023,575</u>
Liabilities:					
Accounts payable	\$ -	\$ 850	\$ 17,255	\$ -	\$ 18,595
Due to other funds	-	5,772	-	-	5,772
Total liabilities	<u>-</u>	<u>6,622</u>	<u>17,255</u>	<u>-</u>	<u>24,367</u>
Deferred inflows of resources:					
Unavailable property tax revenue	-	-	-	-	35,538
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,538</u>
Fund balances:					
Restricted	16,246	1,514,516	195,357	43,407	2,963,670
Total fund balances	<u>16,246</u>	<u>1,514,516</u>	<u>195,357</u>	<u>43,407</u>	<u>2,963,670</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,246</u>	<u>\$ 1,521,138</u>	<u>\$ 212,612</u>	<u>\$ 43,407</u>	<u>\$ 3,023,575</u>



CITY OF CASTLE HILLS, TEXAS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS**

For the nine-months ended September 30, 2024

		2020 Construction	Special Revenue Funds	
	Debt Service	Bond	Child Safety	Animal Control
Revenues:				
Property taxes	\$ 388,382	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Fines and forfeitures	-	-	9,886	-
Investment income	-	9,663	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>388,382</u>	<u>9,663</u>	<u>9,886</u>	<u>-</u>
Expenditures:				
Current:				
Administration	-	-	-	-
Municipal court	-	-	-	-
Police	-	-	-	-
Debt service:				
Bond principal	200,000	-	-	-
Bond interest	339,117	-	-	-
Capital outlay	-	7,850	-	-
Total expenditures	<u>539,117</u>	<u>7,850</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(150,735)</u>	<u>1,813</u>	<u>9,886</u>	<u>-</u>
Other financing sources (uses):				
Proceeds for the sale of capital assets	-	-	-	-
Transfers in	28,722	-	-	-
Total other financing sources (uses)	<u>28,722</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(122,013)	1,813	9,886	-
Fund balances - beginning	<u>238,549</u>	<u>228,775</u>	<u>105,991</u>	<u>6,918</u>
Fund balances - ending	<u>\$ 116,536</u>	<u>\$ 230,588</u>	<u>\$ 115,877</u>	<u>\$ 6,918</u>

Special Revenue Funds

Municipal Court Technology	Municipal Court Security	Municipal Court Efficiency	Municipal Jury	Local Truancy Prevention	Police Seizure
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
14,663	17,409	911	337	-	60,047
-	-	-	-	-	481
-	-	-	-	16,858	869
<u>14,663</u>	<u>17,409</u>	<u>911</u>	<u>337</u>	<u>16,858</u>	<u>61,397</u>
-	-	-	-	-	-
19,829	12,162	-	-	-	-
-	-	-	-	-	29,875
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	49,925
<u>19,829</u>	<u>12,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,800</u>
<u>(5,166)</u>	<u>5,247</u>	<u>911</u>	<u>337</u>	<u>16,858</u>	<u>(18,403)</u>
-	-	-	-	-	-
<u>12,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>12,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7,188	5,247	911	337	16,858	(18,403)
-	59,955	14,563	951	47,831	588,787
<u>\$ 7,188</u>	<u>\$ 65,202</u>	<u>\$ 15,474</u>	<u>\$ 1,288</u>	<u>\$ 64,689</u>	<u>\$ 570,384</u>

CITY OF CASTLE HILLS, TEXAS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS**

For the nine-months ended September 30, 2024

	Special Revenue Funds				Total Nonmajor Funds
	LEOSE	Crime Control and Prevention District	American Rescue Plan	Hotel Occupancy Tax	
	LEOSE	District	Plan	Tax	
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 388,382
General sales and use taxes	-	286,958	-	8,185	295,143
Fines and forfeitures	-	-	-	-	103,253
Investment income	41	3,737	-	-	13,922
Miscellaneous	3,910	15,400	-	-	37,037
Total revenues	<u>3,951</u>	<u>306,095</u>	<u>-</u>	<u>8,185</u>	<u>837,737</u>
Expenditures:					
Current:					
Administration	-	-	33,803	-	33,803
Municipal court	-	-	-	-	31,991
Police	-	179,733	71,303	-	280,911
Debt service:					
Bond principal	-	-	-	-	200,000
Bond interest	-	-	-	-	339,117
Capital outlay	-	367,316	71,089	-	496,180
Total expenditures	<u>-</u>	<u>547,049</u>	<u>176,195</u>	<u>-</u>	<u>1,382,002</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,951</u>	<u>(240,954)</u>	<u>(176,195)</u>	<u>8,185</u>	<u>(544,265)</u>
Other financing sources (uses):					
Proceeds for the sale of capital assets	-	51,550	-	-	51,550
Transfers in	-	-	-	-	41,076
Total other financing sources (uses)	<u>-</u>	<u>51,550</u>	<u>-</u>	<u>-</u>	<u>92,626</u>
Net change in fund balance	3,951	(189,404)	(176,195)	8,185	(451,639)
Fund balances - beginning	<u>12,295</u>	<u>1,703,920</u>	<u>371,552</u>	<u>35,222</u>	<u>3,415,309</u>
Fund balances - ending	<u>\$ 16,246</u>	<u>\$ 1,514,516</u>	<u>\$ 195,357</u>	<u>\$ 43,407</u>	<u>\$ 2,963,670</u>

CITY OF CASTLE HILLS, TEXAS

**COMPARATIVE BALANCE SHEETS
GENERAL FUND**

September 30, 2024 and December 31, 2023

	2024	Restated 2023
Assets:		
Cash and cash equivalents	\$ 6,252,328	\$ 7,651,809
Receivables, net		
Property taxes	239,633	2,173,113
Sales and franchise fees	431,548	587,023
Municipal Court	353,563	325,690
Prepaid expenses	858	15,790
Due from others	5,772	5,772
Total assets	\$ 7,283,702	\$ 10,759,197
Liabilities:		
Accounts payable	\$ 456,555	\$ 262,250
Wages and salaries payable	129,394	205,034
Deferred revenue municipal court	353,563	325,690
Total liabilities	939,512	792,974
Deferred inflows of resources:		
Unavailable property tax revenue	239,633	226,563
Property taxes levied for future periods	-	4,281,520
Total deferred inflows of resources	239,633	4,508,083
Fund balances:		
Nonspendable: prepaid	858	15,790
Restricted fund balance:		
PEG funds	70,191	68,676
Committed fund balance:		
Workstation upgrade	53,046	49,216
Assigned fund balance:		
Major vehicle purchases	725,290	639,040
Improvement projects from CIED	213,756	248,206
Unassigned fund balance	5,041,416	4,437,212
Total fund balances	6,104,557	5,458,140
Total liabilities, deferred inflows of resources and fund balances	\$ 7,283,702	\$ 10,759,197

CITY OF CASTLE HILLS, TEXAS

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND**

For the periods ended September 30, 2024 and December 31, 2023

	2024	Restated 2023
Revenues:		
Taxes:		
Property taxes	\$ 4,078,046	\$ 4,582,021
Sales taxes	1,198,834	1,614,582
Franchise fees	306,181	541,054
Court fees	366,935	486,675
Garbage fees	237,414	207,924
Building and other permits	563,187	468,569
Police and fire revenues	48,573	54,110
Investment income	203,707	280,686
Miscellaneous	<u>95,253</u>	<u>113,821</u>
Total revenues	<u>7,098,130</u>	<u>8,349,442</u>
Expenditures:		
Current:		
Administration	1,175,986	1,297,734
Municipal court	209,694	234,459
Police	2,374,812	2,824,612
Fire	1,794,985	2,224,049
Streets	343,496	443,557
Sanitation	571,031	638,465
Drainage	37,077	65,360
Debt service:		
Bond principal	-	82,865
Bond interest	<u>-</u>	<u>4,671</u>
Total expenditures	<u>6,507,081</u>	<u>7,815,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>591,049</u>	<u>533,670</u>
Other financing sources (uses):		
Transfers out	<u>(12,354)</u>	<u>-</u>
Total other financing sources (uses)	<u>(12,354)</u>	<u>-</u>
Net change in fund balances	578,695	533,670
Fund balances - beginning	5,458,140	4,924,470
Prior period adjustment	<u>67,722</u>	<u>-</u>
Fund balance - beginning (restated)	<u>5,525,862</u>	<u>4,924,470</u>
Fund balances - ending	<u>\$ 6,104,557</u>	<u>\$ 5,458,140</u>

CITY OF CASTLE HILLS, TEXAS

**COMPARATIVE STATEMENTS OF NET POSITION
STREET REPAIR FUND**

September 30, 2024 and December 31, 2023

	2024	2023
Assets:		
Cash and cash equivalents	\$ 938,414	\$ 685,936
Receivables, net		
Lease receivables	25,640	46,826
Sales and franchise fees	67,738	69,439
Interest receivable	3,645	2,415
Restricted cash		
Leases receivable - noncurrent	1,164,215	1,164,216
Total assets	\$ 2,199,652	\$ 1,968,832
Liabilities:		
Accounts payable	\$ 28,875	\$ -
Total liabilities	28,875	-
Deferred inflows of resources:		
Deferred inflows of resources - leases	1,155,255	1,203,400
Total deferred inflows of resources	1,155,255	1,203,400
Fund balances:		
Restricted fund balance:		
Street repair	1,015,522	765,432
Total fund balances	1,015,522	765,432
Total liabilities, deferred inflows of resources and fund balances	\$ 2,199,652	\$ 1,968,832

CITY OF CASTLE HILLS, TEXAS

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
STREET REPAIR FUND**

For the periods ended September 30, 2024 and December 31, 2023

	2024	2023
Revenues:		
Taxes:		
General sales and use taxes	\$ 289,611	\$ 391,283
Lease agreements	49,575	64,338
Interest income from lease agreements	33,458	29,830
Miscellaneous	-	51,417
Total revenues	372,644	536,868
 Expenditures:		
Current:		
Streets	122,554	367,101
Total expenditures	122,554	367,101
 Excess (deficiency) of revenues over (under) expenditures	 250,090	 169,767
 Net change in fund balances	 250,090	 169,767
 Fund balances - beginning	 765,432	 643,483
Prior period adjustment	-	(47,818)
Fund balances - beginning (restated)	765,432	595,665
 Fund balances - ending	 \$ 1,015,522	 \$ 765,432

CITY OF CASTLE HILLS, TEXAS

**COMPARATIVE STATEMENTS OF NET POSITION
DRAINAGE FUND**

September 30, 2024 and December 31, 2023

	2024	2023
Assets:		
Cash and cash equivalents	\$ 1,710,155	\$ 1,810,919
Receivables, net		
Lease receivables	102,558	187,303
Garbage and other fees	11,418	11,369
Interest receivable	14,579	9,661
Restricted cash		
Leases receivable - noncurrent	4,656,863	4,656,863
Total assets	\$ 6,495,573	\$ 6,676,115
Liabilities:		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
Deferred inflows of resources:		
Deferred inflows of resources - leases	4,621,018	4,813,600
Total deferred inflows of resources	4,621,018	4,813,600
Fund balances:		
Restricted fund balance:		
Drainage improvements	1,874,555	1,862,515
Total fund balances	1,874,555	1,862,515
Total liabilities, deferred inflows of resources and fund balances	\$ 6,495,573	\$ 6,676,115

CITY OF CASTLE HILLS, TEXAS

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
DRAINAGE FUND**

For the periods ended September 30, 2024 and December 31, 2023

	2024	2023
Revenues:		
Taxes:		
Stormwater fees	\$ 105,701	\$ 150,808
Lease agreements	198,301	257,819
Interest income from lease agreements	133,831	118,852
Total revenues	437,833	527,479
Expenditures:		
Current:		
Drainage	209	200
Debt services:		
Debt principal	215,000	195,000
Debt interest	181,862	94,337
Total expenditures	397,071	289,537
Excess (deficiency) of revenues over (under) expenditures	40,762	237,942
Other financing sources (uses):		
Transfers out	(28,722)	-
Total other financing sources (uses)	(28,722)	-
Net change in fund balances	12,040	237,942
Fund balances - beginning	1,862,515	1,815,844
Prior period adjustment	-	(191,271)
Fund balances - beginning (restated)	1,862,515	1,624,573
Fund balances - ending	\$ 1,874,555	\$ 1,862,515