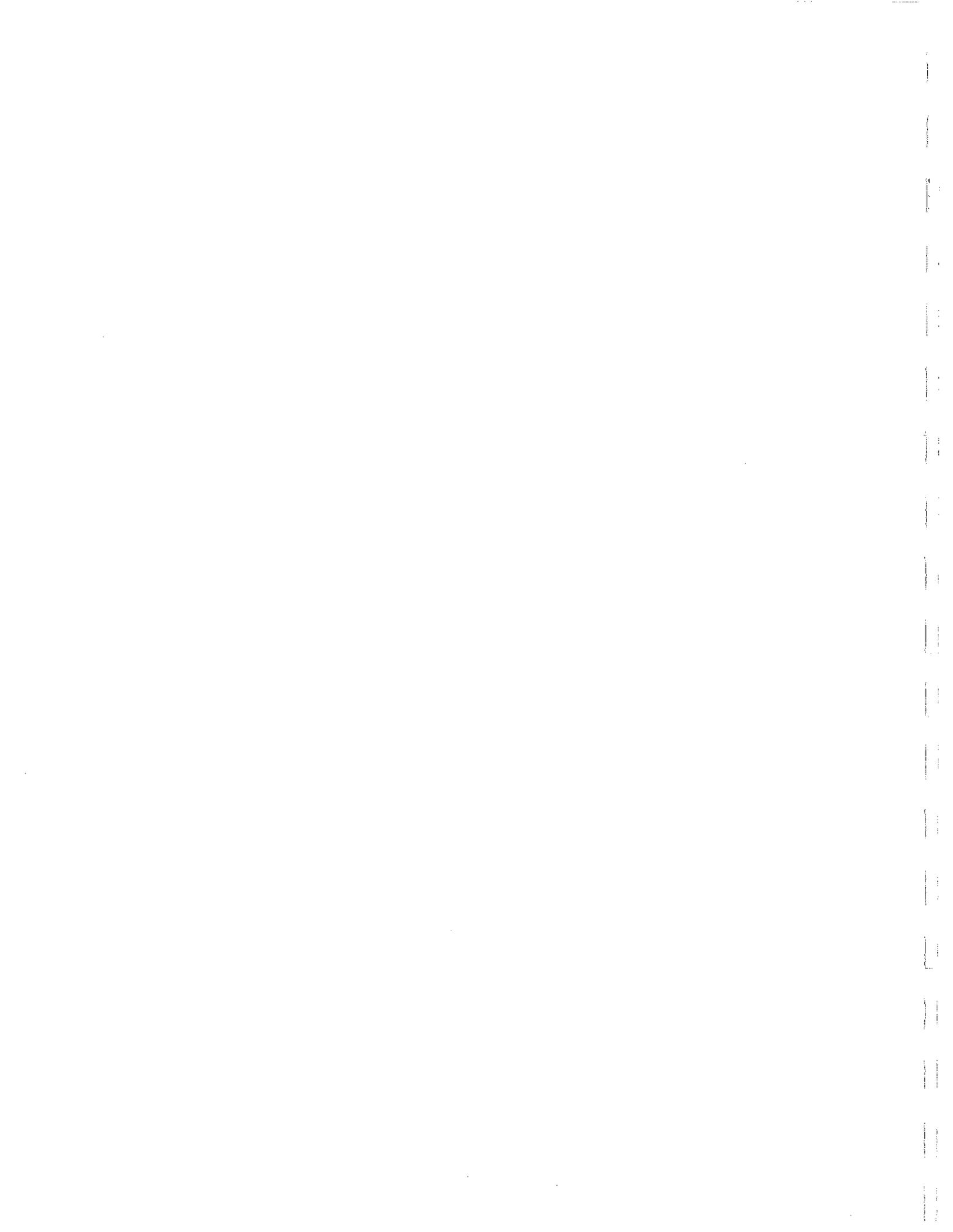




CITY OF CASTLE HILLS, TEXAS

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
DECEMBER 31, 2017**



CITY OF CASTLE HILLS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2017

CITY OFFICIALS

MAYOR

TIM HOWELL

MAYOR PRO TEM

J.R. TREVINO

CITY COUNCIL

MARETTA SCOTT

AMY MCLIN

FRANK PAUL

DOUGLAS A. GREGORY

CITY MANAGER

CURT VAN DE WALLE

CITY ATTORNEY

MICHAEL S. BRENNAN



Material Weaknesses in Internal Controls

April 30, 2018

To the City Council and Management
City of Castle Hills, Texas

In planning and performing our audit of the financial statements of the City of Castle Hills as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City of Castle Hills's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Castle Hills's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probably as defined as follows:

- *Reasonable possible.* The chance of the future event or events occurring is more than remote, but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiency in the City of Castle Hills' internal control to be a material weakness:

Significant Correcting Entries

Audit procedures revealed significant correcting entries that needed to be made to the City's financial statements. These corrections were the result of unrecorded investment account activities and payroll withholding errors. Additionally, none of the City's bank accounts had bank reconciliations performed after August 2017. Any errors in cash balance were not detected and corrected in a timely manner. As a result, the financial statements provided to City Council on a monthly basis were unreliable and were possibly a contributing factor for the City exceeding budgeted expenditures in the General Fund. The City should have the financial director prepare all bank reconciliations on a monthly basis. The deficiency was a result of a position vacancy of key financial personnel. Due to the vacancy of the Finance Director position, the bank statements had not been reconciled since August 2017. In late February 2018, the new

City Manager engaged a financial consultant to assume the interim Finance Director duties and as of the date of this report, the bank statements have been reconciled through March 2018.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Sincerely,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.



Communication with Those Charged with Governance

To the Management, Mayor and City Council
City of Castle Hills, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Castle Hills as of and for the year ended December 31, 2017, and have issued our report thereon dated April 30, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 14, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of City of Castle Hills solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding material weaknesses noted during the audit in a separate letter to you dated April 30, 2018.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to City of Castle Hills's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Castle Hills is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Useful lives of capital assets
- Allowance for uncollectible receivables for property taxes
- Net pension liability assumptions for mortality rates and investment returns

Management's estimate of the useful lives of the depreciable assets is based on past history, engineering estimates, and industry standard. The allowance for uncollectible accounts has been estimated for ad valorem property taxes based on collections history of the City. The estimates related to the Net Pension Liability are based on the actuarial study performed by Texas Municipal Retirement System with no input from the City's Management. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting City of Castle Hills' financial statements relate to Texas Municipal Retirement System.

Significant Difficulties Encountered during the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. A significant adjustment was made to correct payroll expenditures due to an accounting system error made by management. We also assisted management in recording routine items such as accounts payable, tax accruals, and other receivables. None of these adjustments were indicative of deficiencies in internal control.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated April 30, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Public Funds Investment Act

As a part of our audit, we review the City's compliance with the Public Funds Investment Act. We found, as a result of our tests, that the City does not have an approved investment policy for 2017. Additionally, we noted that the investment officer is not signing off on the quarterly investments report. Our procedures determined that the City is not in compliance with the provisions of the Texas Government Code Chapter 2256.008 of the Public Funds Investment Act.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with City of Castle Hills, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Castle Hills' auditors.

Other Matters

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the audit for the year ending December 31, 2016, we noted the following suggestion for improvement that has not been resolved:

1. The City's internal control policy on GASB Statement No. 68 currently does not address the review of the employee census data recorded in the TMRS employee pension records. The City should develop a policy and review the employee's census data periodically to ensure the pension liability estimate is accurate.

During the current audit, we became aware of the following opportunities to enhance the operations of the City with the following suggestions:

1. Management failed to renew their letter of credit with Federal Home Loan Bank of Dallas to collateralize their bank account held at Generations Community FCU. Consequently, the City's cash balances exceeded the National Credit Union Administration (NCUA) limit by \$736,885. Should the institution become insolvent, any amount above the \$250,000 NCUA limit would be at risk. Subsequent to year-end, management has taken the proper actions to renew their letter of credit and their cash balances are fully collateralized.
2. A reconciliation of credit card receivables has not been regularly accomplished. As a result, the credit card receivables have increased from \$2,922 to \$12,643 as of December 31, 2017. Management should reconcile credit card transactions on a monthly basis to prevent the overstatement of credit card receivables and the understatement of credit card transaction fees. The credit card fees have been fully reconciled through March 2018.
3. The interim finance clerk had been performing both HR and payroll clerk duties without review from another key employee until early December 2017. In December 2017, the interim finance clerk was relieved of HR duties. The City has an effective payroll review procedure in place, but the procedure has not been followed. The new City Manager has taken the necessary steps to re-implement the procedure and has since been corrected as of early March 2018.
4. The City currently uses ASYST as the City's accounting system. However, the system does not have the capability of interfacing with the court system, building permits and other items to track on the same accounting system. The court system and the building permits are tracked on Incode, and the other items are tracked on spreadsheets. Therefore, many spreadsheets and journal entries are created to transfer the data to the ASYST system. This increases the amount of work required to record the data for the financial statements, and increases the likelihood of errors. Consider centralizing the accounting and recording systems with an accounting system that is more conducive to a City and its corresponding revenue streams.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the information and use of the City Council and management of City of Castle Hills and is not intended to be and should not be used by anyone other than these specified parties.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

April 30, 2018



CITY OF CASTLE HILLS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

	PAGE
TITLE PAGE	i
CITY OFFICIALS	ii
TABLE OF CONTENTS	iii
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS.....	9
STATEMENT OF NET POSITION.....	10
STATEMENT OF ACTIVITIES.....	12
BALANCE SHEET - GOVERNMENTAL FUNDS.....	13
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS.....	15
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	16
NOTES TO BASIC FINANCIAL STATEMENTS.....	17
REQUIRED SUPPLEMENTARY INFORMATION.....	34
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND.....	35
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL – STREET REPAIR FUND.....	36
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL.....	37
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS.....	38
SCHEDULE OF CITY CONTRIBUTIONS.....	39
SUPPLEMENTARY INFORMATION.....	40
COMPARATIVE BALANCE SHEETS - GENERAL FUND.....	41
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND.....	42
COMPARATIVE BALANCE SHEETS - STREET REPAIR FUND.....	43
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - STREET REPAIR FUND.....	44
COMBINING BALANCE SHEETS - NONMAJOR FUNDS.....	45
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR FUNDS.....	47



Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Castle Hills, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Castle Hills' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Castle Hills, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

941 West Byrd Blvd., Suite 101 • Universal City, Texas 78148
Phone: 210-658-6229 • Fax: 210-659-7611 • Email: info@avacpa.com • www.avacpa.com

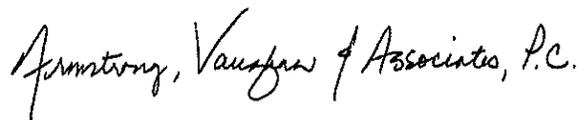
Other Matters

Required Supplementary Information

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

Other Information

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



Armstrong, Vaughan & Associates, P.C.

April 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Castle Hills's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

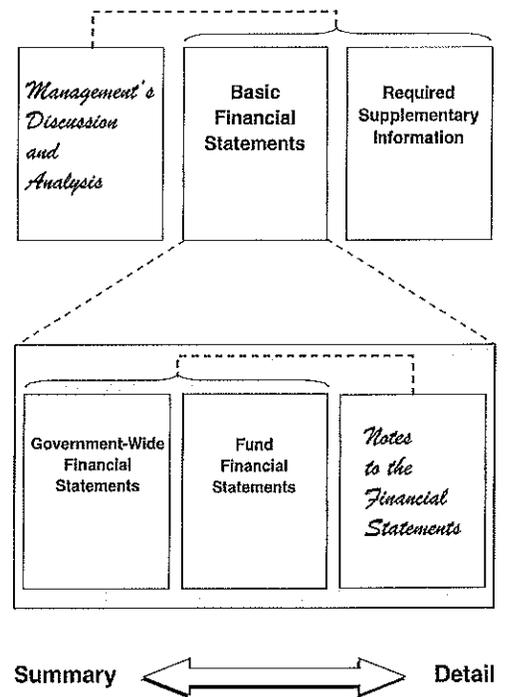
- The City's total net position was \$10.7 million at December 31, 2017.
- During the year, the City's expenses were \$370 thousand less than the \$7.6 million generated in taxes and other revenues for governmental activities.
- The total cost of the City's programs increased 7.1% from the previous year.
- The general fund reported a fund balance this year of \$4.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The City has Governmental Funds as follows:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's net position was \$10.7 million at December 31, 2017. (See Table A-1).

Table A-1
City of Castle Hills Net Position

	Governmental Activities		Percentage Change
	2017	2016	
<i>Assets:</i>			
Cash and Investments	\$ 8,382,268	\$ 8,790,247	-4.6%
Receivables	2,380,862	2,594,945	-8.3%
Prepaid Expenses	111,532	112,936	-1.2%
Capital Assets (Net)	6,015,922	5,022,423	19.8%
Total Assets	16,890,584	16,520,551	2.2%
Total Deferred Outflows	1,053,349	1,272,887	-17.2%
<i>Liabilities:</i>			
Accounts Payable and Accruals	284,148	929,437	-69.4%
Deferred Revenues	95,000	307,470	-69.1%
Long-term Liabilities	3,211,994	2,537,445	26.6%
Total Liabilities	3,591,142	3,774,352	-4.9%
Total Deferred Inflows	3,613,070	3,649,505	-1.0%
<i>Net Position:</i>			
Net Invested in Capital Assets	5,465,998	5,022,423	8.8%
Restricted	2,218,543	1,708,165	29.9%
Unrestricted	3,055,180	3,638,993	-16.0%
Total Net Position	\$ 10,739,721	\$ 10,369,581	3.6%

The \$3.0 million of unrestricted net position represents resources available to fund the programs of the City next year.

GOVERNMENTAL ACTIVITIES

Changes in net position. The City’s total revenues were \$7.6 million, an increase of 2.0%. A significant portion, 69.7%, comes from taxes, 25.3% percent relates to charges for services, and .2% comes from operating contributions.

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

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

	Governmental Activities		Percentage Change
	2017	2016	
Program Revenues:			
Charges for Services	\$ 1,925,112	\$ 2,022,884	-4.8%
Operating Contributions	13,578	39,601	-65.7%
General Revenues			
Property Taxes	3,180,344	2,909,859	9.3%
Franchise Fees	534,125	511,372	4.4%
Sales Taxes	1,592,502	1,606,030	-0.8%
License Agreements	190,000	190,000	0.0%
Investment Income	69,098	26,226	163.5%
Miscellaneous	107,519	159,462	-32.6%
Total Revenues	<u>7,612,278</u>	<u>7,465,434</u>	<u>2.0%</u>
Administration	1,023,007	997,651	2.5%
Municipal Court	384,473	313,296	22.7%
Police	2,535,596	2,410,168	5.2%
Fire	1,781,808	1,727,990	3.1%
Streets	992,465	838,974	18.3%
Sanitation	461,927	384,350	20.2%
Drainage	62,862	91,770	-31.5%
Total Expenses	<u>7,242,138</u>	<u>6,764,199</u>	<u>7.1%</u>
Change in Net Position	<u>\$ 370,140</u>	<u>\$ 701,235</u>	<u>-47.2%</u>

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

- The cost of all *governmental* activities this year was \$7.2 million.
- The amount that our taxpayers paid for these activities through property taxes was \$3.2 million.
- Some of the cost, \$1.9 million, was paid by those who directly benefited from the programs.

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services			Net Cost (Revenue) of Services		
	2017	2016	% Change	2017	2016	% Change
Administration	\$ 1,023,007	\$ 997,651	2.5%	\$ 686,750	\$ 507,166	35.4%
Municipal Court	384,473	313,296	22.7%	(580,169)	(539,030)	7.6%
Police	2,535,596	2,410,168	5.2%	2,501,861	2,232,810	12.0%
Fire	1,781,808	1,727,990	3.1%	1,771,100	1,556,922	13.8%
Streets	992,465	838,974	18.3%	992,465	468,631	111.8%
Sanitation	461,927	384,350	20.2%	6,869	(106,206)	-106.5%
Drainage	62,862	91,770	-31.5%	(75,428)	(51,496)	46.5%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$7.6 million, an increase of 2.0%. The City experienced an increase in property tax collections due to higher appraised property values.

General Fund Budgetary Highlights

The City has a legally adopted budget for the General Fund. Revenues were \$77 thousand more than budgeted revenues and expenditures were \$203 thousand more than budgeted expenditures. The excess expenditures occurred as a result of infrastructure improvements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017 the City had invested \$10.2 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Table A-4
City's Capital Assets

	2017	2016	Percentage Change
Land	\$ 383,700	\$ 383,700	0.00%
Buildings and Improvements	3,028,036	2,976,035	1.75%
Vehicles and Equipment	2,903,308	2,837,568	2.32%
Infrastructure	2,751,846	2,507,780	9.73%
Construction in Progress	1,153,891	168,459	584.97%
Totals at Historical Cost	10,220,781	8,873,542	15.18%
Total Accumulated Depreciation	(4,204,859)	(3,851,119)	9.19%
Net Capital Assets	\$ 6,015,922	\$ 5,022,423	19.78%

Long Term Debt

At the end of 2017, the City had \$550 thousand in capital leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long Term Debt

	2017	2016	Percentage Change
Capital Leases	\$ 549,924	\$ -	100.0%
Total Long Term Debt	\$ 549,924	\$ -	100.0%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2018 budget, tax rates, and fees that will be charged. The economic outlook for Bexar County remains stable. 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 2018 remained the same at a tax rate of \$0.501345 per \$100 of taxable value. This rate consists of only a maintenance and operations (M&O) tax rate of \$0.501345 and no interest and sinking (debt service) tax rate. The rate was set based on a net assessed value of \$683,455,192. A proposition for the limitation of the increase of ad valorem taxes for the residence homestead of a person who is disabled or who is sixty-five (65) years of age or older as authorized by Article VIII, Section 1-b (h) of the Texas Constitution and Section 11.261 of the Texas Tax Code was approved by voters in May 2017. Although the tax freeze, as is commonly referred to, will become effective with the 2018 tax year the tax revenue affected will begin with the 2019 budget year. Since this could significantly impact the City's future ad valorem it is important to be aware for future revenue projections.

The City's second largest source of revenue in the General Fund is sales tax. The City anticipates an increase in this revenue stream from the prior year by \$100,000. The City has several businesses that closed in the 2017 budget year but are expected to reopen with in the 2018 budget year. Since the 2017 budget year did see a slight decrease it is important to note that the decrease is expected to be temporary.

The City also had a large tax payer that maintained a multiple story senior living complex that was significantly damaged in a fire in 2014. Currently the building is unsuitable for occupancy, as a result there has been a decrease in the value of this property and collection of ad valorem taxes. The property is currently in the process of being purchased and is expected to be remodeled for future housing. The City expects the future valuation of this property to increase for the 2020 Budget year, building permits will increase in 2019 related to this project and possibly some within the 2018 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF CASTLE HILLS, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities
ASSETS	
Cash	\$ 7,523,751
Investments	858,517
Receivables (Net of Allowances for Uncollectible Accounts):	
Property Taxes	1,960,130
Sales and Franchise Fees	352,735
Garbage, Stormwater and Other Fees	67,997
Prepaid Expenses	111,532
Capital Assets:	
Land	383,700
Buildings and Improvements	3,028,036
Vehicles and Equipment	2,903,308
Infrastructure	2,751,846
Construction In Progress	1,153,891
Accumulated Depreciation	<u>(4,204,859)</u>
TOTAL ASSETS	<u>16,890,584</u>
 DEFERRED OUTFLOWS	
Deferred Pension Related Outflows	<u>1,053,349</u>
TOTAL DEFERRED OUTFLOWS	<u>\$ 1,053,349</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2017

	Governmental Activities
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 186,558
Accrued Expenses	97,590
License Agreements Received in Advance	95,000
Capital Leases - Due within One Year	72,248
Compensated Absences - Due within One Year	73,657
<i>Noncurrent Liabilities:</i>	
Net Pension Liability	2,293,785
Capital Leases - Due in more than One Year	477,676
Compensated Absences - Due in more than One Year	294,628
TOTAL LIABILITIES	3,591,142
DEFERRED INFLOWS	
Property Taxes Levied for Future Periods	3,414,913
Deferred Pension Related Inflows	198,157
TOTAL DEFERRED INFLOWS	3,613,070
NET POSITION	
Restricted for:	
Street Repairs	517,232
Drainage Improvements	598,376
Police	914,466
Municipal Court	132,804
PEG Funds	50,659
Animal Control	5,006
Net Investment in Capital Assets	5,465,998
Unrestricted	3,055,180
TOTAL NET POSITION	\$ 10,739,721

See accompanying notes to basic financial statements.



CITY OF CASTLE HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions and Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
<i>Governmental Activities:</i>				
Administration	\$ 1,023,007	\$ 336,197	\$ 60	\$ (686,750)
Municipal Court	384,473	964,642	-	580,169
Police	2,535,596	20,217	13,518	(2,501,861)
Fire	1,781,808	10,708	-	(1,771,100)
Streets	992,465	-	-	(992,465)
Sanitation	461,927	455,058	-	(6,869)
Drainage	62,862	138,290	-	75,428
<i>Total Governmental Activities</i>	<u>7,242,138</u>	<u>1,925,112</u>	<u>13,578</u>	<u>(5,303,448)</u>
Total Government	<u>\$ 7,242,138</u>	<u>\$ 1,925,112</u>	<u>\$ 13,578</u>	<u>(5,303,448)</u>
General Revenues:				
Taxes:				
Property Taxes				3,180,344
Franchise Fees				534,125
Sales Taxes				1,592,502
License Agreements				190,000
Investment Income				69,098
Miscellaneous				107,519
Total General Revenues				<u>5,673,588</u>
Change in Net Position				370,140
Net Position at Beginning of Year				<u>10,369,581</u>
Net Position at End of Year				<u>\$ 10,739,721</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund		
ASSETS				
Cash	\$ 5,255,976	\$ 544,003	\$ 1,723,772	\$ 7,523,751
Investments	858,517	-	-	858,517
Receivables (Net of Allowances for Uncollectible Accounts):				
Property Taxes	1,960,130	-	-	1,960,130
Sales and Franchise Fees	265,879	44,003	42,853	352,735
Garbage and Other Fees	67,997	-	-	67,997
Due from Other Funds	33,376	-	-	33,376
TOTAL ASSETS	<u>\$ 8,441,875</u>	<u>\$ 588,006</u>	<u>\$ 1,766,625</u>	<u>\$ 10,796,506</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 128,187	\$ 51,774	\$ 6,597	\$ 186,558
Accrued Expenditures	97,590	-	-	97,590
Due to Other Funds	-	-	33,376	33,376
License Agreements Received in Advance	-	19,000	76,000	95,000
<i>Total Liabilities</i>	<u>225,777</u>	<u>70,774</u>	<u>115,973</u>	<u>412,524</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	197,702	-	-	197,702
Property Taxes Levied for Future Periods	3,414,913	-	-	3,414,913
<i>Total Deferred Inflows of Resources</i>	<u>3,612,615</u>	<u>-</u>	<u>-</u>	<u>3,612,615</u>
<i>Fund Balances:</i>				
Restricted For:				
Street Repairs	-	517,232	-	517,232
Drainage Improvements	-	-	598,376	598,376
Police	-	-	914,466	914,466
Municipal Court	-	-	132,804	132,804
PEG Funds	50,659	-	-	50,659
Animal Control	-	-	5,006	5,006
Committed For:				
Street Maintenance	635,602	-	-	635,602
Workstation Upgrade	2,936	-	-	2,936
Assigned for:				
Major Vehicle Purchases	136,949	-	-	136,949
Improvement Projects from CIED	482,351	-	-	482,351
Unassigned	3,294,986	-	-	3,294,986
<i>Total Fund Balances</i>	<u>4,603,483</u>	<u>517,232</u>	<u>1,650,652</u>	<u>6,771,367</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,441,875</u>	<u>\$ 588,006</u>	<u>\$ 1,766,625</u>	<u>\$ 10,796,506</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2017

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 6,771,367
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Assets created from expenditures paid in advance are not considered financial resources and, therefore, are not reported in the governmental funds.		111,532
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		6,015,922
Property taxes receivable are not available to pay current period expenditures and, therefore, are deferred in the fund statements.		197,702
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds:		
Capital Lease Payable		(549,924)
Net pension liabilities (and related deferred outflows and inflows of resources) do not consume current financial resources and are not reported in the funds.		
Net Pension Liability	(2,293,785)	
Pension Related Deferred Outflows	1,053,349	
Pension Related Deferred Inflows	<u>(198,157)</u>	(1,438,593)
Other noncurrent liabilities, including accrued compensated absences, are not due and payable in the current period and, therefore not reported in the governmental funds.		<u>(368,285)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 10,739,721</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund		
REVENUES				
Ad Valorem Taxes	\$ 3,167,415	\$ -	\$ -	\$ 3,167,415
Sales Tax	1,080,920	258,320	253,262	1,592,502
Franchise Fees	534,125	-	-	534,125
Garbage Fees	455,058	-	-	455,058
Stormwater Fees	-	-	138,290	138,290
Building and Other Permits	326,987	-	-	326,987
Fines and Forfeitures	916,660	-	68,197	984,857
License Agreements	-	38,000	152,000	190,000
Investment Income	64,375	-	4,722	69,097
Miscellaneous	119,481	-	29,012	148,493
TOTAL REVENUES	<u>6,665,021</u>	<u>296,320</u>	<u>645,483</u>	<u>7,606,824</u>
EXPENDITURES				
Current:				
Administration	944,541	-	30,704	975,245
Municipal Court	345,870	-	34,401	380,271
Police	2,263,625	-	40,921	2,304,546
Fire	1,735,091	-	-	1,735,091
Streets	866,182	13,308	-	879,490
Sanitation	433,096	-	-	433,096
Drainage	1,570	-	61,292	62,862
Capital Outlay	1,117,341	211,835	45,292	1,374,468
TOTAL EXPENDITURES	<u>7,707,316</u>	<u>225,143</u>	<u>212,610</u>	<u>8,145,069</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,042,295)	71,177	432,873	(538,245)
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Leases	549,924	-	-	549,924
Proceeds on Sale of Capital Assets	2,500	-	-	2,500
TOTAL OTHER FINANCING SOURCES (USES)	<u>552,424</u>	<u>-</u>	<u>-</u>	<u>552,424</u>
Net Change in Fund Balance	(489,871)	71,177	432,873	14,179
FUND BALANCES - JANUARY 1	<u>5,093,354</u>	<u>446,055</u>	<u>1,217,779</u>	<u>6,757,188</u>
FUND BALANCES - DECEMBER 31	<u>\$ 4,603,483</u>	<u>\$ 517,232</u>	<u>\$ 1,650,652</u>	<u>\$ 6,771,367</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 14,179

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation. 993,499

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 12,929

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

Proceeds from Capital Lease (549,924)

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

Change in Prepaid Expenses	\$ (1,404)	
Change in Accrued Compensated Absences	(21,684)	
Change in Net Pension Obligation	(77,455)	(100,543)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 370,140

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

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

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

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

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

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

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue. Property taxes which were levied and collected within 60 days of the fiscal period are considered revenue for the year ending December 31, 2017. Taxes receivable but not collected within 60 days are used to finance the budget of the fiscal year beginning January 1, 2017 and, accordingly, have been reflected as property taxes levied for future periods (a deferred inflow of resources) in the fund financial statements at December 31, 2017.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

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

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

4. INVESTMENTS

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

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

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

5. ACCOUNTS RECEIVABLE

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

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

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

6. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Allowances have been established by management based on best available information for a variety of receivables as of December 31, 2017. Allowances for uncollectible accounts have been recorded in the General Fund for \$40,617 for property taxes.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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 balance sheet.

8. 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.

9. 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.

10. CAPITAL ASSETS

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

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

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

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

11. COMPENSATED ABSENCES

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

12. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position and the balance sheet.

13. UNAVAILABLE REVENUE / UNEARNED REVENUE

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as unavailable revenue. In addition property taxes levied to fund future periods are recorded on the financial statements as property taxes levied for future periods.

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues, if any, received in advance of expenses/expenditures are reflected as unearned revenue.

14. 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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

15. NET PENSION LIABILITY

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, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. FUND EQUITY

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

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

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

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

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

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

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

17. NET POSITION

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

18. INTERFUND TRANSACTIONS

Legally authorized transfers, if any, are treated as interfund transfers and are included in the results of operations of Governmental Funds.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

19. USE OF ESTIMATES

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

20. RECLASSIFICATIONS

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. These reclassifications had no effect on the change in fund balance.

NOTE B -- CASH AND INVESTMENTS

1. Cash

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At December 31, 2017, \$736,885 of the City's cash balance was uncollateralized.

2. Investments

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. The Act requires that the Council review the investment policy at least annually, investment officers obtain minimum investment training, and investment officers sign quarterly investment reports submitted to Council. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that the City had not complied with those provisions as the finance officer did not complete the required training class.

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

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE B -- CASH AND INVESTMENTS (CONT.)

2. Investments (Continued)

The City's investments at December 31, 2017 are as shown below:

<u>Investment</u>	<u>Rating</u>	<u>Input Level</u>	<u>Reported Value</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
<i>General Fund:</i>					
Certificates of Deposit		1	\$ 524,207	\$ 524,207	335
Texas CLASS Investment Pool	AAAm	1	334,310	334,310	82
<i>Total Government</i>			<u>\$ 858,517</u>	<u>\$ 858,517</u>	

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

3. Analysis of Specific Deposit and Investment Risks

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

a. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the City did not maintain their letter of credit. As a result, at year-end, the City did not maintain their letter of credit. As a result, \$274,207 of their investments held in certificates of deposit were uncollateralized.

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE B – CASH AND INVESTMENTS (CONT.)

3. Analysis of Specific Deposit and Investment Risks (Continued)

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

NOTE C – PROPERTY TAXES

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District. Assessed values are reduced by lawful exemptions to arrive at taxable values. The City uses the October 1 levy to fund the operations of the City for the following calendar year. Since the City has an enforceable legal claim to the property taxes, the receivable is recognized in the year of the levy but the revenue is recognized in the fiscal year for which it is budgeted. Thus, property tax revenue recognized on these 2017 financials is from the collections on the 2016 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, 2017 upon which the fiscal 2017 levy (2016 tax year) was based was \$634,200,810 (i.e., market value less exemptions). The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt.

The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended December 31, 2017, was \$0.501345 per \$100 of assessed value, which means that the City has a tax margin of \$1.998655 for each \$100 of assessed value and could increase its annual levy by approximately \$12,675,486 based upon present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Code without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's effective tax rate. The current year delinquent tax receivable is \$38,308.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE D -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

Governmental Activities	Balances at 1/1/2017	Additions	Disposals	Transfers	Balances at 12/31/2017
Land	\$ 383,700	\$ -	\$ -	\$ -	\$ 383,700
Buildings and Improvements	2,976,035	-	-	52,001	3,028,036
Vehicles and Equipment	2,837,568	92,970	(27,230)	-	2,903,308
Infrastructure	2,507,780	-	-	244,066	2,751,846
Construction in Progress	168,459	1,281,499	-	(296,067)	1,153,891
	<u>8,873,542</u>	<u>1,374,469</u>	<u>(27,230)</u>	<u>-</u>	<u>10,220,781</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and Improvements	(1,381,416)	(93,584)	-	-	(1,475,000)
Vehicles and Equipment	(2,115,363)	(202,582)	27,230	-	(2,290,715)
Infrastructure	(354,340)	(84,804)	-	-	(439,144)
	<u>(3,851,119)</u>	<u>(380,970)</u>	<u>27,230</u>	<u>-</u>	<u>(4,204,859)</u>
Governmental Capital Assets, Net	<u>\$ 5,022,423</u>	<u>\$ 993,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,015,922</u>

Land and Construction in Progress are not depreciated.

Depreciation Expense was charged to the governmental functions as follows:

Administration	\$ 81,973
Municipal Court	2,213
Police	135,178
Fire	24,343
Streets	110,570
Sanitation	26,693
Total Depreciation Expense	<u>\$ 380,970</u>

NOTE E -- LONG-TERM DEBT

Changes in the City's long-term debt during the fiscal year ended December 31, 2017 were as follows:

Governmental Activities	Balance Outstanding 1/1/2017	Additions	Retirements	Balance Outstanding 12/31/2017	Due Within One Year
Capital Lease	\$ -	\$ 549,924	\$ -	\$ 549,924	\$ 72,248
Accrued Compensated Absences	177,234	260,371	(69,320)	368,285	73,657
Totals	<u>\$ 177,234</u>	<u>\$ 260,371</u>	<u>\$ (69,320)</u>	<u>\$ 368,285</u>	<u>\$ 73,657</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE E -- LONG-TERM DEBT (CONT.)

Requirements to amortize capital leases over the remaining lives are as follows:

Year End December 31	Capital Lease
2018	\$ 87,536
2019	87,536
2020	77,536
2021	87,536
2022	87,536
2023-2024	175,072
Total Minimum Lease Payments	602,752
Less Interest	(52,828)
Present Value of Minimum Payments	\$ 549,924

The City leased a new fire truck in the amount of \$1,049,924. The capital asset has not been placed in service as of December 31, 2017.

NOTE F -- INTERFUND BALANCES

At December 31, 2017, the nonmajor governmental funds owed \$33,376 to the general fund for short-term cash flow borrowings.

NOTE G -- LICENSE AGREEMENTS

The City is leasing two billboards to Clear Channel Outdoor, Inc. for a period of 25 years. This agreement runs from December 1, 2015 through November 30, 2040. The license is paid in annual installments. The balance of unrecognized license agreement revenue is shown as license agreements received in advance on the Balance Sheet and the Statement of Net Position. The future minimum lease revenues under the license are as follows:

Year End December 31, 2017	Billboard License
2018	\$ 190,000
2019	190,000
2020	190,000
2021	199,500
2022	201,496
2023-2027	1,038,146
2028-2032	1,091,060
2033-2037	1,146,716
2038-2040	715,918
	\$ 4,962,836

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE H — EMPLOYEE RETIREMENT SYSTEM

Texas Municipal Retirement System

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

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

	2015	2016
Inactive employees or beneficiaries currently receiving benefits	42	44
Inactive employees entitled to but not yet receiving benefits	34	34
Active employees	63	66
	139	144

Contributions

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (CONT.)

Contributions (Continued)

For the year ending December 31, 2017, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.58% and 13.30% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended December 31, 2017 were \$423,129 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.0% per year
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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 funding needs of TMRS.

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (CONT.)

Actuarial Assumptions (Continued)

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 rates of return by the target asset allocation percentage and by adding the expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (CONT.)

Changes in the Net Pension Liability

The schedule below presents the changes in the Net Pension Liability as of December 31, 2016:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 15,988,618	\$ 13,797,774	\$ 2,190,844
Changes for the year:			
Service Cost	519,906	-	519,906
Interest	1,076,375	-	1,076,375
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	91,064	-	91,064
Changes of Assumptions	-	-	-
Contributions - Employer	-	420,366	(420,366)
Contributions - Employee	-	242,785	(242,785)
Net Investment Income	-	932,351	(932,351)
Benefit Payments, Including Refunds of Employee Contributions	(604,541)	(604,541)	-
Administrative Expense	-	(10,531)	10,531
Other Changes	-	(567)	567
Net Changes	1,082,804	979,863	102,941
Balance at December 31, 2016	\$ 17,071,422	\$ 14,777,637	\$ 2,293,785

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 4,733,351	\$ 2,293,785	\$ 298,638

Pension Plan Fiduciary Net Position

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

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE H -- EMPLOYEE RETIREMENT SYSTEM (CONT.)

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

For the year ended December 31, 2017, the City recognized pension expense of \$500,548. Also as of December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 197,626
Changes in Actuarial Assumptions	-	531
Differences Between Projected and Actual Investment Earnings	630,220	-
Contributions Subsequent to the Measurement Date	423,129	-
	\$ 1,053,349	\$ 198,157

Deferred outflows of resources in the amount of \$423,129 is related to contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2017	\$ 67,304
2018	163,156
2019	195,256
2020	6,347
	\$ 432,063

NOTE I -- OTHER POST EMPLOYMENT BENEFITS

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

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

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE I -- OTHER POST EMPLOYMENT BENEFITS (CONT.)

The city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The city's contributions to the TMRS SDBF for 2017, 2016, and 2015 were \$7,308, \$6,244, and \$5,539, respectively.

NOTE J -- CONTINGENCIES AND COMMITMENTS

Litigation

The City is the subject of various 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.

Commitments

	Total Commitment	Expended to Date	Remaining Commitment
Phase III Roadway Improvements	\$ 159,013	\$ 103,968	\$ 55,045
SAWS Street Repairs	2,939,663	2,883,460	56,203
Total	\$ 3,098,676	\$ 2,987,428	\$ 111,248

NOTE K -- RISK MANAGEMENT

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

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified liability risks. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts up to coverage limits. Annual contributions for the plan year ending September 30, 2018 were \$59,569.

For risks related to workers compensation, the City participates in the Deep East Texas Self Insurance Fund, a public entity risk pool, which is self-sustained through member contributions. The Fund reinsures to statutory limits through commercial companies for claims in excess of \$850,000 for the plan year ending October 31, 2018. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves. The members of Deep East Texas Self Insurance Fund have no known premium liabilities for workers' compensation coverage excess of their contracted annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and as of the most recent audit, the Fund has adequate assets to more than cover more than 100% of all liabilities. Annual contributions for the plan year ending October 31, 2018 were \$57,500.



REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability
- Schedule of Pension Contributions

CITY OF CASTLE HILLS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad Valorem Tax	\$ 3,213,473	\$ 3,213,473	\$ 3,167,415	\$ (46,058)
Sales Tax	1,045,500	1,045,500	1,080,920	35,420
Franchise Fees	500,000	500,000	534,125	34,125
Garbage Fees	458,000	458,000	455,058	(2,942)
Building and Other Permits	323,000	323,000	326,987	3,987
Fines and Forfeitures	953,500	953,500	916,660	(36,840)
Investment Income	15,000	15,000	64,375	49,375
Miscellaneous	79,400	79,400	119,481	40,081
TOTAL REVENUES	<u>6,587,873</u>	<u>6,587,873</u>	<u>6,665,021</u>	<u>77,148</u>
EXPENDITURES				
<i>Current:</i>				
Administration	890,971	917,345	944,541	(27,196)
Municipal Court	316,773	316,773	345,870	(29,097)
Police	2,399,390	2,399,390	2,263,625	135,765
Fire	1,685,897	1,685,897	1,735,091	(49,194)
Streets	617,683	617,951	866,182	(248,231)
Sanitation	469,911	469,911	433,096	36,815
Drainage	3,500	3,500	1,570	1,930
Capital Outlay	43,000	1,093,905	1,117,341	(23,436)
TOTAL EXPENDITURES	<u>6,427,125</u>	<u>7,504,672</u>	<u>7,707,316</u>	<u>(202,644)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>160,748</u>	<u>(916,799)</u>	<u>(1,042,295)</u>	<u>(125,496)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Leases	-	549,924	549,924	-
Proceeds on Sale of Capital Assets	-	-	2,500	2,500
Transfers In (Out)	3,500	3,500	-	(3,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,500</u>	<u>553,424</u>	<u>552,424</u>	<u>(1,000)</u>
Net Change in Fund Balance	<u>\$ 164,248</u>	<u>\$ (363,375)</u>	<u>\$ (489,871)</u>	<u>\$ (126,496)</u>

CITY OF CASTLE HILLS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – STREET REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual (Budgetary Basis)	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales Tax	\$ 250,000	\$ 250,000	\$ 258,320	\$ 8,320
License Agreements	38,000	38,000	38,000	-
TOTAL REVENUES	<u>288,000</u>	<u>288,000</u>	<u>296,320</u>	<u>8,320</u>
EXPENDITURES				
<i>Current:</i>				
Streets	19,000	19,000	13,308	5,692
Capital Outlay	250,000	250,000	211,835	38,165
TOTAL EXPENDITURES	<u>269,000</u>	<u>269,000</u>	<u>225,143</u>	<u>43,857</u>
 Net Change in Fund Balance	 <u>\$ 19,000</u>	 <u>\$ 19,000</u>	 <u>\$ 71,177</u>	 <u>\$ 52,177</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
DECEMBER 31, 2017

Budgetary Information

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

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

The City does not use encumbrances.

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

	Total Pension Liability		
	2014	2015	2016
Service Cost	\$ 373,750	\$ 475,976	\$ 519,906
Interest (on the Total Pension Liability)	1,039,608	1,069,749	1,076,375
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(417,323)	(302,567)	91,064
Change of Assumptions	-	(1,015)	-
Benefit Payments, Including Refunds of Employee Contributions	(637,785)	(595,341)	(604,541)
Net Change in Total Pension Liability	358,250	646,802	1,082,804
Total Pension Liability - Beginning	14,983,566	15,341,816	15,988,618
Total Pension Liability - Ending	<u>\$ 15,341,816</u>	<u>\$ 15,988,618</u>	<u>\$ 17,071,422</u>
	Plan Fiduciary Net Position		
	2014	2015	2016
Contributions - Employer	\$ 380,234	\$ 433,297	\$ 420,366
Contributions - Employee	209,084	228,052	242,785
Net Investment Income	745,640	20,251	932,351
Benefit Payments, Including Refunds of Employee Contributions	(637,785)	(595,341)	(604,541)
Administrative Expense	(7,786)	(12,335)	(10,531)
Other	(640)	(610)	(567)
Net Change in Plan Fiduciary Net Position	688,747	73,314	979,863
Plan Fiduciary Net Position - Beginning	13,035,713	13,724,460	13,797,774
Plan Fiduciary Net Position - Ending	<u>\$ 13,724,460</u>	<u>\$ 13,797,774</u>	<u>\$ 14,777,637</u>
Net Pension Liability (Asset) - Ending	\$ 1,617,356	\$ 2,190,844	\$ 2,293,785
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.46%	86.30%	86.56%
Covered Employee Payroll	\$ 2,986,911	\$ 3,257,881	\$ 3,468,354
Net Pension Liability as a Percentage of Covered Employee Payroll	54.15%	67.25%	66.13%

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

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

Schedule of Contributions:

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 380,831	\$ 433,317	\$ 420,402	\$ 423,129
Contributions in Relation to the Actuarially Determined Contribution	380,831	433,317	420,402	423,129
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 2,986,913	\$ 3,257,874	\$ 3,468,364	\$ 3,655,638
Contributions as a Percentage of Covered Employee Payroll	12.75%	13.30%	12.12%	11.57%

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

Notes to the Schedule of Contributions:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes: There were no benefit changes during the year.



SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

- Comparative Statements – General Fund
- Comparative Statements – Street Repair Fund
- Combining Statements – Nonmajor Funds

CITY OF CASTLE HILLS, TEXAS
COMPARATIVE BALANCE SHEETS
GENERAL FUND
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash	\$ 5,255,976	\$ 5,754,818
Investments	858,517	1,297,821
Receivables (Net of Allowances for Uncollectible Accounts):		
Property Taxes	1,960,130	2,173,784
Sales and Franchise Fees	265,879	275,967
Garbage and Other Fees	67,997	41,282
Due from Other Funds	33,376	32,962
TOTAL ASSETS	\$ 8,441,875	\$ 9,576,634
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 128,187	\$ 811,663
Accrued Expenditures	97,590	68,050
SAWS Contribution Received in Advance	-	212,470
<i>Total Liabilities</i>	<i>225,777</i>	<i>1,092,183</i>
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	197,702	184,773
Property Taxes Levied for Future Periods	3,414,913	3,206,324
<i>Total Deferred Inflows of Resources</i>	<i>3,612,615</i>	<i>3,391,097</i>
 <i>Fund Balance:</i>		
Restricted for:		
PEG Funds	50,659	44,331
Committed for:		
Street Maintenance	635,602	599,176
SAWS Project	-	343,730
Workstation Upgrade	2,936	26,144
Assigned for:		
Major Vehicle Purchases	136,949	536,949
Improvements from CIED	482,351	481,734
Unassigned	3,294,986	3,061,290
<i>Total Fund Balance</i>	<i>4,603,483</i>	<i>5,093,354</i>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 8,441,875	\$ 9,576,634

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
REVENUES		
Ad Valorem Taxes	\$ 3,167,415	\$ 2,894,349
Sales Tax	1,080,920	1,090,861
Franchise Fees	534,125	511,372
Garbage Fees	455,058	455,179
Building and Other Permits	326,987	428,029
Fines and Forfeitures	916,660	903,819
Interest	64,375	25,009
Miscellaneous	119,481	181,888
TOTAL REVENUES	6,665,021	6,490,506
EXPENDITURES		
Current:		
Administration	944,541	927,935
Municipal Court	345,870	284,429
Police	2,263,625	2,127,428
Fire	1,735,091	1,598,678
Streets	866,182	456,260
Sanitation	433,096	352,526
Drainage	1,570	1,630
Capital Outlay	1,117,341	596,775
TOTAL EXPENDITURES	7,707,316	6,345,661
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,042,295)	144,845
OTHER FINANCING SOURCES (USES)		
Proceeds on Capital Lease	549,924	-
Proceeds on Sale of Capital Assets	2,500	12,500
TOTAL OTHER FINANCING SOURCES (USES)	552,424	12,500
Net Change in Fund Balance	(489,871)	157,345
Fund Balance at Beginning of Year	5,093,354	4,936,009
Fund Balance at End of Year	\$ 4,603,483	\$ 5,093,354

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS
 STREET REPAIR FUND
 DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash	\$ 544,003	\$ 429,497
Sales Tax Receivable	44,003	47,324
TOTAL ASSETS	\$ 588,006	\$ 476,821
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 51,774	\$ 11,766
License Agreements Received in Advance	19,000	19,000
<i>Total Liabilities</i>	70,774	30,766
 <i>Fund Balance - Restricted for Streets</i>	517,232	446,055
 TOTAL LIABILITIES AND FUND BALANCE	\$ 588,006	\$ 476,821

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 STREET REPAIR FUND
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
REVENUES		
Sales Tax	\$ 258,320	\$ 261,090
License Agreements	38,000	38,000
TOTAL REVENUES	296,320	299,090
EXPENDITURES		
Streets	13,308	10,281
Capital Outlay	211,835	120,140
TOTAL EXPENDITURES	225,143	130,421
Net Change in Fund Balance	71,177	168,669
Fund Balances at Beginning of Year	446,055	277,386
Fund Balances at End of Year	\$ 517,232	\$ 446,055

CITY OF CASTLE HILLS, TEXAS
 COMBINING BALANCE SHEETS
 NONMAJOR FUNDS
 DECEMBER 31, 2017
 (WITH COMPARATIVE TOTALS FOR 2016)

	<u>Child Safety</u>	<u>Animal Control</u>	<u>Fiesta</u>	<u>Municipal Court Technology</u>	<u>Municipal Court Security</u>
ASSETS					
Cash	\$ 55,939	\$ 5,006	\$ -	\$ 37,359	\$ 91,910
Accounts Receivable	-	-	-	-	-
Sales Tax Receivable	-	-	-	-	-
TOTAL ASSETS	<u>\$ 55,939</u>	<u>\$ 5,006</u>	<u>\$ -</u>	<u>\$ 37,359</u>	<u>\$ 91,910</u>
LIABILITIES AND FUND BALANCE					
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-
License Agreements	-	-	-	-	-
Received in Advance	-	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Restricted Fund Balance</i>	<u>55,939</u>	<u>5,006</u>	<u>-</u>	<u>37,359</u>	<u>91,910</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 55,939</u>	<u>\$ 5,006</u>	<u>\$ -</u>	<u>\$ 37,359</u>	<u>\$ 91,910</u>

Municipal Court Efficiency	Police Seizure	Crime Control and Prevention District	Drainage Fund	2017 Total	2016 Total
\$ 3,535	\$ 202,346	\$ 649,791	\$ 677,886	\$ 1,723,772	\$ 1,308,111
-	-	-	-	-	10,445
-	-	42,853	-	42,853	46,143
<u>\$ 3,535</u>	<u>\$ 202,346</u>	<u>\$ 692,644</u>	<u>\$ 677,886</u>	<u>\$ 1,766,625</u>	<u>\$ 1,364,699</u>
\$ -	\$ -	\$ 3,087	\$ 3,510	\$ 6,597	\$ 37,958
-	-	33,376	-	33,376	32,962
-	-	-	76,000	76,000	76,000
-	-	36,463	79,510	115,973	146,920
<u>3,535</u>	<u>202,346</u>	<u>656,181</u>	<u>598,376</u>	<u>1,650,652</u>	<u>1,217,779</u>
<u>\$ 3,535</u>	<u>\$ 202,346</u>	<u>\$ 692,644</u>	<u>\$ 677,886</u>	<u>\$ 1,766,625</u>	<u>\$ 1,364,699</u>

CITY OF CASTLE HILLS, TEXAS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – NONMAJOR FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (WITH COMPARATIVE TOTALS FOR 2016)

	Child Safety	Animal Control	Fiesta	Municipal Court Technology	Municipal Court Security
REVENUES					
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	-	22,166	25,994
Stormwater Fees	-	-	-	-	-
License Agreement	-	-	-	-	-
Investment Income	-	-	-	-	-
Miscellaneous	12,902	505	15,605	-	-
TOTAL REVENUES	<u>12,902</u>	<u>505</u>	<u>15,605</u>	<u>22,166</u>	<u>25,994</u>
EXPENDITURES					
Administration	-	-	30,704	-	-
Municipal Court	-	-	-	22,672	11,729
Police	16,305	-	-	-	-
Drainage	-	-	-	-	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>16,305</u>	<u>-</u>	<u>30,704</u>	<u>22,672</u>	<u>11,729</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,403)	505	(15,099)	(506)	14,265
OTHER FINANCING SOURCES (USES)					
Proceeds on Sale of Capital Assets	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(3,403)	505	(15,099)	(506)	14,265
Beginning Fund Balance	<u>59,342</u>	<u>4,501</u>	<u>15,099</u>	<u>37,865</u>	<u>77,645</u>
Ending Fund Balance	<u>\$ 55,939</u>	<u>\$ 5,006</u>	<u>\$ -</u>	<u>\$ 37,359</u>	<u>\$ 91,910</u>

Municipal Court Efficiency	Police Seizure	Crime Control and Prevention District	Drainage Fund	2017 Total	2016 Total
\$ -	\$ -	\$ 253,262	\$ -	\$ 253,262	\$ 254,080
920	19,117	-	-	68,197	71,438
-	-	-	138,290	138,290	155,284
-	-	-	152,000	152,000	152,000
-	979	3,743	-	4,722	1,217
-	-	-	-	29,012	40,972
920	20,096	257,005	290,290	645,483	674,991
-	-	-	-	30,704	16,882
-	-	-	-	34,401	28,338
-	1,108	23,508	-	40,921	70,467
-	-	-	61,292	61,292	108,436
-	23,470	21,822	-	45,292	296,963
-	24,578	45,330	61,292	212,610	521,086
920	(4,482)	211,675	228,998	432,873	153,905
-	-	-	-	-	79,000
-	-	-	-	-	79,000
920	(4,482)	211,675	228,998	432,873	232,905
2,615	206,828	444,506	369,378	1,217,779	984,874
\$ 3,535	\$ 202,346	\$ 656,181	\$ 598,376	\$ 1,650,652	\$ 1,217,779

