



CITY OF CASTLE HILLS, TEXAS

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
DECEMBER 31, 2018**



CITY OF CASTLE HILLS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2018

CITY OFFICIALS

MAYOR

TIM HOWELL

CITY COUNCIL

CLYDE R. MCCORMICK

MARETTA SCOTT

AMY MCLIN

LESLEY WENGER

DOUGLAS A. GREGORY

CITY MANAGER

RYAN RAPELYE

CITY ATTORNEY

MARC SCHNALL

CITY OF CASTLE HILLS, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

	PAGE
TITLE PAGE	i
CITY OFFICIALS	ii
TABLE OF CONTENTS	iii

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	9
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES.....	12
BALANCE SHEET - GOVERNMENTAL FUNDS	13
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	15
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	16
NOTES TO BASIC FINANCIAL STATEMENTS	17
REQUIRED SUPPLEMENTARY INFORMATION	38
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	39
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – STREET REPAIR FUND.....	40
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL	41
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS.....	42
SCHEDULE OF EMPLOYER CONTRIBUTIONS.....	43
SCHEDULE OF CHANGES – OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS	44
SUPPLEMENTARY INFORMATION.....	45
COMPARATIVE BALANCE SHEETS - GENERAL FUND.....	46
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND.....	47
COMPARATIVE BALANCE SHEETS - STREET REPAIR FUND.....	48
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - STREET REPAIR FUND	49

CITY OF CASTLE HILLS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

FINANCIAL SECTION (CONTINUED)

COMBINING BALANCE SHEETS - NONMAJOR FUNDS.....	50
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR FUNDS	52





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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A19 of the financial statements, in January 2018, the City adopted new accounting guidance from the Governmental Accounting Standards Board Statement No. 75 related to accounting for postemployment benefits other than pensions (OPEB). This resulted in a restatement of prior year balances. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of city contributions, and schedule of changes in other post-employment benefit liability and related ratios 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.

June 6, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of City of Castle Hills’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended December 31, 2018. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

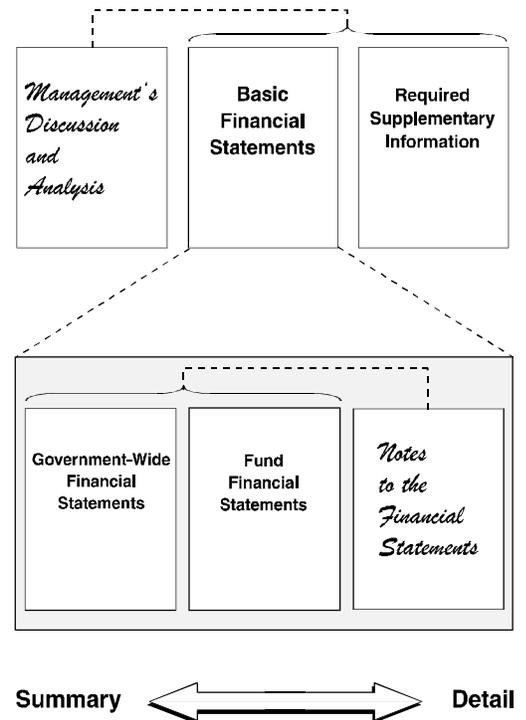
- The City’s total net position was \$11.8 million at December 31, 2018.
- During the year, the City’s expenses were \$1.3 million less than the \$8.1 million generated in taxes and other revenues for governmental activities.
- The total cost of the City’s programs decreased 5.8% from the previous year.
- The general fund reported a fund balance this year of \$5.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The City has Governmental Funds as follows:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City’s net position was \$11.8 million at December 31, 2018. (See Table A-1).

Table A-1
City of Castle Hills Net Position

	Governmental Activities		Percentage Change
	2018	2017*	
<i>Assets:</i>			
Cash and Investments	\$ 9,215,464	\$ 8,382,268	9.9%
Receivables	3,158,914	2,380,862	32.7%
Prepaid Expenses	121,491	111,532	8.9%
Capital Assets (Net)	5,697,073	6,015,922	-5.3%
<i>Total Assets</i>	<u>18,192,942</u>	<u>16,890,584</u>	<u>7.7%</u>
<i>Total Deferred Outflows</i>	<u>452,041</u>	<u>1,053,349</u>	<u>-64.5%</u>
<i>Liabilities:</i>			
Accounts Payable and Accruals	353,757	284,148	24.5%
Unearned Revenues	95,000	95,000	0.0%
Long-Term Liabilities	2,442,641	3,211,994	-24.0%
<i>Total Liabilities</i>	<u>2,891,398</u>	<u>3,591,142</u>	<u>-19.5%</u>
<i>Total Deferred Inflows</i>	<u>3,942,794</u>	<u>3,613,070</u>	<u>9.1%</u>
<i>Net Position:</i>			
Net Invested in Capital Assets	5,219,397	5,465,998	-4.5%
Restricted	3,030,351	2,218,543	36.6%
Unrestricted	3,561,043	3,055,180	16.6%
<i>Total Net Position</i>	<u>\$ 11,810,791</u>	<u>\$ 10,739,721</u>	<u>10.0%</u>

*Note: Comparative information for 2017 has not been restated for the effects of the adoption of GASB Statement No. 75 as the information is not available. See note A19 for more detail.

The \$3.6 million of unrestricted net position represents resources available to fund the programs of the City next year.

GOVERNMENTAL ACTIVITIES

Changes in net position. The City’s total revenues were \$8.1 million, an increase of 6.1%. A significant portion, 74.3%, comes from taxes, 25.6% percent relates to charges for services, and .1% comes from operating contributions and other revenues.

The total cost of all programs and services was \$6.8 million. (See Table A-2).

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

	Governmental Activities		Percentage Change
	2018	2017*	
Program Revenues:			
Charges for Services	\$ 2,067,876	\$ 1,925,112	7.4%
Operating Contributions	10,938	13,578	-19.4%
General Revenues			
Property Taxes	3,337,287	3,180,344	4.9%
Sales Taxes	1,644,208	1,592,502	3.2%
Franchise Fees	555,339	534,125	4.0%
License Agreements	190,000	190,000	0.0%
Investment Income	140,223	69,098	102.9%
Miscellaneous	128,966	107,519	19.9%
Total Revenues	<u>8,074,837</u>	<u>7,612,278</u>	<u>6.1%</u>
Administration	1,184,184	1,023,007	15.8%
Municipal Court	381,894	384,473	-0.7%
Police	2,489,814	2,535,596	-1.8%
Fire	1,759,803	1,781,808	-1.2%
Streets	516,365	992,465	-48.0%
Sanitation	463,976	461,927	0.4%
Drainage	10,251	62,862	-83.7%
Debt Service	15,288	-	100.0%
Total Expenses	<u>6,821,575</u>	<u>7,242,138</u>	<u>-5.8%</u>
Change in Net Position	<u>\$ 1,253,262</u>	<u>\$ 370,140</u>	<u>238.6%</u>

*Note: Comparative information for 2017 has not been restated for the effects of the adoption of GASB Statement No. 75 as the information is not available. See note A19 for more detail.

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 \$6.8 million.
- The amount that our taxpayers paid for these activities through property taxes was \$3.3 million.
- Some of the cost, \$2.1 million, was paid by those who directly benefited from the programs.

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services			Net Cost (Revenue) of Services		
	2018	2017	% Change	2018	2017	% Change
Administration	\$ 1,184,184	\$ 1,023,007	15.8%	\$ 813,827	\$ 686,750	18.5%
Municipal Court	381,894	384,473	-0.7%	(515,886)	(580,169)	-11.1%
Police	2,489,814	2,535,596	-1.8%	2,285,228	2,501,861	-8.7%
Fire	1,759,803	1,781,808	-1.2%	1,749,220	1,771,100	-1.2%
Streets	516,365	992,465	-48.0%	516,365	992,465	-48.0%
Sanitation	463,976	461,927	0.4%	9,865	6,869	43.6%
Drainage	10,251	62,862	-83.7%	(131,146)	(75,428)	73.9%
Debt Service	15,288	-	100.0%	15,288	-	100.0%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$8.1 million, an increase of 6.1%. The City experienced an increase in property tax collections due to higher appraised property values and increased investment income.

General Fund Budgetary Highlights

The City has a legally adopted budget for the General Fund. Revenues were \$53 thousand less than budgeted revenues due to lower than expected ad valorem tax collection and fines and forfeiture revenues. Expenditures were \$1.4 million less than budgeted expenditures due to lower capital outlay expenditures than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018 the City had invested \$10.4 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Table A-4
City's Capital Assets

	2018	2017	Percentage Change
Land	\$ 383,700	\$ 383,700	0.00%
Buildings and Improvements	3,031,911	3,028,036	0.13%
Vehicles and Equipment	4,081,538	2,903,308	40.58%
Infrastructure	2,751,846	2,751,846	0.00%
Construction in Progress	133,742	1,153,891	-88.41%
Totals at Historical Cost	<u>10,382,737</u>	<u>10,220,781</u>	<u>1.58%</u>
Total Accumulated Depreciation	(4,685,664)	(4,204,859)	11.43%
Net Capital Assets	<u>\$ 5,697,073</u>	<u>\$ 6,015,922</u>	<u>-5.30%</u>

Long Term Debt

At the end of 2018, the City had \$478 thousand in capital leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long Term Debt

	2018	2017	Percentage Change
Capital Leases	\$ 477,676	\$ 549,924	-13.14%
Total Long Term Debt	\$ 477,676	\$ 549,924	-13.1%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2019 budget, tax rates, and fees that will be charged. The economic outlook for Bexar County remains stable. The City's budget levels remain similar to previous years.

The City's largest single source of revenue in the General Fund continues to be ad valorem taxes. The adopted budget for the fiscal year 2019 remained the same at a tax rate of \$0.501345 per \$100 of taxable value. This rate consists of only a maintenance and operations (M&O) tax rate of \$0.501345 and no interest and sinking (debt service) tax rate. The rate was set based on a net assessed value of \$536,832,192. A proposition for the limitation of the increase of ad valorem taxes for the residence homestead of a person who is disabled or who is sixty-five (65) years of age or older as authorized by Article VIII, Section 1-b (h) of the Texas Constitution and Section 11.261 of the Texas Tax Code was approved by voters in May 2017. Although the tax freeze, as is commonly referred to, will become effective with the 2018 tax year the tax revenue affected will begin with the 2019 budget year. Since this could significantly impact the City's future ad valorem it is important to be aware for future revenue projections.

The City's second largest source of revenue in the General Fund is sales tax. The City anticipates the sales tax to stabilize in anticipation of a moderate increase. The City has seen an increase in the opening of several businesses over the last year with hopes of seeing an opportunity in growth to the City's sales tax base.

The City also had a large tax payer that maintained a multiple story senior living complex that was significantly damaged in a fire in 2014. Currently, the building is being renovated/remodeled for future residential use and as a result will see an increase in future valuation of the property and collection of ad valorem taxes which will occur in the 2020 Budget Year. Building permits will increase in 2019 related to this project. The remodeled residential building will be open for new residents in late 2019.

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, 2018

	Governmental Activities
ASSETS	
Cash	\$ 8,608,164
Investments	607,300
Receivables (Net of Allowances for Uncollectible Accounts):	
Property Taxes	2,764,020
Sales and Franchise Fees	356,534
Garbage, Stormwater and Other Fees	38,360
Prepaid Expenses	121,491
Capital Assets:	
Land	383,700
Buildings and Improvements	3,031,911
Vehicles and Equipment	4,081,538
Infrastructure	2,751,846
Construction In Progress	133,742
Accumulated Depreciation	(4,685,664)
TOTAL ASSETS	18,192,942
 DEFERRED OUTFLOWS	
Deferred Pension Related Outflows	436,799
Deferred Other Post-Employment Benefit Related Outflows	15,242
TOTAL DEFERRED OUTFLOWS	\$ 452,041

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2018

	<u>Governmental Activities</u>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 266,364
Accrued Expenses	87,393
License Agreements Received in Advance	95,000
Capital Lease - Due within One Year	74,257
Compensated Absences - Due within One Year	79,882
<i>Noncurrent Liabilities:</i>	
Capital Lease - Due in more than One Year	403,419
Compensated Absences - Due in more than One Year	319,527
Net Pension Liability	1,353,688
Other Post-Employment Benefit Liability	211,868
TOTAL LIABILITIES	<u>2,891,398</u>
DEFERRED INFLOWS	
Property Taxes Levied for Future Periods	3,511,010
Deferred Pension Related Inflows	431,784
TOTAL DEFERRED INFLOWS	<u>3,942,794</u>
NET POSITION	
Restricted for:	
Street Repairs	781,033
Drainage Improvements	884,957
Police	1,170,774
Municipal Court	131,310
PEG Funds	56,596
Animal Control	5,681
Net Investment in Capital Assets	5,219,397
Unrestricted	3,561,043
TOTAL NET POSITION	<u><u>\$ 11,810,791</u></u>

See accompanying notes to basic financial statements.



CITY OF CASTLE HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions and Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
Governmental Activities:				
Administration	\$ 1,184,184	\$ 370,307	\$ 50	\$ (813,827)
Municipal Court	381,894	897,780	-	515,886
Police	2,489,814	193,698	10,888	(2,285,228)
Fire	1,759,803	10,583	-	(1,749,220)
Streets	516,365	-	-	(516,365)
Sanitation	463,976	454,111	-	(9,865)
Drainage	10,251	141,397	-	131,146
Interest on Long Term Debt	15,288	-	-	(15,288)
<i>Total Governmental Activities</i>	<u>6,821,575</u>	<u>2,067,876</u>	<u>10,938</u>	<u>(4,742,761)</u>
Total Government	<u>\$ 6,821,575</u>	<u>\$ 2,067,876</u>	<u>\$ 10,938</u>	<u>(4,742,761)</u>
General Revenues:				
Taxes:				
Property Taxes				3,337,287
Sales Taxes				1,644,208
Franchise Fees				555,339
License Agreements				190,000
Investment Income				140,223
Miscellaneous				128,966
Total General Revenues				<u>5,996,023</u>
Change in Net Position				1,253,262
Net Position at Beginning of Year				10,739,721
Prior Period Adjustment				<u>(182,192)</u>
Net Position at End of Year				<u>\$ 11,810,791</u>

See accompanying notes to basic financial statements.

CITY OF CASTLE HILLS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund		
ASSETS				
Cash	\$ 5,583,987	\$ 760,042	\$ 2,264,135	\$ 8,608,164
Investments	607,300	-	-	607,300
Receivables (Net of Allowances for Uncollectible Accounts):				
Property Taxes	2,764,020	-	-	2,764,020
Sales and Franchise Fees	271,008	43,269	42,257	356,534
Garbage and Other Fees	38,360	-	-	38,360
TOTAL ASSETS	<u>\$ 9,264,675</u>	<u>\$ 803,311</u>	<u>\$ 2,306,392</u>	<u>\$ 12,374,378</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 225,416	\$ 3,278	\$ 37,670	\$ 266,364
Accrued Expenditures	87,393	-	-	87,393
License Agreements Received in Advance	-	19,000	76,000	95,000
<i>Total Liabilities</i>	<u>312,809</u>	<u>22,278</u>	<u>113,670</u>	<u>448,757</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	221,577	-	-	221,577
Property Taxes Levied for Future Periods	3,511,010	-	-	3,511,010
<i>Total Deferred Inflows of Resources</i>	<u>3,732,587</u>	<u>-</u>	<u>-</u>	<u>3,732,587</u>
<i>Fund Balances:</i>				
Restricted For:				
Street Repairs	-	781,033	-	781,033
Drainage Improvements	-	-	884,957	884,957
Police	-	-	1,170,774	1,170,774
Municipal Court	-	-	131,310	131,310
PEG Funds	56,596	-	-	56,596
Animal Control	-	-	5,681	5,681
Committed For:				
Street Maintenance	1,035,602	-	-	1,035,602
Workstation Upgrade	16,036	-	-	16,036
Assigned for:				
Major Vehicle Purchases	251,949	-	-	251,949
Improvement Projects from CIED	482,351	-	-	482,351
Unassigned	3,376,745	-	-	3,376,745
<i>Total Fund Balances</i>	<u>5,219,279</u>	<u>781,033</u>	<u>2,192,722</u>	<u>8,193,034</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 9,264,675</u>	<u>\$ 803,311</u>	<u>\$ 2,306,392</u>	<u>\$ 12,374,378</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, 2018

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 8,193,034
<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.		121,491
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		5,697,073
Property taxes receivable are not available to pay current period expenditures and, therefore, are deferred in the fund statements.		221,577
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds:		
Capital Lease Payable		(477,676)
Net pension liabilities (and related deferred outflows and inflows of resources) do not consume current financial resources and are not reported in the funds.		
Net Pension Liability	(1,353,688)	
Pension Related Deferred Outflows	436,799	
Pension Related Deferred Inflows	(431,784)	(1,348,673)
Other Post-Employment Benefit Liabilities (and related deferred inflows and outflows of resources) do not consume financial resources and are not reported in the governmental funds:		
Other Post-Employment Benefit Liability	(211,868)	
Other Post-Employment Benefit Related Deferred Outflows	15,242	(196,626)
Other noncurrent liabilities, including accrued compensated absences, are not due and payable in the current period and, therefore not reported in the governmental funds.		(399,409)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 11,810,791</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, 2018

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Street Repair Fund		
REVENUES				
Property Taxes	\$ 3,313,412	\$ -	\$ -	\$ 3,313,412
Sales Taxes	1,117,587	267,079	259,542	1,644,208
Franchise Fees	555,339	-	-	555,339
Garbage Fees	454,111	-	-	454,111
Stormwater Fees	-	-	141,397	141,397
Building and Other Permits	377,086	-	-	377,086
Fines and Forfeitures	864,791	-	226,584	1,091,375
License Agreements	-	38,000	152,000	190,000
Investment Income	122,305	-	17,919	140,224
Miscellaneous	122,992	-	20,818	143,810
TOTAL REVENUES	<u>6,927,623</u>	<u>305,079</u>	<u>818,260</u>	<u>8,050,962</u>
EXPENDITURES				
Current:				
Administration	1,115,492	-	-	1,115,492
Municipal Court	344,887	-	38,846	383,733
Police	2,258,238	-	131,206	2,389,444
Fire	1,641,665	-	-	1,641,665
Streets	388,459	11,503	-	399,962
Sanitation	439,256	-	-	439,256
Drainage	3,435	-	6,816	10,251
Capital Outlay	32,859	29,775	99,322	161,956
Debt Service:				
Principal	72,248	-	-	72,248
Interest	15,288	-	-	15,288
TOTAL EXPENDITURES	<u>6,311,827</u>	<u>41,278</u>	<u>276,190</u>	<u>6,629,295</u>
Net Change in Fund Balance	615,796	263,801	542,070	1,421,667
FUND BALANCES - JANUARY 1	<u>4,603,483</u>	<u>517,232</u>	<u>1,650,652</u>	<u>6,771,367</u>
FUND BALANCES - DECEMBER 31	<u>\$ 5,219,279</u>	<u>\$ 781,033</u>	<u>\$ 2,192,722</u>	<u>\$ 8,193,034</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, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 1,421,667
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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 depreciation exceeded capital outlays.</p>		(318,849)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		23,875
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal Payments on Capital Leases		72,248
<p>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.</p>		
Change in Prepaid Expenses	9,959	
Change in Accrued Compensated Absences	(31,124)	(21,165)
<p>Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plans. This is the amount that contributions exceeded actuarially determined pension expense.</p>		89,920
<p>Governmental funds report required contributions to OPEB as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plans. This is the amount that actuarially determined OPEB expense exceeded contributions:</p>		(14,434)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		\$ 1,253,262

See accompanying notes to basic financial statements.



CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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

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

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

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

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue. Property taxes which were levied and collected within 60 days of the fiscal period are considered revenue for the year ending December 31, 2018. Taxes receivable but not collected within 60 days are used to finance the budget of the fiscal year beginning January 1, 2017 and, accordingly, have been reflected as property taxes levied for future periods (a deferred inflow of resources) in the fund financial statements at December 31, 2018.

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, 2018

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

4. INVESTMENTS

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

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

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

5. ACCOUNTS RECEIVABLE

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

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

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

6. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Allowances have been established by management based on best available information for a variety of receivables as of December 31, 2018. An allowance for uncollectible accounts has been recorded in the General Fund for property taxes in the amount of \$45,361.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

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

7. 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.

8. 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.

9. CAPITAL ASSETS

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

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

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

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

10. 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, 2018

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

11. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of reporting. Unavailable revenues from 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 as an inflow of resource in the period the amounts become available. In addition property taxes levied to fund future periods are recorded on the financial statements as property taxes levied for future periods. The deferred pension related inflows result from differences between expected and actual experiences and differences in between expected and actual investment return.

12. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities in the statement of net position. On new bond issues, bond premiums and discounts, are amortized over the life of the bond. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period of issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

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

13. NET PENSION LIABILITY

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

14. OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the Total OPEB Liability of the Texas Municipal Retirement System (TMRS) and additions to/deletions from TMRS' Total OPEB Liability have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

15. FUND EQUITY

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

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

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

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

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

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

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

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

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. 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.

18. RECLASSIFICATIONS

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. These reclassifications had no effect on the change in fund balance.

19. ADOPTION OF GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT

For the year ending December 31, 2018, the City implemented Government Accounting Standards Board Statement No. 75 related to accounting for postemployment benefits other than pensions (OPEB). This new standard requires that the City's OPEB plan recognize the total OPEB liability (asset) and OPEB related deferred inflows and outflows of resources on the City's government-wide statements. This change required a prior period adjustment to restate prior years in accordance with the change in accounting principle. The prior period adjustment recorded represents the total OPEB liability at December 31, 2018, less associated OPEB related deferred outflows and inflows of resources. The amount of the restatement can be seen in more detail in Note H.

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, 2018, the City's cash balance was fully collateralized.

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2018

NOTE B -- CASH AND INVESTMENTS (CONT.)

2. Investments

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

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. The Act requires that the Council review the investment policy at least annually, investment officers obtain minimum investment training, and investment officers sign quarterly investment reports submitted to Council. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that the City had not complied with those provisions as the investment policy was not approved in 2018 and the fourth quarter report was not prepared timely.

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, 2018 are as shown below:

<u>Investment</u>	<u>Rating</u>	<u>Input Level</u>	<u>Reported Value</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
<i>General Fund:</i>					
Certificates of Deposit		1	\$ 265,918	\$ 265,918	151
Texas CLASS Investment Pool	AAAm	1	<u>341,382</u>	<u>341,382</u>	56
<i>Total Government</i>			<u>\$ 607,300</u>	<u>\$ 607,300</u>	

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE B -- CASH AND INVESTMENTS (CONT.)

3. Analysis of Specific Deposit and Investment Risks

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

a. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the City did not maintain their letter of credit. As a result, at year-end, the City did not maintain their letter of credit. As a result, \$16,252 of their investments held in certificates of deposit were uncollateralized.

b. Credit Risk

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

c. Custodial Credit Risk

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

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

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, 2018

NOTE C -- RECEIVABLES

Receivables as of December 31, 2018 are as follows:

	Governmental Funds			Total
	General Fund	Street Repair Fund	Nonmajor Funds	
<i>Receivables:</i>				
Property Taxes	\$ 2,809,381	\$ -	\$ -	\$ 2,809,381
Sales and Franchise Fees	271,008	43,269	42,257	356,534
Garbage and Other Fees	38,360	-	-	38,360
Gross Receivables	3,118,749	43,269	42,257	3,204,275
Less: Allowance for Uncollectibles	(45,361)	-	-	(45,361)
Net Total Receivables	<u>\$ 3,073,388</u>	<u>\$ 43,269</u>	<u>\$ 42,257</u>	<u>\$ 3,158,914</u>

NOTE D -- 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 2018 financials is from the collections on the 2017 and prior levies. For the fund financial statements the City accrues property tax collections received within 60 days of year end as this is considered available financial resources to fund current operations.

The total taxable value as of January 1, 2018 upon which the fiscal 2018 levy (2017 tax year) was based was \$674,104,280 (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, 2018, 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 \$13,473,019 based upon present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Code without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's effective tax rate. The current year delinquent tax receivable is \$46,437.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE E -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

<u>Governmental Activities</u>	Balances at 1/1/2018	Additions	Disposals	Transfers	Balances at 12/31/2018
Land	\$ 383,700	\$ -	\$ -	\$ -	\$ 383,700
Buildings and Improvements	3,028,036	3,875	-	-	3,031,911
Vehicles and Equipment	2,903,308	128,306	-	1,049,924	4,081,538
Infrastructure	2,751,846	-	-	-	2,751,846
Construction in Progress	1,153,891	29,775	-	(1,049,924)	133,742
	<u>10,220,781</u>	<u>161,956</u>	<u>-</u>	<u>-</u>	<u>10,382,737</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and Improvements	(1,475,000)	(91,438)	-	-	(1,566,438)
Vehicles and Equipment	(2,290,715)	(297,453)	-	-	(2,588,168)
Infrastructure	(439,144)	(91,914)	-	-	(531,058)
	<u>(4,204,859)</u>	<u>(480,805)</u>	<u>-</u>	<u>-</u>	<u>(4,685,664)</u>
Governmental Capital Assets, Net	<u>\$ 6,015,922</u>	<u>\$ (318,849)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,697,073</u>

Land and Construction in Progress are not depreciated.

Depreciation Expense was charged to the governmental functions as follows:

Administration	\$ 72,715
Municipal Court	2,213
Police	138,197
Fire	121,273
Streets	119,714
Sanitation	26,693
Total Depreciation Expense	<u>\$ 480,805</u>

NOTE F -- LONG-TERM DEBT

Changes in the City's long-term debt during the fiscal year ended December 31, 2018 were as follows:

<u>Governmental Activities</u>	Balance Outstanding 1/1/2018	Additions	Retirements	Balance Outstanding 12/31/2018	Due Within One Year
Capital Lease	\$ 549,924	\$ -	\$ (72,248)	\$ 477,676	\$ 74,257
Accrued Compensated Absences	368,285	104,781	(73,657)	399,409	79,882
Totals	<u>\$ 918,209</u>	<u>\$ 104,781</u>	<u>\$ (145,905)</u>	<u>\$ 877,085</u>	<u>\$ 154,139</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

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

In December 2017, the City entered into a capital lease agreement with PNC Equipment Finance, LLC for the purchase of a new fire truck. The total cost of the fire truck was \$1,049,924. The City paid a down payment of \$500,000 and the remaining balance was financed over 7 years with an interest rate of 2.78% per annum. The lease calls for annual payments of \$87,536 beginning December 20, 2018 through December 20, 2024. The fire truck is recorded as a capital asset of the City with a cost of \$1,049,924. As of December 31, 2018, \$96,243 had been recognized in accumulated depreciation.

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

Year End December 31	Capital Lease
2019	\$ 87,536
2020	87,536
2021	87,536
2022	87,536
2023	87,536
2024	87,536
Total Minimum Lease Payments	525,216
Less Interest	(47,540)
Present Value of Minimum Payments	\$ 477,676

NOTE G -- LICENSE AGREEMENTS

The City is leasing two billboards to Clear Channel Outdoor, Inc. for a period of 25 years. This agreement runs from December 1, 2015 through November 30, 2040. The license is paid in annual installments. Clear Channel Outdoor, Inc. has the right to remove the billboards at any time or within 120 days following the termination of such rights to use or possess the billboards. If the value or utilization of the billboard is reduced, Clear Channel Outdoor, Inc. may terminate the agreement and receive any prepaid license payments from the City. The balance of unrecognized license agreement revenue is shown as license agreements received in advance on the Balance Sheet and the Statement of Net Position. The future minimum lease revenues under the license are as follows:

Year End December 31,	Billboard License
2019	\$ 190,000
2020	190,000
2021	199,500
2022	201,496
2023	203,510
2024-2028	1,048,488
2029-2033	1,101,970
2034-2038	1,158,182
2039-2040	479,650
	\$ 4,772,796

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2018

NOTE H -- PRIOR PERIOD ADJUSTMENT

In accordance with GASB Statement No. 75, the City has recorded a prior period adjustment to recognize the Other Post-Employment Benefit (OPEB) liability as described in Note J, below. The OPEB liability at December 31, 2017 was allocated to the general fund resulting in a prior period adjustment to restate the beginning fund balances as of December 31, 2017 as follows:

	Governmental Activities
Beginning Fund Balance/Net Assets, previously reported	\$ 10,739,721
Understated OPEB Liability	(182,192)
Beginning Fund Balance/Net Assets, restated	\$ 10,557,529

NOTE I -- EMPLOYEE RETIREMENT SYSTEM

Texas Municipal Retirement System

Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONT.)

Benefits Provided (Cont.)

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

	2016	2017
Inactive employees or beneficiaries currently receiving benefits	44	48
Inactive employees entitled to but not yet receiving benefits	34	32
Active employees	66	67
	144	147

Contributions

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

For the year ending December 31, 2018, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.58% and 11.57% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended December 31, 2018 were \$411,648 and were \$321 more than the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

* Presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONT.)

Actuarial Assumptions (Cont.)

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

Actuarial assumptions used in the December 31, 2017 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term funding needs of TMRS.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
	<u>100.00%</u>	

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONT.)

Discount Rate

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

Changes in the Net Pension Liability

The schedule below presents the changes in the Net Pension Liability as of December 31, 2017:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 17,071,422	\$ 14,777,637	\$ 2,293,785
Changes for the year:			
Service Cost	543,595	-	543,595
Interest (on Total Pension Liability)	1,143,903	-	1,143,903
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	88,526	-	88,526
Changes of Assumptions	-	-	-
Contributions - Employer	-	423,323	(423,323)
Contributions - Employee	-	255,895	(255,895)
Net Investment Income	-	2,048,055	(2,048,055)
Benefit Payments, Including Refunds of Employee Contributions	(793,003)	(793,003)	-
Administrative Expense	-	(10,614)	10,614
Other Changes	-	(538)	538
Net Changes	983,021	1,923,118	(940,097)
Balance at December 31, 2017	\$ 18,054,443	\$ 16,700,755	\$ 1,353,688

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 3,945,465	\$ 1,353,688	\$ (761,305)

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONT.)

Pension Plan Fiduciary Net Position

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

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

For the year ended December 31, 2018, the City recognized pension expense of \$322,216. Also as of December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 24,858	\$ -
Changes in Actuarial Assumptions	-	(289)
Differences Between Projected and Actual Investment Earnings	-	(431,495)
Contributions Subsequent to the Measurement Date	411,941	-
	\$ 436,799	\$ (431,784)

Deferred outflows of resources in the amount of \$411,941 is related to contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2018	\$ (27,197)
2019	4,903
2020	(184,006)
2021	(200,626)
	\$ (406,926)

NOTE J -- 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.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE J -- OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONT.)

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. Membership in the plan at December 31, 2017, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	4
Active employees	67
	109

The SDBF required contribution rates, based on these assumptions, are as follows:

<u>For the Plan Year Ended December 31,</u>	<u>Total SDBF Contribution Rate</u>	<u>Retiree Portion of SDBF Contribution Rate</u>
2017	0.20%	0.05%
2018	0.18%	0.05%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method. The assumptions are summarized below:

Inflation	2.5% per year
Salary Increases	3.5% to 10.5%, including inflation
Discount Rate	3.31% (Based o Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid thru the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and femal rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates - Disabled Retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and femal rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE J -- OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONT.)

The City's Total OPEB Liability (TOL), based on the actuarial factors, as of December 31, 2018 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2016	\$ 184,019
Changes for the year:	
Service Cost	6,580
Interest (on Total OPEB Liability)	7,046
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	16,051
Benefit Payments	(1,828)
Net Changes	27,849
Balance at December 31, 2017	\$ 211,868

A separate trust is not maintained to fund this Total OPEB Liability. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 3.31% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.31%) and 1-percentage point higher (4.31%) than the current rate:

	Discount Rate 2.31%	Discount Rate 3.31%	Discount Rate 4.31%
Total OPEB Liability	\$ 252,626	\$ 211,868	\$ 179,668

For the year ended December 31, 2018, the City recognized OPEB expense of \$16,215. Also as of December 31, 2018, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 13,462	\$ -
Differences Between Projected and Contributions Subsequent to the Measurement Date	-	-
	1,780	-
	\$ 15,242	\$ -

CITY OF CASTLE HILLS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2018

NOTE J -- OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONT.)

Deferred outflows of resources in the amount of \$1,780 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the plan year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Plan Year Ended December 31,</u>		
2018	\$	2,589
2019		2,589
2020		2,589
2021		2,589
2022		2,589
Thereafter		517
	<u>\$</u>	<u>13,462</u>

NOTE K -- 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 L -- 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 December 31, 2018 were \$71,629.

CITY OF CASTLE HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE L -- RISK MANAGEMENT (CONT.)

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, 2019. 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, 2019 were \$57,500.



REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability and Related Ratios
- Schedule of Employer Contributions
- Schedule of Changes – Total Other Post-Employment Benefit Liability and Related Ratios

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, 2018

	Budget Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Tax	\$ 3,426,468	\$ 3,426,468	\$ 3,313,412	\$ (113,056)
Sales Taxes	1,147,000	1,147,000	1,117,587	(29,413)
Franchise Fees	475,000	475,000	555,339	80,339
Garbage Fees	455,000	455,000	454,111	(889)
Building and Other Permits	334,500	334,500	377,086	42,586
Fines and Forfeitures	985,500	985,500	864,791	(120,709)
Investment Income	25,000	25,000	122,305	97,305
Miscellaneous	131,798	131,798	122,992	(8,806)
TOTAL REVENUES	<u>6,980,266</u>	<u>6,980,266</u>	<u>6,927,623</u>	<u>(52,643)</u>
EXPENDITURES				
<i>Current:</i>				
Administration	970,226	970,226	1,115,492	(145,266)
Municipal Court	318,156	318,156	344,887	(26,731)
Police	2,446,696	2,446,696	2,258,238	188,458
Fire	1,678,506	1,678,506	1,641,665	36,841
Streets	738,797	738,797	388,459	350,338
Sanitation	454,677	454,677	439,256	15,421
Drainage	3,500	3,500	3,435	65
Capital Outlay	38,000	1,087,924	32,859	1,055,065
<i>Debt Service:</i>				
Principal	-	-	72,248	(72,248)
Interest	-	-	15,288	(15,288)
TOTAL EXPENDITURES	<u>6,648,558</u>	<u>7,698,482</u>	<u>6,311,827</u>	<u>1,386,655</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>331,708</u>	<u>(718,216)</u>	<u>615,796</u>	<u>1,334,012</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>(128,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(128,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	203,608	(718,216)	615,796	1,334,012
Fund Balance - January 1	<u>4,603,483</u>	<u>4,603,483</u>	<u>4,603,483</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 4,807,091</u>	<u>\$ 3,885,267</u>	<u>\$ 5,219,279</u>	<u>\$ 1,334,012</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, 2018

	Budget		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales Taxes	\$ 275,000	\$ 275,000	\$ 267,079	\$ (7,921)
License Agreements	38,000	38,000	38,000	-
TOTAL REVENUES	<u>313,000</u>	<u>313,000</u>	<u>305,079</u>	<u>(7,921)</u>
EXPENDITURES				
<i>Current:</i>				
Streets	25,625	25,625	11,503	14,122
Capital Outlay	120,254	120,254	29,775	90,479
TOTAL EXPENDITURES	<u>145,879</u>	<u>145,879</u>	<u>41,278</u>	<u>104,601</u>
Net Change in Fund Balance	<u>167,121</u>	<u>167,121</u>	<u>263,801</u>	<u>96,680</u>
Fund Balance - January 1	<u>517,232</u>	<u>517,232</u>	<u>517,232</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 684,353</u>	<u>\$ 684,353</u>	<u>\$ 781,033</u>	<u>\$ 96,680</u>

CITY OF CASTLE HILLS, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
DECEMBER 31, 2018

Budgetary Information

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

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

The City does not use encumbrances.

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

	Total Pension Liability			
	2014	2015	2016	2017
Service Cost	\$ 373,750	\$ 475,976	\$ 519,906	\$ 543,595
Interest (on the Total Pension Liability)	1,039,608	1,069,749	1,076,375	1,143,903
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(417,323)	(302,567)	91,064	88,526
Change of Assumptions	-	(1,015)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(637,785)	(595,341)	(604,541)	(793,003)
Net Change in Total Pension Liability	358,250	646,802	1,082,804	983,021
Total Pension Liability - Beginning	14,983,566	15,341,816	15,988,618	17,071,422
Total Pension Liability - Ending	<u>\$ 15,341,816</u>	<u>\$ 15,988,618</u>	<u>\$ 17,071,422</u>	<u>\$ 18,054,443</u>
	Plan Fiduciary Net Position			
	2014	2015	2016	2017
Contributions - Employer	\$ 380,234	\$ 433,297	\$ 420,366	\$ 423,323
Contributions - Employee	209,084	228,052	242,785	255,895
Net Investment Income	745,640	20,251	932,351	2,048,055
Benefit Payments, Including Refunds of Employee Contributions	(637,785)	(595,341)	(604,541)	(793,003)
Administrative Expense	(7,786)	(12,335)	(10,531)	(10,614)
Other	(640)	(610)	(567)	(538)
Net Change in Plan Fiduciary Net Position	688,747	73,314	979,863	1,923,118
Plan Fiduciary Net Position - Beginning	13,035,713	13,724,460	13,797,774	14,777,637
Plan Fiduciary Net Position - Ending	<u>\$ 13,724,460</u>	<u>\$ 13,797,774</u>	<u>\$ 14,777,637</u>	<u>\$ 16,700,755</u>
Net Pension Liability (Asset) - Ending	\$ 1,617,356	\$ 2,190,844	\$ 2,293,785	\$ 1,353,688
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.46%	86.30%	86.56%	92.50%
Covered Payroll	\$ 2,986,911	\$ 3,257,881	\$ 3,468,354	\$ 3,655,649
Net Pension Liability as a Percentage of Covered Payroll	54.15%	67.25%	66.13%	37.03%

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

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

Schedule of Contributions:

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 380,831	\$ 433,317	\$ 420,402	\$ 423,129	\$ 411,648
Contributions in Relation to the Actuarially Determined Contribution	380,831	433,317	420,402	423,129	411,970
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ (322)
 Covered Payroll	 \$ 2,986,913	 \$ 3,257,874	 \$ 3,468,364	 \$ 3,655,638	 \$ 3,557,893
 Contributions as a Percentage of Covered Payroll	 12.75%	 13.30%	 12.12%	 11.57%	 11.57%

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

Notes to the Schedule of Contributions:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information:

Notes: There were no benefit changes during the year.

CITY OF CASTLE HILLS, TEXAS
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF CHANGES – OTHER POST-EMPLOYMENT BENEFIT
 LIABILITY AND RELATED RATIOS
 LAST CALENDAR YEAR

	Total OPEB Liability
Balance at December 31, 2016	\$ 184,019
Changes for the year:	
Service Cost	6,580
Interest (on Total OPEB Liability)	7,046
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	16,051
Benefit Payments	(1,828)
Net Changes	27,849
Balance at December 31, 2017	\$ 211,868
 Covered Payroll	 \$ 3,655,649
 Total OPEB Liability at a Percentage of Covered Payroll	 5.80%

Note: The schedule above reflects the changes in the net pension liability for the current year. GASB Statement No. 75 requires 10 years of data to be provided in this schedule. The City will build this schedule over the 10-year period beginning December 31, 2017 as data becomes available.

NOTES TO SCHEDULE OF CHANGES

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Methods and Assumptions Used to Determine Contribution Rate

Inflation	2.5% per year
Salary Increases	3.5% to 10.5%, including inflation
Discount Rate	3.31% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates - Disabled Retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.



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, 2018 AND 2017

	2018	2017
ASSETS		
Cash	\$ 5,583,987	\$ 5,255,976
Investments	607,300	858,517
Receivables (Net of Allowances for Uncollectible Accounts):		
Property Taxes	2,764,020	1,960,130
Sales and Franchise Fees	271,008	265,879
Garbage and Other Fees	38,360	67,997
Due from Other Funds	-	33,376
TOTAL ASSETS	\$ 9,264,675	\$ 8,441,875
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 225,416	\$ 128,187
Accrued Expenditures	87,393	97,590
<i>Total Liabilities</i>	312,809	225,777
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	221,577	197,702
Property Taxes Levied for Future Periods	3,511,010	3,414,913
<i>Total Deferred Inflows of Resources</i>	3,732,587	3,612,615
 <i>Fund Balance:</i>		
Restricted for:		
PEG Funds	56,596	50,659
Committed for:		
Street Maintenance	1,035,602	635,602
Workstation Upgrade	16,036	2,936
Assigned for:		
Major Vehicle Purchases	251,949	136,949
Improvements from CIED	482,351	482,351
Unassigned	3,376,745	3,294,986
<i>Total Fund Balance</i>	5,219,279	4,603,483
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 9,264,675	\$ 8,441,875

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES		
Property Taxes	\$ 3,313,412	\$ 3,167,415
Sales Taxes	1,117,587	1,080,920
Franchise Fees	555,339	534,125
Garbage Fees	454,111	455,058
Building and Other Permits	377,086	326,987
Fines and Forfeitures	864,791	916,660
Interest	122,305	64,375
Miscellaneous	122,992	119,481
TOTAL REVENUES	6,927,623	6,665,021
EXPENDITURES		
Current:		
Administration	1,115,492	944,541
Municipal Court	344,887	345,870
Police	2,258,238	2,263,625
Fire	1,641,665	1,735,091
Streets	388,459	866,182
Sanitation	439,256	433,096
Drainage	3,435	1,570
Capital Outlay	32,859	1,117,341
Debt Service:		
Principal	72,248	-
Interest	15,288	-
TOTAL EXPENDITURES	6,311,827	7,707,316
Excess (Deficiency) of Revenues Over (Under) Expenditures	615,796	(1,042,295)
OTHER FINANCING SOURCES (USES)		
Proceeds on Capital Lease	-	549,924
Proceeds on Sale of Capital Assets	-	2,500
TOTAL OTHER FINANCING SOURCES (USES)	-	552,424
Net Change in Fund Balance	615,796	(489,871)
Fund Balance at Beginning of Year	4,603,483	5,093,354
Fund Balance at End of Year	\$ 5,219,279	\$ 4,603,483

CITY OF CASTLE HILLS, TEXAS
 COMPARATIVE BALANCE SHEETS
 STREET REPAIR FUND
 DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 760,042	\$ 544,003
Sales Tax Receivable	<u>43,269</u>	<u>44,003</u>
TOTAL ASSETS	<u>\$ 803,311</u>	<u>\$ 588,006</u>
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 3,278	\$ 51,774
License Agreements Received in Advance	<u>19,000</u>	<u>19,000</u>
<i>Total Liabilities</i>	<u>22,278</u>	<u>70,774</u>
 <i>Fund Balance - Restricted for Streets</i>	 <u>781,033</u>	 <u>517,232</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 803,311</u>	 <u>\$ 588,006</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, 2018 AND 2017

	2018	2017
REVENUES		
Sales Taxes	\$ 267,079	\$ 258,320
License Agreements	38,000	38,000
TOTAL REVENUES	305,079	296,320
 EXPENDITURES		
Streets	11,503	13,316
Capital Outlay	29,775	211,827
TOTAL EXPENDITURES	41,278	225,143
 Net Change in Fund Balance	263,801	71,177
 Fund Balances at Beginning of Year	517,232	446,055
 Fund Balances at End of Year	\$ 781,033	\$ 517,232

CITY OF CASTLE HILLS, TEXAS
 COMBINING BALANCE SHEETS
 NONMAJOR FUNDS
 DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS FOR 2017)

	<u>Child Safety</u>	<u>Animal Control</u>	<u>Municipal Court Technology</u>	<u>Municipal Court Security</u>	<u>Municipal Court Efficiency</u>
ASSETS					
Cash	\$ 64,130	\$ 6,130	\$ 39,591	\$ 89,728	\$ 4,989
Sales Tax Receivable	-	-	-	-	-
TOTAL ASSETS	<u>\$ 64,130</u>	<u>\$ 6,130</u>	<u>\$ 39,591</u>	<u>\$ 89,728</u>	<u>\$ 4,989</u>
LIABILITIES AND FUND BALANCE					
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ 449	\$ 2,631	\$ 367	\$ -
Due to Other Funds	-	-	-	-	-
License Agreements					
Received in Advance	-	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>449</u>	<u>2,631</u>	<u>367</u>	<u>-</u>
<i>Restricted Fund Balance</i>	<u>64,130</u>	<u>5,681</u>	<u>36,960</u>	<u>89,361</u>	<u>4,989</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 64,130</u>	<u>\$ 6,130</u>	<u>\$ 39,591</u>	<u>\$ 89,728</u>	<u>\$ 4,989</u>

Police Seizure	LEOSE	Crime Control and Prevention District	Drainage Fund	2018 Total	2017 Total
\$ 383,914	\$ 8,495	\$ 706,201	\$ 960,957	\$ 2,264,135	\$ 1,723,772
-	-	42,257	-	42,257	42,853
<u>\$ 383,914</u>	<u>\$ 8,495</u>	<u>\$ 748,458</u>	<u>\$ 960,957</u>	<u>\$ 2,306,392</u>	<u>\$ 1,766,625</u>
\$ -	\$ -	\$ 34,223	\$ -	\$ 37,670	\$ 6,597
-	-	-	-	-	33,376
-	-	-	76,000	76,000	76,000
-	-	34,223	76,000	113,670	115,973
<u>383,914</u>	<u>8,495</u>	<u>714,235</u>	<u>884,957</u>	<u>2,192,722</u>	<u>1,650,652</u>
<u>\$ 383,914</u>	<u>\$ 8,495</u>	<u>\$ 748,458</u>	<u>\$ 960,957</u>	<u>\$ 2,306,392</u>	<u>\$ 1,766,625</u>

CITY OF CASTLE HILLS, TEXAS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – NONMAJOR FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS FOR 2017)

	Child Safety	Animal Control	Municipal Court Technology	Municipal Court Security	Municipal Court Efficiency
REVENUES					
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Stormwater Fees	-	-	-	-	-
Fines and Forfeitures	-	-	20,499	15,399	1,454
License Agreement	-	-	-	-	-
Investment Income	-	-	-	-	-
Miscellaneous	10,888	675	-	-	-
TOTAL REVENUES	<u>10,888</u>	<u>675</u>	<u>20,499</u>	<u>15,399</u>	<u>1,454</u>
EXPENDITURES					
Administration	-	-	-	-	-
Municipal Court	-	-	20,898	17,948	-
Police	2,697	-	-	-	-
Drainage	-	-	-	-	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>2,697</u>	<u>-</u>	<u>20,898</u>	<u>17,948</u>	<u>-</u>
Net Change in Fund Balance	8,191	675	(399)	(2,549)	1,454
Beginning Fund Balance	<u>55,939</u>	<u>5,006</u>	<u>37,359</u>	<u>91,910</u>	<u>3,535</u>
Ending Fund Balance	<u>\$ 64,130</u>	<u>\$ 5,681</u>	<u>\$ 36,960</u>	<u>\$ 89,361</u>	<u>\$ 4,989</u>

Police Seizure	Police Seizure	Crime Control and Prevention District	Drainage Fund	2018 Total	2017 Total
\$ -	\$ -	\$ 259,542	\$ -	\$ 259,542	\$ 253,262
-	-	-	141,397	141,397	138,290
189,232	-	-	-	226,584	68,197
-	-	-	152,000	152,000	152,000
5,775	-	12,144	-	17,919	4,722
760	8,495	-	-	20,818	29,012
<u>195,767</u>	<u>8,495</u>	<u>271,686</u>	<u>293,397</u>	<u>818,260</u>	<u>645,483</u>
-	-	-	-	-	30,704
-	-	-	-	38,846	34,401
10,817	-	117,692	-	131,206	40,921
-	-	-	6,816	6,816	61,292
3,382	-	95,940	-	99,322	45,292
<u>14,199</u>	<u>-</u>	<u>213,632</u>	<u>6,816</u>	<u>276,190</u>	<u>212,610</u>
181,568	8,495	58,054	286,581	542,070	432,873
202,346	-	656,181	598,376	1,650,652	1,217,779
<u>\$ 383,914</u>	<u>\$ 8,495</u>	<u>\$ 714,235</u>	<u>\$ 884,957</u>	<u>\$ 2,192,722</u>	<u>\$ 1,650,652</u>

