

CITY OF CASTLE HILLS, TEXAS

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
DECEMBER 31, 2014**



CITY OF CASTLE HILLS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2014

CITY OFFICIALS

MAYOR	TIM HOWELL
MAYOR PRO TEM	JOHN SQUIRE
CITY COUNCIL	LESLEY WENGER MATTHEW DAGGETT FRANK PAUL DOUGLAS A. GREGORY
CITY MANAGER	DIANE PFEIL
CITY ATTORNEY	MICHAEL S. BRENAN
AUDITOR	ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.



CITY OF CASTLE HILLS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

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



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

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, the business-type 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, 2014, and have issued our report thereon dated April 03, 2015. 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 October 6, 2014, 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.

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.

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 2014. 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 estimate affecting the financial statements is Management's estimate of useful lives of capital assets.

Management's estimate of the useful lives of capital assets is based on industry guidance and professional judgment. We evaluated the key factors and assumptions used to develop the estimate and determined that it is 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 identified 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. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units. However, we did assist management in recording some routine items such as accounts payable, tax accruals, and other receivables. These adjustments were not indicative of deficiencies in internal control.

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.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated April 03, 2015.

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. Our procedures determined that the City is in compliance, in all material effects, with the provisions of the 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.

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

1. Tracking of Compensated Time

The City currently has the department heads in charge of tracking compensated time, vacation, and sick leave. We recommend management centralize the tracking of the compensated time by assigning a City employee the responsibility of maintaining the compensated time for all City employees. The ideal individual would be the employee that does the City's payroll, as they already have access to the employees' time and can verify the employees' compensated time balance.

2. Signature cards at International Bank of Commerce

The authorized signers on the International Bank of Commerce accounts should be updated to remove individuals no longer with the City.

3. Credit Card Deposits

Management included credit card fees in the account used to record the revenue received by a credit card. This resulted in the receivable being overstated due to the misclassification of the credit card fees. The account needs to be reconciled monthly with the credit card fees recorded to an expense account.

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 Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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.

New Pronouncements – GASB Statement No. 68

The Governmental Accounting Standards Board has approved Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, with implementation in the periods beginning after June 15, 2014. The statement established accounting and financial reporting for employers with defined benefit pensions. For the first time, a net pension liability (or asset); defined as the net of assets held in trust for pension benefits net of a total pension liability; will be recognized on the statement of net assets (net position). For the most recent valuation at December 31, 2013, the total pension liability was \$2.7 million. Any annual changes will flow to the statement of activities. There are many provisions of the statement that will affect the City of Castle Hills. Required note disclosures will include ten years of data as supplementary information. We recommend the City become familiar with the statement provisions and the potential effect implementation will have on the government-wide statement of net assets (position).

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.

April 03, 2015

SHAREHOLDERS:

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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, 2014, 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, 2014, 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.

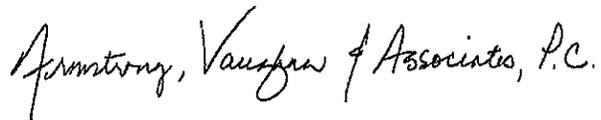
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 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 03, 2015

CITY OF CASTLE HILLS, TEXAS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

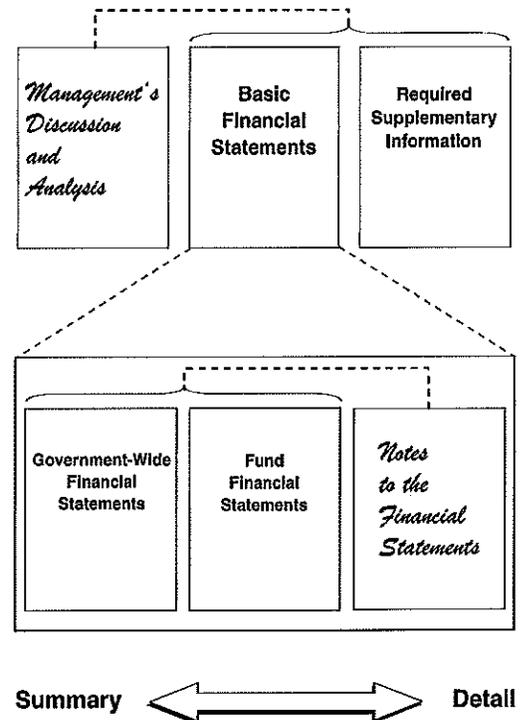
- The City's total net position was \$10.0 million at December 31, 2014.
- During the year, the City's expenses were \$490 thousand less than the \$6.7 million generated in taxes and other revenues for governmental activities.
- The total cost of the City's programs increased 13.3% from the previous year.
- The general fund reported a fund balance this year of \$4.4 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, 2014

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, 2014

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, 2014

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's net position was \$10.0 million at December 31, 2014. (See Table A-1).

Table A-1
City of Castle Hills Net Position

	Governmental Activities		Percentage Change
	2014	2013	
<i>Assets:</i>			
Cash and Investments	\$ 6,876,544	\$ 6,509,573	5.6%
Receivables	2,222,947	1,962,550	13.3%
Prepaid Expenses	93,316	90,159	3.5%
Capital Assets (Net)	4,402,719	4,250,945	3.6%
Total Assets	13,595,526	12,813,227	6.1%
<i>Liabilities:</i>			
Accounts Payable and Accruals	779,975	736,462	5.9%
Long-term Liabilities	177,234	100,334	76.6%
Total Liabilities	957,209	836,796	14.4%
<i>Deferred Inflows of Resources:</i>			
Property Taxes Levied for Future Periods	2,667,033	2,494,245	6.9%
Total Deferred Inflows of Resources	2,667,033	2,494,245	6.9%
<i>Net Position:</i>			
Invested in capital assets	4,402,719	4,250,945	3.6%
Restricted	1,394,080	1,367,083	2.0%
Unrestricted	4,174,485	3,864,158	8.0%
Total Net Position	\$ 9,971,284	\$ 9,482,186	5.2%

The \$4.2 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, 2014

GOVERNMENTAL ACTIVITIES

Changes in net position. The City's total revenues were \$6.7 million, an increase of 1.3%. A significant portion, 68%, comes from taxes, while 28% percent relates to charges for services.

The total cost of all programs and services was \$6.2 million. (See Table A-2).

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

	Governmental Activities		Percentage Change
	2014	2013	
Program Revenues:			
Charges for Services	\$ 1,866,758	\$ 1,623,818	15.0%
Operating Contributions	174,053	27,791	526.3%
General Revenues			
Property Taxes	2,509,825	2,417,047	3.8%
Franchise Fees	568,569	428,482	32.7%
Sales Taxes	1,481,577	1,441,218	2.8%
Investment Income	3,019	10,607	-71.5%
CPS CIED Funds	-	636,887	-100.0%
Miscellaneous	89,735	53,861	66.6%
Total Revenues	<u>6,693,536</u>	<u>6,639,711</u>	<u>0.8%</u>
Administration	925,457	788,472	17.4%
Municipal Court	343,333	171,366	100.4%
Police	2,382,221	2,122,308	12.2%
Fire	1,599,139	1,525,874	4.8%
Streets	440,672	310,075	42.1%
Sanitation	397,106	445,105	-10.8%
Drainage	116,510	139,580	-16.5%
Interest on Long-term Debt	-	1,806	-100.0%
Total Expenses	<u>6,204,438</u>	<u>5,504,586</u>	<u>12.7%</u>
Increase (Decrease) in Net Position	<u>\$ 489,098</u>	<u>\$ 1,135,125</u>	<u>-56.9%</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 \$6.2 million.
- The amount that our taxpayers paid for these activities through property taxes was \$2.5 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, 2014

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services			Net Cost (Revenue) of Services		
	2014	2013	% Change	2014	2013	% Change
Administration	\$ 925,457	\$ 788,472	17.4%	\$ 613,278	\$ 415,488	47.6%
Municipal Court	343,333	171,366	100.4%	(610,324)	(410,474)	48.7%
Police	2,382,221	2,122,308	12.2%	2,203,348	2,019,843	9.1%
Fire	1,599,139	1,525,874	4.8%	1,584,254	1,515,251	4.6%
Streets	440,672	310,075	42.1%	440,672	310,075	42.1%
Sanitation	397,106	445,105	-10.8%	(51,087)	(10,903)	368.6%
Drainage	116,510	139,580	-16.5%	(16,514)	11,891	-238.9%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$6.7 million, an increase of 0.3%. Even though the City Public Service CEID Fund ended in the prior year, this year their franchise fees increased. Also the City received a grant and proceeds on sale of vehicles.

General Fund Budgetary Highlights

The City has legally adopted budget for the General Fund. The fund did exceed its budgeted expenditures by \$110 thousand; however revenues were \$484 thousand more than budgeted revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014 the City had invested \$7.7 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. During 2014, the City replaced several vehicles by trading in older vehicles. (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

	2014	2013	Percentage Change
Land	\$ 383,700	\$ 383,700	0.00%
Buildings and Improvements	2,898,073	2,898,073	0.00%
Vehicles and Equipment	2,673,903	2,357,659	13.41%
Infrastructure	1,793,155	1,693,456	5.89%
Construction in Progress	-	7,000	-100.00%
Totals at Historical Cost	<u>7,748,831</u>	<u>7,339,888</u>	<u>5.57%</u>
Total Accumulated Depreciation	(3,346,112)	(3,088,943)	8.33%
Net Capital Assets	<u>\$ 4,402,719</u>	<u>\$ 4,250,945</u>	<u>3.57%</u>

CITY OF CASTLE HILLS, TEXAS
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
 FOR THE YEAR ENDED DECEMBER 31, 2014

Long-Term Debt

At year-end, the City's long-term debt consisted of employee compensated absences 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

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Compensated Absences	\$ 177,234	\$ 100,334	76.64%
Net Pension Obligation	<u>259,981</u>	<u>258,160</u>	<u>0.71%</u>
Total Long Term Debt	<u>\$ 437,215</u>	<u>\$ 358,494</u>	<u>21.96%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 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, 2014

	Governmental Activities
ASSETS	
Cash	\$ 5,797,388
Investments	1,079,156
Receivables (Net of Allowances for Uncollectible Accounts):	
Property Taxes	1,780,184
Sales and Franchise Fees	381,235
Garbage, Stormwater and Other Fees	61,528
Prepaid Expenses	93,316
Capital Assets:	
Land	383,700
Buildings and Improvements	2,898,073
Vehicles and Equipment	2,673,903
Infrastructure	1,793,155
Accumulated Depreciation	(3,346,112)
TOTAL ASSETS	13,595,526
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	253,168
Accrued Expenses	266,826
<i>Noncurrent Liabilities:</i>	
Net Pension Obligation	259,981
Compensated Absences - Due within One Year	35,447
Compensated Absences - Due in more than One Year	141,787
TOTAL LIABILITIES	957,209
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Future Periods	2,667,033
TOTAL DEFERRED INFLOWS OF RESOURCES	2,667,033
NET POSITION	
Restricted for:	
Street Repairs	578,741
Drainage Improvements	85,982
Police	568,838
Municipal Court	115,151
PEG Funds	28,657
Other	16,711
Net Investment in Capital Assets	4,402,719
Unrestricted	4,174,485
TOTAL NET POSITION	\$ 9,971,284

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net Revenue (Expense) and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Governmental Activities</u>
Primary Government:				
<i>Governmental Activities:</i>				
Administration	\$ 925,457	\$ 298,279	\$ 13,900	\$ (613,278)
Municipal Court	343,333	953,657	-	610,324
Police	2,382,221	18,720	160,153	(2,203,348)
Fire Department	1,599,139	14,885	-	(1,584,254)
Streets	440,672	-	-	(440,672)
Sanitation	397,106	448,193	-	51,087
Drainage	116,510	133,024	-	16,514
<i>Total Governmental Activities</i>	<u>6,204,438</u>	<u>1,866,758</u>	<u>174,053</u>	<u>(4,163,627)</u>
Total Government	<u>\$ 6,204,438</u>	<u>\$ 1,866,758</u>	<u>\$ 174,053</u>	<u>(4,163,627)</u>
General Revenues:				
Taxes:				
Property Taxes				2,509,825
Franchise Fees				568,569
Sales Taxes				1,481,577
Investment Income				3,019
Miscellaneous				89,735
Total General Revenues				<u>4,652,725</u>
Change in Net Position				489,098
Net Position at Beginning of Year				<u>9,482,186</u>
Net Position at End of Year				<u>\$ 9,971,284</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund		
ASSETS				
Cash	\$ 4,442,188	\$ 564,125	\$ 791,075	\$ 5,797,388
Investments	1,079,156	-	-	1,079,156
Receivables (Net of Allowances for Uncollectible Accounts):				
Property Taxes	1,780,184	-	-	1,780,184
Sales and Franchise Fees	291,923	44,869	44,443	381,235
Garbage and Other Fees	51,083	-	10,445	61,528
Due from Other Funds	38,373	-	-	38,373
TOTAL ASSETS	<u>\$ 7,682,907</u>	<u>\$ 608,994</u>	<u>\$ 845,963</u>	<u>\$ 9,137,864</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 202,007	\$ 30,253	\$ 20,908	\$ 253,168
Accrued Expenditures	266,826	-	-	266,826
Due to Other Funds	-	-	38,373	38,373
<i>Total Liabilities</i>	<u>468,833</u>	<u>30,253</u>	<u>59,281</u>	<u>558,367</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	165,533	-	-	165,533
Property Taxes Levied for Future Periods	2,667,033	-	-	2,667,033
<i>Total Deferred Inflows of Resources</i>	<u>2,832,566</u>	<u>-</u>	<u>-</u>	<u>2,832,566</u>
<i>Fund Balances:</i>				
Restricted For:				
Street Repairs	-	578,741	-	578,741
Drainage Improvements	-	-	85,982	85,982
Police	-	-	568,838	568,838
Municipal Court	-	-	115,151	115,151
PEG Funds	28,657	-	-	28,657
Other	-	-	16,711	16,711
Committed For:				
Street Maintenance	651,533	-	-	651,533
Workstation Upgrade	6,550	-	-	6,550
Assigned for:				
Memorial Clock	10,004	-	-	10,004
Major Vehicle Purchases	452,371	-	-	452,371
Improvement Projects from CIED	591,759	-	-	591,759
Unassigned	2,640,634	-	-	2,640,634
<i>Total Fund Balances</i>	<u>4,381,508</u>	<u>578,741</u>	<u>786,682</u>	<u>5,746,931</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,682,907</u>	<u>\$ 608,994</u>	<u>\$ 845,963</u>	<u>\$ 9,137,864</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, 2014

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 5,746,931
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Assets created from expenditures paid in advance are not considered financial resources and, therefore, are not reported in the governmental funds.</p>	93,316
<p>Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>	4,402,719
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds</p>	165,533
<p>Governmental funds report pension and other postemployment benefit contributions as expenditures when paid. However, in the statement of activities differences between pension plan and other postemployment benefits costs and contributions for the year are reported as an asset or obligation.</p>	(259,981)
<p>Long-term liabilities, including accrued compensated absences, are not due and payable in the current period and, therefore not reported in the governmental funds.</p>	<u>(177,234)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 9,971,284</u></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, 2014

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund		
REVENUES				
Ad Valorem Taxes	\$ 2,505,330	\$ -	\$ -	\$ 2,505,330
Sales Tax	1,007,010	240,637	233,930	1,481,577
Franchise Fees	568,569	-	-	568,569
Garbage Fees	449,816	-	-	449,816
Stormwater Fees	-	-	133,024	133,024
Building and Other Permits	287,059	-	-	287,059
Fines and Forfeitures	913,029	-	59,348	972,377
Investment Income	2,175	-	843	3,018
Grant Revenue	146,970	-	-	146,970
Miscellaneous	117,373	-	30,010	147,383
TOTAL REVENUES	<u>5,997,331</u>	<u>240,637</u>	<u>457,155</u>	<u>6,695,123</u>
EXPENDITURES				
Current:				
Administration	819,438	-	12,086	831,524
Municipal Court	304,840	-	39,059	343,899
Police	2,060,712	-	171,634	2,232,346
Fire	1,508,457	-	-	1,508,457
Streets	253,700	13,372	-	267,072
Sanitation	330,447	-	-	330,447
Drainage	3,675	-	78,764	82,439
Capital Outlay	327,969	301,876	91,777	721,622
TOTAL EXPENDITURES	<u>5,609,238</u>	<u>315,248</u>	<u>393,320</u>	<u>6,317,806</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>388,093</u>	<u>(74,611)</u>	<u>63,835</u>	<u>377,317</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	2,000	-	30,700	32,700
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,000</u>	<u>-</u>	<u>30,700</u>	<u>32,700</u>
Net Change in Fund Balance	390,093	(74,611)	94,535	410,017
FUND BALANCES - JANUARY 1	<u>3,991,415</u>	<u>653,352</u>	<u>692,147</u>	<u>5,336,914</u>
FUND BALANCES - DECEMBER 31	<u>\$ 4,381,508</u>	<u>\$ 578,741</u>	<u>\$ 786,682</u>	<u>\$ 5,746,931</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, 2014

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 410,017

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. 151,774

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 2,871

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	\$	3,157	
Decrease in Accrued Compensated Absences		(76,900)	
Increase in Net Pension Obligation		(1,821)	(75,564)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 489,098

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014

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, 2014. Taxes receivable but not collected within 60 days are used to finance the budget of the fiscal year beginning January 1, 2015 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, 2014.

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, 2014

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, 2014. Allowances for uncollectible accounts have been recorded in the General Fund for \$29,792 and \$11,560 for property taxes and garbage fees, respectively.

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, 2014

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 applicable governmental or business 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, 2014

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 OBLIGATION

The net pension obligation represents the cumulative difference between annual pension costs and the City's contribution to the plans, calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27. Expenditures are recognized when they are paid or are expected to be paid with current available resources. The net pension obligation is reported as a non-current liability in the government-wide financial statements.

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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

16. FUND EQUITY (Continued)

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 2013 financial statements to conform to the 2014 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, 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, 2014, 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 complied with those provisions.

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.

The City's investments at December 31, 2014 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		\$ 406,104	\$ 406,104	78
US Treasury Notes		345,296	345,296	105
Texas CLASS External Investment Pool	AAAm	327,756	327,756	53
<i>Total Government</i>		<u>\$ 1,079,156</u>	<u>\$ 1,079,156</u>	79

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE B -- CASH AND INVESTMENTS (Continued)

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.

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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 2014 financials is from the collections on the 2013 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, 2013, upon which the fiscal 2014 levy (2013 tax year) was based was \$496,765,038 (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, 2014, 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 \$9,928,619 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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE D -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

Governmental Activities	Balances at 1/1/2014	Additions	Disposals and Transfers	Balances at 12/31/2014
Land	\$ 383,700	\$ -	\$ -	\$ 383,700
Buildings and Improvements	2,898,073	-	-	2,898,073
Vehicles and Equipment	2,357,659	303,044	13,200	2,673,903
Infrastructure	1,693,456	207,380	(107,681)	1,793,155
Construction in Progress	7,000	6,200	(13,200)	-
	<u>7,339,888</u>	<u>516,624</u>	<u>(107,681)</u>	<u>7,748,831</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(1,112,244)	(88,058)	-	(1,200,302)
Vehicles and Equipment	(1,824,132)	(220,857)	107,681	(1,937,308)
Infrastructure	(152,567)	(55,935)	-	(208,502)
	<u>(3,088,943)</u>	<u>(364,850)</u>	<u>107,681</u>	<u>(3,346,112)</u>
Governmental Capital Assets, Net	<u>\$ 4,250,945</u>	<u>\$ 151,774</u>	<u>\$ -</u>	<u>\$ 4,402,719</u>

Land and construction in progress are not depreciated.

Depreciation Expense was charged to the governmental functions as follows:

Administration	\$ 74,939
Municipal Court	1,721
Police	133,468
Fire	49,117
Streets	75,226
Sanitation	30,379
Total Depreciation Expense	<u>\$ 364,850</u>

NOTE E -- INTERFUND BALANCES

At December 31, 2014, the nonmajor governmental funds owed \$38,373 to the general fund for short-term cash flow borrowings.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE F -- PENSION PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE F -- PENSION PLAN (Continued)

Contributions (Continued)

The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 380,831
Interest on Net Pension Obligation	18,071
Adjustment to the ARC	<u>(16,250)</u>
Annual Pension Cost (APC)	382,652
Contributions Made	<u>(380,831)</u>
Increase (Decrease) in Net Pension Obligation	1,821
Net Pension Obligation (Asset), Beginning of Year	<u>258,160</u>
Net Pension Obligation (Asset), End of Year	<u><u>\$ 259,981</u></u>

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Increase in Net Pension Obligation</u>
2012	\$ 349,326	\$ 346,834	99%	\$ 2,492
2013	345,911	343,754	99%	2,157
2013	382,652	380,831	100%	1,821

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013 also follows:

	12/31/2011	12/31/2012	12/31/2013
Actuarial Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Period	26.1 years - Closed Period	25.2 years - Closed Period	26.0 years - Closed Period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Assumptions:			
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
Inflation Rate	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

NOTE F -- PENSION PLAN (Continued)

Contributions (Continued)

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ 12,263,353	\$ 14,983,566	81.8%	\$ 2,720,213	\$ 2,783,276	97.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

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.

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 2014, 2013, and 2012 were \$5,376, \$5,010, and \$4,149, respectively.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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.

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, 2015 were \$53,047.

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, 2015 were \$57,500.

NOTE J -- RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27. The statement improves information provided by governments for defined benefit retirement plans. The statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements and it may be significant.



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 Funding Progress – Defined Benefit Pension Plan

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, 2014

	Budget		Actual (Budgetary Basis)	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad Valorem Tax	\$ 2,487,286	\$ 2,487,286	\$ 2,505,330	\$ 18,044
Sales Tax	1,046,750	1,046,750	1,007,010	(39,740)
Franchise Fees	410,000	410,000	568,569	158,569
Garbage Fees	461,000	461,000	449,816	(11,184)
Building and Other Permits	213,000	213,000	287,059	74,059
Fines and Forfeitures	667,800	667,800	913,029	245,229
Investment Income	20,000	20,000	2,175	(17,825)
Miscellaneous	60,500	60,500	117,373	56,873
TOTAL REVENUES	<u>5,366,336</u>	<u>5,366,336</u>	<u>5,850,361</u>	<u>484,025</u>
EXPENDITURES				
<i>Current:</i>				
Administration	687,126	697,126	819,438	(122,312)
Municipal Court	114,103	114,103	304,840	(190,737)
Police	2,159,267	2,159,267	2,060,712	98,555
Fire	1,497,949	1,497,949	1,508,457	(10,508)
Streets	281,033	281,033	253,700	27,333
Sanitation	443,467	418,467	330,447	88,020
Drainage	3,500	3,500	3,675	(175)
Capital Outlay	64,000	64,000	64,397	(397)
TOTAL EXPENDITURES	<u>5,250,445</u>	<u>5,235,445</u>	<u>5,345,666</u>	<u>(110,221)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>115,891</u>	<u>130,891</u>	<u>504,695</u>	<u>373,804</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sales of Capital Assets	-	-	2,000	2,000
Transfers In (Out)	(113,100)	(513,100)	-	513,100
TOTAL OTHER FINANCING SOURCES (USES)	<u>(113,100)</u>	<u>(513,100)</u>	<u>2,000</u>	<u>515,100</u>
Net Change in Fund Balance	<u>\$ 2,791</u>	<u>\$ (382,209)</u>	<u>\$ 506,695</u>	<u>\$ 888,904</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, 2014

	Budget		Actual (Budgetary Basis)	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales Tax	200,000	200,000	240,637	40,637
TOTAL REVENUES	<u>200,000</u>	<u>200,000</u>	<u>240,637</u>	<u>40,637</u>
EXPENDITURES				
<i>Current:</i>				
Streets	20,000	20,000	13,372	6,628
Capital Outlay	350,000	350,000	301,876	48,124
TOTAL EXPENDITURES	<u>370,000</u>	<u>370,000</u>	<u>315,248</u>	<u>54,752</u>
 Net Change in Fund Balance	 <u>\$ (170,000)</u>	 <u>\$ (170,000)</u>	 <u>\$ (74,611)</u>	 <u>\$ (14,115)</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
DECEMBER 31, 2014

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 revenues of \$146,970 and \$263,572 in expenditures during the fiscal year ending December 31, 2014.

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 FUNDING PROGRESS – DEFINED BENEFIT PENSION PLAN
 LAST NINE YEARS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY*	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
2005	\$ 4,906,545	\$ 6,131,503	80.0%	\$ 1,224,958	\$ 2,200,063	55.7%
2006	5,142,091	6,506,764	79.0%	1,364,673	2,300,885	59.3%
2007	5,356,153	8,166,427	65.6%	2,810,274	2,436,981	115.3%
2008	5,071,761	8,048,691	63.0%	2,976,930	2,546,004	116.9%
2009	5,076,075	8,014,070	63.3%	2,937,995	2,619,760	112.1%
2010	10,085,740	12,212,039	82.6%	2,126,299	2,521,617	84.3%
2011	10,811,174	13,014,528	83.1%	2,203,354	2,662,514	82.8%
2012	11,622,966	13,807,590	84.2%	2,184,624	2,765,822	79.0%
2013	12,263,353	14,983,566	81.8%	2,720,213	2,783,276	97.7%

* As of December 31 of the preceding year, the date of the actuarial valuation.

** Assets are stated at cost as of December 31 of the preceding 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, 2014 AND 2013

	2014	2013
ASSETS		
Cash	\$ 4,442,188	\$ 3,648,341
Investments	1,079,156	1,490,435
Receivables (Net of Allowances for Uncollectible Accounts):		
Property Taxes	1,780,184	1,563,613
Sales and Franchise Fees	291,923	251,610
Garbage and Other Fees	51,083	55,795
Due from Other Funds	38,373	23,396
TOTAL ASSETS	\$ 7,682,907	\$ 7,033,190
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 202,007	\$ 235,187
Accrued Expenditures	266,826	149,681
<i>Total Liabilities</i>	<i>468,833</i>	<i>384,868</i>
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	165,533	162,662
Property Taxes Levied for Future Periods	2,667,033	2,494,245
<i>Total Deferred Inflows of Resources</i>	<i>2,832,566</i>	<i>2,656,907</i>
 <i>Fund Balance:</i>		
<i>Restricted for:</i>		
PEG Funds	28,657	21,584
<i>Committed for:</i>		
Street Maintenance	651,533	400,000
Workstation Upgrade	6,550	-
<i>Assigned for:</i>		
Memorial Clock	10,004	10,004
Capital Projects	452,371	376,732
Improvements from CIED	591,759	708,361
Unassigned	2,640,634	2,474,734
<i>Total Fund Balance</i>	<i>4,381,508</i>	<i>3,991,415</i>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 7,682,907	\$ 7,033,190

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
REVENUES		
Ad Valorem Taxes	\$ 2,505,330	\$ 2,403,867
Sales Tax	1,007,010	982,488
Franchise Fees	568,569	428,482
Garbage Fees	449,816	498,636
Building and Other Permits	287,059	345,374
Fines and Forfeitures	913,029	555,678
Interest	2,175	9,215
CPS CIED Funds	146,970	636,887
Miscellaneous	117,373	73,012
TOTAL REVENUES	5,997,331	5,933,639
 EXPENDITURES		
Current:		
Administration	819,438	710,033
Municipal Court	304,840	145,192
Police	2,060,712	1,902,637
Fire	1,508,457	1,443,608
Streets	253,700	207,465
Sanitation	330,447	326,129
Drainage	3,675	1,570
Capital Outlay	327,969	296,869
Debt Service:		
Principal	-	38,677
Interest	-	1,806
TOTAL EXPENDITURES	5,609,238	5,073,986
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 388,093	 859,653
 OTHER FINANCING SOURCES (USES)		
Proceeds on Sale of Capital Assets	2,000	6,500
TOTAL OTHER FINANCING SOURCES (USES)	2,000	6,500
 Net Change in Fund Balance	 390,093	 866,153
 Fund Balance at Beginning of Year	 3,991,415	 3,125,262
 Fund Balance at End of Year	 \$ 4,381,508	 \$ 3,991,415

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS
 STREET REPAIR FUND
 DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 564,125	\$ 612,649
Sales Tax Receivable	<u>44,869</u>	<u>40,703</u>
TOTAL ASSETS	<u>\$ 608,994</u>	<u>\$ 653,352</u>
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	<u>\$ 30,253</u>	<u>\$ -</u>
<i>Total Liabilities</i>	<u>30,253</u>	<u>-</u>
 <i>Fund Balance - Restricted for Streets</i>	 <u>578,741</u>	 <u>653,352</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 608,994</u>	 <u>\$ 653,352</u>

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 STREET REPAIR FUND
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
REVENUES		
Sales Tax	\$ 240,637	\$ 234,226
TOTAL REVENUES	240,637	234,226
 EXPENDITURES		
Streets	13,372	3,273
Capital Outlay	301,876	663,422
TOTAL EXPENDITURES	315,248	666,695
 Net Change in Fund Balance	(74,611)	(432,469)
 Fund Balances at Beginning of Year	653,352	1,085,821
 Fund Balances at End of Year	\$ 578,741	\$ 653,352

CITY OF CASTLE HILLS, TEXAS
 COMBINING BALANCE SHEETS
 NONMAJOR FUNDS
 DECEMBER 31, 2014
 (WITH COMPARATIVE TOTALS FOR 2013)

	<u>Child Safety</u>	<u>Animal Control</u>	<u>Fiesta</u>	<u>Municipal Court Technology</u>	<u>Municipal Court Security</u>
ASSETS					
Cash	\$ 47,612	\$ 1,970	\$ 9,715	\$ 25,119	\$ 101,555
Investments	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Sales Tax Receivable	-	-	-	-	-
TOTAL ASSETS	<u>\$ 47,612</u>	<u>\$ 1,970</u>	<u>\$ 9,715</u>	<u>\$ 25,119</u>	<u>\$ 101,555</u>
LIABILITIES AND FUND BALANCE					
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ -	\$ -	\$ 935	\$ 13,392
Due to Other Funds	-	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>935</u>	<u>13,392</u>
<i>Restricted Fund Balance</i>	<u>47,612</u>	<u>1,970</u>	<u>9,715</u>	<u>24,184</u>	<u>88,163</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 47,612</u>	<u>\$ 1,970</u>	<u>\$ 9,715</u>	<u>\$ 25,119</u>	<u>\$ 101,555</u>

<u>Municipal Court Efficiency</u>	<u>Police Seizure</u>	<u>Crime Control and Prevention District</u>	<u>Drainage Fund</u>	<u>Citizens Improvement Fund</u>	<u>2014 Total</u>	<u>2013 Total</u>
\$ 2,804	\$ 140,435	\$ 378,829	\$ 78,010	\$ 5,026	\$ 791,075	\$ 667,236
-	-	-	-	-	-	90,912
-	-	-	10,445	-	10,445	10,445
-	-	44,443	-	-	44,443	40,385
<u>\$ 2,804</u>	<u>\$ 140,435</u>	<u>\$ 423,272</u>	<u>\$ 88,455</u>	<u>\$ 5,026</u>	<u>\$ 845,963</u>	<u>\$ 808,978</u>
\$ -	\$ -	\$ 4,108	\$ 2,473	\$ -	\$ 20,908	\$ 93,435
-	-	38,373	-	-	38,373	23,396
-	-	42,481	2,473	-	59,281	116,831
<u>2,804</u>	<u>140,435</u>	<u>380,791</u>	<u>85,982</u>	<u>5,026</u>	<u>786,682</u>	<u>692,147</u>
<u>\$ 2,804</u>	<u>\$ 140,435</u>	<u>\$ 423,272</u>	<u>\$ 88,455</u>	<u>\$ 5,026</u>	<u>\$ 845,963</u>	<u>\$ 808,978</u>

CITY OF CASTLE HILLS, TEXAS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – NONMAJOR FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (WITH COMPARATIVE TOTALS FOR 2013)

	Child Safety	Animal Control	Fiesta	Municipal Court Technology	Municipal Court Security
REVENUES					
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	-	23,142	17,386
Stormwater Fees	-	-	-	-	-
Investment Income	-	-	-	-	-
Miscellaneous	13,183	268	14,309	-	-
TOTAL REVENUES	<u>13,183</u>	<u>268</u>	<u>14,309</u>	<u>23,142</u>	<u>17,386</u>
EXPENDITURES					
Administration	-	127	11,959	-	-
Municipal Court	-	-	-	26,772	12,287
Police	-	-	-	-	-
Drainage	-	-	-	-	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>127</u>	<u>11,959</u>	<u>26,772</u>	<u>12,287</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,183	141	2,350	(3,630)	5,099
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	13,183	141	2,350	(3,630)	5,099
Beginning Fund Balance	<u>34,429</u>	<u>1,829</u>	<u>7,365</u>	<u>27,814</u>	<u>83,064</u>
Ending Fund Balance	<u>\$ 47,612</u>	<u>\$ 1,970</u>	<u>\$ 9,715</u>	<u>\$ 24,184</u>	<u>\$ 88,163</u>

Municipal Court Efficiency	Police Seizure	Crime Control and Prevention District	Drainage Fund	Citizens Improvement Fund	2014 Total	2013 Total
\$ -	\$ -	\$ 233,930	\$ -	\$ -	\$ 233,930	\$ 224,504
900	17,920	-	-	-	59,348	117,121
-	-	-	133,024	-	133,024	127,689
-	146	690	-	7	843	1,394
-	-	2,250	-	-	30,010	33,210
<u>900</u>	<u>18,066</u>	<u>236,870</u>	<u>133,024</u>	<u>7</u>	<u>457,155</u>	<u>503,918</u>
-	-	-	-	-	12,086	12,790
-	-	-	-	-	39,059	23,122
-	5,146	166,488	-	-	171,634	137,200
-	-	-	78,764	-	78,764	138,010
-	-	51,506	40,271	-	91,777	393,899
-	<u>5,146</u>	<u>217,994</u>	<u>119,035</u>	-	<u>393,320</u>	<u>705,021</u>
900	12,920	18,876	13,989	7	63,835	(201,103)
-	-	30,700	-	-	30,700	23,100
-	-	30,700	-	-	30,700	23,100
900	12,920	49,576	13,989	7	94,535	(178,003)
<u>1,904</u>	<u>127,515</u>	<u>331,215</u>	<u>71,993</u>	<u>5,019</u>	<u>692,147</u>	<u>870,150</u>
<u>\$ 2,804</u>	<u>\$ 140,435</u>	<u>\$ 380,791</u>	<u>\$ 85,982</u>	<u>\$ 5,026</u>	<u>\$ 786,682</u>	<u>\$ 692,147</u>

