

CITY OF CASTROVILLE, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2015**



CITY OF CASTROVILLE
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

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CITY OF CASTROVILLE

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

JEFF GARDNER

MAYOR PRO-TEM

VICTOR ORTIZ, JR.

CITY COUNCIL

KYLE L. MCVAY

PHIL KING

JESUS "JESSE" MENDOZA

ERIC CHERRY

CITY ADMINISTRATOR

MARIE GELLES

ATTORNEY

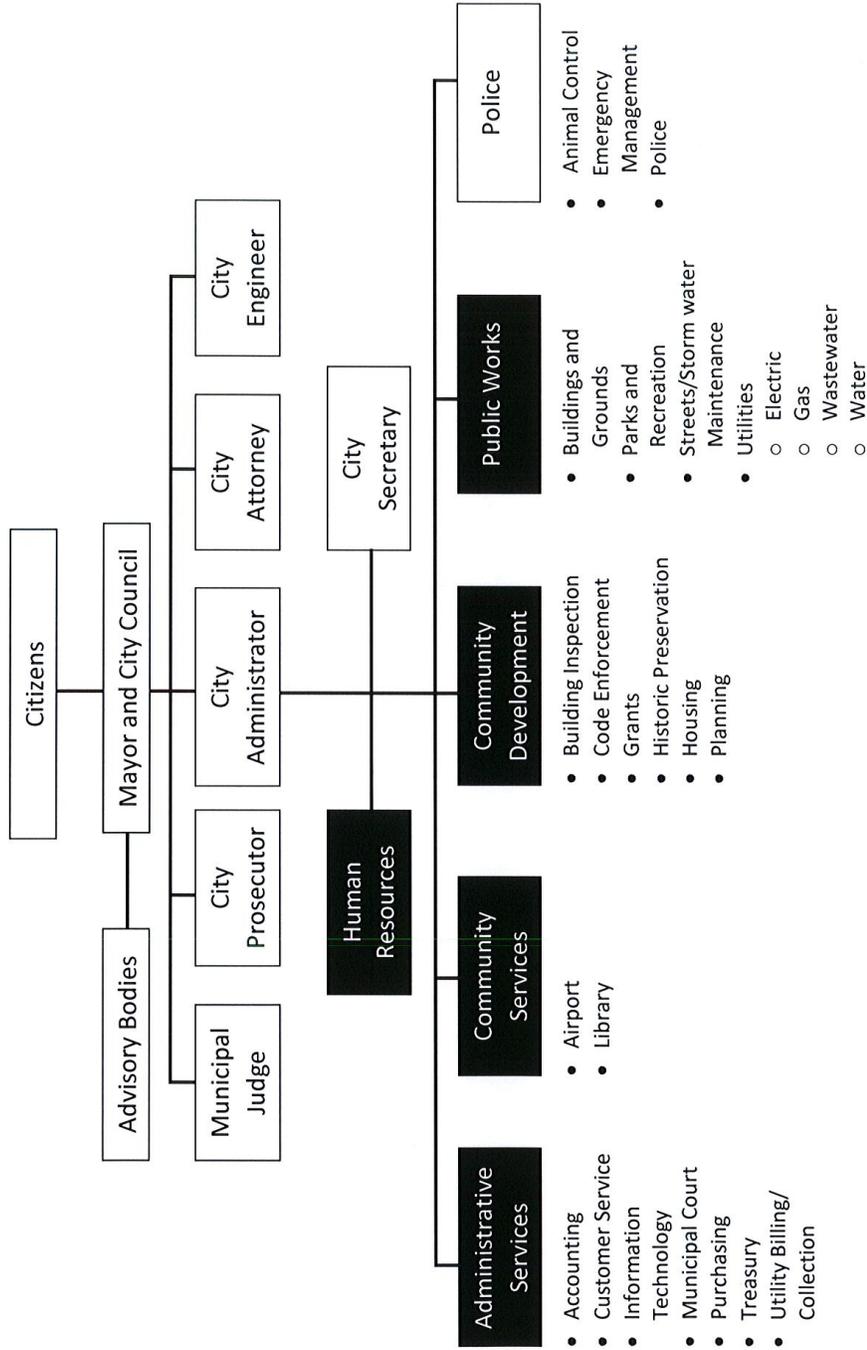
DENTON, NAVARRO, ROCHA & BERNAL

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

CITY OF CASTROVILLE
ORGANIZATIONAL CHART

Organization of the City of Castroville



Appointed by Mayor and City Council
 Appointed by City Administrator

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



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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Castroville

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Castroville, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Castroville's 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 an opinion 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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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, the business-type activities, each major fund and the aggregate remaining fund information of the City of Castroville, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A21 to the financial statements, in October 2014, the City adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 68 related to accounting for pensions. 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 management's discussion and analysis, budgetary comparison information, and schedule of changes – net pension liability and related ratios as identified 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 Governmental Accounting Standards Board (GASB), 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 regarding the methods of preparing the information and comparing the information for consistency with management's response 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Castroville's financial statements as a whole. The comparative statements and combining statements are presented for purposes of additional analysis and are not a required part of the financial statements. The comparative statements and combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.



Armstrong, Vaughan & Associates, P.C.

February 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Castroville's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

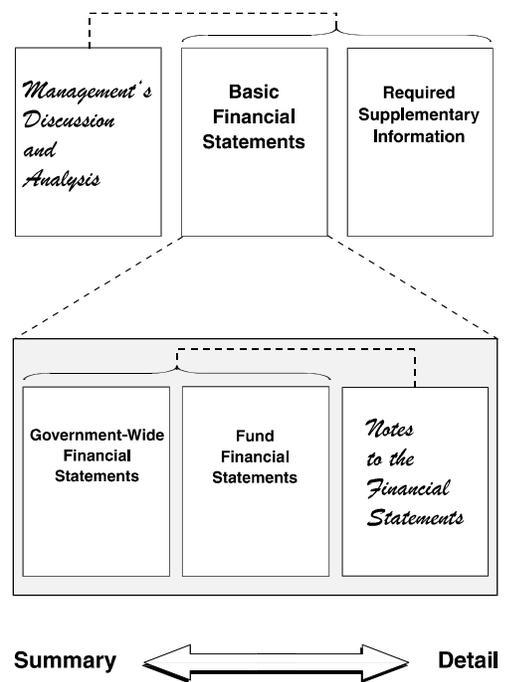
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$17.6 million (total net position) at September 30, 2015. Of this amount, \$5.8 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- During the year, the City's total net position increased by \$1.8 million.
- As of September 30, 2015, the City's governmental funds reported a combined ending fund balances of \$1.7 million, an increase of \$178 thousand from the prior year.

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.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

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. Major Features of the City's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water and sewer
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic 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	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

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.

Government-Wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances.

The statement of net position presents information on all of the City’s assets, deferred outflows, deferred inflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administration, public safety, public works and park maintenance. The business-type activities of the City include a Utility fund and an Airport fund.

The government-wide financial statements include only the City itself (known as the primary government). The government-wide financial statements can be found on pages 13-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories: governmental and proprietary.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds. A budgetary comparison schedule has been provided as supplementary information to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary funds: The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility and Airport activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund, the Airport fund and the Utility Capital Projects fund, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 22-26 of this report.

Notes to the basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-49 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's adopted budget and the City's progress in funding its obligation to provide pension benefits to its employees. The required supplementary information related to the budget and pension benefits can be found on pages 50-54 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 58-61 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$17.6 million at the close of fiscal year 2015.

By far the largest portion of the City's net position (64%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table provides a summary of the City's net assets at September 30, 2015 (See Table A-1).

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2015 - 2014
	2015	2014*	2015	2014*	2015	2014*	
<i>Assets:</i>							
Current and Other Assets	\$ 1,885,973	\$ 1,773,989	\$ 5,696,141	\$ 4,715,886	\$ 7,582,114	\$ 6,489,875	16.8
Capital Assets (net)	1,935,164	1,976,298	11,406,740	10,895,837	13,341,904	12,872,135	3.6
<i>Total Assets</i>	<u>3,821,137</u>	<u>3,750,287</u>	<u>17,102,881</u>	<u>15,611,723</u>	<u>20,924,018</u>	<u>19,362,010</u>	8.1
<i>Deferred Outflows:</i>							
Deferred Charge on Refunding	38,683	42,199	9,598	10,471	48,281	52,670	(8.3)
Deferred Pension Related	103,797	57,866	46,314	26,640	150,111	84,506	77.6
<i>Total Deferred Outflows</i>	<u>142,480</u>	<u>100,065</u>	<u>55,912</u>	<u>37,111</u>	<u>198,392</u>	<u>137,176</u>	44.6
<i>Liabilities:</i>							
Current Liabilities	230,781	297,003	608,722	524,990	839,503	821,993	2.1
Long-Term Liabilities	1,573,694	1,710,312	1,035,794	1,161,765	2,609,488	2,872,077	(9.1)
<i>Total Liabilities</i>	<u>1,804,475</u>	<u>2,007,315</u>	<u>1,644,516</u>	<u>1,686,755</u>	<u>3,448,991</u>	<u>3,694,070</u>	(6.6)
<i>Deferred Inflows:</i>							
Deferred Pension Related	20,812	-	9,286	-	30,098	-	100.0
<i>Total Deferred Inflows</i>	<u>20,812</u>	<u>-</u>	<u>9,286</u>	<u>-</u>	<u>30,098</u>	<u>-</u>	100.0
<i>Net Position:</i>							
Net Investment in							
Capital Assets	577,648	471,571	10,698,095	10,338,614	11,275,743	10,810,185	4.3
Restricted	73,585	66,305	482,060	369,876	555,645	436,181	27.4
Unrestricted	1,487,097	1,305,161	4,324,836	3,253,589	5,811,933	4,558,750	27.5
<i>Total Net Position</i>	<u>\$ 2,138,330</u>	<u>\$ 1,843,037</u>	<u>\$15,504,991</u>	<u>\$13,962,079</u>	<u>\$17,643,321</u>	<u>\$15,805,116</u>	11.6

*Note: Comparative information restated for the adoption of GASB Statement No. 68. See note A21 for more detail

An additional portion of the City's net position \$555 thousand (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$5.8 million may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position: The City's net position increased \$1.8 million. (See Table A-2.)

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2015	2014*	2015	2014*	2015	2014*	2015 - 2014
<i>Program Revenues:</i>							
Charges for Services	\$ 653,323	\$ 534,471	\$ 6,674,285	\$ 6,654,016	\$ 7,327,608	\$ 7,188,487	1.9
Operating Grants and Contributions	1,860	1,946	15,352	12,508	17,212	14,454	19.1
Capital Grants and Contributions	-	-	458,028	3,304,269	458,028	3,304,269	(86.1)
<i>General Revenues:</i>							
Taxes	1,567,587	1,510,628	-	-	1,567,587	1,510,628	3.8
Interest Earnings	6,155	5,274	9,527	8,468	15,682	13,742	14.1
Miscellaneous	50,599	45,615	-	6,059	50,599	51,674	(2.1)
TOTAL REVENUES	2,279,524	2,097,934	7,157,192	9,985,320	9,436,716	12,083,254	(21.9)
<i>Program Expenditures:</i>							
General Administration	884,817	803,913	-	-	884,817	803,913	10.1
Public Safety	1,110,007	981,625	-	-	1,110,007	981,625	13.1
Public Transportation	268,459	351,148	-	-	268,459	351,148	(23.5)
Culture and Recreation	564,816	535,061	-	-	564,816	535,061	5.6
Interest in Debt	39,705	42,984	-	-	39,705	42,984	(7.6)
Utility	-	-	4,265,995	4,393,509	4,265,995	4,393,509	(2.9)
Airport	-	-	464,712	576,589	464,712	576,589	(19.4)
TOTAL EXPENSES	2,867,804	2,714,731	4,730,707	4,970,098	7,598,511	7,684,829	(1.1)
Increase (Decrease) in Net Position before Transfers	(588,280)	(616,797)	2,426,485	5,015,222	1,838,205	4,398,425	(58.2)
Transfers	883,573	850,086	(883,573)	(850,086)	-	-	0.0
Increase (Decrease) in Net Position after Transfers	\$ 295,293	\$ 233,289	\$ 1,542,912	\$ 4,165,136	\$ 1,838,205	\$ 4,398,425	(58.2)

*Note: Comparative information for 2014 has not been restated for the effects of the adoption of GASB Statement No. 68 as information is not available.

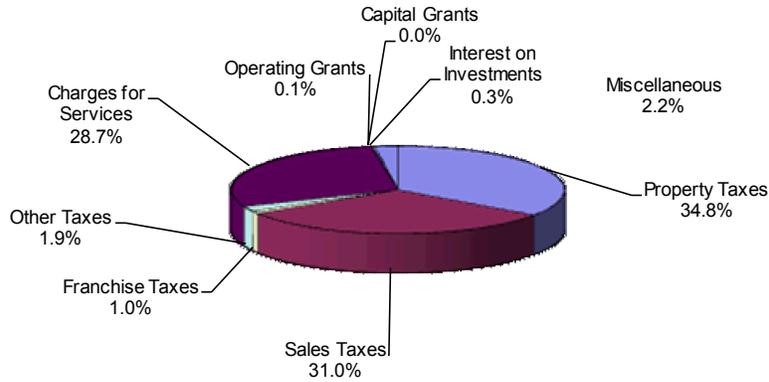
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2015.

Governmental Activities

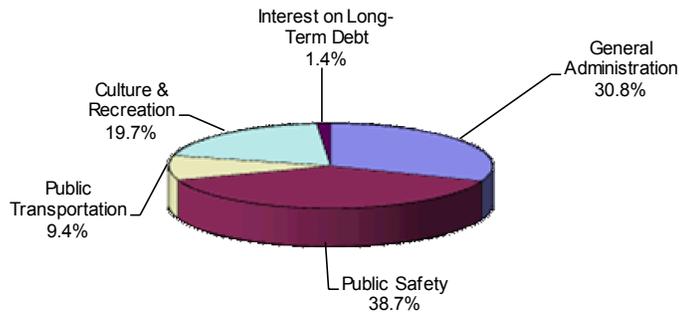
- Property taxes increased \$10,132 over the previous year.
- Sales taxes increased \$41,388 over the previous year.

Governmental activities showed a decrease of \$588 thousand before transfers from business-type activities. The business-type activities transferred \$883 thousand to governmental activities resulting in an increase in net position of \$295 thousand.

2015 Governmental Revenues



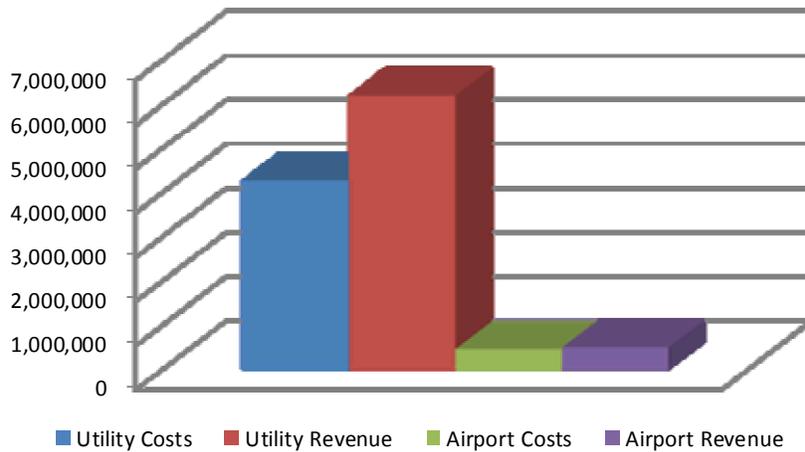
2015 Governmental Function Expenses



Business-Type Activities

Business-type activities increased the City’s net position by \$1.5 million after transfers to governmental activities of \$883 thousand. This increase is partially attributed to the capital contributions from TxDOT on various projects at the Airport.

Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1.7 million. Of this total amount, \$1.5 thousand is nonspendable as it has already been spent on prepaid items, \$78 thousand is restricted by constraints imposed by external providers such as grantors and enabling legislation, \$362 thousand is committed and reported in special revenue and capital improvement funds, and \$1.3 million is unassigned in the governmental funds. The unassigned fund balance is the amount available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$1.3 million. The City's general fund balance showed an increase of \$157 thousand during the year. This is attributed to increases in property taxes, sales tax, and permit revenue.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the Utility Fund at the end of the year amounted to \$4.1 million. The increase in net position was \$1.0 million. This increase is attributable to an increase in utility rates and the delay of project completion. Unrestricted net position of the Airport Fund at the end of the year amounted to \$172 thousand. The increase in net position was \$476 thousand. This increase is attributable to capital contributions from TxDOT for various projects at the airport. Net Investment in Capital Assets of the Utility Capital Projects Fund at the end of the year amounted to \$70 thousand. The increase in net position was \$70 thousand. The increase is attributable to transfers from the Utility Fund to cover the cost of debt service payments. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final budget. The general fund expenditures were under budget by \$462,950 as a result of cost containment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2015, the City had invested \$13.3 million in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles, and infrastructure (See Table A-3.). This amount represents a net increase (including additions and deductions) of \$469 thousand or 3.6% over last year. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Table A-3
City's Capital Assets
(in thousands dollars)

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2015	2014	2015	2014	2015	2014	Change
							2015 - 2014
Land	\$ 105	\$ 105	\$ 1,549	\$ 1,549	\$ 1,654	\$ 1,654	0.0
Construction in Progress	-	-	4,120	3,300	4,120	3,300	24.8
Water Rights	-	-	112	112	112	112	0.0
Buildings and Improvements	589	567	2,897	2,897	3,486	3,464	0.6
Vehicles and Equipment	778	752	1,093	1,045	1,871	1,797	4.1
Infrastructure	1,814	1,814	8,732	8,732	10,546	10,546	0.0
Totals at Historical Cost	3,286	3,238	18,503	17,635	21,789	20,873	4.4
Total Accumulated Depreciation	(1,352)	(1,262)	(7,096)	(6,739)	(8,448)	(8,001)	5.6
Net Capital Assets	\$ 1,934	\$ 1,976	\$ 11,407	\$ 10,896	\$ 13,341	\$ 12,872	3.6

Long Term Debt

At year-end the City had \$2.3 million in bonds and notes outstanding as shown in Table A-4. More detailed information about the City's debt is presented in the notes to the financial statements. The City's S&P rating was upgraded to AA Stable.

Table A-4
City's Long-Term Debt
(in thousands dollars)

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2015	2014	2015	2014	2015	2014	Change
							2015 - 2014
Bonds Payable	\$ 1,333	\$ 1,478	\$ 322	\$ 357	\$ 1,655	\$ 1,835	(9.8)
Notes Payable	-	-	107	126	107	126	(15.1)
TWDB Bonds Payable	-	-	585	655	585	655	(10.7)
Total Long-Term Debt	\$ 1,333	\$ 1,478	\$ 1,014	\$ 1,138	\$ 2,347	\$ 2,616	(10.3)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Sales tax revenues are expected to increase significantly in the near future with the anticipated growth of new commercial development along the Hwy 90 corridor.
- The City anticipates an increase in new home development for FY 2015, providing additional property tax and utility revenues to the City.
- The City increased the property tax rate by \$0.0449 to increase revenues for maintenance & operations as well as interest & sinking.
- Utility rates were increased across the board for FY 2016.
- The City issued bonds and received funding from the Texas Water Development Board's State Revolving Fund program for below market interest rate loans for the construction phase of infrastructure improvements. The improvements include the construction of a new East Side Lift Station, the replacement of undersized and leaking water lines, and the expansion of the

Wastewater Treatment Plant. These initiatives will provide for future growth and development in the area.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Department, 1209 Fiorella, Castroville, Texas, 78009. Telephone No. (830) 931-4070.



BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary 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 CASTROVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 1,579,317	\$ 4,104,905	\$ 5,684,222
Receivables (net of allowances for uncollectibles)			
Ad Valorem Taxes	9,734	-	9,734
Sales & Mixed Beverage Taxes	111,175	-	111,175
Other	148,243	1,032,900	1,181,143
Prepaid Items	1,549	2,274	3,823
Inventory	-	90,231	90,231
Internal Balances	35,955	(35,955)	-
Restricted Assets:			
Cash and Investments	-	372,573	372,573
Cash Held in Escrow	-	129,213	129,213
Capital Assets:			
Land	105,330	1,548,522	1,653,852
Construction in Progress	-	4,120,214	4,120,214
Water Rights	-	112,386	112,386
Building and Improvements	588,965	2,896,721	3,485,686
Vehicles and Equipment	778,463	1,093,181	1,871,644
Infrastructure	1,814,385	8,731,941	10,546,326
Accumulated Depreciation	(1,351,979)	(7,096,225)	(8,448,204)
TOTAL ASSETS	<u>3,821,137</u>	<u>17,102,881</u>	<u>20,924,018</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	38,683	9,598	48,281
Deferred Pension Related Outflows	103,797	46,314	150,111
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 142,480</u>	<u>\$ 55,912</u>	<u>\$ 198,392</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 51,743	\$ 314,484	\$ 366,227
Accrued Expenses	18,656	-	18,656
Accrued Interest Payable	5,655	2,564	8,219
Unearned Revenue	-	11,371	11,371
<i>Payable from Restricted Assets:</i>			
Customer Deposits	-	152,740	152,740
<i>Noncurrent Liabilities:</i>			
Due within One Year	154,727	127,563	282,290
Due in more than One Year	1,302,131	914,625	2,216,756
Net Pension Liability	271,563	121,169	392,732
TOTAL LIABILITIES	1,804,475	1,644,516	3,448,991
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	20,812	9,286	30,098
TOTAL DEFERRED INFLOWS OF RESOURCES	20,812	9,286	30,098
NET POSITION			
Net Investment in Capital Assets	577,648	10,698,095	11,275,743
Restricted	73,585	482,060	555,645
Unrestricted	1,487,097	4,324,836	5,811,933
TOTAL NET POSITION	\$ 2,138,330	\$ 15,504,991	\$ 17,643,321

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
<i>Governmental Activities:</i>				
General Administration	\$ 884,817	\$ 105,945	\$ -	\$ -
Public Safety	1,110,007	258,049	1,164	-
Public Transportation	268,459	107,447	-	-
Culture and Recreation	564,816	181,882	696	-
Interest on Long-term Debt	39,705	-	-	-
<i>Total Governmental Activities</i>	<u>2,867,804</u>	<u>653,323</u>	<u>1,860</u>	<u>-</u>
<i>Business-Type Activities</i>				
Utility	4,265,995	6,196,022	-	-
Airport	464,712	478,263	15,352	458,028
<i>Total Business-Type Activities</i>	<u>4,730,707</u>	<u>6,674,285</u>	<u>15,352</u>	<u>458,028</u>
Total Primary Government	<u><u>\$ 7,598,511</u></u>	<u><u>\$ 7,327,608</u></u>	<u><u>\$ 17,212</u></u>	<u><u>\$ 458,028</u></u>
General Revenues:				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Franchise Taxes				
Other Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Prior Period Adjustment				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position
Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (778,872)	\$ -	\$ (778,872)
(850,794)	-	(850,794)
(161,012)	-	(161,012)
(382,238)	-	(382,238)
(39,705)	-	(39,705)
<u>(2,212,621)</u>	<u>-</u>	<u>(2,212,621)</u>
-	1,930,027	1,930,027
-	486,931	486,931
<u>-</u>	<u>2,416,958</u>	<u>2,416,958</u>
<u>(2,212,621)</u>	<u>2,416,958</u>	<u>204,337</u>
793,869	-	793,869
707,211	-	707,211
22,709	-	22,709
43,798	-	43,798
6,155	9,527	15,682
50,599	-	50,599
<u>1,624,341</u>	<u>9,527</u>	<u>1,633,868</u>
<u>883,573</u>	<u>(883,573)</u>	<u>-</u>
295,293	1,542,912	1,838,205
2,051,327	14,055,016	16,106,343
<u>(208,290)</u>	<u>(92,937)</u>	<u>(301,227)</u>
<u>\$ 2,138,330</u>	<u>\$ 15,504,991</u>	<u>\$ 17,643,321</u>

CITY OF CASTROVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Major Fund General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 1,256,266	\$ 323,051	\$ 1,579,317
Receivables (net of allowance):			
Property Taxes	8,659	1,075	9,734
Sales & Mixed Beverage Taxes	111,175	-	111,175
Other Receivables	141,787	6,456	148,243
Due from Other Funds	-	113,876	113,876
Prepaid Items	1,549	-	1,549
	\$ 1,519,436	\$ 444,458	\$ 1,963,894
TOTAL ASSETS			
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 51,245	\$ 498	\$ 51,743
Accrued Expenditures	18,656	-	18,656
Due to Other Funds	75,128	2,793	77,921
<i>Total Liabilities</i>	145,029	3,291	148,320
<i>Deferred Inflows of Resources:</i>			
Unavailable Revenues	8,659	1,075	9,734
Future Sales Tax Revenues	56,607	-	56,607
<i>Total Deferred Inflows of Resources</i>	65,266	1,075	66,341
<i>Fund Balances:</i>			
Nonspendable	1,549	-	1,549
Restricted	-	78,165	78,165
Committed	-	361,927	361,927
Unassigned	1,307,592	-	1,307,592
<i>Total Fund Balances</i>	1,309,141	440,092	1,749,233
	\$ 1,519,436	\$ 444,458	\$ 1,963,894
TOTAL LIABILITIES, DEFERRED INFLOWS, & FUND BALANCES			

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 1,749,233
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,935,164
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		66,341
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.		
Accrued Vacation Leave Payable	(60,659)	
Deferred Charge on Refunding	38,683	
Bonds Payable	<u>(1,396,199)</u>	(1,418,175)
Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.		
Net Pension Liability	(271,563)	
Pension Related Deferred Outflows	103,797	
Pension Related Deferred Inflows	<u>(20,812)</u>	(188,578)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.		<u>(5,655)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 2,138,330</u></u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Major Fund</u> General Fund	<u>Other Nonmajor</u> Governmental Funds	<u>Total</u> Governmental Funds
REVENUES			
Ad Valorem Taxes	\$ 725,021	\$ 68,848	\$ 793,869
Sales Taxes	703,365	-	703,365
Franchise Fees	22,709	-	22,709
Other Taxes	2,306	41,492	43,798
Licenses and Permits	97,617	-	97,617
Charges for Services	190,210	117,466	307,676
Fines and Forfeitures	248,030	-	248,030
Intergovernmental Revenue	696	1,164	1,860
Interest Income	3,999	2,156	6,155
Miscellaneous	30,713	25,672	56,385
TOTAL REVENUES	<u>2,024,666</u>	<u>256,798</u>	<u>2,281,464</u>
EXPENDITURES			
<i>Current:</i>			
General Administration			
City Administration	287,294	68,993	356,287
Finance	338,086	-	338,086
City Council	20,800	-	20,800
City Secretary	129,044	-	129,044
Information Technology	47,562	-	47,562
Public Safety			
Animal Control	57,485	-	57,485
Code Enforcement	193,943	-	193,943
Municipal Court	86,819	6,152	92,971
Police Department	718,502	18,817	737,319
Public Transportation			
Streets	237,058	109	237,167
Culture and Recreation			
Library	156,050	-	156,050
Parks	258,265	-	258,265
Pool	108,967	-	108,967
<i>Capital Outlay</i>	64,859	956	65,815
<i>Debt Service:</i>			
Principal	-	145,000	145,000
Interest and Fiscal Charges	-	42,400	42,400
TOTAL EXPENDITURES	<u>2,704,734</u>	<u>282,427</u>	<u>2,987,161</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>\$ (680,068)</u>	<u>\$ (25,629)</u>	<u>\$ (705,697)</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Major Fund</u> General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 858,840	\$ 140,089	\$ 998,929
Transfers Out	<u>(21,223)</u>	<u>(94,133)</u>	<u>(115,356)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>837,617</u>	<u>45,956</u>	<u>883,573</u>
Net Change in Fund Balance	157,549	20,327	177,876
Fund Balances at Beginning of Year	<u>1,151,592</u>	<u>419,765</u>	<u>1,571,357</u>
Fund Balances at End of Year	<u><u>\$ 1,309,141</u></u>	<u><u>\$ 440,092</u></u>	<u><u>\$ 1,749,233</u></u>

See accompanying notes to basic financial statements.



CITY OF CASTROVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 177,876
<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>		(35,348)
<p>Proceeds from Capital Asset dispositions produce current financial resources in the fund statements, while the net gain (loss) is recognized in the Statement of Activities. This is the net book value of the capital assets disposed.</p>		(5,786)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		3,846
<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 the 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 Repayments on Bonds	145,000	
Amortization of Deferred Charges & Premiums	2,211	147,211
<p>Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined pension expense.</p>		19,712
<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 Compensated Absences	(12,702)	
Change in Accrued Interest	484	(12,218)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		\$ 295,293

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2015

	ENTERPRISE FUNDS			Totals
	Major Fund	Major Fund	Major Fund	
	Utility Fund	Airport Fund	Utility Capital Projects Fund	
ASSETS				
<i>Current Assets:</i>				
Cash and Investments	\$ 3,944,711	\$ 160,194	\$ -	\$ 4,104,905
Receivables (net of allowance)	1,031,916	984	-	1,032,900
Due from Other Funds	-	13,662	-	13,662
Prepaid Items	2,274	-	-	2,274
Inventory	73,718	16,513	-	90,231
<i>Total Current Assets</i>	<u>5,052,619</u>	<u>191,353</u>	<u>-</u>	<u>5,243,972</u>
<i>Restricted Assets:</i>				
Cash and Cash Equivalents	167,236	-	205,337	372,573
Cash Held in Escrow	-	-	129,213	129,213
<i>Total Restricted Assets</i>	<u>167,236</u>	<u>-</u>	<u>334,550</u>	<u>501,786</u>
<i>Non-Current Assets:</i>				
Capital Assets, Net of Accumulated				
Depreciation	2,606,171	8,456,694	343,875	11,406,740
<i>Total Non-Current Assets</i>	<u>2,606,171</u>	<u>8,456,694</u>	<u>343,875</u>	<u>11,406,740</u>
TOTAL ASSETS	<u>7,826,026</u>	<u>8,648,047</u>	<u>678,425</u>	<u>17,152,498</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	-	9,598	-	9,598
Deferred Pension Related Outflows	46,314	-	-	46,314
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 46,314</u>	<u>\$ 9,598</u>	<u>\$ -</u>	<u>\$ 55,912</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
SEPTEMBER 30, 2015

	ENTERPRISE FUNDS			Totals
	Major Fund	Major Fund	Major Fund	
	Utility Fund	Airport Fund	Utility Capital Projects Fund	
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 287,377	\$ 4,347	\$ 22,760	\$ 314,484
Due to Other Funds	49,617	-	-	49,617
Accrued Interest Payable	-	2,564	-	2,564
Unearned Revenue	-	11,371	-	11,371
Current Portion of Long Term Debt	-	57,563	70,000	127,563
<i>Total Current Liabilities</i>	<u>336,994</u>	<u>75,845</u>	<u>92,760</u>	<u>505,599</u>
<i>Liabilities Payable from Restricted Assets:</i>				
Customer Deposits	<u>152,740</u>	<u>-</u>	<u>-</u>	<u>152,740</u>
<i>Non-Current Liabilities:</i>				
Compensated Absences	12,056	764	-	12,820
Net Pension Liability	121,169	-	-	121,169
Long-Term Debt	-	386,805	515,000	901,805
<i>Total Non-Current Liabilities</i>	<u>133,225</u>	<u>387,569</u>	<u>515,000</u>	<u>1,035,794</u>
TOTAL LIABILITIES	<u>622,959</u>	<u>463,414</u>	<u>607,760</u>	<u>1,694,133</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Related Inflows	<u>9,286</u>	<u>-</u>	<u>-</u>	<u>9,286</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>9,286</u>	<u>-</u>	<u>-</u>	<u>9,286</u>
NET POSITION				
Net Investment in Capital Assets	2,606,171	8,021,924	70,000	10,698,095
Restricted	482,060	-	-	482,060
Unrestricted	4,151,864	172,307	665	4,324,836
TOTAL NET POSITION	<u>\$ 7,240,095</u>	<u>\$ 8,194,231</u>	<u>\$ 70,665</u>	<u>\$ 15,504,991</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	ENTERPRISE FUNDS			Totals
	Major Fund	Major Fund	Major Fund	
	Utility Fund	Airport Fund	Utility Capital Projects Fund	
OPERATING REVENUES				
Charges for Services	\$ 6,113,467	\$ 477,043	\$ -	\$ 6,590,510
Fines and Forfeitures	71,355	1,220	-	72,575
Operating Grants	-	15,352	-	15,352
Miscellaneous Revenues	11,200	-	-	11,200
TOTAL OPERATING REVENUES	6,196,022	493,615	-	6,689,637
OPERATING EXPENSES				
Personnel Services	596,784	40,816	-	637,600
Supplies	23,222	2,822	-	26,044
Other Services and Charges	971,511	288,684	-	1,260,195
Electric Purchases	1,886,310	-	-	1,886,310
Gas Purchases	184,396	-	-	184,396
Sanitation Services	368,365	-	-	368,365
Depreciation and Amortization	231,639	125,881	-	357,520
TOTAL OPERATING EXPENSES	4,262,227	458,203	-	4,720,430
OPERATING INCOME (LOSS)	1,933,795	35,412	-	1,969,207
NONOPERATING REVENUES (EXPENSES)				
Interest Income	9,030	275	222	9,527
Interest and Fiscal Charges	(3,768)	(6,509)	-	(10,277)
TOTAL NONOPERATING REVENUES (EXPENSES)	5,262	(6,234)	222	(750)
Net Income (Loss) Before Transfers and Contributions	1,939,057	29,178	222	1,968,457
Capital Contributions from TxDOT	-	458,028	-	458,028
Transfers In	-	-	70,000	70,000
Transfers Out	(942,480)	(11,093)	-	(953,573)
	(942,480)	446,935	70,000	(425,545)
CHANGE IN NET POSITION	996,577	476,113	70,222	1,542,912
NET POSITION AT BEGINNING OF YEAR	6,336,455	7,718,118	443	14,055,016
Prior Period Adjustment	(92,937)	-	-	(92,937)
NET POSITION AT END OF YEAR	\$ 7,240,095	\$ 8,194,231	\$ 70,665	\$ 15,504,991

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	ENTERPRISE FUNDS			Totals
	Major Fund	Major Fund	Major Fund	
	Utility Fund	Airport Fund	Utility Capital Projects Fund	
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 6,184,809	\$ 498,642	\$ -	\$ 6,683,451
Cash Paid to Employee Wages & Benefits	(605,580)	(40,816)	-	(646,396)
Cash Paid to Suppliers for Goods and Services	(3,395,757)	(263,933)	-	(3,659,690)
Net Cash Provided (Used) by Operating Activities	<u>2,183,472</u>	<u>193,893</u>	<u>-</u>	<u>2,377,365</u>
Cash Flows From Noncapital Financing Activities:				
Interfund Payables	171,575	19,721	-	191,296
Transfer (to) from Other Funds	(942,480)	(11,093)	70,000	(883,573)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(770,905)</u>	<u>8,628</u>	<u>70,000</u>	<u>(692,277)</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(73,853)	(60,017)	(253,765)	(387,635)
Principal Payments on Long-Term Debt	-	(54,555)	(70,000)	(124,555)
Interest and Fiscal Charges (Paid) Received	(3,768)	(7,394)	-	(11,162)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(77,621)</u>	<u>(121,966)</u>	<u>(323,765)</u>	<u>(523,352)</u>
Cash Flows From Investing Activities:				
Investment Interest Received	9,030	275	222	9,527
Net Cash Provided (Used) by Investing Activities	<u>9,030</u>	<u>275</u>	<u>222</u>	<u>9,527</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,343,976	80,830	(253,543)	1,171,263
Cash and Investments at Beginning of Year:				
Cash and Investments	2,611,356	79,364	-	2,690,720
Restricted Cash and Investments	156,615	-	588,093	744,708
	<u>2,767,971</u>	<u>79,364</u>	<u>588,093</u>	<u>3,435,428</u>
Cash and Investments at End of Year:				
Cash and Investments	3,944,711	160,194	-	4,104,905
Restricted Cash and Investments	167,236	-	334,550	501,786
	<u>\$ 4,111,947</u>	<u>\$ 160,194</u>	<u>\$ 334,550</u>	<u>\$ 4,606,691</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	ENTERPRISE FUNDS			Totals
	Major Fund	Major Fund	Major Fund	
	Utility Fund	Airport Fund	Utility Capital Projects Fund	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,933,795	\$ 35,412	\$ -	\$ 1,969,207
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	231,639	125,881	-	357,520
Change in Net Pension Liability and Related Deferred Inflows and Deferred Outflows	(8,796)	-	-	(8,796)
(Increase) Decrease in Operating Assets:				
Accounts Receivable	(23,694)	(984)	-	(24,678)
Inventory	(4,280)	28,670	-	24,390
Increase (Decrease) in Current Liabilities:				
Accounts Payable	42,327	(1,097)	-	41,230
Unearned Revenue	-	6,011	-	6,011
Customer Deposits	12,481	-	-	12,481
Total Adjustments to Reconcile Operating Activities	<u>249,677</u>	<u>158,481</u>	<u>-</u>	<u>408,158</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,183,472</u>	<u>\$ 193,893</u>	<u>\$ -</u>	<u>\$ 2,377,365</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Castroville, Texas (“City”), was incorporated in 1948. The City operates under a general law, Mayor-Council type of government, and provides the following services: public safety (law enforcement), public transportation (streets), culture, recreation, water, sewer, electricity, natural gas, sanitation, airport hangar leases and general administrative services.

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.

1. REPORTING ENTITY

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component units.

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 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. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are 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 CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

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

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

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. 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 consist of revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

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. For this purpose, the City considers revenue to be available if collected within 30 days of the end of the current fiscal period.

Property taxes, franchise taxes, sales tax, occupancy tax, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

The City 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 and sales taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public transportation, culture and recreation, capital acquisition, and debt service.

Nonmajor funds include special revenue funds, debt service fund, and capital improvement fund.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

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

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

Proprietary Funds are accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The City reports the following major proprietary funds:

The Utility Fund accounts for the activities of the City's water, sewer, gas and electric operations.

The Airport Fund accounts for the activities of the City's airport operations.

Utility Capital Projects Fund accounts for improvement projects to the City's water and sewer system.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

5. 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) - (d). 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. The City has all its monies in interest bearing checking accounts, savings accounts, government investment pools, and certificates of deposit. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

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

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2014 and past due after January 31, 2015. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Revenues for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are billable services for certain contracts and billable services for the City's water utilities, sewer services, and solid waste management. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts. The allowances for uncollectible property taxes and utility customer accounts as of September 30, 2015 are \$12,022 and \$61,453, respectively.

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds represented long term interfund receivables/payables that had an agreement for the repayment of funds.

8. INVENTORY

Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenses in the proprietary fund types when used.

9. RESTRICTED ASSETS

Certain resources are set aside for customer meter deposits. Deposits are classified as restricted assets on the balance sheet because they may be refunded at a point in time if the customer is in good standing with the water/sewer department.

Part of the agreement for bond proceeds from the Texas Water Development Board required reserve funds to be kept in a restricted bank account to serve as collateral.

CITY OF CASTROVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

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

10. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs and bridges. 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 asset 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:

Asset	Estimated Life
Buildings and Improvements	7 to 50 years
Machinery and Equipment	5 to 35 years
Infrastructure	5 to 50 years

11. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represent 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 the modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resource in the period the amounts become available.

12. UNEARNED REVENUE

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue. The City's collection of future hanger lease payments as of September 30, 2015 is shown as Unearned Revenue.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

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

13. COMPENSATED ABSENCES

Employees earn vacation leave at varying rates depending on length of service: 10 days leave for each year from year 1 through 5 (not available for use until first six months of service is completed), an additional 7 days for each year from year 6 through 9, and an additional 3 days for each year from year 10 through 14, and an additional 5 days per year for each year of service thereafter up to a maximum of 20 days per year. Annual leave exceeding 40 days will not be carried over, except with City Administrator approval.

Employees earn sick leave at the rate of 3.69 hours per pay period starting ninety days after the date of employment. No sick leave days are paid when an employee leaves city employment and no liability is reported for unpaid sick leave. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

14. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are amortized over the life of the bond.

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

15. PENSIONS

The net pension (asset) liability, deferred inflows and outflows of resources related to pensions, pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable, in accordance with the benefit terms. Investments are reported at fair value.

16. FUND EQUITY

Fund balances in governmental funds are classified as follows:

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

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

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

16. FUND EQUITY (Continued)

Committed – Represents amounts that can only be used for the specific purposes determined by a formal action of the government’s highest level of decision making authority. The governing council is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. 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. The City Council is the only entity that may make assignments at this time as the Council has not designated any other individuals with the authority to make assignments.

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

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

17. NET POSITION

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

18. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

19. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water and sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

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

20. 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

21. ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

For the year ending September 30, 2015, the City implemented GASB Statement No. 68 related to accounting for pensions. This new standard requires that the City's pension plan recognize net pension liability (asset) and pension 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 net pension liability at September 30, 2014, less associated pension related deferred outflows and inflows of resources. The amount of the restatement along with an additional prior period adjustment can be seen in more detail at Note M.

NOTE B -- DEPOSITS AND INVESTMENTS

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.

1. Deposits

At September 30, 2015, the carrying amount of the City's cash on hand was \$1,220, the carrying amount of deposits in bank was \$5,386,111, and the bank balance was \$5,518,727. Of the bank balance, \$250,000 was covered by federal deposit insurance at Castroville State Bank and the City's depository had pledged securities having a face value of \$6,500,000 and market value of \$6,724,936 as collateral for the City's deposits. All of the City's cash was fully collateralized.

2. Investments

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

2. Investments (Continued)

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 part of the basic financial statements, disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act in all material respects. Additionally, investment practices of the City were in accordance with local policies.

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 investment policy further prioritizes investments as: (1) safety, (2) liquidity, (3) public trust, and (4) yield. The City’s investments at September 30, 2015 were \$669,464 invested in certificates of deposit.

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. 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.

b. 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. As of September 30, 2015, the City was not exposed to custodial credit risk.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

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

c. 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 had no exposure to concentration of 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.

4. Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

5. Held in Escrow

The amount of funds approved by the Texas Water Development Board but not yet drawn down by the City is held in escrow by the Texas Water Development Board in the City's name. The amount held in escrow as of September 30, 2015 was \$129,213.

NOTE C -- PROPERTY TAX CALENDAR

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 Medina County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2014, upon which the fiscal 2015 levy was based, was \$150,023,688 (i.e., market value less exemptions). The estimated market value was \$191,033,768, making the taxable value 78.5% of the estimated market value.

CITY OF CASTROVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

NOTE C -- PROPERTY TAX CALENDAR (Continued)

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 September 30, 2015, was \$0.4545 per \$100 of assessed value, which means that the City has a tax margin of \$2.0455 for each \$100 value and could increase its annual tax levy by approximately \$3,068,735 based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed 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 maintenance and operations tax rate.

NOTE D -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2015 are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Utility Fund</u>	<u>Total</u>
Franchise Fees	\$ 2,360	\$ -	\$ -	\$ 2,360
Occupancy Tax	-	6,456	-	6,456
Customer Receivables, Net of Allowance for Uncollectibles	-	-	1,031,916	1,031,916
Miscellaneous	139,427	-	-	139,427
Total Other Receivables	<u>\$ 141,787</u>	<u>\$ 6,456</u>	<u>\$ 1,031,916</u>	<u>\$ 1,180,159</u>

NOTE E -- INTERFUND RECEIVABLE/PAYABLE AND TRANSFERS

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, and service debt. As of September 30, 2015, the following balances were due between funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Utility Fund	\$ 36,223	Reimbursement for Costs
Utility Fund	Airport Fund	103	Reimbursement for Costs
Airport Fund	General Fund	13,765	Reimbursement for Costs
Nonmajor Governmental Fund	General Fund	97,586	Reimbursement for Costs
Nonmajor Governmental Fund	Utility Fund	13,497	Reimbursement for Costs
		<u>\$ 161,174</u>	

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE E -- INTERFUND RECEIVABLE/PAYABLE AND TRANSFERS (Continued)

Transfers during the year ended September 30, 2015, were as follows:

Transfer In	Transfers Out	Amount	Purpose
General Fund	Utility Fund	\$ 847,747	Supplement Funding
General Fund	Airport Fund	11,093	Supplement Funding
Utility Fund Capital Projects	Utility Fund	70,000	Supplement Funding
Nonmajor Governmental Fund	General Fund	21,223	Supplement Funding
Nonmajor Governmental Fund	Nonmajor Governmental Fund	94,133	Supplement Funding
Nonmajor Governmental Fund	Utility Fund	24,733	Supplement Funding
		<u>\$ 1,068,929</u>	

NOTE F -- CAPITAL ASSETS

<i>Governmental Activities</i>	Balance 10/1/2014	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2015
Land	\$ 105,330	\$ -	\$ -	\$ 105,330
Buildings and Improvements	567,225	21,740	-	588,965
Vehicles and Equipment	752,244	35,219	(9,000)	778,463
Infrastructure	1,814,385	-	-	1,814,385
	<u>3,239,184</u>	<u>56,959</u>	<u>(9,000)</u>	<u>3,287,143</u>
Less Accumulated Depreciation				
Buildings and Improvements	(211,987)	(17,832)	-	(229,819)
Vehicles and Equipment	(624,704)	(40,380)	3,214	(661,870)
Infrastructure	(426,195)	(34,095)	-	(460,290)
	<u>(1,262,886)</u>	<u>(92,307)</u>	<u>3,214</u>	<u>(1,351,979)</u>
Governmental Capital Assets, Net	<u>\$ 1,976,298</u>	<u>\$ (35,348)</u>	<u>\$ (5,786)</u>	<u>\$ 1,935,164</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE F -- CAPITAL ASSETS (Continued)

Capital asset activity for the year ended September 30, 2015, was as follows:

<u>Business-Type Activities</u>	Balance 10/1/2014	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2015
Land	\$ 1,548,522	\$ -	\$ -	\$ 1,548,522
Construction in Progress	3,300,399	819,815	-	4,120,214
Water Rights	112,386	-	-	112,386
Buildings and Improvements	2,896,721	-	-	2,896,721
Vehicles and Equipment	1,044,573	48,608	-	1,093,181
Infrastructure	8,731,941	-	-	8,731,941
	<u>17,634,542</u>	<u>868,423</u>	<u>-</u>	<u>18,502,965</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,393,975)	(64,470)	-	(1,458,445)
Vehicles and Equipment	(717,524)	(51,852)	-	(769,376)
Infrastructure	(4,627,206)	(241,198)	-	(4,868,404)
	<u>(6,738,705)</u>	<u>(357,520)</u>	<u>-</u>	<u>(7,096,225)</u>
Business-Type Capital Assets, Net	<u>\$ 10,895,837</u>	<u>\$ 510,903</u>	<u>\$ -</u>	<u>\$ 11,406,740</u>

Land, Construction in Progress, and Water Rights are not depreciated.

Depreciation expense was charged to the functions as follows:

Governmental Activities:

General Administration	\$ 21,724
Public Safety	25,400
Public Transportation	34,095
Culture and Recreation	11,088
Total Depreciation Expense - Governmental Activities	<u>\$ 92,307</u>

Business-Type Activities:

Utility	\$ 231,639
Airport	125,881
Total Depreciation Expense - Business-Type Activities	<u>\$ 357,520</u>

NOTE G -- LONG-TERM DEBT

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation bonds, certificates of obligation, tax notes, and capital leases. These debt obligations are secured by either future property tax revenue or future revenue from charges for services.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE G -- LONG-TERM DEBT (Continued)

A summary of the general obligation debt is as follows:

	Issue Amount	Maturity	Interest Rate	Balance
General Obligation Refunding Bonds:				
2012 Series	\$ 2,020,000	2026	2.0 - 3.0%	<u>\$ 1,655,000</u>

The City issued General Obligation Refunding Bonds, Series 2012 on October 30, 2012 in the amount of \$2,020,000 to advance refund 1) General Obligation Refunding Bonds, Series 2004 in the amount of \$200,000; 2) Certificates of Obligation, Series 2003 in the amount of \$960,000; and 3) Certificates of Obligation, Series 2004 in the amount of \$860,000. The net proceeds of \$2,081,415 (including premiums of \$100,023 and after payment of underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The advance refunding was undertaken to result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$252,963.

The City entered into a loan agreement with the Texas Department of Transportation in January 2004 to borrow the sum of \$278,748 for the construction of aviation t-hangers at the airport. The loan is due and payable with 15 annual payments of \$23,350, which include interest at 3%. The final maturity of the loan is May 15, 2020.

In 2012, the City received a federal award of a note through the Texas Water Development Board to fund improvements to the City's water and waste water lines. As of September 30, 2015, the City has drawn \$264,445 and \$331,342, respectively of the total \$350,000 and \$375,000, respectively available. Interest rates vary from .05% - 1.22% and .08% - 1.52%, respectively. Details about these financings are as follows:

Changes in Long-Term Debt

	Balance 10/1/14*	Additions	Reductions	Balance 9/30/2015	Due Within One Year
<i>Governmental Activities:</i>					
2012 Refunding Bonds	\$ 1,478,200	\$ -	\$ (145,000)	\$ 1,333,200	\$ 149,000
2012 Premium on Bonds	68,726	-	(5,727)	62,999	5,727
Compensated Absences	47,957	12,702	-	60,659	-
<i>Total Governmental Activities</i>	<u>1,594,883</u>	<u>12,702</u>	<u>(150,727)</u>	<u>1,456,858</u>	<u>154,727</u>
<i>Business-Type Activities:</i>					
2012 Refunding Bonds	356,800	-	(35,000)	321,800	36,000
2012 Premium on Bonds	17,054	-	(1,421)	15,633	1,421
TXDOT Note	126,490	-	(19,555)	106,935	20,142
TWDB - DWSRF	315,000	-	(35,000)	280,000	35,000
TWDB - CWSRF	340,000	-	(35,000)	305,000	35,000
Compensated Absences	12,820	-	-	12,820	-
<i>Total Business-Type Activities</i>	<u>1,168,164</u>	<u>-</u>	<u>(125,976)</u>	<u>1,042,188</u>	<u>127,563</u>
Total Primary Government	<u>\$ 2,763,047</u>	<u>\$ 12,702</u>	<u>\$ (276,703)</u>	<u>\$ 2,499,046</u>	<u>\$ 282,290</u>

*Restated to reflect prior period adjustment in Note M.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE G -- LONG-TERM DEBT (Continued)

The total deferred charges remaining on the refunding is \$48,281 as of September 30, 2015 and is shown on the Statement of Net Position as a deferred outflow of resources.

Annual requirements to amortize all bonded debt outstanding as of September 30, 2015 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 149,000	\$ 33,933	\$ 182,933
2017	149,000	30,950	179,950
2018	153,000	27,968	180,968
2019	157,000	24,905	181,905
2020	128,900	21,762	150,662
2021 - 2025	531,800	51,866	583,666
2026	64,500	1,934	66,434
	<u>\$ 1,333,200</u>	<u>\$ 193,318</u>	<u>\$ 1,526,518</u>

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2016	\$ 126,142	\$ 15,143	\$ 141,285
2017	126,746	13,808	140,554
2018	128,366	12,383	140,749
2019	135,009	10,747	145,756
2020	128,772	8,858	137,630
2021 - 2025	353,200	16,766	369,966
2026	15,500	466	15,966
	<u>\$ 1,013,735</u>	<u>\$ 78,171</u>	<u>\$ 1,091,906</u>

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

1. Plan Description

The City participates, as one of 860 plans, in the nontraditional, joint-contributory, hybrid-defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

CITY OF CASTROVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

2. Benefits Provided

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

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

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

	2013	2014
Inactive employees or beneficiaries currently receiving benefits	27	28
Inactive employees entitled to but not yet receiving benefits	33	39
Active employees	36	36
	96	103

3. 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 September 30, 2015, employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.89% and 8.71% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$139,842, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) or Asset was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

5. Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

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

*Presented net of pension plan investment expense, including inflation.

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF CASTROVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

5. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
	100.00%	

6. Discount Rate

The discount rate used to measure the Total Pension Liability was 7%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

7. Discount Rate Sensitivity Analysis

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	Discount Rate 6%	Discount Rate 7%	Discount Rate 8%
Net Pension Liability (Asset)	\$ 1,094,067	\$ 392,732	\$ (170,109)

8. 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 at www.tmrs.com.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

9. Changes in Net Pension Liability

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2013	\$ 4,510,607	\$ 4,124,874	\$ 385,733
Changes for the year:			
Service Cost	162,880	-	162,880
Interest	314,941	-	314,941
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(47,315)	-	(47,315)
Changes of Assumptions	-	-	-
Contributions - Employer	-	116,470	(116,470)
Contributions - Employee	-	73,753	(73,753)
Net Investment Income	-	235,951	(235,951)
Benefit Payments, Including Refunds of Employee Contributions	(185,781)	(185,781)	-
Administrative Expense	-	(2,464)	2,464
Other Changes	-	(203)	203
Net Changes	<u>244,725</u>	<u>237,726</u>	<u>6,999</u>
Balance at December 31, 2014	<u>\$ 4,755,332</u>	<u>\$ 4,362,600</u>	<u>\$ 392,732</u>

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

For the year ended September 30, 2015, the City recognized a pension expense of \$111,335. Also, as of September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ (30,098)
Changes in Actuarial Assumptions	-	-
Differences between Projected and Actual Investment Earnings	42,232	-
Contributions Subsequent to the Measurement Date	107,879	-
	<u>\$ 150,111</u>	<u>\$ (30,098)</u>

CITY OF CASTROVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

10. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Deferred outflows of resources in the amount of \$107,879 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,		
2015	\$	(6,659)
2016		(2,323)
2017		10,558
2018		10,558
	<u>\$</u>	<u>12,134</u>

11. Other Post-Employment Benefits

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure the adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2015, 2014, and 2013 were \$3,699, \$3,099, and \$3,468, respectively, which equaled the required contributions each year.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE I -- FUND BALANCE

The City reported fund balance designations at September 30, 2015 as follows:

<u>Fund Balance Designation</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepays	\$ 1,549	\$ -	\$ 1,549
Restricted for:			
Debt Service	-	20,206	20,206
Tourism	-	18,751	18,751
Library	-	6,018	6,018
Police Training and Operations	-	9,741	9,741
Court Security	-	22,308	22,308
Court Technology	-	1,141	1,141
Total Restricted Fund Balance	<u>-</u>	<u>78,165</u>	<u>78,165</u>
Committed for:			
Drainage Projects	-	199,994	199,994
Facilities Maintenance	-	23,450	23,450
Street Rehabilitation	-	138,483	138,483
Total Committed Fund Balance	<u>-</u>	<u>361,927</u>	<u>361,927</u>
Unassigned	<u>1,307,592</u>	<u>-</u>	<u>1,307,592</u>
Total Fund Balance	<u>\$ 1,309,141</u>	<u>\$ 440,092</u>	<u>\$ 1,749,233</u>

NOTE J -- RESTRICTED NET POSITION

The City reported restricted net position at September 30, 2015 as follows:

<u>Net Position Restricted for:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Restricted Net Position</u>
Debt Service	\$ 15,626	\$ -	\$ 15,626
Tourism	18,751	-	18,751
Library	6,018	-	6,018
Police Training and Operations	9,741	-	9,741
Court Security	22,308	-	22,308
Court Technology	1,141	-	1,141
Water Acquisition	-	246,597	246,597
Capital Improvements	-	235,463	235,463
Total Restricted Net Position	<u>\$ 73,585</u>	<u>\$ 482,060</u>	<u>\$ 555,645</u>

CITY OF CASTROVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

NOTE K -- COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is 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.

Construction Commitments

The City has entered into construction and engineering contracts for the following projects. Estimated future commitments associated with these contracts as of September 30, 2015 are as follows:

<u>Commitment</u>	<u>Estimated Project Cost to City</u>	<u>Expended to Date</u>	<u>Estimated Future Commitment</u>
Water System Improvement	\$ 229,100	\$ 199,950	\$ 29,150
Sewer System Expansion	236,400	143,925	92,475
TCEQ Permit Renewal	34,320	30,963	3,357
Water & Wastewater Master Plan	21,264	11,865	9,399
	<u>\$ 521,084</u>	<u>\$ 386,703</u>	<u>\$ 134,381</u>

NOTE L -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$3,000,000. Annual contributions for the year ended September 30, 2015 were \$78,561 for property and casualty and workers compensation coverage.

NOTE M -- PRIOR PERIOD ADJUSTMENT

The following adjustment is necessary to reflect the full amount of funds available in escrow related to funding from the Texas Water Development Board and to report the effects of adoption of GASB Statement Number 68 as of September 30, 2014 as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning Net Position	\$ 2,051,327	\$ 14,055,016	\$ 16,106,343
Understated Held in Escrow	-	463,863	463,863
Understated Long-Term Debt	-	(463,863)	(463,863)
Understated Deferred Pension Related Outflows	57,866	26,640	84,506
Understated Net Pension Liability	(266,156)	(119,577)	(385,733)
Restated Beginning Net Position	<u>\$ 1,843,037</u>	<u>\$ 13,962,079</u>	<u>\$ 15,805,116</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE M -- PRIOR PERIOD ADJUSTMENT (Continued)

	<u>Utility Fund</u>	<u>Utility Capital Projects Fund</u>	<u>Total</u>
Beginning Net Position	\$ 6,336,455	\$ 443	\$ 6,336,898
Understated Held in Escrow	-	463,863	463,863
Understated Long-Term Debt	-	(463,863)	(463,863)
Understated Deferred Pension Related Outflows	26,640	-	26,640
Understated Net Pension Liability	(119,577)	-	(119,577)
Restated Beginning Net Position	<u>\$ 6,243,518</u>	<u>\$ 443</u>	<u>\$ 6,243,961</u>

NOTE N -- SUBSEQUENT EVENTS

Subsequent to year end, the City issued three Utility System Revenue Bonds in the amounts of \$3,050,000, \$3,500,000, and \$9,050,000, respectively for multiple infrastructure projects.

The City also approved contracts with Garney Companies, Inc. for the Wastewater Treatment Plant Capacity Expansion Project to include preconstruction costs of \$80,000 and construction services of \$1,373,696 and with KSA Engineering for the River Bluff Booster Pump Station Upgrade in the amount of \$216,328.



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



CITY OF CASTROVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(WITH COMPARATIVE ACTUAL TOTALS FOR 2014)

	Budget Amounts		Actual Amounts	Variance	2014
	Original	Final		Favorable (Unfavorable)	
REVENUES					
Ad Valorem Taxes	\$ 739,208	\$ 739,208	\$ 725,021	\$ (14,187)	\$ 711,057
Sales Taxes	719,822	719,822	703,365	(16,457)	663,796
Franchise Fees	18,700	18,700	22,709	4,009	20,084
Other Taxes	2,154	2,154	2,306	152	2,058
Licenses and Permits	45,000	45,000	97,617	52,617	33,083
Charges for Services	182,630	182,630	190,210	7,580	179,944
Fines and Forfeitures	222,675	222,675	248,030	25,355	204,534
Intergovernmental Revenue	-	-	696	696	-
Interest Income	3,700	3,700	3,999	299	3,679
Miscellaneous	28,240	28,240	30,713	2,473	20,003
TOTAL REVENUES	<u>1,962,129</u>	<u>1,962,129</u>	<u>2,024,666</u>	<u>62,537</u>	<u>1,838,238</u>
EXPENDITURES					
<i>Current:</i>					
General Administration					
City Administration	388,072	388,072	287,294	100,778	389,397
Finance	391,835	391,835	338,086	53,749	325,727
City Council	34,942	34,942	20,800	14,142	11,347
City Secretary	139,842	139,842	129,044	10,798	-
Information Technology	52,611	52,611	47,562	5,049	-
Public Safety					
Animal Control	61,416	61,416	57,485	3,931	61,304
Code Enforcement	326,331	326,331	193,943	132,388	94,642
Municipal Court	97,257	97,257	86,819	10,438	81,133
Police Department	719,194	719,194	718,502	692	690,595
Public Transportation					
Streets	369,237	369,237	237,058	132,179	314,353
Culture and Recreation					
Library	169,295	169,295	156,050	13,245	198,651
Parks	251,730	251,730	258,265	(6,535)	231,791
Pool	95,703	95,703	108,967	(13,264)	97,259
<i>Capital Outlay</i>	70,219	70,219	64,859	5,360	91,021
TOTAL EXPENDITURES	<u>3,167,684</u>	<u>3,167,684</u>	<u>2,704,734</u>	<u>462,950</u>	<u>2,587,220</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,205,555)</u>	<u>(1,205,555)</u>	<u>(680,068)</u>	<u>525,487</u>	<u>(748,982)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	858,834	858,834	858,840	6	907,764
Transfers Out	(71,223)	(71,223)	(21,223)	50,000	(92,841)
TOTAL OTHER FINANCING SOURCES (USES)	<u>787,611</u>	<u>787,611</u>	<u>837,617</u>	<u>50,006</u>	<u>814,923</u>
Net Change in Fund Balance	(417,944)	(417,944)	157,549	575,493	65,941
Fund Balance - Beginning of Year	<u>1,151,592</u>	<u>1,151,592</u>	<u>1,151,592</u>	<u>-</u>	<u>1,085,651</u>
Fund Balance - End of Year	<u>\$ 733,648</u>	<u>\$ 733,648</u>	<u>\$ 1,309,141</u>	<u>\$ 575,493</u>	<u>\$ 1,151,592</u>

CITY OF CASTROVILLE
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
SEPTEMBER 30, 2015

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision 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.

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

CITY OF CASTROVILLE
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
 LAST CALENDAR YEAR

Total Pension Liability	
	2014
Service Cost	\$ 162,880
Interest (on the Total Pension Liability)	314,941
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(47,315)
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(185,781)
Net Change in Total Pension Liability	244,725
Total Pension Liability - Beginning	4,510,607
Total Pension Liability - Ending	\$ 4,755,332
Plan Fiduciary Net Position	
	2014
Contributions - Employer	\$ 116,470
Contributions - Employee	73,753
Net Investment Income	235,951
Benefit Payments, Including Refunds of Employee Contributions	(185,781)
Administrative Expense	(2,464)
Other	(203)
Net Change in Plan Fiduciary Net Position	237,726
Plan Fiduciary Net Position - Beginning	4,124,874
Plan Fiduciary Net Position - Ending	\$ 4,362,600
Net Pension Liability (Asset) - Ending	\$ 392,732
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.74%
Covered Employee Payroll	\$ 1,475,068
Net Pension Liability as a Percentage of Covered Employee Payroll	26.62%

CITY OF CASTROVILLE
 SCHEDULE OF CONTRIBUTIONS AND RELATED NOTES
 September 30, 2015

Schedule of Contributions:

	2014
Actuarially Determined Contribution	\$ 139,842
Contribution in Relation to the Actuarially Determined Contribution	139,842
Contribution Deficiency (Excess)	\$ -
 Covered Employee Payroll	\$ 1,643,667
 Contributions as a Percentage of Covered Employee Payroll	8.51%

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	29 Years
Asset Valuation Method	10 Year Smoothed Market, 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

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

CITY OF CASTROVILLE
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND
 SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Investments	\$ 1,256,266	\$ 1,340,562
Receivables (net of allowances for uncollectibles):		
Property Taxes	8,659	8,659
Sales & Mixed Beverage Taxes	111,175	108,326
Other Receivables	141,787	10,952
Prepaid Items	1,549	1,549
 TOTAL ASSETS	\$ 1,519,436	\$ 1,470,048
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 51,223	\$ 91,645
Accrued Expenditures	18,656	36,375
Due to Other Funds	75,150	129,016
<i>Total Liabilities</i>	145,029	257,036
 <i>Deferred Inflows of Resources:</i>		
Unavailable Revenues	8,659	8,659
Future Sales Tax Revenue	56,607	52,761
<i>Total Deferred Inflows of Resources</i>	65,266	61,420
 <i>Fund Balances:</i>		
Nonspendable:		
Prepays	1,549	1,549
Unassigned	1,307,592	1,150,043
<i>Total Fund Balances</i>	1,309,141	1,151,592
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	\$ 1,519,436	\$ 1,470,048

CITY OF CASTROVILLE
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
REVENUES		
Ad Valorem Taxes	\$ 725,021	\$ 711,057
Sales Taxes	703,365	663,796
Franchise Fees	22,709	20,084
Other Taxes	2,306	2,058
Licenses and Permits	97,617	33,083
Charges for Services	190,210	179,944
Fines and Forfeitures	248,030	204,534
Intergovernmental Revenue	696	-
Interest Income	3,999	3,679
Miscellaneous	30,713	20,003
TOTAL REVENUES	<u>2,024,666</u>	<u>1,838,238</u>
EXPENDITURES		
<i>Current:</i>		
General Administration		
City Administration	287,294	389,397
Finance	338,086	325,727
City Council	20,800	11,347
City Secretary	129,044	-
Information Technology	47,562	-
Public Safety		
Animal Control	57,485	61,304
Code Enforcement	193,943	94,642
Municipal Court	86,819	81,133
Police Department	718,502	690,595
Public Transportation		
Streets	237,058	314,353
Culture and Recreation		
Library	156,050	198,651
Parks	258,265	231,791
Pool	108,967	97,259
<i>Capital Outlay</i>	64,859	91,021
TOTAL EXPENDITURES	<u>2,704,734</u>	<u>2,587,220</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(680,068)</u>	<u>(748,982)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	858,840	907,764
Transfer Out	(21,223)	(92,841)
TOTAL OTHER FINANCING SOURCES (USES)	<u>837,617</u>	<u>814,923</u>
Net Change in Fund Balance	157,549	65,941
Fund Balances at Beginning of Year	<u>1,151,592</u>	<u>1,085,651</u>
Fund Balances at End of Year	<u>\$ 1,309,141</u>	<u>\$ 1,151,592</u>

CITY OF CASTROVILLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	SPECIAL REVENUE				
	Drainage Fund	Hotel Occupancy Fund	Alsatian House Fund	Biry House Fund	Library Memorial Fund
ASSETS					
Cash and Investments	\$ 186,498	\$ 6,566	\$ 13,632	\$ 9,818	\$ 6,018
Receivables (net of allowances for uncollectibles):					
Property Taxes	-	-	-	-	-
Other Receivables	-	6,456	-	-	-
Due from Other Funds	13,496	8,000	-	-	-
TOTAL ASSETS	<u>\$ 199,994</u>	<u>\$ 21,022</u>	<u>\$ 13,632</u>	<u>\$ 9,818</u>	<u>\$ 6,018</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ 498	\$ -	\$ -	\$ -
Due to Other Funds	-	1,773	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>2,271</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenues	-	-	-	-	-
<i>Total Deferred Inflows of Resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>					
Restricted	-	18,751	-	-	6,018
Committed	199,994	-	13,632	9,818	-
<i>Total Fund Balances</i>	<u>199,994</u>	<u>18,751</u>	<u>13,632</u>	<u>9,818</u>	<u>6,018</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 199,994</u>	<u>\$ 21,022</u>	<u>\$ 13,632</u>	<u>\$ 9,818</u>	<u>\$ 6,018</u>

SPECIAL REVENUE

DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund	Debt Service Funds	Capital Improvement Funds	Total Non Major Funds
\$ 8,543	\$ 1,198	\$ 22,308	\$ 2,161	\$ 20,206	\$ 46,103	\$ 323,051
-	-	-	-	1,075	-	1,075
-	-	-	-	-	-	6,456
-	-	-	-	-	92,380	113,876
<u>\$ 8,543</u>	<u>\$ 1,198</u>	<u>\$ 22,308</u>	<u>\$ 2,161</u>	<u>\$ 21,281</u>	<u>\$ 138,483</u>	<u>\$ 444,458</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498
-	-	-	1,020	-	-	2,793
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,020</u>	<u>-</u>	<u>-</u>	<u>3,291</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,075</u>	<u>-</u>	<u>1,075</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,075</u>	<u>-</u>	<u>1,075</u>
8,543	1,198	22,308	1,141	20,206	-	78,165
-	-	-	-	-	138,483	361,927
<u>8,543</u>	<u>1,198</u>	<u>22,308</u>	<u>1,141</u>	<u>20,206</u>	<u>138,483</u>	<u>440,092</u>
<u>\$ 8,543</u>	<u>\$ 1,198</u>	<u>\$ 22,308</u>	<u>\$ 2,161</u>	<u>\$ 21,281</u>	<u>\$ 138,483</u>	<u>\$ 444,458</u>

CITY OF CASTROVILLE
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	SPECIAL REVENUE				
	Drainage Fund	Hotel Occupancy Fund	Alsatian House Fund	Biry House Fund	Library Memorial Fund
REVENUES					
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	41,492	-	-	-
Charges for Services	107,447	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-
Interest Income	916	39	41	-	18
Miscellaneous	-	-	7,028	-	-
TOTAL REVENUES	<u>108,363</u>	<u>41,531</u>	<u>7,069</u>	<u>-</u>	<u>18</u>
EXPENDITURES					
<i>Current:</i>					
General Administration					
City Administration	-	61,013	7,980	-	-
Public Safety					
Municipal Court	-	-	-	-	-
Police Department	-	-	-	-	-
Public Transportation					
Streets	109	-	-	-	-
<i>Capital Outlay</i>	-	-	-	-	-
<i>Debt Service:</i>					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
TOTAL EXPENDITURES	<u>109</u>	<u>61,013</u>	<u>7,980</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>108,254</u>	<u>(19,482)</u>	<u>(911)</u>	<u>-</u>	<u>18</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	21,223	-	-	-
Transfers Out	<u>(94,133)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(94,133)</u>	<u>21,223</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	14,121	1,741	(911)	-	18
Fund Balances at Beginning of Year	<u>185,873</u>	<u>17,010</u>	<u>14,543</u>	<u>9,818</u>	<u>6,000</u>
Fund Balances at End of Year	<u>\$ 199,994</u>	<u>\$ 18,751</u>	<u>\$ 13,632</u>	<u>\$ 9,818</u>	<u>\$ 6,018</u>

SPECIAL REVENUE						
DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund	Debt Service Funds	Capital Improvement Funds	Total Non Major Funds
\$ -	\$ -	\$ -	\$ -	\$ 68,848	\$ -	\$ 68,848
-	-	-	-	-	-	41,492
-	-	4,296	5,723	-	-	117,466
-	1,164	-	-	-	-	1,164
45	-	52	7	717	321	2,156
18,644	-	-	-	-	-	25,672
<u>18,689</u>	<u>1,164</u>	<u>4,348</u>	<u>5,730</u>	<u>69,565</u>	<u>321</u>	<u>256,798</u>
-	-	-	-	-	-	68,993
-	-	820	5,332	-	-	6,152
17,478	1,339	-	-	-	-	18,817
-	-	-	-	-	-	109
956	-	-	-	-	-	956
-	-	-	-	145,000	-	145,000
-	-	-	-	42,400	-	42,400
<u>18,434</u>	<u>1,339</u>	<u>820</u>	<u>5,332</u>	<u>187,400</u>	<u>-</u>	<u>282,427</u>
<u>255</u>	<u>(175)</u>	<u>3,528</u>	<u>398</u>	<u>(117,835)</u>	<u>321</u>	<u>(25,629)</u>
-	-	-	-	118,866	-	140,089
-	-	-	-	-	-	(94,133)
-	-	-	-	118,866	-	45,956
255	(175)	3,528	398	1,031	321	20,327
8,288	1,373	18,780	743	19,175	138,162	419,765
<u>\$ 8,543</u>	<u>\$ 1,198</u>	<u>\$ 22,308</u>	<u>\$ 1,141</u>	<u>\$ 20,206</u>	<u>\$ 138,483</u>	<u>\$ 440,092</u>

