

CITY OF CASTLE HILLS, TEXAS

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
DECEMBER 31, 2013**



CITY OF CASTLE HILLS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2013

CITY OFFICIALS

MAYOR

BRUCE SMILEY-KALIFF

MAYOR PRO TEM

TOM DAVIS

CITY COUNCIL

MICHAEL A. CATALANI
STACIA SPRIDGEN
JOHN SQUIRE
TIM HOWELL

CITY MANAGER

RITA HOYL

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, 2013

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SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, 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, 2013, and have issued our report thereon dated March 31, 2014. 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 15, 2013, 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 2013. 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. There are no sensitive disclosures affecting City of Castle Hills' financial statements.

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.

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 March 31, 2014.

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.

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 an opportunity to enhance the operations of the City with the following suggestion:

The City is still receiving PEG funds from AT&T and Grande. We recommend management contact these companies to have the PEG funds discontinued by sending them the ordinance passed by council. Because of the dollar amount and uncertainty of how the funds received should be handled, we also recommend the City comply with the provisions of the law by setting up a separate bank account to segregate the funds collected.

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.

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.

March 31, 2014

SHAREHOLDERS:
Nancy L. Vaughan, CPA
Deborah F. Fraser, 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, 2013, 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, 2013, 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.

Armstrong, Vaughan & Associates, P.C.

March 31, 2014

CITY OF CASTLE HILLS, TEXAS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

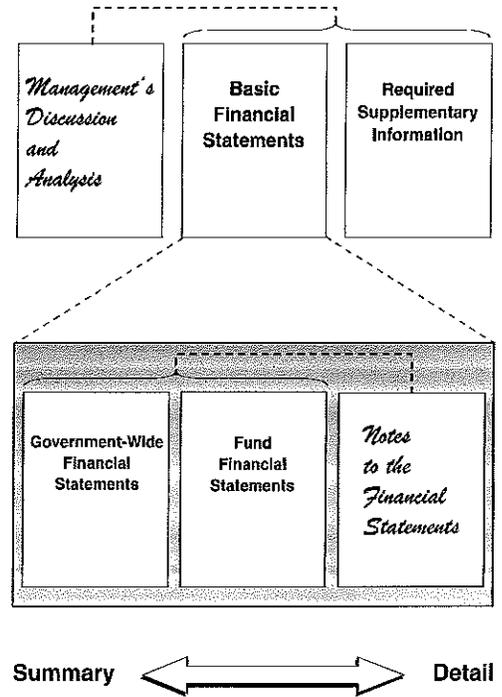
- The City's total net position was \$9.5 million at December 31, 2013.
- During the year, the City's expenses were \$1.1 million less than the \$6.6 million generated in taxes and other revenues for governmental activities.
- The total cost of the City's programs increased 4.9% from the previous year.
- The general fund reported a fund balance this year of \$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, 2013

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>	Government-wide	Fund Statements 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, 2013

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, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's net position was \$9.5 million at December 31, 2013. (See Table A-1).

Table A-1
City of Castle Hills Net Position

	Governmental Activities		Percentage Change
	2013	2012	
<i>Assets:</i>			
Cash and Investments	\$ 6,509,573	\$ 6,282,075	3.6%
Receivables	1,962,550	1,891,476	3.8%
Prepaid Expenses	90,159	90,495	-0.4%
Capital Assets (Net)	<u>4,250,945</u>	<u>3,440,040</u>	<u>23.6%</u>
<i>Total Assets</i>	<u>12,813,227</u>	<u>11,704,086</u>	<u>9.5%</u>
<i>Liabilities:</i>			
Accounts Payable and Accruals	736,462	746,219	-1.3%
Long-term Liabilities	<u>100,334</u>	<u>200,814</u>	<u>-50.0%</u>
<i>Total Liabilities</i>	<u>836,796</u>	<u>947,033</u>	<u>-11.6%</u>
<i>Deferred Inflows of Resources:</i>			
Property Taxes Levied for Future Periods	<u>2,494,245</u>	<u>2,409,992</u>	<u>3.5%</u>
<i>Total Deferred Inflows of Resources</i>	<u>2,494,245</u>	<u>2,409,992</u>	<u>3.5%</u>
<i>Net Position:</i>			
Invested in capital assets	4,250,945	3,401,363	25.0%
Restricted	1,367,083	1,955,971	-30.1%
Unrestricted	3,864,158	2,989,727	29.2%
<i>Total Net Position</i>	<u>\$ 9,482,186</u>	<u>\$ 8,347,061</u>	<u>13.6%</u>

The \$3.9 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, 2013

GOVERNMENTAL ACTIVITIES

Changes in net position. The City's total revenues were \$6.6 million, an increase of 9.8%. A significant portion, 65%, comes from taxes, while 24% percent relates to charges for services.

The total cost of all programs and services was \$5.5 million. (See Table A-2).

	Governmental Activities		Percentage Change
	2013	2012	
Program Revenues:			
Charges for Services	\$ 1,623,818	\$ 1,404,462	15.6%
Operating Contributions	27,791	30,851	-9.9%
General Revenues			
Property Taxes	2,417,047	2,503,746	-3.5%
Franchise Fees	428,482	420,286	2.0%
Sales Taxes	1,441,218	1,398,708	3.0%
Investment Income	10,607	25,920	-59.1%
CPS CIED Funds	636,887	212,296	100.0%
Miscellaneous	53,861	52,338	2.9%
Total Revenues	<u>6,639,711</u>	<u>6,048,607</u>	<u>9.8%</u>
Administration	788,472	716,422	10.1%
Municipal Court	171,366	142,805	20.0%
Police	2,122,308	2,063,890	2.8%
Fire	1,525,874	1,665,869	-8.4%
Streets	310,075	284,478	9.0%
Sanitation	445,105	310,239	43.5%
Drainage	139,580	60,696	130.0%
Interest on Long-term Debt	1,806	3,533	-48.9%
Total Expenses	<u>5,504,586</u>	<u>5,247,932</u>	<u>4.9%</u>
Increase (Decrease) in Net Position	<u>\$ 1,135,125</u>	<u>\$ 800,675</u>	<u>41.8%</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 \$5.5 million.
- The amount that our taxpayers paid for these activities through property taxes was \$2.4 million.
- Some of the cost, \$1.6 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, 2013

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services			Net Cost (Revenue) of Services		
	2013	2012	% Change	2013	2012	% Change
Administration	\$ 788,472	\$ 716,422	10.1%	\$ 415,488	\$ 470,621	-11.7%
Municipal Court	171,366	142,805	20.0%	(410,474)	(375,979)	9.2%
Police	2,122,308	2,063,890	2.8%	2,019,843	2,030,599	-0.5%
Fire	1,525,874	1,665,869	-8.4%	1,515,251	1,657,041	-8.6%
Streets	310,075	284,478	9.0%	310,075	284,478	9.0%
Sanitation	445,105	310,239	43.5%	(10,903)	(194,039)	-94.4%
Drainage	139,580	60,696	130.0%	11,891	(63,635)	-118.7%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$6.7 million, an increase of 11%. The increase is primarily the result of increased property tax and the closure of the City Public Service CEID Fund.

General Fund Budgetary Highlights

The City has legally adopted budgets for the General Fund and Crime Control and Prevention District. General Fund expenditures were \$223 thousand less than budgeted expenditures. The Crime Control and Prevention District did exceed its budgeted expenditures by \$3 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013 the City had invested \$7.3 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. During 2013, the City completed the street repair project listed as construction in progress in the prior year. (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

	2013	2012	Percentage Change
Land	\$ 383,700	\$ 383,700	0.00%
Buildings and Improvements	2,898,073	2,898,073	0.00%
Vehicles and Equipment	2,478,540	2,180,535	13.67%
Infrastructure	1,572,575	527,480	198.13%
Construction in Progress	7,000	309,093	-97.74%
Totals at Historical Cost	<u>7,339,888</u>	<u>6,298,881</u>	<u>16.53%</u>
Total Accumulated Depreciation	(3,088,943)	(2,858,841)	8.05%
Net Capital Assets	<u>\$ 4,250,945</u>	<u>\$ 3,440,040</u>	<u>23.57%</u>

CITY OF CASTLE HILLS, TEXAS
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
 FOR THE YEAR ENDED DECEMBER 31, 2013

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

	2013	2012	Percentage Change
Compensated Absences	\$ 129,710	\$ 162,137	-20.00%
Total Long Term Debt	\$ 129,710	\$ 162,137	-20.00%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2014 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, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 4,928,226
Investments	1,581,347
Receivables (Net of Allowances for Uncollectible Accounts):	
Property Taxes	1,563,613
Sales and Franchise Fees	332,698
Garbage, Stormwater and Other Fees	66,239
Prepaid Expenses	90,159
Capital Assets:	
Land	383,700
Buildings and Improvements	2,898,073
Vehicles and Equipment	2,478,540
Infrastructure	1,572,575
Construction in Progress	7,000
Accumulated Depreciation	(3,088,943)
TOTAL ASSETS	<u>12,813,227</u>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	328,621
Accrued Expenses	149,681
<i>Noncurrent Liabilities:</i>	
Net Pension Obligation	258,160
Compensated Absences - Due within One Year	20,067
Compensated Absences - Due in more than One Year	80,267
TOTAL LIABILITIES	<u>836,796</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Future Periods	2,494,245
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,494,245</u>
NET POSITION	
Restricted for:	
Street Repairs	653,352
Drainage Improvements	71,993
Police	493,159
Municipal Court	112,782
PEG Funds	21,584
Other	14,213
Net Investment in Capital Assets	4,250,945
Unrestricted	3,864,158
TOTAL NET POSITION	<u>\$ 9,482,186</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

<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 Government Governmental Activities</u>
Primary Government:				
<i>Governmental Activities:</i>				
Administration	\$ 788,472	\$ 356,699	\$ 16,285	\$ (415,488)
Municipal Court	171,366	581,840	-	410,474
Police	2,122,308	90,959	11,506	(2,019,843)
Fire Department	1,525,874	10,623	-	(1,515,251)
Streets	310,075	-	-	(310,075)
Sanitation	445,105	456,008	-	10,903
Drainage	139,580	127,689	-	(11,891)
Interest on Long-Term Debt	1,806	-	-	(1,806)
<i>Total Governmental Activities</i>	<u>5,504,586</u>	<u>1,623,818</u>	<u>27,791</u>	<u>(3,852,977)</u>
Total Government	<u>\$ 5,504,586</u>	<u>\$ 1,623,818</u>	<u>\$ 27,791</u>	<u>(3,852,977)</u>
General Revenues:				
Taxes:				
Property Taxes				2,417,047
Franchise Fees				428,482
Sales Taxes				1,441,218
Investment Income				10,607
CPS CIED Funds				636,887
Miscellaneous				53,861
Total General Revenues				<u>4,988,102</u>
Change in Net Position				1,135,125
Net Position at Beginning of Year				<u>8,347,061</u>
Net Position at End of Year				<u>\$ 9,482,186</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund		
ASSETS				
Cash	\$ 3,648,341	\$ 612,649	\$ 667,236	\$ 4,928,226
Investments	1,490,435	-	90,912	1,581,347
Receivables (Net of Allowances for Uncollectible Accounts):				
Property Taxes	1,563,613	-	-	1,563,613
Sales and Franchise Fees	251,610	40,703	40,385	332,698
Garbage and Other Fees	55,795	-	10,445	66,240
Due from Other Funds	23,396	-	-	23,396
TOTAL ASSETS	<u>\$ 7,033,190</u>	<u>\$ 653,352</u>	<u>\$ 808,978</u>	<u>\$ 8,495,520</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 235,187	\$ -	\$ 93,435	\$ 328,622
Accrued Expenditures	149,681	-	-	149,681
Due to Other Funds	-	-	23,396	23,396
<i>Total Liabilities:</i>	<u>384,868</u>	<u>-</u>	<u>116,831</u>	<u>501,699</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	162,662	-	-	162,662
Property Taxes Levied for Future Periods	2,494,245	-	-	2,494,245
<i>Total Deferred Inflows of Resources:</i>	<u>2,656,907</u>	<u>-</u>	<u>-</u>	<u>2,656,907</u>
<i>Fund Balances:</i>				
Restricted For:				
Street Repairs	-	653,352	-	653,352
Drainage Improvements	-	-	71,993	71,993
Police	-	-	493,159	493,159
Municipal Court	-	-	112,782	112,782
PEG Funds	21,584	-	-	21,584
Other	-	-	14,213	14,213
Committed For:				
Street Maintenance	400,000	-	-	400,000
Assigned for:				
Memorial Clock	10,004	-	-	10,004
Major Vehicle Purchases	376,732	-	-	376,732
Improvement Projects from CIED	708,361	-	-	708,361
Unassigned	2,474,734	-	-	2,474,734
<i>Total Fund Balances:</i>	<u>3,991,415</u>	<u>653,352</u>	<u>692,147</u>	<u>5,336,914</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,033,190</u>	<u>\$ 653,352</u>	<u>\$ 808,978</u>	<u>\$ 8,495,520</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, 2013

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 5,336,914
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Assets created from expenditures paid in advance are not considered financial resources and, therefore, are not reported in the governmental funds.	90,159
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,250,945
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds	162,662
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.	(258,160)
Long-term liabilities, including accrued compensated absences, are not due and payable in the current period and, therefore not reported in the governmental funds.	<u>(100,334)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 9,482,186</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, 2013

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund		
REVENUES				
Ad Valorem Taxes	\$ 2,403,867	\$ -	\$ -	\$ 2,403,867
Sales Tax	982,488	234,226	224,504	1,441,218
Franchise Fees	428,482	-	-	428,482
Garbage Fees	498,636	-	-	498,636
Stormwater Fees	-	-	127,689	127,689
Building and Other Permits	345,374	-	-	345,374
Fines and Forfeitures	555,678	-	117,121	672,799
Investment Income	9,215	-	1,394	10,609
CPS CIED Funds	636,887	-	-	636,887
Miscellaneous	73,012	-	33,210	106,222
TOTAL REVENUES	<u>5,933,639</u>	<u>234,226</u>	<u>503,918</u>	<u>6,671,783</u>
EXPENDITURES				
Current:				
Administration	710,033	-	12,790	722,823
Municipal Court	145,192	-	23,122	168,314
Police	1,902,637	-	137,200	2,039,837
Fire	1,443,608	-	-	1,443,608
Streets	207,465	3,273	-	210,738
Sanitation	326,129	-	-	326,129
Drainage	1,570	-	138,010	139,580
Capital Outlay	296,869	663,422	393,899	1,354,190
Debt Service:				
Principal	38,677	-	-	38,677
Interest and Fiscal Charges	1,806	-	-	1,806
TOTAL EXPENDITURES	<u>5,073,986</u>	<u>666,695</u>	<u>705,021</u>	<u>6,445,702</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>859,653</u>	<u>(432,469)</u>	<u>(201,103)</u>	<u>226,081</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	6,500	-	23,100	29,600
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,500</u>	<u>-</u>	<u>23,100</u>	<u>29,600</u>
Net Change in Fund Balance	866,153	(432,469)	(178,003)	255,681
FUND BALANCES - JANUARY 1	<u>3,125,262</u>	<u>1,085,821</u>	<u>870,150</u>	<u>5,081,233</u>
FUND BALANCES - DECEMBER 31	<u>\$ 3,991,415</u>	<u>\$ 653,352</u>	<u>\$ 692,147</u>	<u>\$ 5,336,914</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, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 255,681

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. 837,052

The net book value of capital assets disposed does not represent the use of
current financial resources of governmental funds; however, it does consume
net position. This amount represents the net book value of capital assets
disposed during the year. (26,147)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. (29,448)

The repayment of the principal of long-term debt consumes the current financial
resources of governmental funds but has no effect on net position. 38,677

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	\$	(336)	
Decrease in Accrued Compensated Absences		61,803	
Increase in Net Pension Obligation		(2,157)	59,310

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,135,125

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013

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, 2013. Taxes receivable but not collected within 60 days are used to finance the budget of the fiscal year beginning January 1, 2014 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, 2013.

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, 2013

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, 2013. Allowances for uncollectible accounts have been recorded in the General Fund for \$27,628 and \$11,560 for property taxes and garbage fees, respectively.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

8. BUDGET

An operating budget is adopted each fiscal year for all City funds. The budget is adopted on the GAAP basis of accounting. Additional budgetary information is provided in the required supplementary information.

9. PREPAID ITEMS

Payments to vendors that reflect costs applicable to future periods are recognized as expenditures when paid in the fund financial statements. However, for the government-wide financial statements, these payments are recorded as prepaid expenses on the statement of net position.

10. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the 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 not allow vacation to be carried over from year to year, but they 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, 2013

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

12. UNAVAILABLE 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.

13. 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.

14. 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.

15. FUND BALANCE

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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

15. FUND EQUITY (Continued)

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.

16. 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.

17. INTERFUND TRANSACTIONS

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

18. 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.

19. RECLASSIFICATIONS

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 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, 2013

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

20. CHANGE IN ACCOUNTING POLICY

For the year ending December 31, 2013, the City has made the following change in their accounting policy:

1. Adoption of Governmental Accounting standards Board (GASB) Statement No. 65. The adoption of this statement has resulted in the City removing unamortized bond issue costs from the financial statements. The effect on the current and prior periods was not significant to these financial statements. The adoption also resulted in some presentation changes: Net Assets is now referred to as Net Position and unavailable revenues, previously reported in liabilities, are now reported as deferred outflows of resources on the Statement of Net Position.

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, 2013, 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.

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013

NOTE B -- CASH AND INVESTMENTS (Continued)

The City's investments at December 31, 2013 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>Crime Control and Prevention District:</i>				
Certificate of Deposit		\$ 90,912	\$ 90,912	171
<i>General Fund:</i>				
Certificates of Deposit		805,225	805,225	245
US Treasury Notes		357,765	357,765	470
Texas CLASS External Investment Pool	AAAm	327,445	327,445	68
<i>Total Government</i>		<u>\$ 1,581,347</u>	<u>\$ 1,581,347</u>	255

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, 2013

NOTE B -- CASH AND INVESTMENTS (Continued)

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

c. 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.

d. 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 2013 financials is from the collections on the 2012 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, 2012, upon which the fiscal 2013 levy (2012 tax year) was based was \$477,601,693 (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, 2013, 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 \$9,545,610 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, 2013

NOTE D -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

<u>Governmental Activities</u>	Balances at 1/1/2013	Additions	Disposals and Transfers	Balances at 12/31/2013
Land	\$ 383,700	\$ -	\$ -	\$ 383,700
Buildings and Improvements	2,898,073	-	-	2,898,073
Vehicles and Equipment	2,180,535	431,353	(133,348)	2,478,540
Infrastructure	527,480	-	1,045,095	1,572,575
Construction in Progress	309,093	743,002	(1,045,095)	7,000
	<u>6,298,881</u>	<u>1,174,355</u>	<u>(133,348)</u>	<u>7,339,888</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(1,023,952)	(88,292)	-	(1,112,244)
Vehicles and Equipment	(1,706,923)	(224,410)	107,201	(1,824,132)
Infrastructure	(127,966)	(24,601)	-	(152,567)
	<u>(2,858,841)</u>	<u>(337,303)</u>	<u>107,201</u>	<u>(3,088,943)</u>
Governmental Capital Assets, Net	<u>\$ 3,440,040</u>	<u>\$ 837,052</u>	<u>\$ (26,147)</u>	<u>\$ 4,250,945</u>

Land and construction in progress are not depreciated.

Depreciation Expense was charged to the governmental functions as follows:

Administration	\$ 73,240
Municipal Court	1,721
Police	125,874
Fire	69,510
Streets	38,166
Sanitation	28,792
Total Depreciation Expense	<u>\$ 337,303</u>

NOTE E -- INTERFUND BALANCES

At December 31, 2013, the nonmajor governmental funds owed \$23,396 to the general fund for short-term cash flow borrowings.

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013

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 2012</u>	<u>Plan Year 2013</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 an actuary, using the Projected Unit Credit actuarial cost method. 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 finances the portion of an active member's projected benefit allocated annually; 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, 2013

NOTE F -- PENSION PLAN (Continued)

Contributions (Continued)

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

Annual Required Contribution (ARC)	\$ 343,735
Interest on Net Pension Obligation	17,920
Adjustment to the ARC	<u>(15,744)</u>
Annual Pension Cost (APC)	345,911
Contributions Made	<u>(343,754)</u>
Increase (Decrease) in Net Pension Obligation	2,157
Net Pension Obligation (Asset), Beginning of Year	<u>256,003</u>
Net Pension Obligation (Asset), End of Year	<u><u>\$ 258,160</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>
2011	\$ 410,923	\$ 332,548	81%	\$ 78,375
2012	349,326	346,834	99%	2,492
2013	345,911	343,754	99%	2,157

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012 also follows:

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

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013

NOTE F -- PENSION PLAN (Continued)

Contributions (Continued)

The funded status as of December 31, 2012, 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
12/31/2012	\$ 11,622,966	\$ 13,807,590	84.2%	\$ 2,184,624	\$ 2,765,822	79.0%

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 2013, 2012, and 2011 were \$5,010, \$4,149, and \$5,059, respectively.

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013

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 has entered into contracts for engineering and construction projects as follows:

	Total Commitment	Expended to Date	Remaining Commitment
Encode Project			
CMR Sollution	\$ 29,160	\$ 3,103	\$ 26,057
Public Safety Suite	72,390	14,950	57,440
Sunflower Drainage	13,200	7,000	6,200
Stormwater Engineering	30,000	6,928	23,072
Total	<u>\$ 144,750</u>	<u>\$ 31,981</u>	<u>\$ 112,769</u>

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, 2014 were \$55,378.

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, 2014. 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, 2014 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 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, 2013

	Budget		Actual (Budgetary Basis)	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad Valorem Tax	\$ 2,424,366	\$ 2,424,366	\$ 2,403,867	\$ (20,499)
Sales Tax	1,009,250	1,009,250	982,488	(26,762)
Franchise Fees	450,000	450,000	428,482	(21,518)
Garbage Fees	435,000	435,000	498,636	63,636
Building and Other Permits	170,300	170,300	345,374	175,074
Fines and Forfeitures	591,200	591,200	555,678	(35,522)
Investment Income	33,000	33,000	9,215	(23,785)
Miscellaneous	73,500	73,500	73,012	(488)
TOTAL REVENUES	<u>5,186,616</u>	<u>5,186,616</u>	<u>5,296,752</u>	<u>110,136</u>
EXPENDITURES				
<i>Current:</i>				
Administration	686,211	686,211	710,033	(23,822)
Municipal Court	116,202	116,202	145,192	(28,990)
Police	2,052,286	2,052,286	1,902,637	149,649
Fire	1,524,993	1,524,993	1,443,608	81,385
Streets	282,380	282,380	207,465	74,915
Sanitation	415,641	415,641	326,129	89,512
Drainage	3,500	3,500	1,570	1,930
Capital Outlay	34,000	156,048	156,048	-
<i>Debt Service:</i>				
Principal	38,677	38,677	38,677	-
Interest	1,806	1,806	1,806	-
TOTAL EXPENDITURES	<u>5,155,696</u>	<u>5,277,744</u>	<u>4,933,165</u>	<u>344,579</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,920</u>	<u>(91,128)</u>	<u>363,587</u>	<u>454,715</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sales of Capital Assets	-	-	6,500	6,500
Transfers In (Out)	(30,000)	(30,000)	-	30,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(30,000)</u>	<u>(30,000)</u>	<u>6,500</u>	<u>36,500</u>
Net Change in Fund Balance	<u>\$ 920</u>	<u>\$ (121,128)</u>	<u>\$ 370,087</u>	<u>\$ 491,215</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
DECEMBER 31, 2013

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 \$636,887 and \$140,821 in expenditures during the fiscal year ending December 31, 2013.

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 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 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 EIGHT YEARS

CALENDAR YEAR	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%

* 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, 2013 AND 2012

	2013	2012
ASSETS		
Cash	\$ 3,648,341	\$ 2,684,238
Investments	1,490,435	1,495,498
Receivables (Net of Allowances for Uncollectible Accounts):		
Property Taxes	1,563,613	1,466,782
Sales and Franchise Fees	251,610	239,892
Garbage and Other Fees	55,795	93,578
Due from Other Funds	23,396	24,494
TOTAL ASSETS	\$ 7,033,190	\$ 6,004,482
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 235,187	\$ 138,336
Accrued Expenditures	149,681	138,782
<i>Total Liabilities</i>	384,868	277,118
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	162,662	192,110
Property Taxes Levied for Future Periods	2,494,245	2,409,992
<i>Total Deferred Inflows of Resources</i>	2,656,907	2,602,102
 <i>Fund Balance:</i>		
Restricted for:		
PEG Funds	21,584	15,272
Committed for:		
Street Maintenance	400,000	-
Assigned for:		
Memorial Clock	10,004	10,004
Capital Projects	376,732	464,940
Improvements from CIED	708,361	212,296
Unassigned	2,474,734	2,422,750
<i>Total Fund Balance</i>	3,991,415	3,125,262
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 7,033,190	\$ 6,004,482

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
REVENUES		
Ad Valorem Taxes	\$ 2,403,867	\$ 2,495,780
Sales Tax	982,488	954,193
Franchise Fees	428,482	420,286
Garbage Fees	498,636	458,039
Building and Other Permits	345,374	217,499
Fines and Forfeitures	555,678	493,718
Interest	9,215	23,499
CPS CIED Funds	636,887	212,296
Miscellaneous	73,012	61,640
TOTAL REVENUES	5,933,639	5,336,950
EXPENDITURES		
Current:		
Administration	710,033	634,054
Municipal Court	145,192	121,699
Police	1,902,637	1,852,038
Fire	1,443,608	1,478,439
Streets	207,465	232,478
Sanitation	326,129	292,297
Drainage	1,570	1,970
Capital Outlay	296,869	55,255
Debt Service:		
Principal	38,677	36,951
Interest	1,806	3,533
TOTAL EXPENDITURES	5,073,986	4,708,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	859,653	628,236
OTHER FINANCING SOURCES (USES)		
Proceeds on Sale of Capital Assets	6,500	-
TOTAL OTHER FINANCING SOURCES (USES)	6,500	-
Net Change in Fund Balance	866,153	628,236
Fund Balance at Beginning of Year	3,125,262	2,497,026
Fund Balance at End of Year	\$ 3,991,415	\$ 3,125,262

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS
 STREET REPAIR FUND
 DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 612,649	\$ 1,230,638
Sales Tax Receivable	<u>40,703</u>	<u>41,347</u>
TOTAL ASSETS	<u>\$ 653,352</u>	<u>\$ 1,271,985</u>
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	<u>\$ -</u>	<u>\$ 186,164</u>
<i>Total Liabilities</i>	<u>-</u>	<u>186,164</u>
 <i>Fund Balance - Restricted for Streets</i>	<u>653,352</u>	<u>1,085,821</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 653,352</u>	<u>\$ 1,271,985</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, 2013 AND 2012

	2013	2012
REVENUES		
Sales Tax	\$ 234,226	\$ 228,534
TOTAL REVENUES	234,226	228,534
 EXPENDITURES		
Streets	3,273	6,341
Capital Outlay	663,422	325,079
TOTAL EXPENDITURES	666,695	331,420
 Net Change in Fund Balance	(432,469)	(102,886)
 Fund Balances at Beginning of Year	1,085,821	1,188,707
 Fund Balances at End of Year	\$ 653,352	\$ 1,085,821

CITY OF CASTLE HILLS, TEXAS
 COMBINING BALANCE SHEETS
 NONMAJOR FUNDS
 DECEMBER 31, 2013
 (WITH COMPARATIVE TOTALS FOR 2012)

	<u>Child Safety</u>	<u>Animal Control</u>	<u>Fiesta</u>	<u>Municipal Court Technology</u>	<u>Municipal Court Security</u>
ASSETS					
Cash	\$ 34,429	\$ 1,829	\$ 7,477	\$ 27,825	\$ 96,657
Investments	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Sales Tax Receivable	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 34,429</u>	<u>\$ 1,829</u>	<u>\$ 7,477</u>	<u>\$ 27,825</u>	<u>\$ 96,657</u>
 LIABILITIES AND FUND BALANCE					
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ -	\$ 112	\$ 11	\$ 13,593
Due to Other Funds	-	-	-	-	-
<i>Total Liabilities</i>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	112	11	13,593
<i>Restricted Fund Balance</i>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	34,429	1,829	7,365	27,814	83,064
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 34,429</u>	<u>\$ 1,829</u>	<u>\$ 7,477</u>	<u>\$ 27,825</u>	<u>\$ 96,657</u>

Municipal Court Efficiency	Police Seizure	Crime Control and Prevention District	Drainage Fund	Citizens Improvement Fund	2013 Total	2012 Total
\$ 1,904	\$ 127,515	\$ 297,227	\$ 67,354	\$ 5,019	\$ 667,236	\$ 781,344
-	-	90,912	-	-	90,912	90,357
-	-	-	10,445	-	10,445	10,445
-	-	40,385	-	-	40,385	39,432
<u>\$ 1,904</u>	<u>\$ 127,515</u>	<u>\$ 428,524</u>	<u>\$ 77,799</u>	<u>\$ 5,019</u>	<u>\$ 808,978</u>	<u>\$ 921,578</u>
\$ -	\$ -	\$ 73,913	\$ 5,806	\$ -	\$ 93,435	\$ 26,934
-	-	23,396	-	-	23,396	24,494
-	-	97,309	5,806	-	116,831	51,428
1,904	127,515	331,215	71,993	5,019	692,147	870,150
<u>\$ 1,904</u>	<u>\$ 127,515</u>	<u>\$ 428,524</u>	<u>\$ 77,799</u>	<u>\$ 5,019</u>	<u>\$ 808,978</u>	<u>\$ 921,578</u>

CITY OF CASTLE HILLS, TEXAS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – NONMAJOR FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013
 (WITH COMPARATIVE TOTALS FOR 2012)

	Child Safety	Animal Control	Fiesta	Municipal Court Technology	Municipal Court Security
REVENUES					
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	-	16,154	12,911
Stormwater Fees	-	-	-	-	-
Investment Income	-	-	-	-	-
Miscellaneous	11,507	921	15,782	-	-
TOTAL REVENUES	<u>11,507</u>	<u>921</u>	<u>15,782</u>	<u>16,154</u>	<u>12,911</u>
EXPENDITURES					
Administration	-	113	12,677	-	-
Municipal Court	-	-	-	17,274	5,848
Police	2,019	-	-	-	-
Drainage	-	-	-	-	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>2,019</u>	<u>113</u>	<u>12,677</u>	<u>17,274</u>	<u>5,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,488	808	3,105	(1,120)	7,063
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	9,488	808	3,105	(1,120)	7,063
Beginning Fund Balance	<u>24,941</u>	<u>1,021</u>	<u>4,260</u>	<u>28,934</u>	<u>76,001</u>
Ending Fund Balance	<u>\$ 34,429</u>	<u>\$ 1,829</u>	<u>\$ 7,365</u>	<u>\$ 27,814</u>	<u>\$ 83,064</u>

Municipal Court Efficiency	Police Seizure	Crime Control and Prevention District	Drainage Fund	Citizens Improvement Fund	2013 Total	2012 Total
\$ -	\$ -	\$ 224,504	\$ -	\$ -	\$ 224,504	\$ 215,980
647	87,409	-	-	-	117,121	44,367
-	-	-	127,689	-	127,689	124,331
-	140	1,249	-	5	1,394	2,421
-	-	-	-	5,000	33,210	53,589
647	87,549	225,753	127,689	5,005	503,918	440,688
-	-	-	-	-	12,790	19,123
-	-	-	-	-	23,122	26,452
-	12,336	122,845	-	-	137,200	38,244
-	-	-	138,010	-	138,010	46,726
-	-	253,969	139,930	-	393,899	53,872
-	12,336	376,814	277,940	-	705,021	184,417
647	75,213	(151,061)	(150,251)	5,005	(201,103)	256,271
-	-	23,100	-	-	23,100	-
-	-	23,100	-	-	23,100	-
647	75,213	(127,961)	(150,251)	5,005	(178,003)	256,271
1,257	52,302	459,176	222,244	14	870,150	613,879
\$ 1,904	\$ 127,515	\$ 331,215	\$ 71,993	\$ 5,019	\$ 692,147	\$ 870,150

