

**CITY OF CASTROVILLE, TEXAS**

**ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2023**





CITY OF CASTROVILLE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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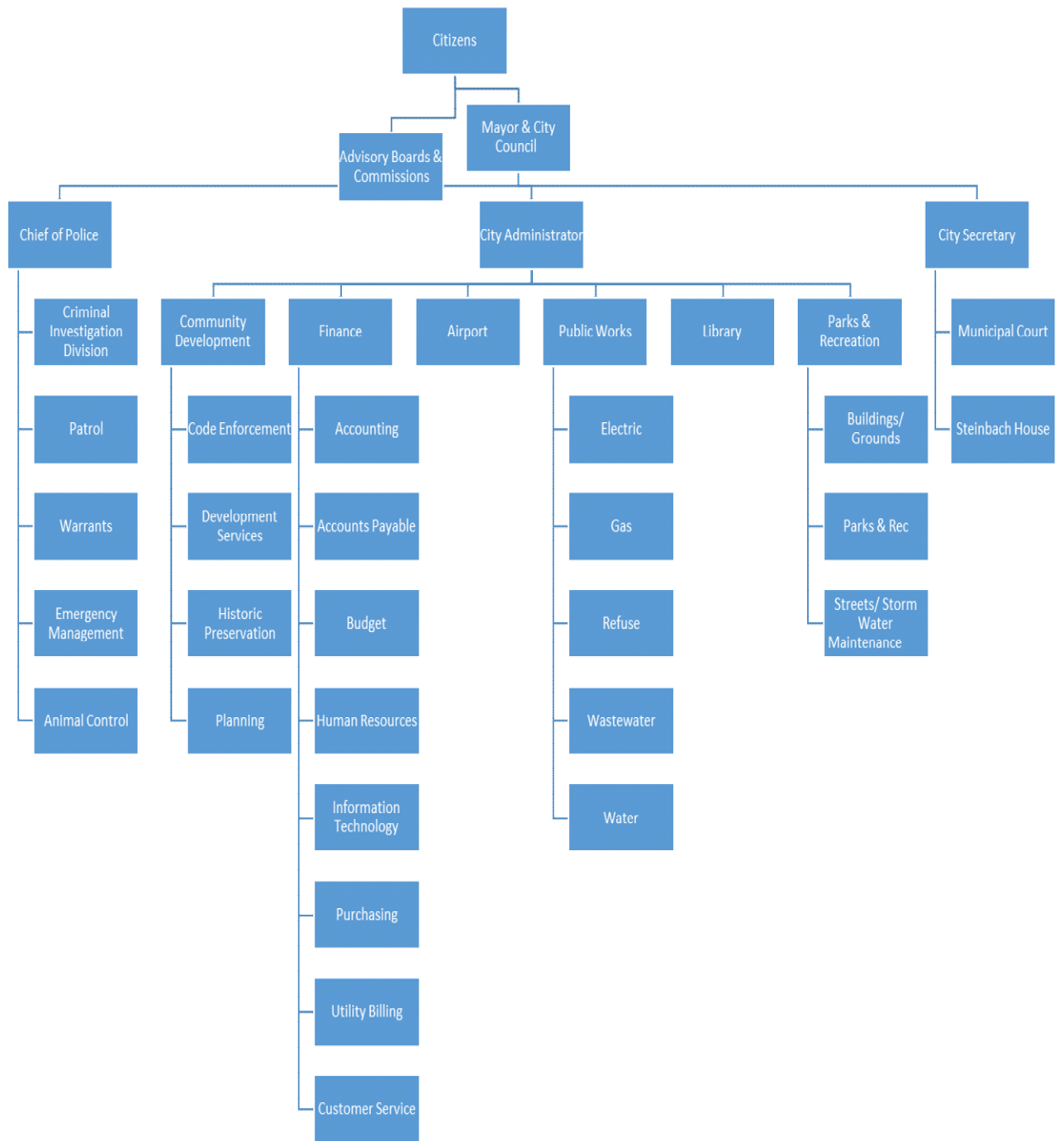
CITY OF CASTROVILLE  
PRINCIPAL OFFICERS  
AS OF SEPTEMBER 30, 2023

CITY OFFICIALS

MAYOR	DARRIN SCHROEDER
MAYOR PRO-TEM	PHIL KING
CITY COUNCIL	SHEENA MARTINEZ
	PAUL CAREY
	DAVID MERZ
	HERB DYER
CITY ADMINISTRATOR	R. SCOTT DIXON
ATTORNEY	DENTON, NAVARRO, ROCHA, BERNAL & ZECH

# CITY OF CASTROVILLE

## ORGANIZATIONAL CHART





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 Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Castroville, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Castroville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

City of Castroville's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Castroville's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Castroville's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Castroville's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and schedule of changes – net pension liability and related ratios as well as Total OPEB liability and related ratios as identified in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Castroville's basic financial statements. The supplementary information (as identified in the table of contents) is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024 on our consideration of City of Castroville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Castroville's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.

March 5, 2024

## 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, 2023. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

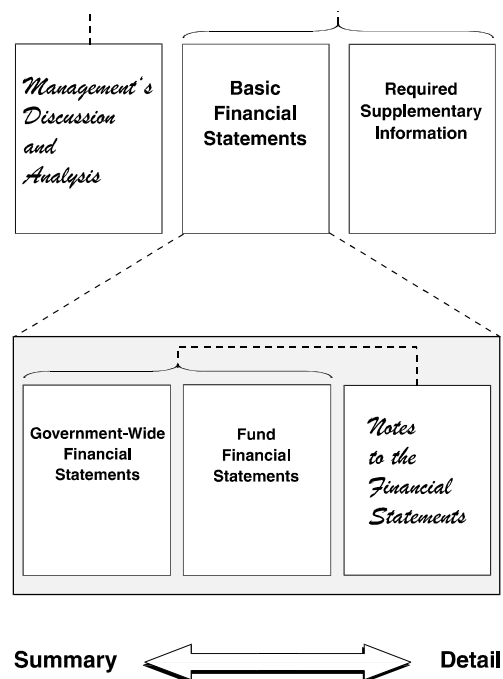
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$31.7 million (total net position) at September 30, 2023. Of this amount, \$10.4 million (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors.
- During the year, the City’s total net position increased by \$849 thousand.
- As of September 30, 2023, the City’s governmental funds reported a combined ending fund balance of \$7.3 million, a decrease of \$2.7 million from the prior year primarily due to prior year bond proceeds being spent in the current year.
- The City issued \$5.1 million of debt during the year ended September 30, 2023 between Certificates of Obligation, Series 2022 and additional draws on the loan agreement with United States Department of Agriculture.

### 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.

<b>Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements</b>			
<i>Type of Statements</i>	<b>Fund Statements</b>		
	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 can be found on pages 14-17 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 beginning on page 18 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 and the Airport fund, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found beginning on page 22 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 beginning on page 27 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 beginning on page 54 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds can be found beginning on pages 64 of this report.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$31.7 million at the close of fiscal year 2023.

By far the largest portion of the City's net position (60%) 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, 2023 (See Table A-1).

**Table A-1**  
City's Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2023	2022	2023	2022	2023	2022	2023 - 2022
<i>Assets:</i>							
Current and Other Assets	\$ 5,913,674	\$ 6,446,394	\$ 9,121,725	\$ 8,720,914	\$ 15,035,399	\$ 15,167,308	(0.9)
Restricted Assets	1,923,156	4,241,249	7,418,803	5,482,529	9,341,959	9,723,778	(3.9)
Capital Assets (net)	4,441,162	2,055,250	36,325,593	32,050,589	40,766,755	34,105,839	19.5
<i>Total Assets</i>	<u>12,277,992</u>	<u>12,742,893</u>	<u>52,866,121</u>	<u>46,254,032</u>	<u>65,144,113</u>	<u>58,996,925</u>	10.4
<i>Deferred Outflows of Resources</i>	<u>360,536</u>	<u>172,488</u>	<u>338,878</u>	<u>106,473</u>	<u>699,414</u>	<u>278,961</u>	150.7
<i>Liabilities:</i>							
Current Liabilities	511,757	695,786	2,385,993	1,374,689	2,897,750	2,070,475	40.0
Long-Term Liabilities	6,024,425	5,716,620	24,204,335	19,173,678	30,228,760	24,890,298	21.4
<i>Total Liabilities</i>	<u>6,536,182</u>	<u>6,412,406</u>	<u>26,590,328</u>	<u>20,548,367</u>	<u>33,126,510</u>	<u>26,960,773</u>	22.9
<i>Deferred Inflows of Resources</i>	<u>28,790</u>	<u>272,122</u>	<u>975,526</u>	<u>1,179,263</u>	<u>1,004,316</u>	<u>1,451,385</u>	(30.8)
<i>Net Position:</i>							
Net Investment in							
Capital Assets	783,309	813,485	18,107,975	17,546,797	18,891,284	18,360,282	2.9
Restricted	666,430	472,184	1,750,600	1,634,095	2,417,030	2,106,279	14.8
Unrestricted	4,623,817	4,945,184	5,780,570	5,451,983	10,404,387	10,397,167	0.1
<i>Total Net Position</i>	<u>\$ 6,073,556</u>	<u>\$ 6,230,853</u>	<u>\$ 25,639,145</u>	<u>\$ 24,632,875</u>	<u>\$ 31,712,701</u>	<u>\$ 30,863,728</u>	2.8

An additional portion of the City's net position \$2.4 million (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$10.4 million (32%) may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position: The City's net position increased \$849 thousand. (See Table A-2.)

**Table A-2**  
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2023	2022	2023	2022	2023	2022	2023 - 2022
<i>Program Revenues:</i>							
Charges for Services	\$ 764,819	\$ 735,134	\$ 8,426,165	\$ 8,794,213	\$ 9,190,984	\$ 9,529,347	(3.6)
Operating Grants and Contributions	39,006	791,182	41,267	80,767	80,273	871,949	(90.8)
Capital Grants and Contributions	-	-	1,421,483	2,911,227	1,421,483	2,911,227	(51.2)
<i>General Revenues:</i>							
Taxes	3,622,163	3,280,911	-	-	3,622,163	3,280,911	10.4
Interest Earnings	151,885	18,434	291,194	67,943	443,079	86,377	413.0
Miscellaneous	497,959	167,045	-	3,369	497,959	170,414	192.2
<b>TOTAL REVENUES</b>	<b>5,075,832</b>	<b>4,992,706</b>	<b>10,180,109</b>	<b>11,857,519</b>	<b>15,255,941</b>	<b>16,850,225</b>	<b>(9.5)</b>
<i>Program Expenditures:</i>							
General Administration	1,666,921	990,426	-	-	1,666,921	990,426	68.3
Public Safety	1,908,218	1,588,103	-	-	1,908,218	1,588,103	20.2
Public Transportation	732,157	794,628	-	-	732,157	794,628	(7.9)
Culture and Recreation	1,069,212	890,564	-	-	1,069,212	890,564	20.1
Interest in Debt	213,008	172,165	-	-	213,008	172,165	23.7
Utility	-	-	7,947,415	7,681,386	7,947,415	7,681,386	3.5
Airport	-	-	870,037	810,251	870,037	810,251	7.4
<b>TOTAL EXPENSES</b>	<b>5,589,516</b>	<b>4,435,886</b>	<b>8,817,452</b>	<b>8,491,637</b>	<b>14,406,968</b>	<b>12,927,523</b>	<b>11.4</b>
Increase (Decrease) in Net Position before Transfers	(513,684)	556,820	1,362,657	3,365,882	848,973	3,922,702	(78.4)
Transfers	356,387	327,577	(356,387)	(327,577)	-	-	0.0
Increase (Decrease) in Net Position after Transfers	<u>\$ (157,297)</u>	<u>\$ 884,397</u>	<u>\$ 1,006,270</u>	<u>\$ 3,038,305</u>	<u>\$ 848,973</u>	<u>\$ 3,922,702</u>	<b>(78.4)</b>

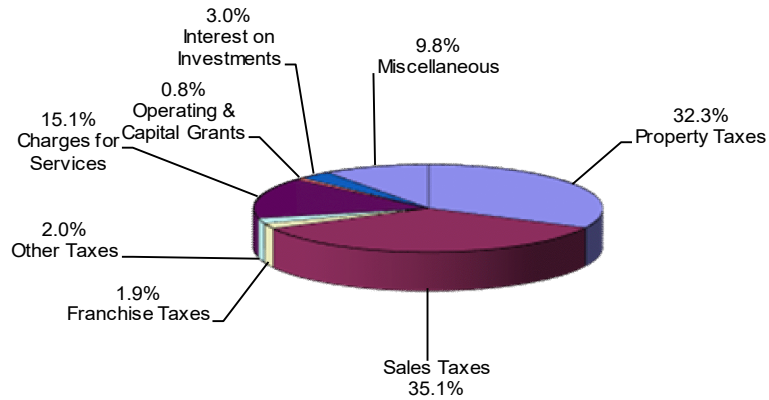
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2023.

### Governmental Activities

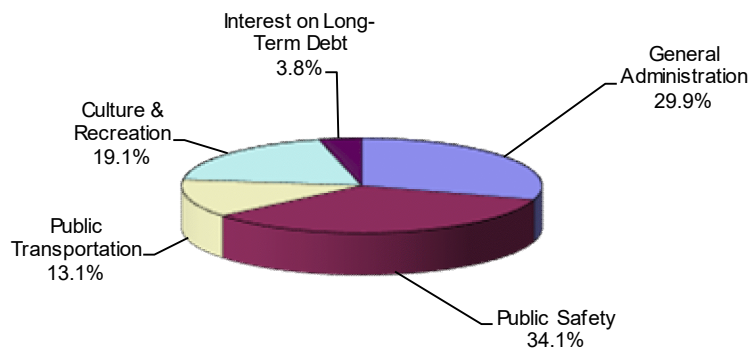
- Ad Valorem taxes increased \$76 thousand from the previous year.
- Sales tax increased \$210 thousand over the previous year.
- Operating grants and contributions decreased \$752 thousand due to recognition of grant funds related to the American Rescue Plan Act in the previous fiscal year.

Governmental activities showed an excess of expenses over revenues of \$514 thousand before transfers from business-type activities. The business-type activities transferred \$356 thousand to governmental activities resulting in a decrease in net position of \$158 thousand.

### 2023 Governmental Revenues



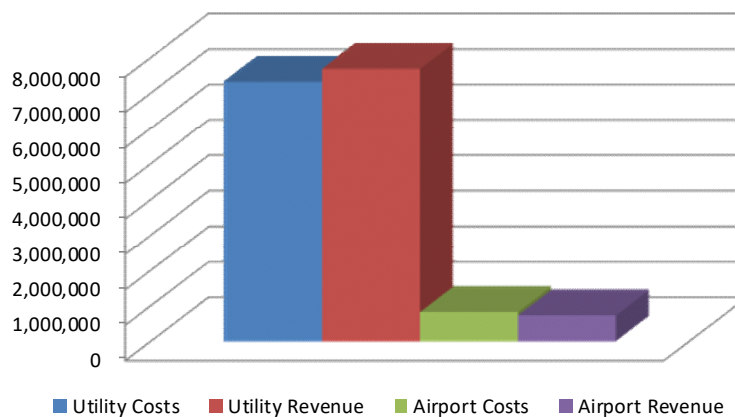
### 2023 Governmental Function Expenses



### Business-Type Activities

Business-type activities increased the City's net position by \$1.0 million after transfers to governmental activities of \$356 thousand. This increase is partially attributed to increases in charges for services for utilities and airport as well as increases in grants and capital contributions.

### 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 \$7.3 million. Of this total amount, \$2.4 million is restricted by constraints imposed by external providers such as grantors and enabling legislation and for capital projects, \$349 thousand is committed and reported in special revenue funds, and \$4.6 million is unassigned in the governmental funds. The unassigned fund balance is the amount available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$4.6 million. The City's general fund balance showed a decrease of \$374 thousand during the year. This is attributed to higher expenditures than the previous year of \$1.1 million combined with a decline in revenues as the prior year recognized revenue from American Rescue Plan Act.

### ***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 \$5.4 million. The increase in net position was \$157 thousand. This increase is attributable to capital contributions.

Unrestricted net position of the Airport Fund at the end of the year amounted to \$335 thousand. The increase in net position was \$849 thousand. This increase is attributable to capital grants and contributions.

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 two budget amendments during the year that had no impact on total revenues but did increase total expenditures as the City was utilizing use of prior fund balance. The general fund revenues were over budget by \$714 thousand as a result of increased sales tax revenue, charges for services, and miscellaneous revenues which were not budgeted. The general fund expenditures were over budget by \$79 thousand as a result of additional approved professional services and site improvements more than anticipated after budget amendments.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2023, the City had invested \$40.8 million in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles, and infrastructure (See Table A-3.). This amount represents a net increase (including additions and deductions) of \$6.7 million from last year. The increase is due to current year acquisitions over current year depreciation. 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 Activities		Business-Type Activities		Total		Total Percentage Change
	2023	2022	2023	2022	2023	2022	2023 - 2022
Land	\$ 179	\$ 105	\$ 2,229	\$ 2,229	\$ 2,408	\$ 2,334	3.2
Construction in Progress	984	280	6,511	5,928	7,495	6,208	20.7
Water Rights	-	-	176	176	176	176	0.0
Buildings and Improvements	1,470	670	7,970	6,542	9,440	7,212	30.9
Vehicles and Equipment	1,319	883	2,828	2,599	4,147	3,482	19.1
Infrastructure	2,370	1,814	27,963	24,965	30,333	26,779	13.3
Totals at Historical Cost	6,322	3,752	47,677	42,439	53,999	46,191	16.9
Total Accumulated Depreciation	(1,881)	(1,698)	(11,351)	(10,388)	(13,232)	(12,086)	9.5
Net Capital Assets	<u>\$ 4,441</u>	<u>\$ 2,054</u>	<u>\$ 36,326</u>	<u>\$ 32,051</u>	<u>\$ 40,767</u>	<u>\$ 34,105</u>	19.5

### Long Term Debt

At year-end the City had \$27.6 million in bonds and notes outstanding as shown in Table A-4. More detailed information about the City's debt is presented in the notes to the financial statements. The City's S&P rating was upgraded to AA Stable.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2023	2022	2023	2022	2023	2022	2023 - 2022
Bonds Payable	\$ 4,848	\$ 4,985	\$ 9,418	\$ 4,716	\$ 14,266	\$ 9,701	47.1
Notes Payable	-	-	1,114	955	1,114	955	16.6
TWDB Bonds Payable	-	-	12,185	12,905	12,185	12,905	(5.6)
Total Long-Term Debt	<u>\$ 4,848</u>	<u>\$ 4,985</u>	<u>\$ 22,717</u>	<u>\$ 18,576</u>	<u>\$ 27,565</u>	<u>\$ 23,561</u>	17.0

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The General Fund budgeted revenues and other financing sources of transfers in of \$4,139,611 for FY 2024 which is an increase of 9.2% of FY 2023 final budgeted revenues and other financing sources. The General Fund budgeted expenditures and other financing uses of transfers out of \$4,103,131 for FY 2024 which is an decrease of 2.0% from FY 2023 final budgeted expenditures and other financing uses.
- Total ad valorem rates remained unchanged from FY 2023 at 0.5233 per \$100 valuation.
- The population of the City is estimated to be 3,059.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

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

- Government – Wide Financial Statements
- Fund Financial Statements:
  - Governmental Funds
  - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,516,994	\$ 6,051,085	\$ 11,568,079
Receivables (net of allowances for uncollectibles)			
Ad Valorem Taxes	16,584	-	16,584
Sales & Mixed Beverage Taxes	284,923	-	284,923
Lease	-	955,115	955,115
Other	48,880	1,529,140	1,578,020
Inventory	-	632,678	632,678
Internal Balances	46,293	(46,293)	-
Restricted Assets:			
Cash and Cash Equivalents	1,923,156	6,478,725	8,401,881
Cash Held in Escrow	-	940,078	940,078
Capital Assets:			
Land	179,144	2,229,120	2,408,264
Construction in Progress	983,967	6,510,653	7,494,620
Water Rights	-	176,126	176,126
Building and Improvements	1,469,936	7,970,353	9,440,289
Vehicles and Equipment	1,319,681	2,827,873	4,147,554
Infrastructure	2,369,700	27,963,117	30,332,817
Accumulated Depreciation	(1,881,266)	(11,351,649)	(13,232,915)
<b>TOTAL ASSETS</b>	<b>12,277,992</b>	<b>52,866,121</b>	<b>65,144,113</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Refunding	10,550	2,618	13,168
Deferred Pension Related Outflows	346,853	333,251	680,104
Deferred OPEB Related Outflows	3,133	3,009	6,142
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 360,536</b>	<b>\$ 338,878</b>	<b>\$ 699,414</b>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF NET POSITION (CONTINUED)  
SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 220,258	\$ 1,938,161	\$ 2,158,419
Accrued Expenses	83,024	53,315	136,339
Unearned Revenue	182,747	8,844	191,591
Accrued Interest Payable	25,728	121,440	147,168
<i>Payable from Restricted Assets:</i>			
Customer Deposits	-	264,233	264,233
<i>Noncurrent Liabilities:</i>			
Due within One Year	309,500	900,500	1,210,000
Due in more than One Year	5,011,295	22,700,335	27,711,630
Compensated Absences	122,341	45,005	167,346
Net Pension Liability	492,991	473,658	966,649
Total OPEB Liability	88,298	84,837	173,135
<b>TOTAL LIABILITIES</b>	<b>6,536,182</b>	<b>26,590,328</b>	<b>33,126,510</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred OPEB Related Inflows	28,790	27,661	56,451
Deferred Inflows - Leases	-	947,865	947,865
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>28,790</b>	<b>975,526</b>	<b>1,004,316</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	783,309	18,107,975	18,891,284
Restricted	666,430	1,750,600	2,417,030
Unrestricted	4,623,817	5,780,570	10,404,387
<b>TOTAL NET POSITION</b>	<b>\$ 6,073,556</b>	<b>\$ 25,639,145</b>	<b>\$ 31,712,701</b>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Administration	\$ 1,666,921	\$ 170,687	\$ 33,200	\$ -
Public Safety	1,908,218	159,464	2,944	-
Public Transportation	732,157	103,280	-	-
Culture and Recreation	1,069,212	331,388	2,862	-
Interest on Long-term Debt	213,008	-	-	-
Total Governmental Activities	5,589,516	764,819	39,006	-
Business-Type Activities				
Utility	7,947,415	7,711,918	-	501,278
Airport	870,037	714,247	41,267	920,205
Total Business-Type Activities	8,817,452	8,426,165	41,267	1,421,483
Total Primary Government	\$ 14,406,968	\$ 9,190,984	\$ 80,273	\$ 1,421,483
General Revenues:				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Franchise Taxes				
Other Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
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>
\$ (1,463,034)	\$ -	\$ (1,463,034)
(1,745,810)	-	(1,745,810)
(628,877)	-	(628,877)
(734,962)	-	(734,962)
(213,008)	-	(213,008)
<u>(4,785,691)</u>	<u>-</u>	<u>(4,785,691)</u>
-	265,781	265,781
-	<u>805,682</u>	<u>805,682</u>
-	<u>1,071,463</u>	<u>1,071,463</u>
<u>(4,785,691)</u>	<u>1,071,463</u>	<u>(3,714,228)</u>
1,641,819	-	1,641,819
1,777,872	-	1,777,872
98,666	-	98,666
103,806	-	103,806
151,885	291,194	443,079
497,959	-	497,959
<u>4,272,007</u>	<u>291,194</u>	<u>4,563,201</u>
<u>356,387</u>	<u>(356,387)</u>	<u>-</u>
(157,297)	1,006,270	848,973
<u>6,230,853</u>	<u>24,632,875</u>	<u>30,863,728</u>
<u>\$ 6,073,556</u>	<u>\$ 25,639,145</u>	<u>\$ 31,712,701</u>

CITY OF CASTROVILLE  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023

	Major Fund General Fund	Major Fund Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,963,507	\$ -	\$ 1,553,487	\$ 5,516,994
Receivables (net of allowance):				
Property Taxes	12,586	-	3,998	16,584
Sales & Mixed Beverage Taxes	284,923	-	-	284,923
Other Receivables	11,787	-	37,093	48,880
Due from Other Funds	519,454	160,814	15,267	695,535
Restricted Assets:				
Cash and Cash Equivalents	-	1,923,156	-	1,923,156
<b>TOTAL ASSETS</b>	<b>\$ 4,792,257</b>	<b>\$ 2,083,970</b>	<b>\$ 1,609,845</b>	<b>\$ 8,486,072</b>
<b>LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 103,272	\$ 116,913	\$ 73	\$ 220,258
Accrued Expenditures	78,641	-	4,383	83,024
Due to Other Funds	6,430	256,707	386,105	649,242
Unearned Revenue	5,000	-	177,747	182,747
<i>Total Liabilities</i>	<u>193,343</u>	<u>373,620</u>	<u>568,308</u>	<u>1,135,271</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Revenue - Property Tax	12,586	-	3,998	16,584
<i>Total Deferred Inflows of Resources</i>	<u>12,586</u>	<u>-</u>	<u>3,998</u>	<u>16,584</u>
<i>Fund Balances:</i>				
Restricted	-	1,710,350	688,160	2,398,510
Committed	-	-	349,379	349,379
Unassigned	4,586,328	-	-	4,586,328
<i>Total Fund Balances</i>	<u>4,586,328</u>	<u>1,710,350</u>	<u>1,037,539</u>	<u>7,334,217</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, &amp; FUND BALANCES</b>	<b>\$ 4,792,257</b>	<b>\$ 2,083,970</b>	<b>\$ 1,609,845</b>	<b>\$ 8,486,072</b>

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, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 7,334,217
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.		4,441,162
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		16,584
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.		
Compensated Absences	(122,341)	
Deferred Charge on Refunding	10,550	
Bonds Payable	(4,847,500)	
Premiums on Bonds	<u>(473,295)</u>	(5,432,586)
Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.		
Net Pension Liability	(492,991)	
Pension Related Deferred Outflows	<u>346,853</u>	(146,138)
Total OPEB liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.		
Total OPEB Liability	(88,298)	
OPEB Related Deferred Outflows	3,133	
OPEB Related Deferred Inflows	<u>(28,790)</u>	(113,955)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.		<u>(25,728)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 6,073,556</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, 2023

	Major Fund General Fund	Major Fund Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 1,239,996	\$ -	\$ 396,985	\$ 1,636,981
Sales Taxes	1,777,872	-	-	1,777,872
Franchise Fees	98,666	-	-	98,666
Other Taxes	5,712	-	98,094	103,806
Licenses and Permits	160,812	-	-	160,812
Charges for Services	341,263	-	110,761	452,024
Fines and Forfeitures	151,984	-	-	151,984
Intergovernmental Revenue	40,562	-	945	41,507
Interest Income	91,329	51,272	9,284	151,885
Miscellaneous	211,995	-	283,452	495,447
<b>TOTAL REVENUES</b>	<b>4,120,191</b>	<b>51,272</b>	<b>899,521</b>	<b>5,070,984</b>
<b>EXPENDITURES</b>				
<i>Current:</i>				
General Administration	1,086,529	95	461,736	1,548,360
Public Safety	1,836,456	-	4,796	1,841,252
Public Transportation	639,503	-	-	639,503
Culture and Recreation	1,035,569	-	2,443	1,038,012
<i>Capital Outlay</i>	124,537	2,555,207	-	2,679,744
<i>Debt Service:</i>				
Principal	-	-	137,000	137,000
Interest and Fiscal Charges	-	-	245,471	245,471
<b>TOTAL EXPENDITURES</b>	<b>4,722,594</b>	<b>2,555,302</b>	<b>851,446</b>	<b>8,129,342</b>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(602,403)	(2,504,030)	48,075	(3,058,358)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	368,776	-	255,132	623,908
Transfers Out	(140,000)	-	(127,521)	(267,521)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>228,776</b>	<b>-</b>	<b>127,611</b>	<b>356,387</b>
Net Change in Fund Balance	(373,627)	(2,504,030)	175,686	(2,701,971)
Fund Balances at Beginning of Year	4,959,955	4,214,380	861,853	10,036,188
Fund Balances at End of Year	<u>\$ 4,586,328</u>	<u>\$ 1,710,350</u>	<u>\$ 1,037,539</u>	<u>\$ 7,334,217</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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (2,701,971)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense. This is the amount by which  
depreciation exceeded capital outlays. 2,385,912

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds. 4,838

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.

Principal Repayments on Bonds	137,000	
Amortization of Deferred Charges & Premiums	2,210	
		139,210

Governmental funds report required contributions to employee pensions as  
expenditures. However, in the Statement of Activities the cost of the pension  
is recorded based on the actuarially determined cost of the plan. This is the  
amount that the contributions exceeded the actuarially determined pension expense. (24,385)

Governmental funds report required contributions to other post-employment  
benefits as expenditures. However, in the Statement of Activities the cost of  
the expense is recorded based on the actuarially determined cost of the plan. This  
is the amount that the actuarially determined OPEB expense exceeded contributions. 23,380

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.

Change in Compensated Absences	(14,629)	
Change in Accrued Interest	30,348	
		15,719

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (157,297)

CITY OF CASTROVILLE  
STATEMENT OF NET POSITION – PROPRIETARY FUND  
SEPTEMBER 30, 2023

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 5,725,915	\$ 325,170	\$ 6,051,085
Leases Receivable	-	955,115	955,115
Other Receivables (net of allowance)	1,327,129	202,011	1,529,140
Due from Other Funds	193,884	-	193,884
Inventory	585,592	47,086	632,678
<i>Total Current Assets</i>	<u>7,832,520</u>	<u>1,529,382</u>	<u>9,361,902</u>
<i>Restricted Assets:</i>			
Cash and Cash Equivalents	6,478,725	-	6,478,725
Cash Held in Escrow	940,078	-	940,078
<i>Total Restricted Assets</i>	<u>7,418,803</u>	<u>-</u>	<u>7,418,803</u>
<i>Non-Current Assets:</i>			
Capital Assets, Net of Accumulated			
Depreciation	26,889,545	9,436,048	36,325,593
<i>Total Non-Current Assets</i>	<u>26,889,545</u>	<u>9,436,048</u>	<u>36,325,593</u>
<b>TOTAL ASSETS</b>	<u>42,140,868</u>	<u>10,965,430</u>	<u>53,106,298</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Refunding	-	2,618	2,618
Deferred Pension Related Outflows	326,450	6,801	333,251
Deferred OPEB Related Outflows	2,948	61	3,009
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 329,398</u>	<u>\$ 9,480</u>	<u>\$ 338,878</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)  
SEPTEMBER 30, 2023

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 1,938,147	\$ 14	\$ 1,938,161
Accrued Expenses	51,436	1,879	53,315
Due to Other Funds	15,267	224,910	240,177
Unearned Revenue	-	8,844	8,844
Accrued Interest Payable	117,094	4,346	121,440
Current Portion of Long Term Debt	865,000	35,500	900,500
<i>Total Current Liabilities</i>	<u>2,986,944</u>	<u>275,493</u>	<u>3,262,437</u>
<i>Liabilities Payable from Restricted Assets:</i>			
Customer Deposits	<u>264,233</u>	<u>-</u>	<u>264,233</u>
<i>Non-Current Liabilities:</i>			
Compensated Absences	43,705	1,300	45,005
Net Pension Liability	463,992	9,666	473,658
Total OPEB Liability	83,105	1,732	84,837
Long-Term Debt	21,570,070	1,130,265	22,700,335
<i>Total Non-Current Liabilities</i>	<u>22,160,872</u>	<u>1,142,963</u>	<u>23,303,835</u>
<b>TOTAL LIABILITIES</b>	<u>25,412,049</u>	<u>1,418,456</u>	<u>26,830,505</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred OPEB Related Inflows	27,096	565	27,661
Deferred Inflows - Leases	<u>-</u>	<u>947,865</u>	<u>947,865</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>27,096</u>	<u>948,430</u>	<u>975,526</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,835,074	8,272,901	18,107,975
Restricted	1,750,600	-	1,750,600
Unrestricted	5,445,447	335,123	5,780,570
<b>TOTAL NET POSITION</b>	<u>\$ 17,031,121</u>	<u>\$ 8,608,024</u>	<u>\$ 25,639,145</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, 2023

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 7,630,914	\$ 700,458	\$ 8,331,372
Fines and Forfeitures	61,905	740	62,645
Operating Grants	-	41,267	41,267
Miscellaneous Revenues	19,099	13,049	32,148
<b>TOTAL OPERATING REVENUES</b>	<b>7,711,918</b>	<b>755,514</b>	<b>8,467,432</b>
<b>OPERATING EXPENSES</b>			
Personnel Services	2,177,855	74,797	2,252,652
Supplies	55,579	2,730	58,309
Other Services and Charges	1,912,436	510,398	2,422,834
Electric Purchases	1,960,614	-	1,960,614
Gas Purchases	216,138	-	216,138
Sanitation Services	319,329	-	319,329
Depreciation and Amortization	702,425	260,795	963,220
<b>TOTAL OPERATING EXPENSES</b>	<b>7,344,376</b>	<b>848,720</b>	<b>8,193,096</b>
<b>OPERATING INCOME (LOSS)</b>	<b>367,542</b>	<b>(93,206)</b>	<b>274,336</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Income	277,130	14,064	291,194
Interest and Fiscal Charges	(444,082)	(21,317)	(465,399)
Bond Issuance Costs	(158,957)	-	(158,957)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(325,909)</b>	<b>(7,253)</b>	<b>(333,162)</b>
<b>Net Income (Loss) Before Transfers and Capital Contributions</b>	<b>41,633</b>	<b>(100,459)</b>	<b>(58,826)</b>
<b>Transfers and Capital Contributions:</b>			
Capital Grants & Contributions	501,278	920,205	1,421,483
Transfers In	-	35,415	35,415
Transfers Out	(385,802)	(6,000)	(391,802)
<b>Total Transfers and Capital Contributions</b>	<b>115,476</b>	<b>949,620</b>	<b>1,065,096</b>
<b>CHANGE IN NET POSITION</b>	<b>157,109</b>	<b>849,161</b>	<b>1,006,270</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>16,874,012</b>	<b>7,758,863</b>	<b>24,632,875</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 17,031,121</b>	<b>\$ 8,608,024</b>	<b>\$ 25,639,145</b>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
<b>Cash Flows From Operating Activities:</b>			
Cash Received From Customers	\$ 7,595,518	\$ 750,865	\$ 8,346,383
Cash Paid to Employee Wages & Benefits	(2,061,907)	(89,774)	(2,151,681)
Cash Paid to Suppliers for Goods and Services	(3,520,995)	(677,596)	(4,198,591)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,012,616</b>	<b>(16,505)</b>	<b>1,996,111</b>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Interfund Payables	(212,594)	(11,253)	(223,847)
Transfer (to) from Other Funds	(385,802)	29,415	(356,387)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(598,396)</b>	<b>18,162</b>	<b>(580,234)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(4,108,718)	(284,797)	(4,393,515)
Proceeds from Debt Issuances	5,000,000	319,000	5,319,000
Retirement of Long-Term Debt	(860,000)	(53,000)	(913,000)
Interest and Fiscal Charges Paid	(408,668)	(21,029)	(429,697)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(377,386)</b>	<b>(39,826)</b>	<b>(417,212)</b>
<b>Cash Flows From Investing Activities:</b>			
Investment Interest Received	277,130	14,064	291,194
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>277,130</b>	<b>14,064</b>	<b>291,194</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,313,964</b>	<b>(24,105)</b>	<b>1,289,859</b>
<b>Cash and Investments at Beginning of Year:</b>			
Cash and Investments	6,348,225	349,275	6,697,500
Restricted Cash and Investments	5,482,529	-	5,482,529
	<b>11,830,754</b>	<b>349,275</b>	<b>12,180,029</b>
<b>Cash and Investments at End of Year:</b>			
Cash and Investments	5,725,915	325,170	6,051,085
Restricted Cash and Investments	7,418,803	-	7,418,803
	<b>\$ 13,144,718</b>	<b>\$ 325,170</b>	<b>\$ 13,469,888</b>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	Totals
	Utility Fund	Airport Fund	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 367,542	\$ (93,206)	\$ 274,336
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	702,425	260,795	963,220
(Increase) Decrease in Operating Assets:			
Leases Receivable	-	77,344	77,344
Accounts Receivable	(126,154)	1,938	(124,216)
Inventory	(211,448)	11,716	(199,732)
Increase (Decrease) in Current Liabilities:			
Accounts Payable	1,154,549	(176,184)	978,365
Accrued Expenses	(8,026)	(619)	(8,645)
Unearned Revenue	-	(4,422)	(4,422)
Customer Deposits	9,754	-	9,754
Compensated Absences	(4,820)	(330)	(5,150)
Net Pension Liability and Related Deferred Inflows and Outflows	88,458	(6,101)	82,357
Total OPEB Liability and Related Deferred Inflows and Outflows	40,336	(7,927)	32,409
Deferred Inflows - Leases	-	(79,509)	(79,509)
<b>Total Adjustments to Reconcile Operating Activities</b>	<u>1,645,074</u>	<u>76,701</u>	<u>1,721,775</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 2,012,616</u>	<u>\$ (16,505)</u>	<u>\$ 1,996,111</u>

See accompanying notes to basic financial statements.



CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023

**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**

*Component Units*

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

*Blended Component Units*

During the year ended September 30, 2022, the City established the Castroville Economic Development Corporation, an entity legally separate from the City, to act on behalf of the City for promotion, development and enhancement of economic prosperity within the City of Castroville. The EDC is governed by a seven-member board appointed by the City Council. This governing board is substantially the same as the primary government and management of the primary government has operational responsibility for the component unit. The Corporation had no financial transactions during the year.

*Discretely Presented Component Units.* As of September 30, 2023, the City had no component units that would require a discrete presentation in the financial statements.

**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.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

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

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

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.

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 60 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:

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

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

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

**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.

**Capital Projects Fund** is used to account for bond proceeds dedicated for various general capital projects in the City.

Nonmajor funds include special revenue funds and debt service funds.

**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.

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.

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.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

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

**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.

The City reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**6. ACCOUNTS RECEIVABLE**

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2022 and past due after January 31, 2023. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Revenues for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are billable services for certain contracts and billable services for the City's water utilities, sewer services, and solid waste management. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts. The allowances for uncollectible property taxes and utility customer accounts as of September 30, 2023 are \$12,240 and \$38,965, respectively.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

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

**7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

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

Certain proceeds of bonds and agreements from the Texas Water Development Board required reserve funds to be kept in a restricted bank account to serve as collateral. These funds are shown as Investments Held in Escrow under the section of Restricted Assets on the Statement of Net Position.

**10. CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$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:

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	7 to 50 years
Machinery and Equipment	5 to 35 years
Infrastructure	5 to 50 years

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

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

**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. The City currently has pension and other post-employment benefit related deferred outflows of resources.

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. The City also has pension-related deferred inflows.

**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.

**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.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

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

14. LONG-TERM OBLIGATIONS (Continued)

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

15. PENSIONS

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

16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

17. 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, 2023

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

**17. 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.

**18. NET POSITION**

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

**19. INTERFUND TRANSACTIONS**

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

**20. 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.

**21. 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, 2023

**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

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2023, the carrying amount of the City's deposits were fully collateralized by a combination of federal deposit insurance (FDIC) and securities pledged by the City's depository.

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 the City had adhered to all requirements of the investment policy for the year ended September 30, 2023. 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. All investments are valued using prices quoted in active markets (Level 1 inputs).

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**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. The City has reviewed its risk exposure and does not believe it is exposed to significant credit risk, custodial credit risk, or concentration of credit risk.

4. Investment Accounting Policy

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

5. Cash Held in Escrow

The amount of funds approved by the Texas Water Development Board but not yet drawn down by the City is held in escrow by the Texas Water Development Board in the City's name. The amount held in escrow as of September 30, 2023 was \$940,078.

**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, 2022, upon which the fiscal 2023 levy was based, was \$306,829,967 (i.e., market value less exemptions). The estimated market value was \$416,292,671, making the taxable value 73.7% of the estimated market value.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE C -- PROPERTY TAX CALENDAR** (Continued)

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2023, was \$0.523300 per \$100 of assessed value, which means that the City has a tax margin of \$1.9767 for each \$100 value and could increase its annual tax levy by approximately \$6,065,108 based upon the present assessed valuation before the limit is reached. However, the City generally may not increase the maintenance and operations portion of the property tax rate (that funds the General Fund) more than 3.5% annually (based on a three-year average) without an election.

**NOTE D -- LEASES**

The City has several ground lease agreements with various owners at the airport. The leases have fixed payments but are subject to increase with consumer price index at various intervals.

	Commercial 1	Commercial 2	Commercial 3	Commercial 4	Executive	Farm Land
Current Term Ends	11/30/2041	4/1/2045	2/28/2040	1/19/2041	9/30/2050	12/12/2025
Extension Options End	11/30/2051	4/1/2045	2/28/2050	1/19/2041	9/30/2050	12/12/2025
Total Payments During Year:						
Reduction of Receivable	\$ 13,277	\$ 3,291	\$ 15,392	\$ 4,285	\$ 4,581	\$ 36,519
Interest Payment	6,019	109	6,208	138	219	597
Variable and Other Payments	-	-	-	-	-	-
	<u>\$ 19,296</u>	<u>\$ 3,400</u>	<u>\$ 21,600</u>	<u>\$ 4,423</u>	<u>\$ 4,800</u>	<u>\$ 37,116</u>
Total Lease Revenue During Year:						
Lease Revenue	\$ 15,893	\$ 2,753	\$ 16,627	\$ 2,897	\$ 4,682	\$ 36,656
Interest Revenue	6,019	109	6,208	138	219	597
	<u>\$ 21,912</u>	<u>\$ 2,862</u>	<u>\$ 22,835</u>	<u>\$ 3,035</u>	<u>\$ 4,901</u>	<u>\$ 37,253</u>

**NOTE E -- OTHER RECEIVABLES**

Other receivables for the City as of September 30, 2023 are as follows:

	General Fund	Nonmajor Governmental Funds	Utility Fund	Airport Fund
Franchise Fees	\$ 11,787	\$ -	\$ -	\$ -
Occupancy Tax	-	27,093	-	-
Developer Contributions	-	10,000	376,775	-
Customer Receivables, Net of Allowance for Uncollectibles	-	-	950,354	202,011
Total Other Receivables	<u>\$ 11,787</u>	<u>\$ 37,093</u>	<u>\$ 1,327,129</u>	<u>\$ 202,011</u>

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE F -- 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, 2023, the following balances were due between funds:

Receivable Fund	Payable Fund	Amount	Reason
General Fund	Capital Projects Fund	\$ 256,707	Reimbursement for Costs
General Fund	Nonmajor Governmental Fund	50,829	Reimbursement for Costs
General Fund	Airport Fund	211,918	Reimbursement for Costs
Capital Projects Fund	Nonmajor Governmental Fund	160,814	Reimbursement for Costs
Utility Fund	General Fund	6,430	Reimbursement for Costs
Utility Fund	Airport Fund	12,992	Reimbursement for Costs
Utility Fund	Nonmajor Governmental Fund	174,462	Reimbursement for Costs
Nonmajor Governmental Fund	Utility Fund	15,267	Reimbursement for Costs
		<u>\$ 889,419</u>	

Transfers during the year ended September 30, 2023, were as follows:

Transfer In	Transfers Out	Amount	Purpose
General Fund	Utility Fund	\$ 362,776	In support of admin costs
General Fund	Airport Fund	6,000	Supplement Funding
Nonmajor Governmental Fund	General Fund	140,000	Supplement Funding
Nonmajor Governmental Fund	Nonmajor Governmental Fund	92,106	In support of debt service
Nonmajor Governmental Fund	Utility Fund	23,026	In support of debt service
Airport Fund	Nonmajor Governmental Fund	35,415	In support of debt service
		<u>\$ 659,323</u>	

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE G -- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2023, was as follows:

<i>Governmental Activities</i>	Balance 10/1/2022	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2023
Land	\$ 105,330	\$ 73,814	\$ -	\$ 179,144
Construction in Progress	279,598	1,503,913	(799,544)	983,967
Buildings and Improvements	670,392	-	799,544	1,469,936
Vehicles and Equipment	883,216	436,465	-	1,319,681
Infrastructure	1,814,385	555,315	-	2,369,700
	<u>3,752,921</u>	<u>2,569,507</u>	<u>-</u>	<u>6,322,428</u>
Less Accumulated Depreciation				
Buildings and Improvements	(376,215)	(31,031)	-	(407,246)
Vehicles and Equipment	(625,081)	(115,692)	-	(740,773)
Infrastructure	(696,375)	(36,872)	-	(733,247)
	<u>(1,697,671)</u>	<u>(183,595)</u>	<u>-</u>	<u>(1,881,266)</u>
Governmental Capital Assets, Net	<u>\$ 2,055,250</u>	<u>\$ 2,385,912</u>	<u>\$ -</u>	<u>\$ 4,441,162</u>
<i>Business-Type Activities</i>	Balance 10/1/2022	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2023
Land	\$ 2,229,120	\$ -	\$ -	\$ 2,229,120
Construction in Progress	5,927,986	4,892,111	(4,309,444)	6,510,653
Water Rights	176,126	-	-	176,126
Buildings and Improvements	6,542,111	-	1,428,242	7,970,353
Vehicles and Equipment	2,598,845	229,028	-	2,827,873
Infrastructure	24,964,830	117,085	2,881,202	27,963,117
	<u>42,439,018</u>	<u>5,238,224</u>	<u>-</u>	<u>47,677,242</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,399,887)	(159,490)	-	(2,559,377)
Vehicles and Equipment	(999,972)	(238,355)	-	(1,238,327)
Infrastructure	(6,988,570)	(565,375)	-	(7,553,945)
	<u>(10,388,429)</u>	<u>(963,220)</u>	<u>-</u>	<u>(11,351,649)</u>
Business-Type Capital Assets, Net	<u>\$ 32,050,589</u>	<u>\$ 4,275,004</u>	<u>\$ -</u>	<u>\$ 36,325,593</u>

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

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE G -- CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the functions as follows:

<u>Governmental Activities:</u>	
General Administration	\$ 10,256
Public Safety	49,367
Public Transportation	96,111
Culture and Recreation	27,861
Total Depreciation Expense - Governmental Activities	<u>\$ 183,595</u>
 <u>Business-Type Activities:</u>	
Utility	\$ 702,425
Airport	260,795
Total Depreciation Expense - Business-Type Activities	<u>\$ 963,220</u>

**NOTE H -- 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, and notes payable. These debt obligations are secured by either future property tax revenue or future revenue from charges for services.

Public Borrowings

A summary of the general obligation debt is as follows:

Issue Amount	Maturity	Interest Rate	Balance
General Obligation Refunding Bonds:			
2012 Series \$ 2,020,000	2026	2.0 - 3.0%	<u>\$ 245,000</u>
Certificates of Obligation:			
2022 Series \$ 9,285,000	2042	2.0 - 5.0%	<u>\$ 9,285,000</u>
Certificates of Obligation:			
2023 Series \$ 4,735,000	2043	4.0 - 5.0%	<u>\$ 4,735,000</u>

The City issued General Obligation Refunding Bonds, Series 2012 on October 30, 2012 in the amount of \$2,020,000 to advance refund General Obligation Refunding Bonds, Series 2004, Certificates of Obligation, Series 2003, and Certificates of Obligation, Series 2004.

The City issued Certificates of Obligation, Series 2022 on February 9, 2022 in the amount of \$9,285,000 for various general and utility related capital projects as identified in the city's capital improvement plan.

The City issued Certificates of Obligation, Series 2023 on February 14, 2023 in the amount of \$4,735,000 for various utility related capital projects as identified in the city's capital improvement plan.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE H -- LONG-TERM DEBT** (Continued)

Private Placement Note Agreements

In 2012, the City received a note through the Texas Water Development Board for \$725,000 to fund improvements to the City's water and waste water lines. Interest rates vary from .05% - 1.22% and .08% - 1.52%, respectively. In 2015, the City received an additional federal award of a note through the Texas Water Development Board to fund improvements to the City's water and waste water lines in the amount of \$15,600,000 as well as additional funding of \$1,500,000 in 2017. Interest rates vary from 0% - 1.8%. The bonds were privately placed with the Texas Water Development Board and contain no subjective acceleration clauses, events of default with finance-related consequences or termination events with finance-related consequences.

The City issued tax notes in October 2016 for \$935,000 for purchase of land and water rights. The notes are due and payable over seven years. Interest rates vary from 0.85% - 1.4%. The notes were privately placed with a bank and contain no subjective acceleration clauses, events of default with finance-related consequences or termination events with finance-related consequences.

The City obtained a note agreement with the US Department of Agriculture for the purpose of construction and hanger improvements for \$1,180,000. As of September 30, 2023, the City had only drawn \$1,134,000 of the available funds. The note is due and payable over forty years at an interest rate 2.125%. The notes were privately placed with USDA and contain no subjective acceleration clauses, events of default with finance-related consequences or termination events with finance-related consequences.

**Changes in Long-Term Debt**

	Balance 10/01/22	Additions	Reductions	Balance 9/30/2023	Due Within One Year
<i>Governmental Activities:</i>					
2012 Refunding Bonds	\$ 334,500	\$ -	\$ (137,000)	\$ 197,500	\$ 64,500
2012 Premium on Bonds	22,909	-	(5,727)	17,182	-
2022 Certificates of Obligation	4,650,000	-	-	4,650,000	245,000
2022 Premium on Certificates	456,113	-	-	456,113	-
<i>Total Governmental Activities</i>	<u>5,463,522</u>	<u>-</u>	<u>(142,727)</u>	<u>5,320,795</u>	<u>309,500</u>
<i>Business-Type Activities:</i>					
2012 Refunding Bonds	80,500	-	(33,000)	47,500	15,500
2012 Premium on Bonds	5,686	-	(1,421)	4,265	-
USDA Loan	815,000	319,000	(20,000)	1,114,000	20,000
TWDB - DWSRF	35,000	-	(35,000)	-	-
TWDB - DWSRF - Construction	2,415,000	-	(175,000)	2,240,000	175,000
TWDB - CWSRF	40,000	-	(40,000)	-	-
TWDB - CWSRF - Construction	2,025,000	-	(150,000)	1,875,000	150,000
Series 2015 Revenue Bonds	7,120,000	-	(275,000)	6,845,000	275,000
TWDB - CWSRF - Additional	1,270,000	-	(45,000)	1,225,000	45,000
Series 2016 Tax Notes	140,000	-	(140,000)	-	-
2022 Certificates of Obligation	4,635,000	-	-	4,635,000	220,000
2022 Premium on Certificates	456,113	-	-	456,113	-
2023 Certificates of Obligation	-	4,735,000	-	4,735,000	-
2023 Premium on Certificates	-	423,957	-	423,957	-
<i>Total Business-Type Activities</i>	<u>19,037,299</u>	<u>5,477,957</u>	<u>(914,421)</u>	<u>23,600,835</u>	<u>900,500</u>
<b>Total Primary Government</b>	<u>\$ 24,500,821</u>	<u>\$ 5,477,957</u>	<u>\$ (1,057,148)</u>	<u>\$ 28,921,630</u>	<u>\$ 1,210,000</u>

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE H -- LONG-TERM DEBT** (Continued)

The total deferred charges remaining on the refunding is \$13,168 as of September 30, 2023 and is shown on the Statement of Net Position as a deferred outflow of resources.

Annual requirements to amortize all bonded debt outstanding as of September 30, 2023 are as follows:

Year Ending September 30,	Public Offerings			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 309,500	\$ 154,368	\$ 235,500	\$ 453,928
2025	263,500	140,183	411,500	354,191
2026	274,500	128,378	430,500	333,947
2027	225,000	115,944	435,000	312,731
2028	235,000	104,694	460,000	290,981
2029 - 2033	1,150,000	375,219	2,240,000	1,163,206
2034 - 2038	1,280,000	198,419	2,570,000	717,856
2039 - 2043	1,110,000	60,241	2,635,000	257,719
	<u>\$ 4,847,500</u>	<u>\$ 1,277,446</u>	<u>\$ 9,417,500</u>	<u>\$ 3,884,559</u>

Year Ending September 30,	Private Placement - Business-Type Activities			
	Notes Payable		TWDB Agreements	
	Principal	Interest	Principal	Interest
2024	\$ 20,000	\$ 24,650	\$ 645,000	\$ 161,790
2025	21,000	24,225	645,000	157,878
2026	21,000	23,779	650,000	153,220
2027	21,000	23,333	655,000	147,610
2028	22,000	22,886	660,000	141,141
2029 - 2033	116,000	107,270	3,445,000	583,015
2034 - 2038	129,000	94,393	2,560,000	344,340
2039 - 2043	144,000	80,049	1,975,000	178,320
2044 - 2048	160,000	64,090	950,000	27,203
2049 - 2053	178,000	46,346	-	-
2054 - 2058	197,000	26,626	-	-
2059 - 2061	85,000	4,675	-	-
	<u>\$ 1,114,000</u>	<u>\$ 542,322</u>	<u>\$ 12,185,000</u>	<u>\$ 1,894,517</u>



CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS**

Texas Municipal Retirement System

The City participates as one of 928 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

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

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

	2021	2022
Inactive employees or beneficiaries currently receiving benefits	40	45
Inactive employees entitled to but not yet receiving benefits	60	61
Active employees	47	53
	<u>147</u>	<u>159</u>

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 1 to 1, 1.5 to 1, or 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

For the year ending September 30, 2023, employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.59% and 8.67% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$278,087, and the City contribution was \$5,996 greater than the required contribution.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Increases	2.75% per year
Investment Rate of Return*	6.75%

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

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding the expected inflation. In determining their best estimated of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Actuarial Assumptions (Continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
	<u>100.00%</u>	

**Discount Rate**

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

**Discount Rate Sensitivity Analysis**

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability	\$ 2,053,881	\$ 966,649	\$ 90,492

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at [www.tmrs.com](http://www.tmrs.com).

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Changes in Net Pension Liability**

The below schedule presents the changes in the Net Pension Liability (Asset) as of December 31, 2022:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2021	\$ 7,000,627	\$ 6,997,729	\$ 2,898
Changes for the year:			
Service Cost	342,327	-	342,327
Interest	471,709	-	471,709
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	35,638	-	35,638
Changes of Assumptions	-	-	-
Contributions - Employer	-	254,058	(254,058)
Contributions - Employee	-	141,458	(141,458)
Net Investment Income	-	(510,447)	510,447
Benefit Payments, Including Refunds of Employee Contributions	(367,016)	(367,016)	-
Administrative Expense	-	(4,420)	4,420
Other Changes	-	5,274	(5,274)
Net Changes	<u>482,658</u>	<u>(481,093)</u>	<u>963,751</u>
Balance at December 31, 2022	<u>\$ 7,483,285</u>	<u>\$ 6,516,636</u>	<u>\$ 966,649</u>

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

For the year ended September 30, 2023, the City recognized a pension expense of \$385,310. Also, as of September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 27,641	\$ -
Changes in Actuarial Assumptions	-	-
Differences between Projected and Actual Investment Earnings	447,646	-
Contributions Subsequent to the Measurement Date	204,817	-
	<u>\$ 680,104</u>	<u>\$ -</u>

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

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

Deferred outflows of resources in the amount of \$204,817 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,		
2023	\$	44,499
2024		115,173
2025		119,057
2026		196,558
	\$	<u>475,287</u>

**NOTE J -- OTHER POST EMPLOYMENT BENEFIT (OPEB)**

The City also participates in the cost sharing, multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) and 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 annual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. Membership in the plan at December 31, 2022, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	27
Inactive Employees Entitled to but Not Yet Receiving Benefits	16
Active Employees	<u>53</u>
	<u>96</u>

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

For the Calendar Year Ended December 31,	Total SDBF Contribution Rate	Retiree Portion of SDBF Contribution Rat
2021	0.43%	0.28%
2022	0.39%	0.23%
2023	0.58%	0.26%

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE J -- OTHER POST EMPLOYMENT BENEFIT (OPEB)** (Continued)

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

These assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	4.05% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The City's Total OPEB Liability (TOL), based on the actuarial factors, as of December 31, 2022 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2021	\$ 228,712
Changes for the year:	
Service Cost	23,482
Interest	4,364
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	5,953
Changes of Assumptions or Other Inputs	(82,869)
Benefit Payments	(6,507)
Net Changes	(55,577)
Balance at December 31, 2022	\$ 173,135

There is no separate trust maintained to fund this Total OPEB Liability. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE J -- OTHER POST EMPLOYMENT BENEFIT (OPEB)** (Continued)

The following presents the TOL of the City, calculated using the discount rate of 4.05% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (3.05%) and 1-percentage point higher (5.05%) than the current rate:

	Discount Rate 3.05%	Discount Rate 4.05%	Discount Rate 5.05%
Total OPEB Liability	\$ 204,473	\$ 173,135	\$ 148,908

For the year ended September 30, 2023, the City recognized OPEB expense of \$16,850. Also as of September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 1,471
Changes in Actuarial Assumptions	-	54,980
Contributions Subsequent to the Measurement Date	6,142	-
	<u>\$ 6,142</u>	<u>\$ 56,451</u>

Deferred outflows of resources in the amount of \$6,142 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the plan year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year Ended December 31,	
2023	\$ (16,353)
2024	(18,649)
2025	(18,489)
2026	(2,960)
	<u>\$ (56,451)</u>

**NOTE K -- DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or any unforeseen emergency. The City makes an employer match contribution of 100% up to 2% contributed by the employee. Total contributions made for the year ended September 30, 2023 were \$57,336 and \$68,185 for employee and employer contributions, respectively.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE L -- FUND BALANCE**

The City reported fund balance designations at September 30, 2023 as follows:

Fund Balance Designation	Major Fund General Fund	Major Fund Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:				
Capital Projects	\$ -	\$ 1,710,350	\$ -	\$ 1,710,350
Debt Service	-	-	377,573	377,573
Tourism	-	-	207,378	207,378
Park Donations	-	-	26,235	26,235
Library	-	-	1,888	1,888
Police Training and Operations	-	-	11,030	11,030
Court Security & Technology	-	-	64,056	64,056
Total Restricted Fund Balance	-	1,710,350	688,160	2,398,510
Committed for:				
Drainage Projects	-	-	336,416	336,416
Facilities Maintenance	-	-	12,963	12,963
Total Committed Fund Balance	-	-	349,379	349,379
Unassigned	4,586,328	-	-	4,586,328
Total Fund Balance	\$ 4,586,328	\$ 1,710,350	\$ 1,037,539	\$ 7,334,217

**NOTE M -- RESTRICTED NET POSITION**

The City reported restricted net position at September 30, 2023 as follows:

Net Position Restricted for:	Governmental Activities	Business-type Activities	Total Restricted Net Position
Debt Service	\$ 355,843	\$ -	\$ 355,843
Tourism	207,378	-	207,378
Park Donations	26,235	-	26,235
Library	1,888	-	1,888
Police Training and Operations	11,030	-	11,030
Court Security & Technology	64,056	-	64,056
Water Acquisition	-	717,608	717,608
Capital Improvements - Impact Fees	-	1,032,992	1,032,992
			-
Total Restricted Net Position	\$ 666,430	\$ 1,750,600	\$ 2,417,030



CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE N -- 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, 2023 are as follows:

Commitment	Estimated Project Cost to City	Expended to Date	Estimated Future Commitment
Engineering Fees	\$ 1,694,540	\$ 547,948	\$ 1,146,592
River Bluff Improvements	1,714,320	394,710	1,319,610
Street & Utility Project	1,774,648	1,146,233	628,415
Smart Meter Program	2,401,087	1,898,342	502,745
	<u>\$ 7,584,595</u>	<u>\$ 3,987,233</u>	<u>\$ 3,597,362</u>

Chapter 380 Economic Development Agreement

The purpose of the development agreement program is to provide loans and grants for the development and diversification of the economy and the elimination of unemployment in the City. The authority of the program is Chapter 380 of the Texas Local Government Code (Chapter 380) for the purposes of economic development to promote State and local economic development to stimulate business and commercial activity.

During the year ended September 30, 2019, the City approved an economic development agreement between the City and the Hwy 90 Castroville Partners, LTD. The agreement allows the City to reimburse the Developer in the form of ad valorem tax grants an amount not to exceed \$23,596,331 upon the Developer's performing certain obligations as defined in the agreement. The ad valorem tax grants represent 100% of city ad valorem property taxes levied for purposes other than payment of debt service and up to 100% of city sales and hotel occupancy taxes as imposed and collected within a proposed development. As of September 30, 2023 there has been no taxes paid yet, therefore, the City has made no payments during the previous and current fiscal year.

Tax Increment Reinvestment Zones

The City is a principal in the Tax Increment Reinvestment Zone Number One, pursuant to chapter 311 of the Texas Tax Code. Under the terms of the Zone agreement, the City of Castroville, Medina County, Emergency Services District, and Hospital District are funding infrastructure improvements through tax increment financing to the Alsatian Oaks project.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE N -- COMMITMENTS AND CONTINGENCIES (Continued)**

Tax Increment Reinvestment Zones (Continued)

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to the property tax base are being used to finance Zone improvements. The total projected cost is a combined amount of \$35 million. Project costs of the developer will be funded up to 100% of the tax increment generated by the entities of the Zone. The City of Castroville has committed up to \$17.5 million of the total \$35 million. The Zone has a statutory termination date of December 31, 2051. As of September 30, 2023, the TIRZ has not collected any taxes from the taxing entities (net of administrative reimbursements), therefore, the City has made no payments to the Zone in the current fiscal year.

The City is a principal in the Tax Increment Reinvestment Zone Number Two, pursuant to chapter 311 of the Texas Tax Code. Under the terms of the Zone agreement, the City of Castroville is funding infrastructure improvements through tax increment financing to the Downtown Commercial District project.

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to the property tax and sales tax bases are being used to finance Zone improvements. The total projected cost has not been determined at this time. The Zone has a statutory termination date of January 31, 2052. The City shall deposit, upon receipt, 75% of all ad valorem tax collections derived from its levy of ad valorem for purposes other than establishing and funding an interest and sinking fund on an annual basis against the incremental assessed value of real property located within the Zone and 20% of the incremental sales tax revenues. As of September 30, 2023, the TIRZ has not collected any taxes from the taxing entities (net of administrative reimbursements), therefore, the City has made no payments to the Zone in the current fiscal year.

Public Improvement District

During the year ended September 30, 2023, the City approved a resolution establishing the Heights of Castroville Public Improvement District (PID). The estimated total costs of the authorized improvements is \$6,000,000 including issuance and other financing fees, which costs shall be paid by assessments levied on the property within the district. The costs of the authorized improvements will be apportioned between the District and the City as allowed by the Act. The City will not be obligated to provide any funds to finance the authorized improvements, other than from assessments levied on the property. As of September 30, 2023, the PID has not collected any taxes from the taxing entities (net of administrative reimbursements), therefore, the City has made no payments to the District in the current fiscal year.

**NOTE O -- 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 \$6,000,000. Annual contributions for the year ended September 30, 2023 were \$175,105 for property and casualty and workers compensation coverage.

## REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability and Related Ratios
- Notes to Schedule of Changes – Net Pension Liability and Related Ratios
- Schedule of Changes – Total OPEB Liability and Related Ratios
- Notes to Schedule of Changes – Total OPEB Liability and Related Ratios



CITY OF CASTROVILLE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
(WITH COMPARATIVE ACTUAL TOTALS FOR 2022)

	Budget Amounts		Actual	Variance	
	Original	Final	Amounts	Favorable (Unfavorable)	2022
<b>REVENUES</b>					
Ad Valorem Taxes	\$ 1,463,400	\$ 1,463,400	\$ 1,239,996	\$ (223,404)	\$ 1,313,011
Sales Taxes	1,287,387	1,287,387	1,777,872	490,485	1,568,376
Franchise Fees	36,200	36,200	98,666	62,466	41,841
Other Taxes	5,500	5,500	5,712	212	6,312
Licenses and Permits	120,000	120,000	160,812	40,812	141,421
Charges for Services	251,500	251,500	341,263	89,763	336,572
Fines and Forfeitures	187,330	187,330	151,984	(35,346)	147,238
Intergovernmental Revenue	-	-	40,562	40,562	815,727
Interest Income	30,000	30,000	91,329	61,329	9,158
Miscellaneous	24,500	24,500	211,995	187,495	36,791
<b>TOTAL REVENUES</b>	<b>3,405,817</b>	<b>3,405,817</b>	<b>4,120,191</b>	<b>714,374</b>	<b>4,416,447</b>
<b>EXPENDITURES</b>					
<i>Current:</i>					
General Administration					
City Administration	120,930	319,330	312,808	6,522	177,649
Finance	196,447	217,947	227,001	(9,054)	181,102
City Council	54,130	133,130	113,319	19,811	39,669
City Secretary	111,667	111,667	93,224	18,443	83,120
Information Technology	137,617	184,049	177,178	6,871	131,147
Tourism and Business Development	-	-	1,234	(1,234)	-
Non-Departmental	144,509	144,509	161,765	(17,256)	140,448
Public Safety					
Animal Control	87,064	87,064	68,870	18,194	76,276
Community Development	274,894	274,894	352,995	(78,101)	303,236
Emergency Management	6,000	6,000	6,207	(207)	3,856
Municipal Court	120,944	120,944	116,786	4,158	101,447
Police Department	1,148,286	1,256,850	1,291,598	(34,748)	1,065,064
Public Transportation					
Streets	519,157	646,228	639,503	6,725	406,006
Culture and Recreation					
Library	296,715	299,515	282,918	16,597	242,510
Parks	345,292	412,392	455,403	(43,011)	383,999
RV Park	37,300	75,914	110,409	(34,495)	79,783
Pool	155,617	228,363	186,839	41,524	179,810
<i>Capital Outlay</i>	-	125,000	124,537	463	5,094
<b>TOTAL EXPENDITURES</b>	<b>3,756,569</b>	<b>4,643,796</b>	<b>4,722,594</b>	<b>(78,798)</b>	<b>3,600,216</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over (Under) Expenditures</b>	<b>\$ (350,752)</b>	<b>\$ (1,237,979)</b>	<b>\$ (602,403)</b>	<b>\$ 635,576</b>	<b>\$ 816,231</b>

CITY OF CASTROVILLE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
(WITH COMPARATIVE ACTUAL TOTALS FOR 2022)

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)	2022
	Original	Final			
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	\$ 385,580	\$ 385,580	\$ 368,776	\$ (16,804)	\$ 338,545
Transfers Out	(426,223)	(426,223)	(140,000)	286,223	(21,223)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(40,643)	(40,643)	228,776	269,419	317,322
<b>Net Change in Fund Balance</b>	(391,395)	(1,278,622)	(373,627)	904,995	1,133,553
Fund Balance - Beginning of Year	4,959,955	4,959,955	4,959,955	-	3,826,402
Fund Balance - End of Year	\$ 4,568,560	\$ 3,681,333	\$ 4,586,328	\$ 904,995	\$ 4,959,955

CITY OF CASTROVILLE  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND  
SEPTEMBER 30, 2023

**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 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 CHANGES – NET PENSION LIABILITY AND RELATED RATIOS  
LAST NINE CALENDAR YEARS

Total Pension Liability			
	2014	2015	2016
Service Cost	\$ 162,880	\$ 193,289	\$ 222,617
Interest (on the Total Pension Liability)	314,941	330,968	334,854
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(47,315)	(112,683)	29,527
Changes of Assumptions	-	52,240	-
Benefit Payments, Including Refunds of Employee Contributions	(185,781)	(247,734)	(243,830)
Net Change in Total Pension Liability	244,725	216,080	343,168
Total Pension Liability - Beginning	4,510,607	4,755,332	4,971,412
Total Pension Liability - Ending	<u>\$ 4,755,332</u>	<u>\$ 4,971,412</u>	<u>\$ 5,314,580</u>
Plan Fiduciary Net Position			
	2014	2015	2016
Contributions - Employer	\$ 116,470	\$ 140,635	\$ 166,452
Contributions - Employee	73,753	80,739	91,865
Net Investment Income	235,951	6,437	293,031
Benefit Payments, Including Refunds of Employee Contributions	(185,781)	(247,734)	(243,830)
Administrative Expense	(2,464)	(3,920)	(3,311)
Other	(203)	(195)	(178)
Net Change in Plan Fiduciary Net Position	237,726	(24,038)	304,029
Plan Fiduciary Net Position - Beginning	4,124,874	4,362,600	4,338,562
Plan Fiduciary Net Position - Ending	<u>\$ 4,362,600</u>	<u>\$ 4,338,562</u>	<u>\$ 4,642,591</u>
Net Pension Liability - Ending	\$ 392,732	\$ 632,850	\$ 671,989
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.74%	87.27%	87.36%
Covered Payroll	\$ 1,475,068	\$ 1,614,779	\$ 1,796,745
Net Pension Liability as a Percentage of Covered Payroll	26.62%	39.19%	37.40%

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



Total Pension Liability					
2017	2018	2019	2020	2021	2022
\$ 226,467	\$ 226,730	\$ 218,311	\$ 272,583	\$ 306,544	\$ 342,327
355,826	365,524	382,332	405,256	437,109	471,709
-	-	-	-	-	-
(117,537)	(30,664)	(6,066)	94,419	100,023	35,638
-	-	13,239	-	-	-
(312,626)	(329,800)	(286,952)	(303,731)	(330,940)	(367,016)
152,130	231,790	320,864	468,527	512,736	482,658
5,314,580	5,466,710	5,698,500	6,019,364	6,487,891	7,000,627
<u>\$ 5,466,710</u>	<u>\$ 5,698,500</u>	<u>\$ 6,019,364</u>	<u>\$ 6,487,891</u>	<u>\$ 7,000,627</u>	<u>\$ 7,483,285</u>
Total Pension Liability					
2017	2018	2019	2020	2021	2022
\$ 167,071	\$ 165,825	\$ 161,592	\$ 206,198	\$ 227,993	\$ 254,058
91,097	89,830	89,179	113,671	127,514	141,458
643,319	(156,558)	771,784	434,291	804,181	(510,447)
(312,626)	(329,800)	(286,952)	(303,731)	(330,940)	(367,016)
(3,335)	(3,027)	(4,363)	(2,812)	(3,723)	(4,420)
(167)	(159)	(129)	(110)	25	5,274
585,359	(233,889)	731,111	447,507	825,050	(481,093)
4,642,591	5,227,950	4,994,061	5,725,172	6,172,679	6,997,729
<u>\$ 5,227,950</u>	<u>\$ 4,994,061</u>	<u>\$ 5,725,172</u>	<u>\$ 6,172,679</u>	<u>\$ 6,997,729</u>	<u>\$ 6,516,636</u>
\$ 238,760	\$ 704,439	\$ 294,192	\$ 315,212	\$ 2,898	\$ 966,649
95.63%	87.64%	95.11%	95.14%	99.96%	87.08%
\$ 1,821,939	\$ 1,796,595	\$ 1,783,584	\$ 2,273,423	\$ 2,550,286	\$ 2,829,152
13.10%	39.21%	16.49%	13.87%	0.11%	34.17%

**CITY OF CASTROVILLE**  
**SCHEDULE OF CONTRIBUTIONS AND RELATED NOTES**  
**LAST TEN FISCAL YEARS**

**Schedule of Contributions:**

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 115,497	\$ 139,842	\$ 156,977	\$ 168,611	\$ 166,662
Contribution in Relation to the Actuarially Determined Contribution	115,497	139,842	156,977	168,611	166,662
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,459,385	\$ 1,643,667	\$ 1,744,669	\$ 1,843,395	\$ 1,808,304
Contributions as a Percentage of Covered Payroll	7.91%	8.51%	9.00%	9.15%	9.22%

**Schedule of Contributions:**

	2019	2020	2021	2022	2023
Actuarially Determined Contribution	\$ 155,635	\$ 186,857	\$ 212,701	\$ 231,332	\$ 272,091
Contribution in Relation to the Actuarially Determined Contribution	155,635	192,144	222,125	241,941	278,087
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (5,287)</u>	<u>\$ (9,424)</u>	<u>\$ (10,609)</u>	<u>\$ (5,996)</u>
Covered Payroll	\$ 1,710,410	\$ 2,120,912	\$ 2,480,318	\$ 2,702,559	\$ 3,149,471
Contributions as a Percentage of Covered Payroll	9.10%	8.81%	8.58%	8.56%	8.64%

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 Years
Asset Valuation Method	10 Year Smoothed Market, 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes There were no benefit changes during the year

CITY OF CASTROVILLE, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF CHANGES – OTHER POST EMPLOYMENT BENEFIT  
LIABILITY AND RELATED RATIOS  
LAST SIX CALENDAR YEARS

	Total OPEB Liability					
	2017	2018	2019	2020	2021	2022
Service Cost	\$ 8,563	\$ 9,342	\$ 8,561	\$ 20,915	\$ 22,953	\$ 23,482
Interest (on the Total OPEB Liability)	4,259	4,413	5,393	4,975	4,342	4,364
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	-	9,802	(9,208)	(13,670)	(7,550)	5,953
Changes of Assumptions	9,414	(9,423)	26,488	27,656	6,904	(82,869)
Benefit Payments, Including Refunds of Employee Contributions	(2,004)	(1,976)	(1,427)	(2,273)	(7,141)	(6,507)
Net Change in Total OPEB Liability	20,232	12,158	29,807	37,603	19,508	(55,577)
Total OPEB Liability - Beginning	109,404	129,636	141,794	171,601	209,204	228,712
Total OPEB Liability - Ending	<u>\$ 129,636</u>	<u>\$ 141,794</u>	<u>\$ 171,601</u>	<u>\$ 209,204</u>	<u>\$ 228,712</u>	<u>\$ 173,135</u>
Covered Payroll	\$ 1,821,939	\$ 1,796,595	\$ 1,783,584	\$ 2,273,423	\$ 2,550,286	\$ 2,829,152
Total OPEB Liability as a Percentage of Covered Payroll	7.12%	7.89%	9.62%	9.20%	8.97%	6.12%

Note: The schedule above reflects the changes in the Total OPEB Liability for the current plan year and previous four plan years. GASB Statement No. 75 requires 10 fiscal years of data to be provided in this schedule. The City will build the schedule over the 10-year period beginning December 31, 2017 as data becomes available.

#### NOTES TO SCHEDULE OF CHANGES

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

#### Methods and Assumptions Used to Determine Contribution Rate

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	4.05% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.



## SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

- Comparative Balance Sheets – General Fund
- Statement of Revenues, Expenditures & Changes in Fund Balance – Budget and Actual – Debt Service Funds
- Combining Statements – Nonmajor Funds

CITY OF CASTROVILLE  
COMPARATIVE BALANCE SHEETS  
GENERAL FUND  
SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,963,507	\$ 4,684,328
Receivables (net of allowances for uncollectibles):		
Property Taxes	12,586	9,857
Sales & Mixed Beverage Taxes	284,923	265,540
Other Receivables	11,787	8,709
Due from Other Funds	<u>519,454</u>	<u>314,922</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,792,257</u></u>	<u><u>\$ 5,283,356</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 103,272	\$ 201,625
Accrued Expenditures	78,641	109,419
Due to Other Funds	6,430	-
Unearned Revenue	<u>5,000</u>	<u>2,500</u>
<i>Total Liabilities</i>	<u><u>193,343</u></u>	<u><u>313,544</u></u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Revenue - Property Tax	<u>12,586</u>	<u>9,857</u>
<i>Total Deferred Inflows of Resources</i>	<u><u>12,586</u></u>	<u><u>9,857</u></u>
<i>Fund Balances:</i>		
Unassigned	<u>4,586,328</u>	<u>4,959,955</u>
<i>Total Fund Balances</i>	<u><u>4,586,328</u></u>	<u><u>4,959,955</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURECES, &amp; FUND BALANCES</b>	<u><u>\$ 4,792,257</u></u>	<u><u>\$ 5,283,356</u></u>

CITY OF CASTROVILLE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL – DEBT SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
(WITH COMPARATIVE ACTUAL TOTALS FOR 2022)

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)	2022
	Original	Final			
REVENUES					
Ad Valorem Taxes	\$ 120,400	\$ 120,400	\$ 396,985	\$ 276,585	\$ 249,581
Interest Income	1,200	1,200	7,462	6,262	1,121
TOTAL REVENUES	121,600	121,600	404,447	282,847	250,702
EXPENDITURES					
Debt Service:					
Principal	170,000	170,000	137,000	33,000	132,900
Interest	248,086	248,086	245,471	2,615	14,524
TOTAL EXPENDITURES	418,086	418,086	382,471	35,615	147,424
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	(296,486)	(296,486)	21,976	318,462	103,278
OTHER FINANCING SOURCES (USES)					
Transfers In	123,500	123,500	115,132	(8,368)	115,150
Transfers Out	-	-	(35,415)	(35,415)	(35,476)
TOTAL OTHER FINANCING SOURCES (USES)	123,500	123,500	79,717	(43,783)	79,674
Net Change in Fund Balance	(172,986)	(172,986)	101,693	274,679	182,952
Fund Balance - Beginning of Year	275,880	275,880	275,880	-	92,928
Fund Balance - End of Year	\$ 102,894	\$ 102,894	\$ 377,573	\$ 274,679	\$ 275,880

CITY OF CASTROVILLE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023

	SPECIAL REVENUE				
	Drainage Fund	Hotel Occupancy Fund	Special Parks Projects Fund	Alsatian House Fund	Biry House Fund
<b>ASSETS</b>					
Cash and Investments	\$ 321,149	\$ 186,462	\$ 26,235	\$ 12,662	\$ 301
Receivables (net of allowances for uncollectibles):					
Property Taxes	-	-	-	-	-
Other Receivables	-	27,093	-	-	-
Due from Other Funds	15,267	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 336,416</u>	<u>\$ 213,555</u>	<u>\$ 26,235</u>	<u>\$ 12,662</u>	<u>\$ 301</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ 73	\$ -	\$ -	\$ -
Accrued Expenditures	-	4,383	-	-	-
Due to Other Funds	-	1,721	-	-	-
Unearned Revenue	-	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>6,177</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenues	-	-	-	-	-
<i>Total Deferred Inflows of Resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>					
Restricted	-	207,378	26,235	-	-
Committed	336,416	-	-	12,662	301
<i>Total Fund Balances</i>	<u>336,416</u>	<u>207,378</u>	<u>26,235</u>	<u>12,662</u>	<u>301</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 336,416</u>	<u>\$ 213,555</u>	<u>\$ 26,235</u>	<u>\$ 12,662</u>	<u>\$ 301</u>



SPECIAL REVENUE							
Library Memorial Fund	DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund	Development Fund	Debt Service Funds	Total Non Major Funds
\$ 1,888	\$ 2,302	\$ 8,728	\$ 45,009	\$ 19,047	\$ 344,709	\$ 584,995	\$ 1,553,487
-	-	-	-	-	-	3,998	3,998
-	-	-	-	-	10,000	-	37,093
-	-	-	-	-	-	-	15,267
<u>\$ 1,888</u>	<u>\$ 2,302</u>	<u>\$ 8,728</u>	<u>\$ 45,009</u>	<u>\$ 19,047</u>	<u>\$ 354,709</u>	<u>\$ 588,993</u>	<u>\$ 1,609,845</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73
-	-	-	-	-	-	-	4,383
-	-	-	-	-	176,962	207,422	386,105
-	-	-	-	-	177,747	-	177,747
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,709</u>	<u>207,422</u>	<u>568,308</u>
-	-	-	-	-	-	3,998	3,998
-	-	-	-	-	-	3,998	3,998
1,888	2,302	8,728	45,009	19,047	-	377,573	688,160
-	-	-	-	-	-	-	349,379
<u>1,888</u>	<u>2,302</u>	<u>8,728</u>	<u>45,009</u>	<u>19,047</u>	<u>-</u>	<u>377,573</u>	<u>1,037,539</u>
<u>\$ 1,888</u>	<u>\$ 2,302</u>	<u>\$ 8,728</u>	<u>\$ 45,009</u>	<u>\$ 19,047</u>	<u>\$ 354,709</u>	<u>\$ 588,993</u>	<u>\$ 1,609,845</u>

CITY OF CASTROVILLE  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	SPECIAL REVENUE				
	Drainage Fund	Hotel Occupancy Fund	Special Parks Projects Fund	Alsatian House Fund	Biry House Fund
<b>REVENUES</b>					
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	98,094	-	-	-
Charges for Services	103,281	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-
Interest Income	1,258	370	-	30	-
Miscellaneous	-	-	14,261	2,380	1,000
<b>TOTAL REVENUES</b>	<b>104,539</b>	<b>98,464</b>	<b>14,261</b>	<b>2,410</b>	<b>1,000</b>
<b>EXPENDITURES</b>					
<i>Current:</i>					
General Administration					
City Administration	49	195,979	-	732	1,164
Public Safety					
Municipal Court	-	-	-	-	-
Police Department	-	-	-	-	-
Culture and Recreation					
Parks	-	-	2,443	-	-
<i>Debt Service:</i>					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>49</b>	<b>195,979</b>	<b>2,443</b>	<b>732</b>	<b>1,164</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	104,490	(97,515)	11,818	1,678	(164)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	140,000	-	-	-
Transfers Out	(92,106)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(92,106)</b>	<b>140,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	12,384	42,485	11,818	1,678	(164)
Fund Balances at Beginning of Year	324,032	164,893	14,417	10,984	465
Fund Balances at End of Year	<u>\$ 336,416</u>	<u>\$ 207,378</u>	<u>\$ 26,235</u>	<u>\$ 12,662</u>	<u>\$ 301</u>

SPECIAL REVENUE							
Library Memorial Fund	DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund	Development Fund	Debt Service Funds	Total Non Major Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 396,985	\$ 396,985
-	-	-	-	-	-	-	98,094
-	-	-	3,826	3,654	-	-	110,761
-	-	945	-	-	-	-	945
5	6	-	107	46	-	7,462	9,284
-	1,999	-	-	-	263,812	-	283,452
5	2,005	945	3,933	3,700	263,812	404,447	899,521
-	-	-	-	-	263,812	-	461,736
-	-	-	1,061	3,131	-	-	4,192
-	604	-	-	-	-	-	604
-	-	-	-	-	-	-	2,443
-	-	-	-	-	-	137,000	137,000
-	-	-	-	-	-	245,471	245,471
-	604	-	1,061	3,131	263,812	382,471	851,446
5	1,401	945	2,872	569	-	21,976	48,075
-	-	-	-	-	-	115,132	255,132
-	-	-	-	-	-	(35,415)	(127,521)
-	-	-	-	-	-	79,717	127,611
5	1,401	945	2,872	569	-	101,693	175,686
1,883	901	7,783	42,137	18,478	-	275,880	861,853
\$ 1,888	\$ 2,302	\$ 8,728	\$ 45,009	\$ 19,047	\$ -	\$ 377,573	\$ 1,037,539



## COMPLIANCE SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the City Council and management  
City of Castroville

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Castroville as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Castroville's basic financial statements, and have issued our report thereon dated March 5, 2024.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered City of Castroville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Castroville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Castroville's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether City of Castroville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of City of Castroville in a separate letter dated March 5, 2024.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

March 5, 2024

