

CITY OF CASTLE HILLS, TEXAS

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
DECEMBER 31, 2015**



CITY OF CASTLE HILLS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2015

CITY OFFICIALS

MAYOR

TIM HOWELL

MAYOR PRO TEM

FRANK PAUL

CITY COUNCIL

LESLEY WENGER
MATTHEW DAGGETT
JOHN SQUIRE
DOUGLAS A. GREGORY

CITY MANAGER

DIANE PFEIL

CITY ATTORNEY

MICHAEL S. BRENNAN

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.



CITY OF CASTLE HILLS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

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Nancy L. Vaughan, CPA
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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note A21 to the financial statements, in January 2015, the City adopted a new accounting guidance from the Governmental Accounting Standards Board Statement No. 68 related to accounting for pensions. This resulted in a restatement of the prior year balances. Our opinion is not modified with respect to the matter.

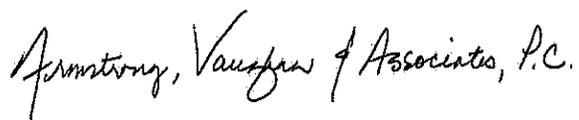
Other Matters

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 14, 2016

CITY OF CASTLE HILLS, TEXAS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

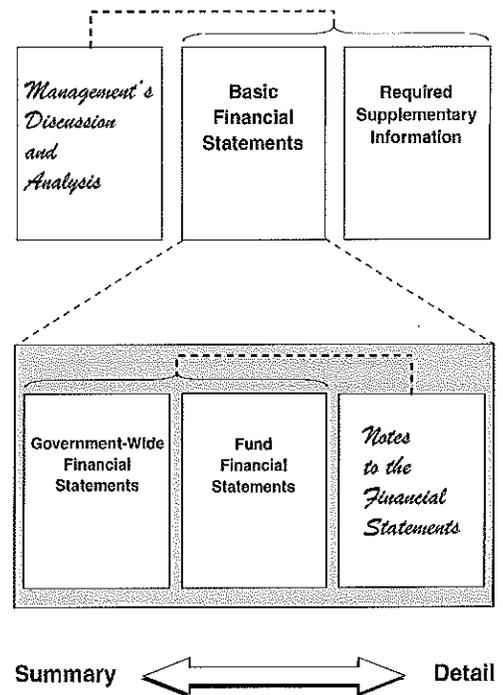
- The City's total net position was \$9.7 million at December 31, 2015.
- During the year, the City's expenses were \$1.0 million less than the \$7.0 million generated in taxes and other revenues for governmental activities.
- The total cost of the City's programs decreased 3.8% from the previous year.
- The general fund reported a fund balance this year of \$4.9 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



CITY OF CASTLE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2015

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>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • 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 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.

CITY OF CASTLE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

CITY OF CASTLE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's net position was \$9.7 million at December 31, 2015. (See Table A-1).

Table A-1
City of Castle Hills Net Position

	Governmental Activities		Percentage Change
	2015	2014	
<i>Assets:</i>			
Cash and Investments	\$ 6,939,323	\$ 6,876,544	0.9%
Receivables	2,883,084	2,222,947	29.7%
Prepaid Expenses	108,647	93,316	16.4%
Capital Assets (Net)	4,841,060	4,402,719	10.0%
<i>Total Assets</i>	<u>14,772,114</u>	<u>13,595,526</u>	<u>8.7%</u>
<i>Deferred Outflows:</i>			
✓ Deferred Pension Related Outflows	566,805	-	100.0%
<i>Total Deferred Outflows</i>	<u>566,805</u>	<u>-</u>	<u>100.0%</u>
<i>Liabilities:</i>			
Accounts Payable and Accruals	534,417	519,994	2.8%
Long-term Liabilities	1,901,010	437,215	334.8%
<i>Total Liabilities</i>	<u>2,435,427</u>	<u>957,209</u>	<u>154.4%</u>
<i>Deferred Inflows:</i>			
Property Taxes Levied for Future Periods	2,920,458	2,667,033	9.5%
✓ Deferred Pension Related Inflows	314,688	-	100.0%
<i>Total Deferred Inflows</i>	<u>3,235,146</u>	<u>2,667,033</u>	<u>21.3%</u>
<i>Net Position:</i>			
Net Invested in Capital Assets	4,841,060	4,402,719	10.0%
✓ Restricted	1,298,809	1,394,080	-6.8%
✓ Unrestricted	3,528,477	4,174,485	-15.5%
<i>Total Net Position</i>	<u>\$ 9,668,346</u>	<u>\$ 9,971,284</u>	<u>-3.0%</u>

Note – The year 2014 has not been restated for GASB Statement No. 68 adopted January 1, 2015

The \$3.5 million of unrestricted net position represents resources available to fund the programs of the City next year.

CITY OF CASTLE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2015

GOVERNMENTAL ACTIVITIES

Changes in net position. The City's total revenues were \$7.0 million, an increase of 4.2%. A significant portion, 68%, comes from taxes, while 27% percent relates to charges for services.

The total cost of all programs and services was \$6.0 million. (See Table A-2).

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

	Governmental Activities		Percentage Change
	2015	2014	
Program Revenues:			
Charges for Services	\$ 1,878,954	\$ 1,866,758	0.7%
Operating Contributions	22,139	174,053	-87.3%
General Revenues			
Property Taxes	2,657,447	2,509,825	5.9%
Franchise Fees	556,109	568,569	-2.2%
Sales Taxes	1,557,621	1,481,577	5.1%
License Agreements	190,000	-	100.0%
Investment Income	51,996	3,019	1622.3%
Miscellaneous	59,727	89,735	-33.4%
Total Revenues	6,973,993	6,693,536	4.2%
Administration	850,221	925,457	-8.1%
Municipal Court	312,893	343,333	-8.9%
Police	2,297,244	2,382,221	-3.6%
Fire	1,572,492	1,599,139	-1.7%
Streets	468,631	440,672	6.3%
Sanitation	348,430	397,106	-12.3%
Drainage	119,979	116,510	3.0%
Total Expenses	5,969,890	6,204,438	-3.8%
Increase (Decrease) in Net Position	\$ 1,004,103	\$ 489,098	105.3%

Note – The year 2014 has not been restated for GASB Statement No. 68 adopted January 1, 2015 as the information is unavailable.

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 \$6.0 million.
- The amount that our taxpayers paid for these activities through property taxes was \$2.7 million.
- Some of the cost, \$1.9 million, was paid by those who directly benefited from the programs.

CITY OF CASTLE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2015

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services			Net Cost (Revenue) of Services		
	2015	2014	% Change	2015	2014	% Change
Administration	\$ 850,221	\$ 925,457	-8.1%	\$ 507,166	\$ 613,278	-17.3%
Municipal Court	312,893	343,333	-8.9%	(539,030)	(610,324)	-11.7%
Police	2,297,244	2,382,221	-3.6%	2,232,810	2,203,348	1.3%
Fire	1,572,492	1,599,139	-1.7%	1,556,922	1,584,254	-1.7%
Streets	468,631	440,672	6.3%	468,631	440,672	6.3%
Sanitation	348,430	397,106	-12.3%	(106,206)	(51,087)	107.9%
Drainage	119,979	116,510	3.0%	(51,496)	(16,514)	211.8%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$7.0 million, an increase of 4.2%. The City started license agreements with Clear Channel for electronic billboards. Also the City experienced an increase in building permits.

General Fund Budgetary Highlights

The City has legally adopted budget for the General Fund. Revenues were \$45 thousand more than budgeted revenues and expenditures were \$458 thousand less than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015 the City had invested \$8.5 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. During 2015, the City completed phase I of the street repair and maintenance project. (See Table A-4.) 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

	2015	2014	Percentage Change
Land	\$ 383,700	\$ 383,700	0.00%
Buildings and Improvements	2,976,035	2,898,073	2.69%
Vehicles and Equipment	2,734,712	2,673,903	2.27%
Infrastructure	2,442,304	1,793,155	36.20%
Construction in Progress	7,125	-	100.00%
Totals at Historical Cost	<u>8,543,876</u>	<u>7,748,831</u>	<u>10.26%</u>
Total Accumulated Depreciation	(3,702,816)	(3,346,112)	10.66%
Net Capital Assets	<u>\$ 4,841,060</u>	<u>\$ 4,402,719</u>	<u>9.96%</u>

CITY OF CASTLE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 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.

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, 2015

	Governmental Activities
ASSETS	
Cash	\$ 5,900,378
Investments	1,038,945
Receivables (Net of Allowances for Uncollectible Accounts):	
Property Taxes	2,241,193
Sales and Franchise Fees	401,634
License Agreements	190,000
Garbage, Stormwater and Other Fees	50,257
Prepaid Expenses	108,647
Capital Assets:	
Land	383,700
Buildings and Improvements	2,976,035
Vehicles and Equipment	2,734,712
Infrastructure	2,442,304
Construction In Progress	7,125
Accumulated Depreciation	(3,702,816)
TOTAL ASSETS	14,772,114
 DEFERRED OUTFLOWS	
Deferred Pension Related Outflows	566,805
TOTAL DEFERRED OUTFLOWS	566,805
 LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	343,499
Accrued Expenses	190,918
<i>Noncurrent Liabilities:</i>	
Net Pension Liability	1,617,356
Compensated Absences - Due within One Year	56,731
Compensated Absences - Due in more than One Year	226,923
TOTAL LIABILITIES	2,435,427
 DEFERRED INFLOWS	
Property Taxes Levied for Future Periods	2,920,458
Deferred Pension Related Inflows	314,688
TOTAL DEFERRED INFLOWS	3,235,146
 NET POSITION	
Restricted for:	
Street Repairs	277,386
Drainage Improvements	170,530
Police	694,231
Municipal Court	107,170
PEG Funds	36,549
Other	12,943
Net Investment in Capital Assets	4,841,060
Unrestricted	3,528,477
TOTAL NET POSITION	\$ 9,668,346

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

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	\$ 850,221	\$ 335,710	\$ 7,345	\$ (507,166)
Municipal Court	312,893	851,923	-	539,030
Police	2,297,244	49,640 ✓	14,794	(2,232,810)
Fire Department	1,572,492	15,570 ✓	-	(1,556,922)
Streets	468,631	-	-	(468,631)
Sanitation	348,430	454,636	-	106,206
Drainage	119,979 ✓	171,475	-	51,496
<i>Total Governmental Activities</i>	<u>5,969,890</u>	<u>1,878,954</u>	<u>22,139</u>	<u>(4,068,797)</u>
Total Government	<u>\$ 5,969,890</u>	<u>\$ 1,878,954</u>	<u>\$ 22,139</u>	<u>(4,068,797)</u>
General Revenues:				
Taxes:				
Property Taxes				2,657,447
Franchise Fees				556,109
Sales Taxes				1,557,621
License Agreements				190,000
Investment Income				51,996
Miscellaneous				59,727
Total General Revenues				<u>5,072,900</u>
Change in Net Position				1,004,103
Net Position at Beginning of Year				9,971,284
Prior Period Adjustment				<u>(1,307,041)</u>
Net Position at End of Year				<u>\$ 9,668,346</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund		
ASSETS				
Cash	\$ 4,731,662	\$ 210,420	\$ 958,296	\$ 5,900,378
Investments	1,038,945	-	-	1,038,945
Receivables (Net of Allowances for Uncollectible Accounts):				
Property Taxes	2,241,193	-	-	2,241,193
Sales and Franchise Fees	307,799	45,317	48,518	401,634
License Agreement	-	38,000	152,000	190,000
Garbage and Other Fees	39,812	-	10,445	50,257
Due from Other Funds	32,962	-	-	32,962
TOTAL ASSETS	<u>\$ 8,392,373</u>	<u>\$ 293,737</u>	<u>\$ 1,169,259</u>	<u>\$ 9,855,369</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 175,725	\$ 16,351	\$ 151,423	\$ 343,499
Accrued Expenditures	190,918	-	-	190,918
Due to Other Funds	-	-	32,962	32,962
<i>Total Liabilities</i>	<u>366,643</u>	<u>16,351</u>	<u>184,385</u>	<u>567,379</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	169,263	-	-	169,263
Property Taxes Levied for Future Periods	2,920,458	-	-	2,920,458
<i>Total Deferred Inflows of Resources</i>	<u>3,089,721</u>	<u>-</u>	<u>-</u>	<u>3,089,721</u>
<i>Fund Balances:</i>				
Restricted For:				
Street Repairs	-	277,386	-	277,386
Drainage Improvements	-	-	170,530	170,530
Police	-	-	694,231	694,231
Municipal Court	-	-	107,170	107,170
PEG Funds	36,549	-	-	36,549
Other	-	-	12,943	12,943
Committed For:				
Street Maintenance	1,108,432	-	-	1,108,432
Workstation Upgrade	13,044	-	-	13,044
Assigned for:				
Memorial Clock	10,004	-	-	10,004
Fire SCBA Purchases	50,000	-	-	50,000
Major Vehicle Purchases	552,371	-	-	552,371
Improvement Projects from CIED	504,055	-	-	504,055
Unassigned	2,661,554	-	-	2,661,554
<i>Total Fund Balances</i>	<u>4,936,009</u>	<u>277,386</u>	<u>984,874</u>	<u>6,198,269</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,392,373</u>	<u>\$ 293,737</u>	<u>\$ 1,169,259</u>	<u>\$ 9,855,369</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, 2015

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 6,198,269

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. 108,647

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 4,841,060

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds 169,263

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	(1,617,356)	
Pension Related Deferred Outflows	566,805	
Pension Related Deferred Inflows	<u>(314,688)</u>	(1,365,239)

Other noncurrent liabilities, including accrued compensated absences, are not due and payable in the current period and, therefore not reported in the governmental funds. (283,654)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 9,668,346

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, 2015

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund		
REVENUES				
Ad Valorem Taxes	\$ 2,651,729	\$ -	\$ -	\$ 2,651,729
Sales Tax	1,055,446	252,625	249,550	1,557,621
Franchise Fees	556,109	-	-	556,109
Garbage Fees	455,185	-	-	455,185
Stormwater Fees	-	-	171,475	171,475
Building and Other Permits	328,443	-	-	328,443
Fines and Forfeitures	818,740	-	82,823	901,563
License Agreements	-	38,000	152,000	190,000
Investment Income	51,090	-	906	51,996
Miscellaneous	83,569	-	26,649	110,218
TOTAL REVENUES	<u>6,000,311</u>	<u>290,625</u>	<u>683,403</u>	<u>6,974,339</u>
EXPENDITURES				
Current:				
Administration	756,914	-	13,181	770,095
Municipal Court	290,980	-	22,939	313,919
Police	2,089,123	-	139,797	2,228,920
Fire	1,545,523	-	-	1,545,523
Streets	318,355	10,222	-	328,577
Sanitation	318,888	-	-	318,888
Drainage	2,683	-	210,628	213,311
Capital Outlay	123,344	581,758	98,666	803,768
TOTAL EXPENDITURES	<u>5,445,810</u>	<u>591,980</u>	<u>485,211</u>	<u>6,523,001</u>
Net Change in Fund Balance	554,501	(301,355)	198,192	451,338
FUND BALANCES - JANUARY 1	<u>4,381,508</u>	<u>578,741</u>	<u>786,682</u>	<u>5,746,931</u>
FUND BALANCES - DECEMBER 31	<u>\$ 4,936,009</u>	<u>\$ 277,386</u>	<u>\$ 984,874</u>	<u>\$ 6,198,269</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, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 451,338

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. 438,341

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. 3,730

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.

Decrease in Prepaid Expenses	\$ 15,331	
Decrease in Accrued Compensated Absences	(106,420)	
Increase in Net Pension Obligation	201,783	110,694

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,004,103

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015. Taxes receivable but not collected within 60 days are used to finance the budget of the fiscal year beginning January 1, 2016 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, 2015.

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, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2015. Allowances for uncollectible accounts have been recorded in the General Fund for \$32,919 for property taxes.

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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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

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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2014 financial statements to conform to the 2015 presentation. These reclassifications had no effect on the change in fund balance.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

21. ADOPTION OF NEW ACCOUNTING POLICIES

For the year ending December 31, 2015, the City implemented GASB Statement No. 68 related to accounting for pensions. This new standard requires the City plan's net pension liability and related deferred inflows and outflows of resources to be recognized on the City's government-wide statements. This change required a prior period adjustment to restate prior years in accordance with the change in accounting principle. The prior period adjustment recorded represents the difference between the net pension liability (including deferred inflows and outflows of resources) and the net pension obligation previously reported at December 31, 2014.

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, 2015, all of the City's deposits were fully collateralized.

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 investment 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, 2015

NOTE B -- CASH AND INVESTMENTS (Continued)

2. Investments

The City's investments at December 31, 2015 are as shown below:

<u>Investment</u>	<u>Rating</u>	<u>Reported Value</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
<i>General Fund:</i>				
Certificates of Deposit		\$ 710,634	\$ 710,634	418
Texas CLASS External Investment Pool	AAAm	328,311	328,311	68
<i>Total Government</i>		<u>\$ 1,038,945</u>	<u>\$ 1,038,945</u>	307

The certificates of deposit are fully collateralized under the City's depository agreement.

3. Analysis of Specific Deposit and Investment Risks

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

a. Concentration of Credit Risk

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

b. Credit Risk

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

c. Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk 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, 2015

NOTE B -- CASH AND INVESTMENTS (Continued)

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 2015 financials is from the collections on the 2014 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 01, 2014, upon which the fiscal 2015 levy (2014 tax year) was based was \$529,539,498 (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, 2015, 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 \$10,583,668 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 \$38,352.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE D -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

Governmental Activities	Balances at 1/1/2015	Additions	Disposals and Transfers	Balances at 12/31/2015
Land	\$ 383,700	\$ -	\$ -	\$ 383,700
Buildings and Improvements	2,898,073	77,962	-	2,976,035
Vehicles and Equipment	2,673,903	60,809	-	2,734,712
Infrastructure	1,793,155	649,149	-	2,442,304
Construction in Progress	-	7,125	-	7,125
	<u>7,748,831</u>	<u>795,045</u>	<u>-</u>	<u>8,543,876</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(1,200,302)	(88,894)	-	(1,289,196)
Vehicles and Equipment	(1,937,308)	(205,769)	-	(2,143,077)
Infrastructure	(208,502)	(62,041)	-	(270,543)
	<u>(3,346,112)</u>	<u>(356,704)</u>	<u>-</u>	<u>(3,702,816)</u>
Governmental Capital Assets, Net	<u>\$ 4,402,719</u>	<u>\$ 438,341</u>	<u>\$ -</u>	<u>\$ 4,841,060</u>

Land and construction in progress are not depreciated.

Depreciation Expense was charged to the governmental functions as follows:

Administration	\$ 75,072
Municipal Court	2,581
Police	131,966
Fire	33,868
Streets	82,838
Sanitation	30,379
Total Depreciation Expense	<u>\$ 356,704</u>

NOTE E -- INTERFUND BALANCES

At December 31, 2015, the nonmajor governmental funds owed \$32,962 to the general fund for short-term cash flow borrowings. ✓

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM

Texas Municipal Retirement System

Plan Description

The City participates as one of 860 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 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.

The following employees were covered by the benefit terms as of December 31:

	2013	2014
Inactive employees or beneficiaries currently receiving benefits	45	44
Inactive employees entitled to but not yet receiving benefits	27	29
Active employees	57	61
	129	134

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, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM (Continued)

Contributions (Continued)

For the year ending December 31, 2015, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.30% and 12.73% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended December 31, 2015 were \$433,317 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00% per year
Salary Increases	3.50% to 12.00%, including inflation
Investment Rate of Return*	7.00%

* 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 Table, 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 is used with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. 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. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE F -- EMPLOYEE RETIREMENT SYSTEM (Continued)

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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class 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%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7%. 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, 2015

NOTE F-- EMPLOYEE RETIREMENT SYSTEM (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2014:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 14,983,566	\$ 13,035,713	\$ 1,947,853
Changes for the year:			
Service Cost	373,750	-	373,750
Interest	1,039,608	-	1,039,608
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(417,323)	-	(417,323)
Changes of Assumptions	-	-	-
Contributions - Employer	-	380,234	(380,234)
Contributions - Employee	-	209,084	(209,084)
Net Investment Income	-	745,640	(745,640)
Benefit Payments, Including Refunds of Employee Contributions	(637,785)	(637,785)	-
Administrative Expense	-	(7,786)	7,786
Other Changes	-	(640)	640
Net Changes	358,250	688,747	(330,497)
Balance at December 31, 2014	\$ 15,341,816	\$ 13,724,460	\$ 1,617,356

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	Discount Rate 6%	Discount Rate 7%	Discount Rate 8%
Net Pension Liability (Asset)	\$ 3,799,262	\$ 1,617,356	\$ (168,000)

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, 2015

NOTE F -- EMPLOYEE RETIREMENT SYSTEM (Continued)

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

For the year ended December 31, 2015, the City recognized pension expense of \$201,782. Also as of December 31, 2015, 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	\$ -	\$ 314,688
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	133,488	-
Contributions Subsequent to the Measurement Date	433,317	-
	\$ 566,805	\$ 314,688

Deferred outflows of resources in the amount of \$433,317 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, 2015. 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,		
2015	\$	(69,263)
2016		(69,263)
2017		(69,263)
2018		26,589
	\$	(181,200)

NOTE G -- 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, 2015

NOTE G -- OTHER POST EMPLOYMENT BENEFITS

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 2015, 2014, and 2013 were \$5,539, \$5,376, and \$5,010, respectively.

NOTE H -- 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

The City entered into two contracts with Klotz & Associates for the phase two drainage analysis and subdivision plat review for \$98,649 and \$25,000, respectively. The estimated future commitment for the drainage analysis is \$67,592 and the plat review is \$11,580.

NOTE I -- 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, 2016 were \$56,102.

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, 2015. 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, 2016 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, 2015

	Budget		Actual (Budgetary Basis)	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad Valorem Tax	\$ 2,646,700	\$ 2,646,700	\$ 2,651,729	\$ 5,029
Sales Tax	1,043,000	1,043,000	1,055,446	12,446
Franchise Fees	500,000	500,000	556,109	56,109
Garbage Fees	459,000	459,000	455,185	(3,815)
Building and Other Permits	224,000	224,000	328,443	104,443
Fines and Forfeitures	997,300	997,300	818,740	(178,560)
Investment Income	15,000	15,000	51,090	36,090
Miscellaneous	70,000	70,000	83,569	13,569
TOTAL REVENUES	<u>5,955,000</u>	<u>5,955,000</u>	<u>6,000,311</u>	<u>45,311</u>
EXPENDITURES				
<i>Current:</i>				
Administration	782,403	782,403	756,914	25,489
Municipal Court	272,174	272,174	290,980	(18,806)
Police	2,243,272	2,243,272	2,089,123	154,149
Fire	1,543,871	1,543,871	1,545,523	(1,652)
Streets	531,906	531,906	318,355	213,551
Sanitation	373,858	373,858	318,888	54,970
Drainage	3,500	3,500	2,683	817
Capital Outlay	65,000	65,000	35,640	29,360
TOTAL EXPENDITURES	<u>5,815,984</u>	<u>5,815,984</u>	<u>5,358,106</u>	<u>457,878</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>139,016</u>	<u>139,016</u>	<u>642,205</u>	<u>503,189</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>(13,100)</u>	<u>(270,633)</u>	<u>-</u>	<u>270,633</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(13,100)</u>	<u>(270,633)</u>	<u>-</u>	<u>270,633</u>
Net Change in Fund Balance	<u>\$ 125,916</u>	<u>\$ (131,617)</u>	<u>\$ 642,205</u>	<u>\$ 773,822</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, 2015

	<u>Budget</u>		Actual (Budgetary Basis)	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales Tax	250,000	250,000	252,625	2,625
License Agreements	-	-	38,000	38,000
TOTAL REVENUES	<u>250,000</u>	<u>250,000</u>	<u>290,625</u>	<u>40,625</u>
EXPENDITURES				
<i>Current:</i>				
Streets	20,000	20,000	10,222	9,778
Capital Outlay	50,000	50,000	581,758	(531,758)
TOTAL EXPENDITURES	<u>70,000</u>	<u>70,000</u>	<u>591,980</u>	<u>(521,980)</u>
 Net Change in Fund Balance	 <u>\$ 180,000</u>	 <u>\$ 180,000</u>	 <u>\$ (301,355)</u>	 <u>\$ 562,605</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
DECEMBER 31, 2015

Reconciliation to Fund Statement

The City has segregated funds received from the closure of the City Public Service Community Infrastructure and Economic Development (CIED) fund into a separate fund for financial accounting purposes. This fund is consolidated with the General Fund for the basic financial statements; however, it is not included in the budgeting process for the General Fund. It has been excluded from the General Fund Budgetary Statement. The Fund had \$87,704 in expenditures during the fiscal year ending December 31, 2015.

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 did not exceed appropriations in the General Fund, Street Repair Fund, or Crime Control and Prevention District.

The City does not use encumbrances.



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

Total Pension Liability	
	2014
Service Cost	\$ 373,750
Interest (on the Total Pension Liability)	1,039,608
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	(417,323)
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(637,785)
Net Change in Total Pension Liability	358,250
Total Pension Liability - Beginning	14,983,566
Total Pension Liability - Ending	\$ 15,341,816
Plan Fiduciary Net Position	
	2014
Contributions - Employer	\$ 380,234
Contributions - Employee	209,084
Net Investment Income	745,640
Benefit Payments, Including Refunds of Employee Contributions	(637,785)
Administrative Expense	(7,786)
Other	(640)
Net Change in Plan Fiduciary Net Position	688,747
Plan Fiduciary Net Position - Beginning	13,035,713
Net Pension Liability - Ending	\$ 13,724,460
Net Pension Liability (Asset) - Ending	\$ 1,617,356
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.46%
Covered Employee Payroll	\$ 2,986,911
Net Pension Liability as a Percentage of Covered Employee Payroll	54.15%

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

Schedule of Contributions:

	2014
Actuarially Determined Contribution	\$ 433,317
Contributions in Relation to the Actuarially Determined Contribution	433,317
Contribution Deficiency (Excess)	\$ -
 Covered Employee Payroll	\$ 3,257,874
 Contributions as a Percentage of Covered Employee Payroll	13.30%

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	3.00%
Salary Increases	3.50% to 12.00% including Inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and femal rates multiplied by 103% and projected on a fully generational basis with scale BB.



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, 2015 AND 2014

	2015	2014
ASSETS		
Cash	\$ 4,731,662	\$ 4,442,188
Investments	1,038,945	1,079,156
Receivables (Net of Allowances for Uncollectible Accounts):		
Property Taxes	2,241,193	1,780,184
Sales and Franchise Fees	307,799	291,923
Garbage and Other Fees	39,812	51,083
Due from Other Funds	32,962	38,373
TOTAL ASSETS	\$ 8,392,373	\$ 7,682,907
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 175,725	\$ 202,007
Accrued Expenditures	190,918	266,826
<i>Total Liabilities</i>	<i>366,643</i>	<i>468,833</i>
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	169,263	165,533
Property Taxes Levied for Future Periods	2,920,458	2,667,033
<i>Total Deferred Inflows of Resources</i>	<i>3,089,721</i>	<i>2,832,566</i>
 <i>Fund Balance:</i>		
<i>Restricted for:</i>		
PEG Funds	36,549	28,657
<i>Committed for:</i>		
Street Maintenance	1,108,432	651,533
Workstation Upgrade	13,044	6,550
<i>Assigned for:</i>		
Memorial Clock	10,004	10,004
Fire SCBA Purchases	50,000	-
Major Vehicle Purchases	552,371	452,371
Improvements from CIED	504,055	591,759
Unassigned	2,661,554	2,640,634
<i>Total Fund Balance</i>	<i>4,936,009</i>	<i>4,381,508</i>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 8,392,373	\$ 7,682,907

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES		
Ad Valorem Taxes	\$ 2,651,729	\$ 2,505,330
Sales Tax	1,055,446	1,007,010
Franchise Fees	556,109	568,569
Garbage Fees	455,185	449,816
Building and Other Permits	328,443	287,059
Fines and Forfeitures	818,740	913,029
Interest	51,090	2,175
CPS CIED Funds	-	146,970
Miscellaneous	83,569	117,373
TOTAL REVENUES	6,000,311	5,997,331
EXPENDITURES		
Current:		
Administration	756,914	819,438
Municipal Court	290,980	304,840
Police	2,089,123	2,060,712
Fire	1,545,523	1,508,457
Streets	318,355	253,700
Sanitation	318,888	330,447
Drainage	2,683	3,675
Capital Outlay	123,344	327,969
TOTAL EXPENDITURES	5,445,810	5,609,238
Excess (Deficiency) of Revenues Over (Under) Expenditures	554,501	388,093
OTHER FINANCING SOURCES (USES)		
Proceeds on Sale of Capital Assets	-	2,000
TOTAL OTHER FINANCING SOURCES (USES)	-	2,000
Net Change in Fund Balance	554,501	390,093
Fund Balance at Beginning of Year	4,381,508	3,991,415
Fund Balance at End of Year	\$ 4,936,009	\$ 4,381,508

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS
 STREET REPAIR FUND
 DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash	\$ 210,420	\$ 564,125
Sales Tax Receivable	45,317	44,869
License Agreement Receivable	38,000	-
TOTAL ASSETS	\$ 293,737	\$ 608,994
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 16,351	\$ 30,253
<i>Total Liabilities</i>	16,351	30,253
<i>Fund Balance - Restricted for Streets</i>	277,386	578,741
TOTAL LIABILITIES AND FUND BALANCE	\$ 293,737	\$ 608,994

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 STREET REPAIR FUND
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES		
Sales Tax	\$ 252,625	\$ 240,637
✓ License Agreements	38,000	-
TOTAL REVENUES	290,625	240,637
 EXPENDITURES		
✓ Streets	10,222	13,372
✓ Capital Outlay	581,758	301,876
TOTAL EXPENDITURES	591,980	315,248
 Net Change in Fund Balance	(301,355)	(74,611)
 Fund Balances at Beginning of Year	578,741	653,352
 Fund Balances at End of Year	\$ 277,386	\$ 578,741

CITY OF CASTLE HILLS, TEXAS
 COMBINING BALANCE SHEETS
 NONMAJOR FUNDS
 DECEMBER 31, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)

	<u>Child Safety</u>	<u>Animal Control</u>	<u>Fiesta</u>	<u>Municipal Court Technology</u>	<u>Municipal Court Security</u>
ASSETS					
Cash	\$ 47,838	\$ 2,765	\$ 7,594	\$ 31,635	\$ 86,990
Accounts Receivable	-	-	-	-	-
Sales Tax Receivable	-	-	-	-	-
License Agreement Receivable	-	-	-	-	-
TOTAL ASSETS	<u>\$ 47,838</u>	<u>\$ 2,765</u>	<u>\$ 7,594</u>	<u>\$ 31,635</u>	<u>\$ 86,990</u>
LIABILITIES AND FUND BALANCE					
<i>Liabilities:</i>					
Accounts Payable	\$ 234	\$ -	\$ -	\$ -	\$ 13,379
Due to Other Funds	-	-	-	-	-
<i>Total Liabilities</i>	<u>234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,379</u>
<i>Restricted Fund Balance</i>	<u>47,604</u>	<u>2,765</u>	<u>7,594</u>	<u>31,635</u>	<u>73,611</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 47,838</u>	<u>\$ 2,765</u>	<u>\$ 7,594</u>	<u>\$ 31,635</u>	<u>\$ 86,990</u>

Municipal Court Efficiency	Police Seizure	Crime Control and Prevention District	Drainage Fund	Citizens Improvement Fund	2015 Total	2014 Total
\$ 1,924	\$ 184,989	\$ 523,670	\$ 68,307	\$ 2,584	\$ 958,296	\$ 791,075
-	-	-	10,445	-	10,445	10,445 ✓
-	-	48,518	-	-	48,518	44,443
-	-	-	152,000	-	152,000	-
<u>\$ 1,924</u>	<u>\$ 184,989</u>	<u>\$ 572,188</u>	<u>\$ 230,752</u>	<u>\$ 2,584</u>	<u>\$ 1,169,259</u>	<u>\$ 845,963</u>

\$ -	\$ -	\$ 77,588	\$ 60,222	\$ -	\$ 151,423	\$ 20,908
-	-	32,962	-	-	32,962	38,373
-	-	110,550	60,222	-	184,385	59,281
<u>1,924</u>	<u>184,989</u>	<u>461,638</u>	<u>170,530</u>	<u>2,584</u>	<u>984,874</u>	<u>786,682</u>
<u>\$ 1,924</u>	<u>\$ 184,989</u>	<u>\$ 572,188</u>	<u>\$ 230,752</u>	<u>\$ 2,584</u>	<u>\$ 1,169,259</u>	<u>\$ 845,963</u>

CITY OF CASTLE HILLS, TEXAS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – NONMAJOR FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)

	Child Safety	Animal Control	Fiesta	Municipal Court Technology	Municipal Court Security
REVENUES					
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	-	20,764	15,585
Stormwater Fees	-	-	-	-	-
License Agreement	-	-	-	-	-
Investment Income	-	-	-	-	-
Miscellaneous	14,794	795	11,060	-	-
TOTAL REVENUES	<u>14,794</u>	<u>795</u>	<u>11,060</u>	<u>20,764</u>	<u>15,585</u>
EXPENDITURES					
Administration	-	-	13,181	-	-
Municipal Court	-	-	-	13,313	8,012
Police	14,802	-	-	-	-
Drainage	-	-	-	-	-
Capital Outlay	-	-	-	-	22,125
TOTAL EXPENDITURES	<u>14,802</u>	<u>-</u>	<u>13,181</u>	<u>13,313</u>	<u>30,137</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8)	795	(2,121)	7,451	(14,552)
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	(8)	795	(2,121)	7,451	(14,552)
Beginning Fund Balance	<u>47,612</u>	<u>1,970</u>	<u>9,715</u>	<u>24,184</u>	<u>88,163</u>
Ending Fund Balance	<u>\$ 47,604</u>	<u>\$ 2,765</u>	<u>\$ 7,594</u>	<u>\$ 31,635</u>	<u>\$ 73,611</u>

Municipal Court Efficiency	Police Seizure	Crime Control and Prevention District	Drainage Fund	Citizens Improvement Fund	2015 Total	2014 Total
\$ -	\$ -	\$ 249,550	\$ -	\$ -	\$ 249,550	\$ 233,930
734	45,740	-	-	-	82,823	59,348
-	-	-	171,475	-	171,475	133,024
-	-	-	152,000	-	152,000	-
-	162	739	-	5	906	843
-	-	-	-	-	26,649	30,010
<u>734</u>	<u>45,902</u>	<u>250,289</u>	<u>323,475</u>	<u>5</u>	<u>683,403</u>	<u>457,155</u>
-	-	-	-	-	13,181	12,086
1,614	-	-	-	-	22,939	39,059
-	1,348	123,647	-	-	139,797	171,634
-	-	-	210,628	-	210,628	78,764
-	-	45,795	28,299	2,447	98,666	91,777
<u>1,614</u>	<u>1,348</u>	<u>169,442</u>	<u>238,927</u>	<u>2,447</u>	<u>485,211</u>	<u>393,320</u>
(880)	44,554	80,847	84,548	(2,442)	198,192	63,835
-	-	-	-	-	-	30,700
-	-	-	-	-	-	30,700
(880)	44,554	80,847	84,548	(2,442)	198,192	94,535
2,804	140,435	380,791	85,982	5,026	786,682	692,147
<u>\$ 1,924</u>	<u>\$ 184,989</u>	<u>\$ 461,638</u>	<u>\$ 170,530</u>	<u>\$ 2,584</u>	<u>\$ 984,874</u>	<u>\$ 786,682</u>

