

CITY OF CASTROVILLE, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2014**



CITY OF CASTROVILLE
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS

INTRODUCTORY SCHEDULE

	<u>PAGE</u>
TITLE PAGE	i
TABLE OF CONTENTS	ii
PRINCIPAL OFFICERS	iv
ORGANIZATIONAL CHART	v

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS.....	12
STATEMENT OF NET POSITION.....	13
STATEMENT OF ACTIVITIES.....	14
BALANCE SHEET - GOVERNMENTAL FUNDS.....	16
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES ..	19
STATEMENT OF NET POSITION – PROPRIETARY FUND.....	20
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND.....	21
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	22
NOTES TO BASIC FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION.....	44
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND.....	45
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	46
TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT - LAST FIVE CALENDAR YEARS	47

CITY OF CASTROVILLE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS (Continued)

FINANCIAL SECTION (Continued)

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION.....	48
COMPARATIVE BALANCE SHEETS - GENERAL FUND.....	49
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND	50
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS.....	51
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS	54

CITY OF CASTROVILLE

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

ROBERT "BOB" LEE

MAYOR PRO-TEM

JEFF GARDNER

CITY COUNCIL

SAMMY TSCHIRHART

KYLE MCVAY

ERIC CHERRY

VICTOR ORTIZ, JR.

CITY ADMINISTRATOR

MARK ROATH

ADMINISTRATIVE SERVICES DIRECTOR

MARIE GELLES

ACCOUNTING AND BUDGET MANAGER

RICHARD ROTHSTEIN

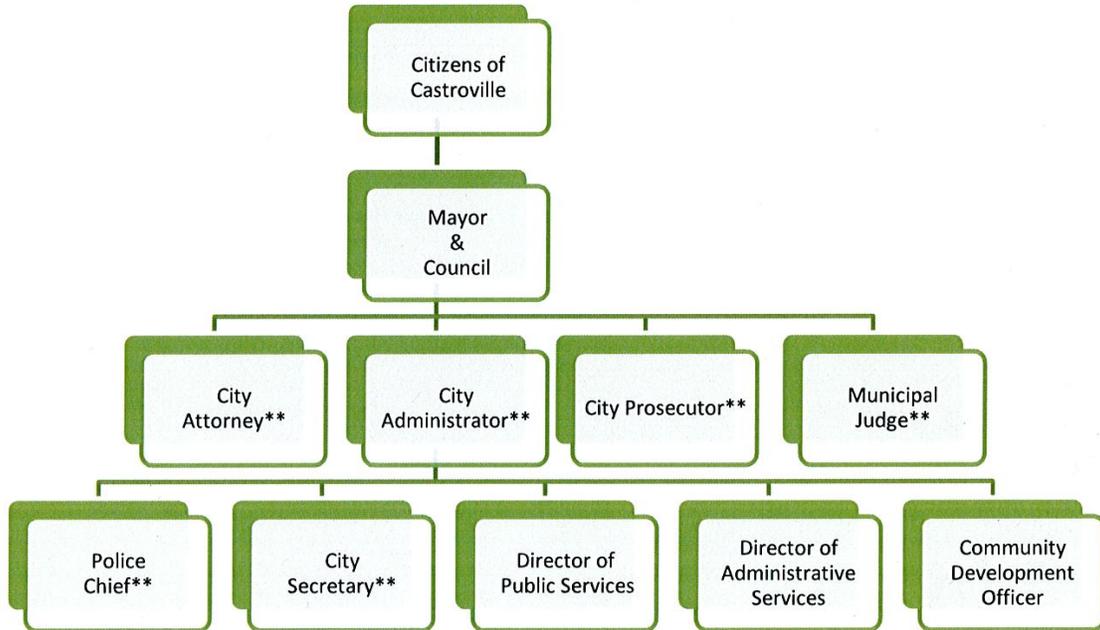
ATTORNEY

DENTON, NAVARRO, ROCHA & BERNAL

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

CITY OF CASTROVILLE
ORGANIZATIONAL CHART



** Appointment approved by City Council

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, 2014, 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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, 2014, 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.

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 funding progress 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, 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 12, 2015

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

FINANCIAL HIGHLIGHTS

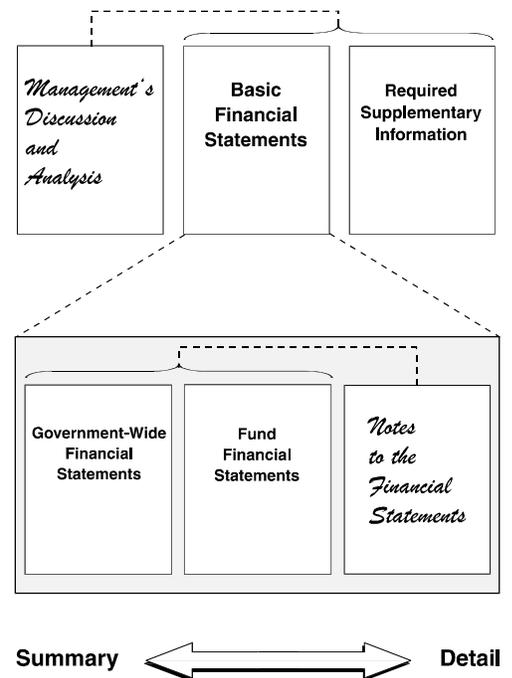
- The assets and deferred outflows of the City exceeded its liabilities by \$16,106,343 (total net position) at September 30, 2014. Of this amount, \$4,859,977 (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors.
- During the year, the City’s total net position increased by \$4,398,425.
- As of September 30, 2014, the City’s governmental funds reported combined ending fund balances of \$1,571,357, an increase of \$164,244 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 13-15 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 16-19 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 20-23 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 24-43 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 44-47 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 51-56 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 by \$16,106,343 at the close of fiscal year 2014.

By far the largest portion of the City's net position (67%) 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, 2014. (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2014 - 2013
	2014	2013	2014	2013*	2014	2013*	
<i>Assets:</i>							
Current and Other Assets	\$ 1,773,989	\$ 1,627,128	\$ 4,252,023	\$ 3,944,510	\$ 6,026,012	\$ 5,571,638	8.2
Capital Assets (net)	1,976,298	1,954,462	10,895,837	7,293,656	12,872,135	9,248,118	39.2
<i>Total Assets</i>	<u>3,750,287</u>	<u>3,581,590</u>	<u>15,147,860</u>	<u>11,238,166</u>	<u>18,898,147</u>	<u>14,819,756</u>	27.5
<i>Deferred Outflows:</i>							
Deferred Charge on Refunding	42,199	43,589	10,471	13,470	52,670	57,059	(7.7)
<i>Total Deferred Outflows</i>	<u>42,199</u>	<u>43,589</u>	<u>10,471</u>	<u>13,470</u>	<u>52,670</u>	<u>57,059</u>	(7.7)
<i>Liabilities:</i>							
Current Liabilities	297,003	307,592	524,990	526,097	821,993	833,689	(1.4)
Long-Term Liabilities	1,444,156	1,499,549	578,325	835,659	2,022,481	2,335,208	(13.4)
<i>Total Liabilities</i>	<u>1,741,159</u>	<u>1,807,141</u>	<u>1,103,315</u>	<u>1,361,756</u>	<u>2,844,474</u>	<u>3,168,897</u>	(10.2)
<i>Net Position:</i>							
Net Investment in							
Capital Assets	471,571	386,922	10,338,614	6,528,011	10,810,185	6,914,933	56.3
Restricted	66,305	88,259	369,876	306,328	436,181	394,587	10.5
Unrestricted	1,513,451	1,342,857	3,346,526	3,055,541	4,859,977	4,398,398	10.5
<i>Total Net Position</i>	<u>\$ 2,051,327</u>	<u>\$ 1,818,038</u>	<u>#####</u>	<u>\$ 9,889,880</u>	<u>\$16,106,343</u>	<u>\$11,707,918</u>	37.6

*Restated to reflect prior period adjustment in Note M.

An additional portion of the City's net position \$436,181 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$4,859,977 may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position: The City's net position increased \$4,398,425. (See Table A-2.)

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change 2014 - 2013
	2014	2013	2014	2013*	2014	2013*	
<i>Program Revenues:</i>							
Charges for Services	\$ 534,471	\$ 553,519	\$ 6,654,016	\$ 6,346,440	\$ 7,188,487	\$ 6,899,959	4.2
Operating Grants and Contributions	1,946	6,524	12,508	-	14,454	6,524	121.6
Capital Grants and Contributions	-	16,430	3,304,269	621,234	3,304,269	637,664	418.2
<i>General Revenues:</i>							
Taxes	1,510,628	1,471,711	-	-	1,510,628	1,471,711	2.6
Interest Earnings	5,274	7,468	8,468	8,037	13,742	15,505	(11.4)
Miscellaneous	45,615	58,471	6,059	-	51,674	58,471	(11.6)
TOTAL REVENUES	2,097,934	2,114,123	9,985,320	6,975,711	12,083,254	9,089,834	32.9
<i>Program Expenditures:</i>							
General Administration	803,913	737,814	-	-	803,913	737,814	9.0
Public Safety	981,625	971,215	-	-	981,625	971,215	1.1
Public Transportation	351,148	285,159	-	-	351,148	285,159	23.1
Culture and Recreation	535,061	537,938	-	-	-	-	-
Interest in Debt	42,984	107,969	-	-	42,984	107,969	(60.2)
Utility	-	-	4,393,509	4,141,873	4,393,509	4,141,873	6.1
Airport	-	-	576,589	677,542	576,589	677,542	(14.9)
TOTAL EXPENSES	2,714,731	2,640,095	4,970,098	4,819,415	7,149,768	6,921,572	3.3
Increase (Decrease) in Net Position before Transfers	(616,797)	(525,972)	5,015,222	2,156,296	4,398,425	1,630,324	169.8
Transfers	850,086	833,714	(850,086)	(833,714)	-	-	0.0
Increase (Decrease) in Net Position after Transfers	\$ 233,289	\$ 307,742	\$ 4,165,136	\$ 1,322,582	\$ 4,398,425	\$ 1,630,324	169.8

*Restated to reflect prior period adjustment in Note M.

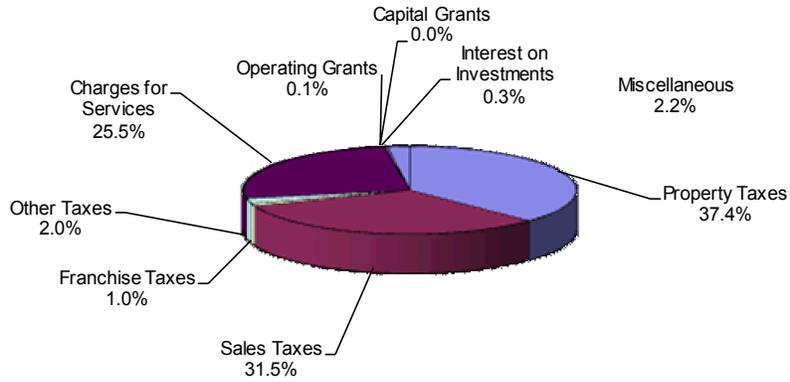
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2014.

Governmental Activities

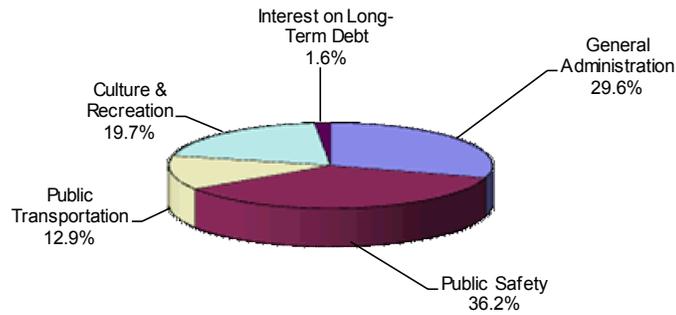
- Property taxes increased \$21,229 over the previous year.
- Sales taxes increased \$14,311 over the previous year.

Governmental activities showed a decrease of \$616,797 before transfers from business-type activities. However, business-type activities transferred \$850,086 to governmental activities resulting in an increase in net position of \$233,289.

2014 Governmental Revenues



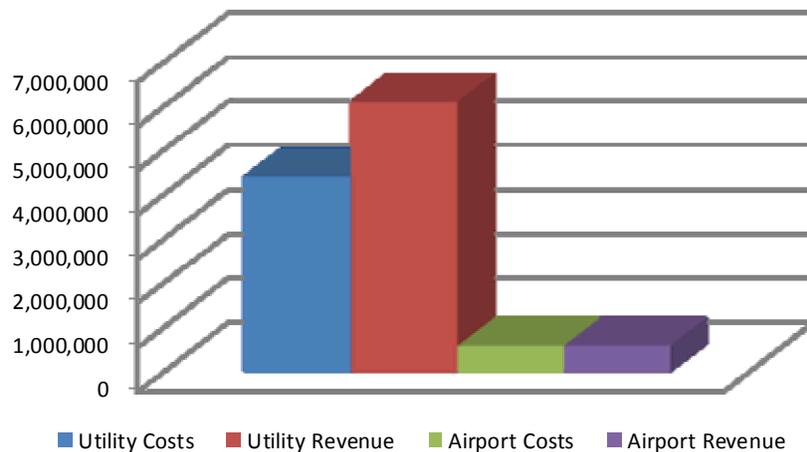
2014 Governmental Function Expenses



Business-Type Activities

Business-type activities increased the City’s net position by \$4,165,136 after transfers to governmental activities of \$850,086. This increase is largely 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 \$1,571,357. Of this total amount, \$1,549 is nonspendable as it has already been spent on prepaid items, \$71,369 is restricted by constraints imposed by external providers such as grantors and enabling legislation, \$348,396 is committed and reported in special revenue and capital improvement funds, and \$1,150,043 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 \$1,150,043. The City's general fund balance showed an increase of \$65,941 during the year. This is attributed to increases in property taxes and sales tax.

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 \$3,202,622. The increase in net position was \$724,672. This increase is attributable to an increase in utility rates and the delay of expenses. Unrestricted net position of the Airport Fund at the end of the year amounted to \$143,461. The increase in net position was \$3,383,495. This increase is attributable to capital contributions from TxDot for various projects at the airport. Unrestricted net position of the Utility Capital Projects Fund at the end of the year amounted to \$443. The increase in net position was \$70,367. 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 \$268,545 as a result of cost containment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2014, the City had invested \$12,872,135 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 \$3,624,017 or 39% 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
	2014	2013	2014	2013*	2014	2013*	Change
Land	\$ 105	\$ 105	\$ 1,549	\$ 279	\$ 1,654	\$ 384	330.7
Construction in Progress	-	-	3,300	826	3,300	826	299.5
Water Rights	-	-	112	112	112	112	0.0
Buildings and Improvements	567	526	2,897	2,708	3,464	3,234	7.1
Vehicles and Equipment	752	715	1,045	1,065	1,797	1,780	1.0
Infrastructure	1,814	1,814	8,732	8,732	10,546	10,546	0.0
Totals at Historical Cost	3,238	3,160	17,635	13,722	20,873	16,882	23.6
Total Accumulated Depreciation	(1,262)	(1,206)	(6,739)	(6,428)	(8,001)	(7,634)	4.8
Net Capital Assets	\$ 1,976	\$ 1,954	\$ 10,896	\$ 7,294	\$ 12,872	\$ 9,248	39.2

*Restated to reflect prior period adjustment in Note M.

Long Term Debt

At year-end the City had \$2,152,627 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
	2014	2013	2014	2013	2014	2013	Change
Bonds Payable	\$ 1,478	\$ 1,540	\$ 357	\$ 475	\$ 1,835	\$ 2,015	(8.9)
Notes Payable	-	-	126	389	126	389	(67.6)
Capital Lease	-	-	-	25	-	25	(100.0)
Total Long-Term Debt	\$ 1,478	\$ 1,540	\$ 483	\$ 889	\$ 1,961	\$ 2,429	(19.3)

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 maintained the same property tax rate for the 5th year in a row.
- Utility rates were increased across the board for FY 2015.
- The City has applied for construction phase funding from the Texas Water Development Board's State Revolving Fund program for below market interest rate loans for 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.

- New Airport hangar construction was completed in December 2014 and are fully occupied.
- The Airport runway extension project is underway and is expected to be completed by the end of the year. Extending the runway will provide the opportunity for corporate jets to utilize our airport.

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.



CITY OF CASTROVILLE
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2014

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, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 1,793,144	\$ 2,690,720	\$ 4,483,864
Receivables (net of allowances for uncollectibles)			
Ad Valorem Taxes	9,734	-	9,734
Sales & Mixed Beverage Taxes	108,326	-	108,326
Other	16,577	1,008,222	1,024,799
Prepaid Items	1,549	2,274	3,823
Inventory	-	114,621	114,621
Internal Balances	(155,341)	155,341	-
Restricted Assets:			
Cash and Investments	-	280,845	280,845
Capital Assets:			
Land	105,330	1,548,522	1,653,852
Construction in Progress	-	3,300,399	3,300,399
Water Rights	-	112,386	112,386
Building and Improvements	567,225	2,896,721	3,463,946
Vehicles and Equipment	752,244	1,044,573	1,796,817
Infrastructure	1,814,385	8,731,941	10,546,326
Accumulated Depreciation	(1,262,886)	(6,738,705)	(8,001,591)
TOTAL ASSETS	<u>3,750,287</u>	<u>15,147,860</u>	<u>18,898,147</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Charge on Refunding	42,199	10,471	52,670
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>42,199</u>	<u>10,471</u>	<u>52,670</u>
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	103,762	250,494	354,256
Accrued Expenses	36,375	-	36,375
Accrued Interest Payable	6,139	2,901	9,040
Unearned Revenue	-	5,360	5,360
<i>Payable from Restricted Assets:</i>			
Customer Deposits	-	140,259	140,259
<i>Noncurrent Liabilities:</i>			
Due within One Year	150,727	125,976	276,703
Due in more than One Year	1,444,156	578,325	2,022,481
TOTAL LIABILITIES	<u>1,741,159</u>	<u>1,103,315</u>	<u>2,844,474</u>
NET POSITION			
Net Investment in Capital Assets	471,571	10,338,614	10,810,185
Restricted	66,305	369,876	436,181
Unrestricted	1,513,451	3,346,526	4,859,977
TOTAL NET POSITION	<u>\$ 2,051,327</u>	<u>\$ 14,055,016</u>	<u>\$ 16,106,343</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<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	\$ 803,913	\$ 39,319	\$ -	\$ -
Public Safety	981,625	212,792	1,101	-
Public Transportation	351,148	108,652	-	-
Culture and Recreation	535,061	173,708	845	-
Interest on Long-term Debt	42,984	-	-	-
<i>Total Governmental Activities</i>	<u>2,714,731</u>	<u>534,471</u>	<u>1,946</u>	<u>-</u>
<i>Business-Type Activities</i>				
Utility	4,393,509	6,092,010	-	-
Airport	576,589	562,006	12,508	3,304,269
<i>Total Business-Type Activities</i>	<u>4,970,098</u>	<u>6,654,016</u>	<u>12,508</u>	<u>3,304,269</u>
Total Primary Government	<u>\$ 7,684,829</u>	<u>\$ 7,188,487</u>	<u>\$ 14,454</u>	<u>\$ 3,304,269</u>
General Revenues:				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Franchise Taxes				
Other Taxes				
Interest and Investment Earnings				
Gain on Sale of Capital Assets				
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>
\$ (764,594)	\$ -	\$ (764,594)
(767,732)	-	(767,732)
(242,496)	-	(242,496)
(360,508)	-	(360,508)
(42,984)	-	(42,984)
<u>(2,178,314)</u>	<u>-</u>	<u>(2,178,314)</u>
-	1,698,501	1,698,501
-	3,302,194	3,302,194
-	<u>5,000,695</u>	<u>5,000,695</u>
<u>(2,178,314)</u>	<u>5,000,695</u>	<u>2,822,381</u>
783,737	-	783,737
665,823	-	665,823
20,084	-	20,084
40,984	-	40,984
5,274	8,468	13,742
-	6,059	6,059
45,615	-	45,615
<u>1,561,517</u>	<u>14,527</u>	<u>1,576,044</u>
<u>850,086</u>	<u>(850,086)</u>	<u>-</u>
233,289	4,165,136	4,398,425
1,818,038	9,268,646	11,086,684
-	621,234	621,234
<u>\$ 2,051,327</u>	<u>\$ 14,055,016</u>	<u>\$ 16,106,343</u>

CITY OF CASTROVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Major Fund General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 1,340,562	\$ 452,582	\$ 1,793,144
Receivables (net of allowance):			
Property Taxes	8,659	1,075	9,734
Sales & Mixed Beverage Taxes	108,326	-	108,326
Other Receivables	10,952	5,625	16,577
Due from Other Funds	-	118,064	118,064
Prepaid Items	1,549	-	1,549
TOTAL ASSETS	\$ 1,470,048	\$ 577,346	\$ 2,047,394
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 91,645	\$ 12,117	\$ 103,762
Accrued Expenditures	36,375	-	36,375
Due to Other Funds	129,016	144,389	273,405
<i>Total Liabilities</i>	<u>257,036</u>	<u>156,506</u>	<u>413,542</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Revenues	61,420	1,075	62,495
<i>Total Deferred Inflows of Resources</i>	<u>61,420</u>	<u>1,075</u>	<u>62,495</u>
<i>Fund Balances:</i>			
Nonspendable	1,549	-	1,549
Restricted	-	71,369	71,369
Committed	-	348,396	348,396
Unassigned	1,150,043	-	1,150,043
<i>Total Fund Balances</i>	<u>1,151,592</u>	<u>419,765</u>	<u>1,571,357</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, & FUND BALANCES	\$ 1,470,048	\$ 577,346	\$ 2,047,394

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, 2014

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$	1,571,357
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.			1,976,298
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			62,495
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	(47,957)		
Deferred Charge on Refunding	42,199		
Bonds Payable	<u>(1,546,926)</u>		(1,552,684)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.			<u>(6,139)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		\$	<u>2,051,327</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, 2014

	<u>Major Fund</u> General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Ad Valorem Taxes	\$ 711,057	\$ 73,140	\$ 784,197
Sales Taxes	663,796	-	663,796
Franchise Fees	20,084	-	20,084
Other Taxes	2,058	38,925	40,983
Licenses and Permits	33,083	-	33,083
Charges for Services	179,944	116,910	296,854
Fines and Forfeitures	204,534	-	204,534
Intergovernmental Revenue	-	1,946	1,946
Interest Income	3,679	1,596	5,275
Miscellaneous	20,003	25,612	45,615
TOTAL REVENUES	<u>1,838,238</u>	<u>258,129</u>	<u>2,096,367</u>
EXPENDITURES			
<i>Current:</i>			
General Administration	726,471	58,253	784,724
Public Safety			
Animal Control	61,304	-	61,304
Code Enforcement	94,642	-	94,642
Municipal Court	81,133	8,321	89,454
Police Department	690,595	11,532	702,127
Public Transportation			
Streets	314,353	61	314,414
Culture and Recreation			
Library	198,651	-	198,651
Parks	231,791	-	231,791
Pool	97,259	-	97,259
<i>Capital Outlay</i>	91,021	10,919	101,940
<i>Debt Service:</i>			
Principal	-	61,940	61,940
Interest and Fiscal Charges	-	43,963	43,963
TOTAL EXPENDITURES	<u>2,587,220</u>	<u>194,989</u>	<u>2,782,209</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(748,982)</u>	<u>63,140</u>	<u>(685,842)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	907,764	211,093	1,118,857
Transfers Out	(92,841)	(175,930)	(268,771)
TOTAL OTHER FINANCING SOURCES (USES)	<u>814,923</u>	<u>35,163</u>	<u>850,086</u>
Net Change in Fund Balance	65,941	98,303	164,244
Fund Balances at Beginning of Year	<u>1,085,651</u>	<u>321,462</u>	<u>1,407,113</u>
Fund Balances at End of Year	<u>\$ 1,151,592</u>	<u>\$ 419,765</u>	<u>\$ 1,571,357</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, 2014

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	164,244
<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>		21,836
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		1,567
<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	61,940	
Amortization of Deferred Charges & Premiums	872	62,812
<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	(17,276)	
Change in Accrued Interest	106	(17,170)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	233,289

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2014

	ENTERPRISE FUNDS			Totals
	Major Fund Utility Fund	Major Fund Airport Fund	Major Fund Utility Capital Projects Fund	
ASSETS				
<i>Current Assets:</i>				
Cash and Investments	\$ 2,611,356	\$ 79,364	\$ -	\$ 2,690,720
Receivables (net of allowance)	1,008,222	-	-	1,008,222
Due from Other Funds	121,958	33,383	-	155,341
Prepaid Items	2,274	-	-	2,274
Inventory	69,438	45,183	-	114,621
<i>Total Current Assets</i>	<u>3,813,248</u>	<u>157,930</u>	<u>-</u>	<u>3,971,178</u>
<i>Restricted Assets:</i>				
Cash and Cash Equivalents	156,615	-	124,230	280,845
<i>Non-Current Assets:</i>				
Capital Assets, Net of Accumulated Depreciation	2,763,957	8,064,530	67,350	10,895,837
<i>Total Non-Current Assets</i>	<u>2,763,957</u>	<u>8,064,530</u>	<u>67,350</u>	<u>10,895,837</u>
TOTAL ASSETS	<u>6,733,820</u>	<u>8,222,460</u>	<u>191,580</u>	<u>15,147,860</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred Charge on Refunding	-	10,471	-	10,471
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>10,471</u>	<u>-</u>	<u>10,471</u>
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts Payable	245,050	5,444	-	250,494
Accrued Interest Payable	-	2,901	-	2,901
Unearned Revenue	-	5,360	-	5,360
Current Portion of Long Term Debt	-	55,976	70,000	125,976
<i>Total Current Liabilities</i>	<u>245,050</u>	<u>69,681</u>	<u>70,000</u>	<u>384,731</u>
<i>Liabilities Payable from Restricted Assets:</i>				
Customer Deposits	140,259	-	-	140,259
<i>Non-Current Liabilities:</i>				
Compensated Absences	12,056	764	-	12,820
Long-Term Debt	-	444,368	121,137	565,505
<i>Total Non-Current Liabilities</i>	<u>12,056</u>	<u>445,132</u>	<u>121,137</u>	<u>578,325</u>
TOTAL LIABILITIES	<u>397,365</u>	<u>514,813</u>	<u>191,137</u>	<u>1,103,315</u>
NET POSITION				
Net Investment in Capital Assets	2,763,957	7,574,657	-	10,338,614
Restricted	369,876	-	-	369,876
Unrestricted	3,202,622	143,461	443	3,346,526
TOTAL NET POSITION	<u>\$ 6,336,455</u>	<u>\$ 7,718,118</u>	<u>\$ 443</u>	<u>\$ 14,055,016</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, 2014

	ENTERPRISE FUNDS			Totals
	Major Fund	Major Fund	Major Fund	
	Utility Fund	Airport Fund	Utility Capital Projects Fund	
OPERATING REVENUES				
Charges for Services	\$ 5,983,810	\$ 559,948	\$ -	\$ 6,543,758
Fines and Forfeitures	78,491	300	-	78,791
Operating Grants	-	12,508	-	12,508
Miscellaneous Revenues	29,709	1,758	-	31,467
TOTAL OPERATING REVENUES	6,092,010	574,514	-	6,666,524
OPERATING EXPENSES				
Personnel Services	577,870	52,609	-	630,479
Supplies	11,861	2,022	-	13,883
Other Services and Charges	1,129,861	388,613	-	1,518,474
Electric Purchases	1,823,151	-	-	1,823,151
Gas Purchases	258,917	-	-	258,917
Sanitation Services	358,067	-	-	358,067
Depreciation and Amortization	230,829	124,664	-	355,493
TOTAL OPERATING EXPENSES	4,390,556	567,908	-	4,958,464
OPERATING INCOME (LOSS)	1,701,454	6,606	-	1,708,060
NONOPERATING REVENUES (EXPENSES)				
Interest Income	7,469	632	367	8,468
Gain (Loss) on Sale of Capital Assets	4,348	1,711	-	6,059
Interest and Fiscal Charges	(2,953)	(8,681)	-	(11,634)
TOTAL NONOPERATING REVENUES (EXPENSES)	8,864	(6,338)	367	2,893
Net Income (Loss) Before Transfers and Contributions	1,710,318	268	367	1,710,953
Capital Contributions from TxDOT	-	3,304,269	-	3,304,269
Transfers In	279,797	320,960	70,000	670,757
Transfers Out	(1,265,443)	(255,400)	-	(1,520,843)
	(985,646)	3,369,829	70,000	2,454,183
CHANGE IN NET POSITION	724,672	3,370,097	70,367	4,165,136
NET POSITION AT BEGINNING OF YEAR	5,611,783	3,726,787	(69,924)	9,268,646
Prior Period Adjustment	-	621,234	-	621,234
NET POSITION AT END OF YEAR	\$ 6,336,455	\$ 7,718,118	\$ 443	\$ 14,055,016

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	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	\$ 6,018,179	\$ 633,249	\$ -	\$ 6,651,428
Cash Paid to Employee Wages & Benefits	(577,870)	(52,609)	-	(630,479)
Cash Paid to Suppliers for Goods and Services	(3,623,817)	(414,565)	-	(4,038,382)
Net Cash Provided (Used) by Operating Activities	<u>1,816,492</u>	<u>166,075</u>	<u>-</u>	<u>1,982,567</u>
Cash Flows From Noncapital Financing Activities:				
Interfund Payables	(84,355)	(128,161)	-	(212,516)
Transfer (to) from Other Funds	(1,265,443)	260,960	70,000	(934,483)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,349,798)</u>	<u>132,799</u>	<u>70,000</u>	<u>(1,146,999)</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(255,729)	(372,141)	(25,535)	(653,405)
Proceeds from Issuance of Long-Term Debt	-	-	16,700	16,700
Principal Payments on Long-Term Debt	(25,046)	(53,985)	(70,000)	(149,031)
Interest and Fiscal Charges (Paid) Received	(3,980)	(8,911)	-	(12,891)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(284,755)</u>	<u>(435,037)</u>	<u>(78,835)</u>	<u>(798,627)</u>
Cash Flows From Investing Activities:				
Investment Interest Received	7,469	632	367	8,468
Proceeds from Sale of Capital Assets	4,348	1,711	-	6,059
Net Cash Provided (Used) by Investing Activities	<u>11,817</u>	<u>2,343</u>	<u>367</u>	<u>14,527</u>
Net Increase (Decrease) in Cash and Cash Equivalents	193,756	(133,820)	(8,468)	51,468
Cash and Investments at Beginning of Year:				
Cash and Investments	2,417,107	213,184	56,061	2,686,352
Restricted Cash and Investments	157,108	-	76,637	233,745
	<u>2,574,215</u>	<u>213,184</u>	<u>132,698</u>	<u>2,920,097</u>
Cash and Investments at End of Year:				
Cash and Investments	2,611,356	79,364	-	2,690,720
Restricted Cash and Investments	156,615	-	124,230	280,845
	<u>\$ 2,767,971</u>	<u>\$ 79,364</u>	<u>\$ 124,230</u>	<u>\$ 2,971,565</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	ENTERPRISE FUNDS			
	Major Fund	Major Fund	Major Fund	Totals
	Utility Fund	Airport Fund	Utility Capital Projects Fund	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,701,454	\$ 6,606	\$ -	\$ 1,708,060
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	230,829	124,664	-	355,493
(Increase) Decrease in Operating Assets:				
Accounts Receivable	(72,250)	53,375	-	(18,875)
Inventory	(897)	(23,757)	-	(24,654)
Increase (Decrease) in Current Liabilities:				
Accounts Payable	(41,063)	(173)	-	(41,236)
Unearned Revenue	-	5,360	-	5,360
Customer Deposits	(1,581)	-	-	(1,581)
Total Adjustments to Reconcile Operating Activities	<u>115,038</u>	<u>159,469</u>	<u>-</u>	<u>274,507</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,816,492</u>	<u>\$ 166,075</u>	<u>\$ -</u>	<u>\$ 1,982,567</u>

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

Disposal of Capital Assets	35,796	9,100	-	44,896
Accumulated Depreciation on Disposed Assets	(35,796)	(9,100)	-	(44,896)
Transfers of Debt Between Funds	(279,797)	195,400	-	(84,397)
Net Effect of Non-Cash Investing and Financing Activities	<u>(279,797)</u>	<u>195,400</u>	<u>-</u>	<u>(84,397)</u>

See accompanying notes to basic financial statements.



CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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, 2014

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, 2014

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, 2014

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, 2013 and past due after January 31, 2014. 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 allowance for uncollectible property taxes and utility customer accounts as of September 30, 2014 are \$12,022 and \$43,163, 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, 2014

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, 2014 is shown as Unearned Revenue.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

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. 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.

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.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

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

15. FUND EQUITY (Continued)

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.

16. NET POSITION

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

17. INTERFUND TRANSACTIONS

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

18. 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.

19. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

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, 2014, the carrying amount of the City's cash on hand was \$1,120 and the carrying amount of deposits in bank was \$4,098,124 and the bank balance was \$4,318,670. 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 \$5,170,000 and market value of \$5,348,711 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.

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, 2014 were \$665,465 invested in certificates of deposit.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

3. Analysis of Specific Deposit and Investment Risks

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

a. 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, 2014, the City was not exposed to custodial credit risk.

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.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2013, upon which the fiscal 2014 levy was based, was \$148,355,862 (i.e., market value less exemptions). The estimated market value was \$188,170,168, making the taxable value 78.8% of the estimated market value.

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, 2014, 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 \$3,034,619 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.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE D -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2014 are as follows:

	General Fund	Nonmajor Governmental Funds	Utility Fund	Total
Franchise Fees	\$ 4,611	\$ -	\$ -	\$ 4,611
Occupancy Tax	-	5,625	-	5,625
Customer Receivables, Net of Allowance for Uncollectibles	-	-	1,008,222	1,008,222
Miscellaneous	6,341	-	-	6,341
Total Other Receivables	<u>\$ 10,952</u>	<u>\$ 5,625</u>	<u>\$ 1,008,222</u>	<u>\$ 1,024,799</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, 2014, the following balances were due between funds:

Receivable Fund	Payable Fund	Amount	Reason
General Fund	Nonmajor Governmental Fund	\$ 144,389	Supplement Funding
Utility Fund	General Fund	123,351	Reimbursement for Costs
Airport Fund	General Fund	32,025	Reimbursement for Costs
Airport Fund	Utility Fund	1,358	Reimbursement for Costs
Nonmajor Governmental Fund	General Fund	25,649	Reimbursement for Costs
Nonmajor Governmental Fund	General Fund	92,380	Supplement Funding
Nonmajor Governmental Fund	Utility Fund	35	Reimbursement for Costs
		<u>\$ 419,187</u>	

Transfers during the year ended September 30, 2014, were as follows:

Transfer In	Transfers Out	Amount	Purpose
General Fund	Nonmajor Governmental Fund	\$ 60,004	Supplement Funding
General Fund	Utility Fund	847,760	Supplement Funding
Utility Fund	Nonmajor Governmental Fund	24,397	Supplement Funding
Utility Fund	Airport Fund	255,400	Supplement Funding
Airport Fund	Utility Fund	320,960	Payment of Water Lease
Utility Fund Capital Projects	Utility Fund	70,000	Supplement Funding
Nonmajor Governmental Fund	General Fund	92,841	Supplement Funding
Nonmajor Governmental Fund	Nonmajor Governmental Fund	91,529	Supplement Funding
Nonmajor Governmental Fund	Utility Fund	26,723	Supplement Funding
		<u>\$ 1,789,614</u>	

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2013	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2014
Land	\$ 105,330	\$ -	\$ -	\$ 105,330
Buildings and Improvements	526,181	41,044	-	567,225
Vehicles and Equipment	715,010	62,234	(25,000)	752,244
Infrastructure	1,814,385	-	-	1,814,385
	<u>3,160,906</u>	<u>103,278</u>	<u>(25,000)</u>	<u>3,239,184</u>
Less Accumulated Depreciation				
Buildings and Improvements	(195,440)	(16,547)	-	(211,987)
Vehicles and Equipment	(618,904)	(30,800)	25,000	(624,704)
Infrastructure	(392,100)	(34,095)	-	(426,195)
	<u>(1,206,444)</u>	<u>(81,442)</u>	<u>25,000</u>	<u>(1,262,886)</u>
Governmental Capital Assets, Net	<u>\$ 1,954,462</u>	<u>\$ 21,836</u>	<u>\$ -</u>	<u>\$ 1,976,298</u>
<u>Business-Type Activities</u>	Balance 10/1/2013*	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2014
Land	\$ 278,522	\$ 1,270,000	\$ -	\$ 1,548,522
Construction in Progress	826,476	3,743,923	(1,270,000)	3,300,399
Water Rights	112,386	-	-	112,386
Buildings and Improvements	2,707,515	189,206	-	2,896,721
Vehicles and Equipment	1,064,924	24,545	(44,896)	1,044,573
Infrastructure	8,731,941	-	-	8,731,941
	<u>13,721,764</u>	<u>5,227,674</u>	<u>(1,314,896)</u>	<u>17,634,542</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,332,133)	(61,842)	-	(1,393,975)
Vehicles and Equipment	(713,723)	(48,697)	44,896	(717,524)
Infrastructure	(4,382,252)	(244,954)	-	(4,627,206)
	<u>(6,428,108)</u>	<u>(355,493)</u>	<u>44,896</u>	<u>(6,738,705)</u>
Business-Type Capital Assets, Net	<u>\$ 7,293,656</u>	<u>\$ 4,872,181</u>	<u>\$ (1,270,000)</u>	<u>\$ 10,895,837</u>

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

*Restated to reflect prior period adjustment in Note M.

CITY OF CASTROVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2014

NOTE F -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the functions as follows:

Governmental Activities:

General Administration	\$ 13,953
Public Safety	22,411
Public Transportation	34,095
Culture and Recreation	10,983
Total Depreciation Expense - Governmental Activities	\$ 81,442

Business-Type Activities:

Utility	\$ 230,829
Airport	124,664
Total Depreciation Expense - Business-Type Activities	\$ 355,493

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.

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%	\$ 1,835,000
Total General Obligation Debt				\$ 1,835,000

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.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE G -- LONG-TERM DEBT (Continued)

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, 2014, the City has drawn \$110,495 and \$150,642, 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 10/1/2013	Additions	Reductions	Transfers	Balance 9/30/2014	Due Within One Year
<i>Governmental Activities:</i>						
2012 Refunding Bonds	\$ 1,540,140	\$ -	\$ (145,000)	\$ 83,060	\$ 1,478,200	\$ 145,000
2012 Premium on Bonds	70,989	-	(5,727)	3,464	68,726	5,727
Compensated Absences	30,681	17,276	-	-	47,957	-
<i>Total Governmental Activities</i>	<u>1,641,810</u>	<u>17,276</u>	<u>(150,727)</u>	<u>86,524</u>	<u>1,594,883</u>	<u>150,727</u>
<i>Business-Type Activities:</i>						
2012 Refunding Bonds	474,860	-	(35,000)	(83,060)	356,800	35,000
2012 Premium on Bonds	21,939	-	(1,421)	(3,464)	17,054	1,421
TXDOT Note	145,475	-	(18,985)	-	126,490	19,555
TWDB - DWSRF	93,795	16,700	(35,000)	-	75,495	35,000
TWDB - CWSRF	150,642	-	(35,000)	-	115,642	35,000
Capital Lease	25,046	-	(25,046)	-	-	-
Compensated Absences	12,820	-	-	-	12,820	-
<i>Total Business-Type Activities</i>	<u>924,577</u>	<u>16,700</u>	<u>(150,452)</u>	<u>(86,524)</u>	<u>704,301</u>	<u>125,976</u>
 Total Primary Government	 <u>\$ 2,566,387</u>	 <u>\$ 33,976</u>	 <u>\$ (301,179)</u>	 <u>\$ -</u>	 <u>\$ 2,299,184</u>	 <u>\$ 276,703</u>

The total deferred charges remaining on the refunding is \$52,670 as of September 30, 2014 and is shown on the Statement of Net Position as a deferred outflow of resources.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE G -- LONG-TERM DEBT (Continued)

Annual requirements to amortize all bonded debt outstanding as of September 30, 2014 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 145,000	\$ 36,834	\$ 181,834
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 - 2024	592,200	69,638	661,838
2025 - 2026	133,000	5,924	138,924
	<u>\$ 1,478,200</u>	<u>\$ 230,152</u>	<u>\$ 1,708,352</u>

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2015	\$ 124,555	\$ 16,429	\$ 140,984
2016	126,142	15,143	141,285
2017	97,241	13,808	111,049
2018	69,008	12,383	81,391
2019	60,009	10,747	70,756
2020 - 2024	165,472	24,664	190,136
2025 - 2026	32,000	1,426	33,426
	<u>\$ 674,427</u>	<u>\$ 94,600</u>	<u>\$ 769,027</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS

A. Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling (800) 924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating	100% Repeating
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

B. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a members' compensation throughout the period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

B. Contributions (Continued)

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

Fiscal Year Ending September 30,	Annual Pension Cost	Actual Contribution Made	Percentage of APC Contribution	Net Pension Obligation (Asset)
2012	\$ 134,878	\$ 134,878	100%	\$ -
2013	123,857	123,857	100%	-
2014	115,497	115,497	100%	-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

	December 31, 2011	December 31, 2012	December 31, 2013
Actuarial Valuation Date	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Actuarial Cost Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Amortization Method	26.3 years - Closed Period	25.5 years - Closed Period	30.0 years - Closed Period
Remaining Amortization Period	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Asset Valuation Method	7.0%	7.0%	7.0%
Investment Rate of Return	Varies by age and service	Varies by age and service	Varies by age and service
Projected Salary Increases	3.0%	3.0%	3.0%
Inflation Rate	2.1%	2.1%	2.1%
Cost-of-Living Adjustments			

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ 3,883,388	\$ 4,510,607	86.1%	\$ 627,219	\$ 1,490,039	42.1%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

B. Contributions (Continued)

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used to include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

C. 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, 2014, 2013, and 2012 were \$3,099, \$3,468, and \$4,534, respectively, which equaled the required contributions each year.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE I -- FUND BALANCE

The City reported fund balance designations at September 30, 2014 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	-	19,175	19,175
Tourism	-	17,010	17,010
Library	-	6,000	6,000
Police Training and Operations	-	9,661	9,661
Court Security	-	18,780	18,780
Court Technology	-	743	743
Total Restricted Fund Balance	<u>-</u>	<u>71,369</u>	<u>71,369</u>
Committed for:			
Drainage Projects	-	185,873	185,873
Facilities Maintenance	-	24,361	24,361
Street Rehabilitation	-	138,162	138,162
Total Committed Fund Balance	<u>-</u>	<u>348,396</u>	<u>348,396</u>
Unassigned	<u>1,150,043</u>	<u>-</u>	<u>1,150,043</u>
Total Fund Balance	<u>\$ 1,151,592</u>	<u>\$ 419,765</u>	<u>\$ 1,571,357</u>

NOTE J -- RESTRICTED NET POSITION

The City reported restricted net position at September 30, 2014 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	\$ 14,111	\$ -	\$ 14,111
Tourism	17,010	-	17,010
Library	6,000	-	6,000
Police Training and Operations	9,661	-	9,661
Court Security	18,780	-	18,780
Court Technology	743	-	743
Water Acquisition	-	162,910	162,910
Capital Improvements	-	206,966	206,966
Total Restricted Net Position	<u>\$ 66,305</u>	<u>\$ 369,876</u>	<u>\$ 436,181</u>

CITY OF CASTROVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2014

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, 2014 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	\$ 38,800	\$ 190,300
Sewer System Expansion	236,400	28,550	207,850
	<u>\$ 465,500</u>	<u>\$ 67,350</u>	<u>\$ 398,150</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, 2014 were \$69,752 for property and casualty and workers compensation coverage.

NOTE M -- PRIOR PERIOD ADJUSTMENT

The following adjustment is necessary to reflect capital contributions received from Texas Department of Transportation as of September 30, 2013 as follows:

	<u>Business-type Activates</u>	<u>Airport Fund</u>
Beginning Net Position	\$ 9,268,646	\$ 3,726,787
Understated Construction in Progress	621,234	621,234
Restated Beginning Net Position	<u>\$ 9,889,880</u>	<u>\$ 4,348,021</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule – General Fund
- Schedule of Funding Progress – Defined Benefit

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, 2014
(WITH COMPARATIVE ACTUAL TOTALS FOR 2013)

	Budget Amounts		Actual Amounts	Variance	2013
	Original	Final		Favorable (Unfavorable)	
REVENUES					
Ad Valorem Taxes	\$ 730,333	\$ 730,333	\$ 711,057	\$ (19,276)	\$ 661,846
Sales Taxes	662,184	662,184	663,796	1,612	649,318
Franchise Fees	15,950	15,950	20,084	4,134	17,303
Other Taxes	2,274	2,274	2,058	(216)	2,486
Licenses and Permits	30,000	30,000	33,083	3,083	26,948
Charges for Services	207,430	207,430	179,944	(27,486)	185,761
Fines and Forfeitures	244,200	244,200	204,534	(39,666)	222,971
Intergovernmental Revenue	-	-	-	-	16,430
Interest Income	4,000	4,000	3,679	(321)	3,277
Miscellaneous	32,725	32,725	20,003	(12,722)	39,402
TOTAL REVENUES	<u>1,929,096</u>	<u>1,929,096</u>	<u>1,838,238</u>	<u>(90,858)</u>	<u>1,825,742</u>
EXPENDITURES					
<i>Current:</i>					
General Administration	822,685	822,685	726,471	96,214	665,914
Public Safety					
Animal Control	61,973	61,973	61,304	669	61,810
Code Enforcement	98,558	98,558	94,642	3,916	125,686
Municipal Court	101,655	101,655	81,133	20,522	87,149
Police Department	702,382	702,382	690,595	11,787	667,571
Public Transportation					
Streets	403,123	403,123	314,353	88,770	246,676
Culture and Recreation					
Library	225,283	225,283	198,651	26,632	195,803
Parks	249,225	249,225	231,791	17,434	232,142
Pool	85,881	85,881	97,259	(11,378)	91,608
<i>Capital Outlay</i>	105,000	105,000	91,021	13,979	30,077
TOTAL EXPENDITURES	<u>2,855,765</u>	<u>2,855,765</u>	<u>2,587,220</u>	<u>268,545</u>	<u>2,404,436</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(926,669)</u>	<u>(926,669)</u>	<u>(748,982)</u>	<u>177,687</u>	<u>(578,694)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	907,741	907,741	907,764	23	823,875
Transfers Out	(92,380)	(92,380)	(92,841)	(461)	(45,493)
TOTAL OTHER FINANCING SOURCES (USES)	<u>815,361</u>	<u>815,361</u>	<u>814,923</u>	<u>(438)</u>	<u>778,382</u>
Net Change in Fund Balance	(111,308)	(111,308)	65,941	177,249	199,688
Fund Balance - Beginning of Year	1,085,651	1,085,651	1,085,651	-	885,963
Fund Balance - End of Year	<u>\$ 974,343</u>	<u>\$ 974,343</u>	<u>\$ 1,151,592</u>	<u>\$ 177,249</u>	<u>\$ 1,085,651</u>

CITY OF CASTROVILLE
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
SEPTEMBER 30, 2014

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal 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, Drainage Fund, Hotel Occupancy Fund, Alsatian House Fund, Biry House Fund, BTOP Grant Fund, Library Memorial Fund, Drug Forfeiture Fund, Police Training Fund, Court Security Fund, Court Technology Fund, and Debt Service Funds.

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 FUNDING PROGRESS – DEFINED BENEFIT
 LAST FIVE CALENDAR YEARS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY*	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
2009	\$ 2,245,502	\$ 3,111,006	72.2%	\$ 865,504	\$ 1,373,097	63.0%
2010	3,109,664	3,913,438	79.5%	803,774	1,405,299	57.2%
2011	3,378,662	4,049,987	83.4%	671,325	1,503,344	44.7%
2012	3,654,126	4,221,937	86.6%	567,811	1,472,587	38.6%
2013	3,883,388	4,510,607	86.1%	627,219	1,490,039	42.1%

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

** Assets are stated at cost as of December 31 of the preceding year.

SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

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

CITY OF CASTROVILLE
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND
 SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Investments	\$ 1,340,562	\$ 1,183,424
Receivables (net of allowances for uncollectibles):		
Property Taxes	8,659	8,659
Sales & Mixed Beverage Taxes	108,326	100,248
Other Receivables	10,952	12,957
Due from Other Funds	-	58,278
Prepaid Items	1,549	1,549
TOTAL ASSETS	\$ 1,470,048	\$ 1,365,115
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 91,645	\$ 83,455
Accrued Expenditures	36,375	72,931
Due to Other Funds	129,016	63,685
<i>Total Liabilities</i>	257,036	220,071
 <i>Deferred Inflows of Resources:</i>		
Unavailable Revenues	61,420	59,393
<i>Total Deferred Inflows of Resources</i>	61,420	59,393
 <i>Fund Balances:</i>		
Nonspendable:		
Prepays	1,549	1,549
Unassigned	1,150,043	1,084,102
<i>Total Fund Balances</i>	1,151,592	1,085,651
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	 \$ 1,470,048	 \$ 1,365,115

CITY OF CASTROVILLE
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Ad Valorem Taxes	\$ 711,057	\$ 661,846
Sales Taxes	663,796	649,318
Franchise Fees	20,084	17,303
Other Taxes	2,058	2,486
Licenses and Permits	33,083	26,948
Charges for Services	179,944	185,761
Fines and Forfeitures	204,534	222,971
Intergovernmental Revenue	-	16,430
Interest Income	3,679	3,277
Miscellaneous	20,003	39,402
TOTAL REVENUES	<u>1,838,238</u>	<u>1,825,742</u>
EXPENDITURES		
<i>Current:</i>		
General Administration	726,471	665,914
Public Safety		
Animal Control	61,304	61,810
Code Enforcement	94,642	125,686
Municipal Court	81,133	87,149
Police Department	690,595	667,571
Public Transportation		
Streets	314,353	246,676
Culture and Recreation		
Library	198,651	195,803
Parks	231,791	232,142
Pool	97,259	91,608
<i>Capital Outlay</i>	91,021	30,077
TOTAL EXPENDITURES	<u>2,587,220</u>	<u>2,404,436</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(748,982)</u>	<u>(578,694)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	907,764	823,875
Transfer Out	<u>(92,841)</u>	<u>(45,493)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>814,923</u>	<u>778,382</u>
Net Change in Fund Balance	65,941	199,688
Fund Balances at Beginning of Year	<u>1,085,651</u>	<u>885,963</u>
Fund Balances at End of Year	<u>\$ 1,151,592</u>	<u>\$ 1,085,651</u>

CITY OF CASTROVILLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014

	SPECIAL REVENUE			
	Drainage Fund	Hotel Occupancy Fund	Alsatian House Fund	Biry House Fund
ASSETS				
Cash and Investments	\$ 160,189	\$ 13,918	\$ 14,543	\$ 9,818
Receivables (net of allowances for uncollectibles):				
Property Taxes	-	-	-	-
Other Receivables	-	5,625	-	-
Due from Other Funds	25,684	-	-	-
TOTAL ASSETS	<u>\$ 185,873</u>	<u>\$ 19,543</u>	<u>\$ 14,543</u>	<u>\$ 9,818</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ 2,177	\$ -	\$ -
Due to Other Funds	-	356	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>2,533</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>
<i>Fund Balances:</i>				
Restricted	-	17,010	-	-
Committed	185,873	-	14,543	9,818
<i>Total Fund Balances</i>	<u>185,873</u>	<u>17,010</u>	<u>14,543</u>	<u>9,818</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	<u>\$ 185,873</u>	<u>\$ 19,543</u>	<u>\$ 14,543</u>	<u>\$ 9,818</u>

SPECIAL REVENUE

Lone Star Library Grant Fund	BTOP Grant Fund	Library Memorial Fund	DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund
\$ -	\$ -	\$ 6,000	\$ 18,268	\$ 1,373	\$ 18,841	\$ 3,021
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 18,268</u>	<u>\$ 1,373</u>	<u>\$ 18,841</u>	<u>\$ 3,021</u>
\$ -	\$ -	\$ -	\$ 9,940	\$ -	\$ -	\$ -
-	-	-	40	-	61	2,278
-	-	-	9,980	-	61	2,278
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	6,000	8,288	1,373	18,780	743
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>6,000</u>	<u>8,288</u>	<u>1,373</u>	<u>18,780</u>	<u>743</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 18,268</u>	<u>\$ 1,373</u>	<u>\$ 18,841</u>	<u>\$ 3,021</u>

CITY OF CASTROVILLE
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014

	<u>Debt Service Funds</u>	<u>Capital Improvement Funds</u>	<u>Total Non Major Funds</u>
ASSETS			
Cash and Investments	\$ 160,829	\$ 45,782	\$ 452,582
Receivables (net of allowances for uncollectibles):			
Property Taxes	1,075	-	1,075
Other Receivables	-	-	5,625
Due from Other Funds	-	92,380	118,064
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 161,904</u></u>	<u><u>\$ 138,162</u></u>	<u><u>\$ 577,346</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ -	\$ -	\$ 12,117
Due to Other Funds	141,654	-	144,389
<i>Total Liabilities</i>	<u>141,654</u>	<u>-</u>	<u>156,506</u>
 <i>Deferred Inflows of Resources:</i>			
Unavailable Revenues	1,075	-	1,075
<i>Total Deferred Inflows of Resources</i>	<u>1,075</u>	<u>-</u>	<u>1,075</u>
 <i>Fund Balances:</i>			
Restricted	19,175	-	71,369
Committed	-	138,162	348,396
<i>Total Fund Balances</i>	<u>19,175</u>	<u>138,162</u>	<u>419,765</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	<u><u>\$ 161,904</u></u>	<u><u>\$ 138,162</u></u>	<u><u>\$ 577,346</u></u>



CITY OF CASTROVILLE
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	SPECIAL REVENUE			
	Drainage Fund	Hotel Occupancy Fund	Alsatian House Fund	Biry House Fund
REVENUES				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	38,925	-	-
Charges for Services	108,652	-	-	-
Intergovernmental Revenue	-	-	-	-
Interest Income	903	50	32	-
Miscellaneous	-	-	12,694	-
TOTAL REVENUES	<u>109,555</u>	<u>38,975</u>	<u>12,726</u>	<u>-</u>
EXPENDITURES				
<i>Current:</i>				
General Administration	-	53,243	5,010	-
Public Safety				
Municipal Court	-	-	-	-
Police Department	-	-	-	-
Public Transportation				
Streets	61	-	-	-
<i>Capital Outlay</i>	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
TOTAL EXPENDITURES	<u>61</u>	<u>53,243</u>	<u>5,010</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>109,494</u>	<u>(14,268)</u>	<u>7,716</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(91,323)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(91,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	18,171	(14,268)	7,716	-
Fund Balances at Beginning of Year	<u>167,702</u>	<u>31,278</u>	<u>6,827</u>	<u>9,818</u>
Fund Balances at End of Year	<u>\$ 185,873</u>	<u>\$ 17,010</u>	<u>\$ 14,543</u>	<u>\$ 9,818</u>

SPECIAL REVENUE

Lone Star Library Grant Fund	BTOP Grant Fund	Library Memorial Fund	DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	3,546	4,712
-	845	-	-	1,101	-	-
8	13	18	59	-	54	13
-	-	152	12,766	-	-	-
<u>8</u>	<u>858</u>	<u>170</u>	<u>12,825</u>	<u>1,101</u>	<u>3,600</u>	<u>4,725</u>
-	-	-	-	-	-	-
-	-	-	-	-	783	7,538
-	-	-	10,740	792	-	-
-	-	-	-	-	-	-
-	-	-	10,919	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>21,659</u>	<u>792</u>	<u>783</u>	<u>7,538</u>
<u>8</u>	<u>858</u>	<u>170</u>	<u>(8,834)</u>	<u>309</u>	<u>2,817</u>	<u>(2,813)</u>
-	488	-	-	-	-	-
<u>(31)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(31)</u>	<u>488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(23)	1,346	170	(8,834)	309	2,817	(2,813)
<u>23</u>	<u>(1,346)</u>	<u>5,830</u>	<u>17,122</u>	<u>1,064</u>	<u>15,963</u>	<u>3,556</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 8,288</u>	<u>\$ 1,373</u>	<u>\$ 18,780</u>	<u>\$ 743</u>

CITY OF CASTROVILLE
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND BALANCE (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Debt Service Funds	Capital Improvement Funds	Total Non Major Funds
REVENUES			
Ad Valorem Taxes	\$ 73,140	\$ -	\$ 73,140
Other Taxes	-	-	38,925
Charges for Services	-	-	116,910
Intergovernmental Revenue	-	-	1,946
Interest Income	157	289	1,596
Miscellaneous	-	-	25,612
TOTAL REVENUES	<u>73,297</u>	<u>289</u>	<u>258,129</u>
EXPENDITURES			
<i>Current:</i>			
General Administration	-	-	58,253
Public Safety			
Municipal Court	-	-	8,321
Police Department	-	-	11,532
Public Transportation			
Streets	-	-	61
<i>Capital Outlay</i>	-	-	10,919
<i>Debt Service:</i>			
Principal	61,940	-	61,940
Interest and Fiscal Charges	43,963	-	43,963
TOTAL EXPENDITURES	<u>105,903</u>	<u>-</u>	<u>194,989</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(32,606)</u>	<u>289</u>	<u>63,140</u>
OTHER FINANCING			
SOURCES (USES)			
Transfers In	118,225	92,380	211,093
Transfers Out	<u>(84,576)</u>	<u>-</u>	<u>(175,930)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>33,649</u>	<u>92,380</u>	<u>35,163</u>
Net Change in Fund Balance	1,043	92,669	98,303
Fund Balances at Beginning of Year	<u>18,132</u>	<u>45,493</u>	<u>321,462</u>
Fund Balances at End of Year	<u>\$ 19,175</u>	<u>\$ 138,162</u>	<u>\$ 419,765</u>

