

CITY OF CASTROVILLE, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2012**



CITY OF CASTROVILLE
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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CITY OF CASTROVILLE

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

ROBERT "BOB" LEE

MAYOR PRO-TEM

JEFF GARDNER

CITY COUNCIL

SAMMY TSCHIRHART

KYLE MCVAY

ERIC CHERRY

VICTOR ORTIZ, JR.

CITY ADMINISTRATOR

PAUL HOFMANN

ADMINISTRATIVE SERVICES DIRECTOR

MARIE GELLES

ACCOUNTING AND BUDGET MANAGER

THERESSA "TESS" MABRY

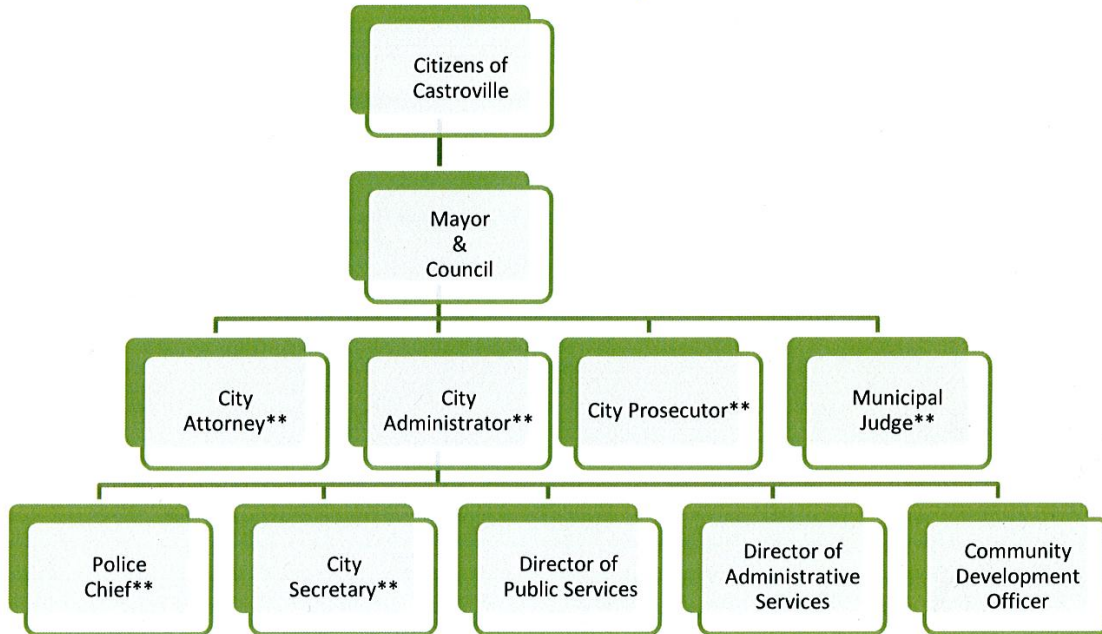
ATTORNEY

DENTON, NAVARRO, ROCHA & BERNAL

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

CITY OF CASTROVILLE
ORGANIZATIONAL CHART



** Appointment approved by City Council

SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA



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

INDEPENDENT AUDITOR'S REPORT

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

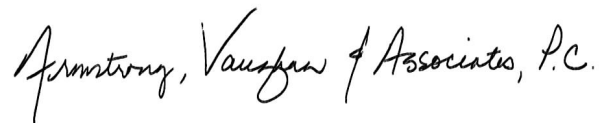
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Castroville, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Castroville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Castroville, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information and schedule of funding progress on pages 3 through 10 and 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Armstrong, Vaughan & Associates, P.C.

February 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Castroville's comprehensive annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

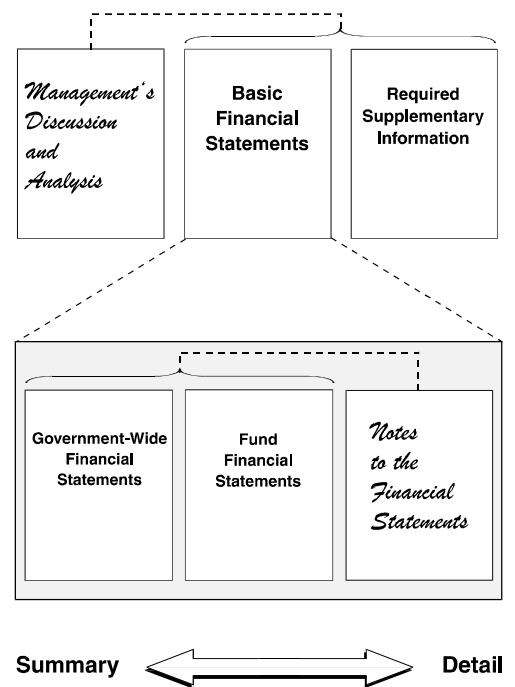
- The assets of the City exceeded its liabilities by \$10,060,705 (total net assets) at September 30, 2012. Of this amount, \$3,387,151 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- During the year, the City's total net assets increased by \$1,027,914.
- As of September 30, 2012, the City's governmental funds reported combined ending fund balances of \$1,087,261, an increase of \$145,261 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
Fund Statements			
<i>Type of Statements</i>	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 assets	• Balance Sheet	• Statement of net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net assets • 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 assets presents information on all of the City’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include only the City itself (known as the primary government).

The government-wide financial statements can be found on pages 12-15 of this report.

Fund Financial Statements

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

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

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

The City maintains eighteen 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 seventeen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds: The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility and Airport activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund 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 on pages 20-23 of this report.

Notes to the basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-43 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's adopted budget and the City's progress in funding its obligation to provide pension benefits to its employees. The required supplementary information related to the budget and pension benefits can be found on pages 44-47 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 51-58 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$10,060,705 at the close of fiscal year 2012.

By far the largest portion of the City's net assets (63%) reflects its 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, 2012. (See Table A-1).

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change Based on Actual
	2012	2011*	2012	2011*	2012	2011*	2012 - 2011
<i>Assets:</i>							
Current and Other Assets	\$ 1,282,149	\$ 1,220,305	\$ 2,905,692	\$ 2,239,383	\$ 4,187,841	\$ 3,459,688	21.0
Capital Assets (net)	2,001,037	2,000,071	6,690,917	6,918,243	8,691,954	8,918,314	(2.5)
<i>Total Assets</i>	<u>3,283,186</u>	<u>3,220,376</u>	<u>9,596,609</u>	<u>9,157,626</u>	<u>12,879,795</u>	<u>12,378,002</u>	4.1
<i>Liabilities:</i>							
Current Liabilities	256,243	379,548	387,334	539,343	643,577	918,891	(30.0)
Long-Term Liabilities	1,516,647	1,658,769	658,866	767,551	2,175,513	2,426,320	(10.3)
<i>Total Liabilities</i>	<u>1,772,890</u>	<u>2,038,317</u>	<u>1,046,200</u>	<u>1,306,894</u>	<u>2,819,090</u>	<u>3,345,211</u>	(15.7)
<i>Net Assets:</i>							
Invested in Capital Assets	392,542	285,939	5,933,021	6,181,396	6,325,563	6,467,335	(2.2)
Restricted	83,065	111,747	264,926	177,574	347,991	289,321	20.3
Unrestricted	1,034,689	784,373	2,352,462	1,491,762	3,387,151	2,276,135	48.8
<i>Total Net Assets</i>	<u>\$ 1,510,296</u>	<u>\$ 1,182,059</u>	<u>\$ 8,550,409</u>	<u>\$ 7,850,732</u>	<u>\$10,060,705</u>	<u>\$ 9,032,791</u>	11.4

*Restated to reflect prior period adjustments in Note M.

An additional portion of the City's net assets \$347,991 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$3,387,151 may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Assets: The City's net assets increased \$1,027,914. (See Table A-2.)

Table A-2
Changes in City's Net Assets

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2012	2011*	2012	2011*	2012	2011*	2012 - 2011
<i>Program Revenues:</i>							
Charges for Services	\$ 557,986	\$ 566,075	\$ 6,443,911	\$ 5,602,754	\$ 7,001,897	\$ 6,168,829	13.5
Operating Grants and Contributions	39,851	4,941	-	15,862	39,851	20,803	0.0
Capital Grants and Contributions	6,600	52,000	-	3,600	6,600	55,600	0.0
<i>General Revenues:</i>							
Taxes	1,477,532	1,359,050	-	-	1,477,532	1,359,050	8.7
Interest Earnings	15,261	15,053	22,689	14,572	37,950	29,625	28.1
Miscellaneous	27,724	22,852	13,072	56,515	40,796	79,367	(48.6)
TOTAL REVENUES	2,124,954	2,019,971	6,479,672	5,693,303	8,604,626	7,713,274	11.6
<i>Program Expenditures:</i>							
General Administration	718,536	718,796	-	-	718,536	718,796	(0.0)
Public Safety	976,040	888,240	-	-	976,040	888,240	9.9
Public Transportation	291,701	396,363	-	-	291,701	396,363	(26.4)
Culture and Recreation	510,072	412,515	-	-	-	-	-
Interest in Debt	83,988	93,876	-	-	83,988	93,876	(10.5)
Utility	-	-	4,249,750	4,295,822	4,249,750	4,295,822	(1.1)
Airport	-	-	746,625	311,622	746,625	311,622	139.6
TOTAL EXPENSES	2,580,337	2,509,790	4,996,375	4,607,444	7,576,712	7,117,234	6.5
Increase (Decrease) in Net Assets after Transfers	(455,383)	(489,819)	1,483,297	1,085,859	1,027,914	596,040	72.5
Transfers	783,620	781,761	(783,620)	(781,761)	-	-	0.0
Increase (Decrease) in Net Assets before Transfers	<u>\$ 328,237</u>	<u>\$ 291,942</u>	<u>\$ 699,677</u>	<u>\$ 304,098</u>	<u>\$ 1,027,914</u>	<u>\$ 596,040</u>	<u>72.5</u>

*Restated to reflect prior period adjustments in Note M.

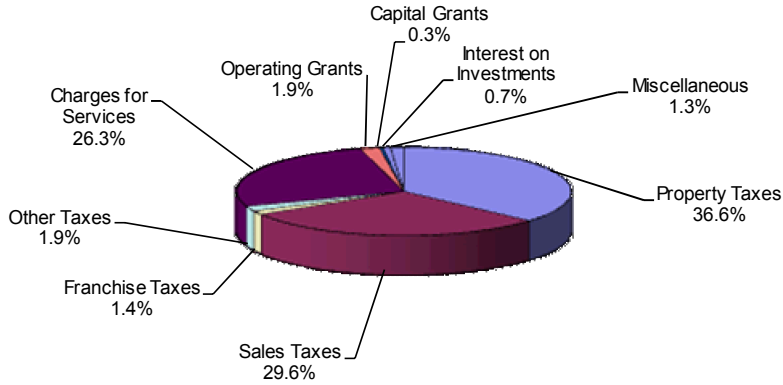
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2012.

Governmental Activities

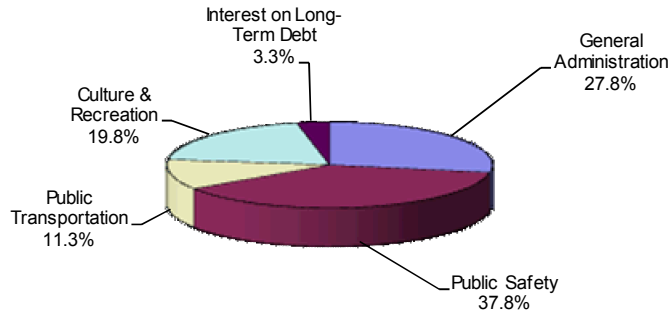
- Property taxes increased \$30,087 over the previous year.
- Sales taxes increased \$80,485 over the previous year.

Governmental activities showed a decrease of \$455,383 before transfers from business-type activities. However, business-type activities transferred \$783,620 to governmental activities resulting in an increase in net assets of \$328,237.

2012 Governmental Revenues



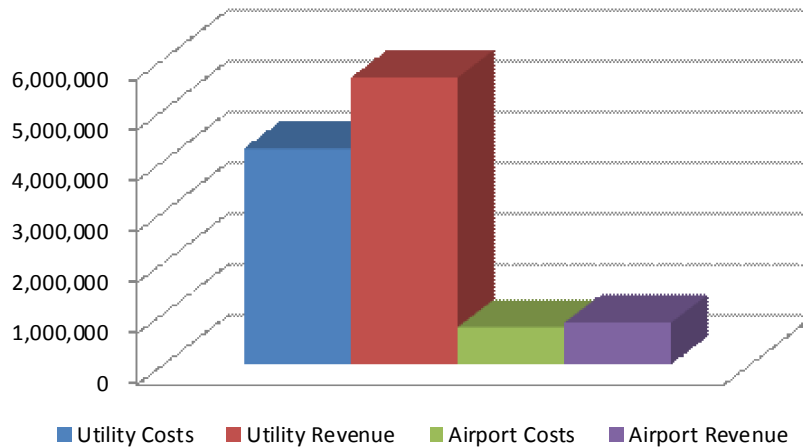
2012 Governmental Function Expenses



Business-Type Activities

Business-type activities increased the City’s net assets by \$699,677 after transfers to governmental activities of \$783,620. This increase is largely attributed to the increase of utility rates and the drought year.

Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,087,261. Of this total amount, \$92,470 is restricted by constraints imposed by external providers such as grantors and enabling legislation, \$109,046 is committed and reported in special revenue and debt service funds, and \$885,745 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 \$885,963. The City's general fund balance showed an increase of \$150,989 during the year. This is attributed to increases in property and sales taxes.

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 assets of the Utility fund at the end of the year amounted to \$2,150,797. The increase in net assets was \$629,359. This increase is attributable to an increase in utility rates and the drought. Unrestricted net assets of the Airport fund at the end of the year amounted to \$201,665. The increase in net assets was \$70,318. This increase is attributable to increased revenues exceeding expenses. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final budget. The general fund expenditures were under budget by \$220,795 as a result of cost containment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2012, the City had invested \$8,691,954 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 decrease (including additions and deductions) of \$226,360 or 2.5% over last year. More detailed information about the City's capital assets is presented in the notes to the financial statements.

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

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2012	2011	2012	2011	2012	2011	Change
Land	\$ 105	\$ 105	\$ 279	\$ 278	\$ 384	\$ 383	0.0
Construction in Progress	-	68	-	-	-	68	(100.0)
Water Rights	-	-	112	112			
Buildings and Improvements	526	428	2,708	2,708	3,234	3,136	3.1
Vehicles and Equipment	677	633	938	1,000	1,615	1,633	(1.1)
Infrastructure	1,814	1,814	8,732	8,694	10,546	10,508	0.0
Totals at Historical Cost	3,123	3,048	12,768	12,792	15,891	15,840	0.3
Total Accumulated Depreciation	(1,122)	(1,048)	(6,077)	(5,874)	(7,199)	(6,922)	4.0
Net Capital Assets	<u>\$ 2,001</u>	<u>\$ 2,000</u>	<u>\$ 6,691</u>	<u>\$ 6,918</u>	<u>\$ 8,692</u>	<u>\$ 8,918</u>	(2.5)

Long Term Debt

At year-end the City had \$2,366,391 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.

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

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2012	2011	2012	2011	2012	2011	Change
Certificates of Obligation	\$ 1,574	\$ 1,675	\$ 291	\$ 305	\$ 1,865	\$ 1,980	(5.8)
Bonds Payable	-	-	230	255	230	255	(9.8)
Tax Notes	34	67	-	-	34	67	(49.3)
Notes Payable	-	-	164	182	164	182	(9.9)
Capital Lease	-	-	73	120	73	120	(39.2)
Total Long-Term Debt	<u>\$ 1,608</u>	<u>\$ 1,742</u>	<u>\$ 758</u>	<u>\$ 862</u>	<u>\$ 2,366</u>	<u>\$ 2,604</u>	(9.1)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Sales Tax revenues are stable and are expected to increase slightly.
- New development and new home construction is projected to increase, at a slightly faster pace than the previous fiscal year.
- No significant increase is expected for interest rates during the fiscal year.
- Utility rate increases were included in the FY13 budget for electric, water, wastewater, and for the gas utility.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF CASTROVILLE
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012

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 ASSETS
SEPTEMBER 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 1,045,142	\$ 1,752,960	\$ 2,798,102
Receivables (net of allowances for uncollectibles)			
Ad Valorem Taxes	10,195	-	10,195
Other	124,597	954,835	1,079,432
Prepaid Items	-	32,805	32,805
Inventory	-	68,890	68,890
Internal Balances	71,764	(71,764)	-
Restricted Assets:			
Cash and Investments	-	148,307	148,307
Deferred Charges	30,451	19,659	50,110
Capital Assets:			
Land	105,330	278,522	383,852
Water Rights	-	112,386	112,386
Building and Improvements	526,181	2,707,515	3,233,696
Vehicles and Equipment	676,973	937,923	1,614,896
Infrastructure	1,814,385	8,731,941	10,546,326
Accumulated Depreciation	(1,121,832)	(6,077,370)	(7,199,202)
TOTAL ASSETS	\$ 3,283,186	\$ 9,596,609	\$ 12,879,795

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF NET ASSETS (CONTINUED)
SEPTEMBER 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND NET ASSETS			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 44,180	\$ 133,632	\$ 177,812
Accrued Expenses	61,522	-	61,522
Accrued Interest Payable	10,941	4,447	15,388
Deferred/Unearned Revenues	-	1,777	1,777
<i>Payable from Restricted Assets:</i>			
Customer Deposits	-	135,628	135,628
<i>Noncurrent Liabilities:</i>			
Due within One Year	139,600	111,850	251,450
Due in more than One Year	1,516,647	658,866	2,175,513
TOTAL LIABILITIES	<u>1,772,890</u>	<u>1,046,200</u>	<u>2,819,090</u>
<i>Net Assets:</i>			
Invested in Capital Assets, Net of Related Debt	392,542	5,933,021	6,325,563
Restricted	83,065	264,926	347,991
Unrestricted	1,034,689	2,352,462	3,387,151
TOTAL NET ASSETS	<u>1,510,296</u>	<u>8,550,409</u>	<u>10,060,705</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,283,186</u>	<u>\$ 9,596,609</u>	<u>\$ 12,879,795</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
<i>Governmental Activities:</i>				
General Administration	\$ 718,536	\$ 37,213	\$ -	\$ 6,600
Public Safety	976,040	229,727	-	-
Public Transportation	291,701	112,872	-	-
Culture and Recreation	510,072	178,174	39,851	-
Interest on Long-term Debt	83,988	-	-	-
<i>Total Governmental Activities</i>	<u>2,580,337</u>	<u>557,986</u>	<u>39,851</u>	<u>6,600</u>
<i>Business-Type Activities</i>				
Utility	4,249,750	5,628,451	-	-
Airport	746,625	815,460	-	-
<i>Total Business-Type Activities</i>	<u>4,996,375</u>	<u>6,443,911</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u><u>\$ 7,576,712</u></u>	<u><u>\$ 7,001,897</u></u>	<u><u>\$ 39,851</u></u>	<u><u>\$ 6,600</u></u>
General Revenues:				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Franchise Taxes				
Other Taxes				
Interest and Investment Earnings				
Miscellaneous				
Gain on Sale of Assets				
Total General Revenues				
Transfers				
Change in Net Assets				
Net Assets at Beginning of Year				
Prior Period Adjustment				
Net Assets at End of Year				

See accompanying notes to basic financial statements.

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (674,723)	\$ -	\$ (674,723)
(746,313)	-	(746,313)
(178,829)	-	(178,829)
(292,047)	-	(292,047)
(83,988)	-	(83,988)
<u>(1,975,900)</u>	<u>-</u>	<u>(1,975,900)</u>
-	1,378,701	1,378,701
-	68,835	68,835
<u>-</u>	<u>1,447,536</u>	<u>1,447,536</u>
<u>(1,975,900)</u>	<u>1,447,536</u>	<u>(528,364)</u>
777,814	-	777,814
629,912	-	629,912
30,122	-	30,122
39,684	-	39,684
15,261	22,689	37,950
27,724	-	27,724
-	13,072	13,072
<u>1,520,517</u>	<u>35,761</u>	<u>1,556,278</u>
<u>783,620</u>	<u>(783,620)</u>	<u>-</u>
328,237	699,677	1,027,914
1,149,490	8,021,385	9,170,875
<u>32,569</u>	<u>(170,653)</u>	<u>(138,084)</u>
<u>\$ 1,510,296</u>	<u>\$ 8,550,409</u>	<u>\$ 10,060,705</u>

CITY OF CASTROVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>Major Fund General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 858,158	\$ 186,984	\$ 1,045,142
Receivables (net of allowances for uncollectibles):			
Property Taxes	8,659	1,536	10,195
Other Receivables	114,543	10,054	124,597
Due from Other Funds	<u>57,845</u>	<u>27,923</u>	<u>85,768</u>
TOTAL ASSETS	<u>\$ 1,039,205</u>	<u>\$ 226,497</u>	<u>\$ 1,265,702</u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 34,180	\$ 10,000	\$ 44,180
Accrued Expenses	61,522	-	61,522
Due to Other Funds	341	13,663	14,004
Deferred/Unearned Revenues	<u>57,199</u>	<u>1,536</u>	<u>58,735</u>
TOTAL LIABILITIES	<u>153,242</u>	<u>25,199</u>	<u>178,441</u>
<i>Fund Balances:</i>			
Restricted	-	92,470	92,470
Committed	-	109,046	109,046
Unassigned	<u>885,963</u>	<u>(218)</u>	<u>885,745</u>
<i>Total Fund Balances</i>	<u>885,963</u>	<u>201,298</u>	<u>1,087,261</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 1,039,205</u>	<u>\$ 226,497</u>	<u>\$ 1,265,702</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 1,087,261
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,001,037
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		58,735
Deferred charges, consisting of debt issue costs, are amortized over the life of the bond in the governmental activities, but were recognized in full in the governmental funds.		30,451
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.		
Accrued Vacation Leave Payable	(47,752)	
Bonds Payable	<u>(1,608,495)</u>	(1,656,247)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.		<u>(10,941)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u><u>\$ 1,510,296</u></u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Major Fund General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Ad Valorem Taxes	\$ 661,588	\$ 116,523	\$ 778,111
Sales Taxes	581,372	-	581,372
Franchise Fees	30,122	-	30,122
Other Taxes	2,198	37,486	39,684
Licenses and Permits	30,181	-	30,181
Charges for Services	185,206	122,459	307,665
Fines and Forfeitures	220,140	-	220,140
Intergovernmental Revenue	14,600	31,851	46,451
Interest Income	11,730	3,531	15,261
Miscellaneous	22,454	5,270	27,724
TOTAL REVENUES	1,759,591	317,120	2,076,711
EXPENDITURES			
<i>Current:</i>			
General Administration	665,668	49,400	715,068
Public Safety			
Animal Control	57,430	-	57,430
Code Enforcement	127,361	-	127,361
Municipal Court	75,357	22,599	97,956
Police Department	663,993	882	664,875
Public Transportation			
Streets	251,786	5,940	257,726
Culture and Recreation			
Library	185,934	34,136	220,070
Parks	190,739	-	190,739
Pool	88,178	-	88,178
<i>Capital Outlay</i>	74,499	2,156	76,655
<i>Debt Service:</i>			
Principal	-	133,555	133,555
Interest and Fiscal Charges	-	85,457	85,457
TOTAL EXPENDITURES	2,380,945	334,125	2,715,070
Excess (Deficiency) of Revenues Over (Under) Expenditures	(621,354)	(17,005)	(638,359)
OTHER FINANCING SOURCES (USES)			
Transfers In	783,620	116,123	899,743
Transfers Out	(11,277)	(104,846)	(116,123)
TOTAL OTHER FINANCING SOURCES (USES)	772,343	11,277	783,620
Net Change in Fund Balance	150,989	(5,728)	145,261
Fund Balances at Beginning of Year	702,405	207,026	909,431
Prior Period Adjustment	32,569	-	32,569
Fund Balances at End of Year	\$ 885,963	\$ 201,298	\$ 1,087,261

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, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 145,261
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.</p>		966
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		48,243
<p>The issuance of long-term debt (e.g. bonds, leases,) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal Repayments on Bonds	133,555	
Amortization of Bond Issue Costs	<u>(3,779)</u>	129,776
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in Compensated Absences	2,522	
Change in Accrued Interest	<u>1,469</u>	<u>3,991</u>
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES		<u><u>\$ 328,237</u></u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF NET ASSETS – PROPRIETARY FUND
SEPTEMBER 30, 2012

	ENTERPRISE FUNDS		
	Utility Fund	Airport Fund	Totals
ASSETS			
<i>Current Assets:</i>			
Cash and Investments	\$ 1,501,079	\$ 251,881	\$ 1,752,960
Receivables (net of allowances for uncollectibles)	902,940	51,895	954,835
Due from Other Funds	53,420	-	53,420
Advance to Other Funds	20,143	-	20,143
Prepaid Items	32,805	-	32,805
Inventory	30,617	38,273	68,890
<i>Total Current Assets</i>	<u>2,541,004</u>	<u>342,049</u>	<u>2,883,053</u>
<i>Restricted Assets:</i>			
Cash and Cash Equivalents	148,307	-	148,307
<i>Non-Current Assets:</i>			
Bond Issuance Costs (Net)	6,210	13,449	19,659
Capital Assets, Net of Accumulated Depreciation	2,795,147	3,895,770	6,690,917
<i>Total Non-Current Assets</i>	<u>2,801,357</u>	<u>3,909,219</u>	<u>6,710,576</u>
TOTAL ASSETS	<u>\$ 5,490,668</u>	<u>\$ 4,251,268</u>	<u>\$ 9,741,936</u>
LIABILITIES AND NET ASSETS			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 89,770	\$ 43,862	\$ 133,632
Accrued Interest Payable	1,094	3,353	4,447
Due to Other Funds	41,250	83,934	125,184
Advance from Other Funds	-	20,143	20,143
Deferred Revenues	-	1,777	1,777
Current Portion of Capital Lease	49,017	-	49,017
Current Portion of Long Term Debt	14,400	48,433	62,833
<i>Total Current Liabilities</i>	<u>195,531</u>	<u>201,502</u>	<u>397,033</u>
<i>Liabilities Payable from Restricted Assets:</i>			
Customer Deposits	135,628	-	135,628
<i>Non-Current Liabilities:</i>			
Compensated Absences	12,056	764	12,820
Capital Lease Payable	24,467	-	24,467
Long-Term Debt	276,104	345,475	621,579
<i>Total Non-Current Liabilities</i>	<u>312,627</u>	<u>346,239</u>	<u>658,866</u>
TOTAL LIABILITIES	<u>643,786</u>	<u>547,741</u>	<u>1,191,527</u>
<i>Net Assets:</i>			
Invested in Capital Assets, Net of Related Debt	2,431,159	3,501,862	5,933,021
Restricted	264,926	-	264,926
Unrestricted	2,150,797	201,665	2,352,462
TOTAL NET ASSETS	<u>4,846,882</u>	<u>3,703,527</u>	<u>8,550,409</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 5,490,668</u>	<u>\$ 4,251,268</u>	<u>\$ 9,741,936</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	ENTERPRISE FUNDS		
	Utility Fund	Airport Fund	Totals
OPERATING REVENUES			
Charges for Services	\$ 5,525,479	\$ 733,140	\$ 6,258,619
Fines and Forfeitures	71,635	329	71,964
Operating Grants	-	22,591	22,591
Miscellaneous Revenues	31,337	59,400	90,737
TOTAL OPERATING REVENUES	<u>5,628,451</u>	<u>815,460</u>	<u>6,443,911</u>
OPERATING EXPENSES			
Personnel Services	574,217	37,171	611,388
Supplies	10,828	1,164	11,992
Other Services and Charges	1,062,062	562,419	1,624,481
Electric Purchases	1,884,928	-	1,884,928
Gas Purchases	159,356	-	159,356
Sanitation Services	343,708	-	343,708
Depreciation and Amortization	196,409	124,664	321,073
TOTAL OPERATING EXPENSES	<u>4,231,508</u>	<u>725,418</u>	<u>4,956,926</u>
OPERATING INCOME (LOSS)	<u>1,396,943</u>	<u>90,042</u>	<u>1,486,985</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	21,206	1,483	22,689
Gain/Loss on Sale of Assets	13,072	-	13,072
Interest and Fiscal Charges	(18,242)	(21,207)	(39,449)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>16,036</u>	<u>(19,724)</u>	<u>(3,688)</u>
Net Income (Loss) Before Transfers	1,412,979	70,318	1,483,297
Transfers Out	<u>(783,620)</u>	<u>-</u>	<u>(783,620)</u>
CHANGE IN NET ASSETS	629,359	70,318	699,677
NET ASSETS AT BEGINNING OF YEAR	4,388,176	3,633,209	8,021,385
Prior Period Adjustment	<u>(170,653)</u>	<u>-</u>	<u>(170,653)</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,846,882</u>	<u>\$ 3,703,527</u>	<u>\$ 8,550,409</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	ENTERPRISE FUNDS		
	Utility Fund	Airport Fund	Totals
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 5,376,071	\$ 793,450	\$ 6,169,521
Cash Paid to Employee Wages & Benefits	(571,813)	(36,407)	(608,220)
Cash Paid to Suppliers for Goods and Services	(3,669,590)	(542,517)	(4,212,107)
Net Cash Provided (Used) by Operating Activities	<u>1,134,668</u>	<u>214,526</u>	<u>1,349,194</u>
Cash Flows From Noncapital Financing Activities:			
Interfund Payables	19,367	(17,453)	1,914
Transfer (to) from Other Funds	(783,620)	-	(783,620)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(764,253)</u>	<u>(17,453)</u>	<u>(781,706)</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase of Capital Assets	(103,064)	-	(103,064)
Proceeds from Sale of Capital Assets	22,388	-	22,388
Principal Payments on Long-Term Debt	(61,104)	(42,896)	(104,000)
Interest and Fiscal Charges Paid	(18,023)	(19,838)	(37,861)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(159,803)</u>	<u>(62,734)</u>	<u>(222,537)</u>
Cash Flows From Investing Activities:			
Investment Interest Received	21,206	1,483	22,689
Net Cash Provided (Used) by Investing Activities	<u>21,206</u>	<u>1,483</u>	<u>22,689</u>
Net Increase (Decrease) in Cash and Cash Equivalents	231,818	135,822	367,640
Cash and Investments at Beginning of Year:			
Cash and Investments	1,106,242	115,991	1,222,233
Restricted Cash and Investments	311,326	68	311,394
	<u>1,417,568</u>	<u>116,059</u>	<u>1,533,627</u>
Cash and Investments at End of Year:			
Cash and Investments	1,501,079	251,881	1,752,960
Restricted Cash and Investments	148,307	-	148,307
	<u>\$ 1,649,386</u>	<u>\$ 251,881</u>	<u>\$ 1,901,267</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	ENTERPRISE FUNDS		
	Utility Fund	Airport Fund	Totals
Reconciliation of Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 1,396,943	\$ 90,042	\$ 1,486,985
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Depreciation	196,409	124,664	321,073
(Increase) Decrease in Operating Assets:			
Accounts Receivable	(256,018)	(21,116)	(277,134)
Prepaid Items	(32,805)	-	(32,805)
Inventory	27,378	(19,998)	7,380
Increase (Decrease) in Current Liabilities:			
Accounts Payable	(203,281)	41,064	(162,217)
Deferred Revenue	-	(894)	(894)
Accrued Compensated Absences	2,404	764	3,168
Customer Deposits	3,638	-	3,638
Total Adjustments to Reconcile Operating Activities	<u>(262,275)</u>	<u>124,484</u>	<u>(137,791)</u>
Net Cash Provided (Used) by			
Operating Activities	<u>\$ 1,134,668</u>	<u>\$ 214,526</u>	<u>\$ 1,349,194</u>

See accompanying notes to basic financial statements.



CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Castroville, Texas (“City”), was incorporated in 1948. The City operates under a general law, Manager-Council type of government, and provides the following services: public safety (law enforcement), public transportation (streets), health, culture, recreation, water, sewer, electricity, natural gas, sanitation, 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. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

1. **REPORTING ENTITY**

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

2. **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The **government-wide financial statements** include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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

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

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

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

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 30 days of the end of the current fiscal period.

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property and sales taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public transportation, culture and recreation, capital acquisition, and debt service.

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

4. CASH AND CASH EQUIVALENTS

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

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, government investment pools, and certificates of deposit. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2011 and past due after January 31, 2012. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Revenues for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are billable services for certain contracts and billable services for the City's water utilities, sewer services, and solid waste management. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible property taxes and utility customer accounts as of September 30, 2012 are \$12,725 and \$18,490, respectively.

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

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.

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.

CITY OF CASTROVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2012

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

10. CAPITAL ASSETS

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

11. DEFERRED/UNEARNED REVENUE

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue and municipal court payments not expected to be available for the current period are reflected as deferred 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.

12. 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.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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

13. LONG-TERM OBLIGATIONS

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

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.

14. 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.

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.

As of September 30, 2012, the BTOP Library Grant fund had a deficit restricted fund balance which reduced the amount of funds available in the Unassigned Fund balance by \$218 for the total governmental funds.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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

15. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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.

16. INTERFUND TRANSACTIONS

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

17. 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.

18. USE OF ESTIMATES

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

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.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

1. Deposits

At September 30, 2012, the carrying amount of the City's cash on hand was \$970 and the carrying amount of deposits in bank was \$2,945,439 and the bank balance was \$2,634,914. Of the bank balance, \$250,000 was covered by federal deposit insurance at Castroville State Bank and the City's depository had pledged securities having a face value of \$3,675,000 and market value of \$3,929,352 as collateral for the City's deposits. All of the City's cash was fully collateralized.

2. Investments

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. The Act requires that the Council review the investment policy at least annually, investment officers obtain minimum investment training, and investment officers sign quarterly investment reports submitted to Council. Audit procedures in this area, conducted as part of the basic financial statements, disclosed that the investment reports prepared and provided to City Council did not include all required components detailed in the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's investment policy further prioritizes investments as: (1) safety, (2) liquidity, (3) public trust, and (4) yield. The City's investments at September 30, 2012 were \$642,977 invested in certificates of deposit.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of September 30, 2012, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City had no exposure to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

4. Investment Accounting Policy

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

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Medina County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2011, upon which the fiscal 2012 levy was based, was \$146,460,802 (i.e., market value less exemptions). The estimated market value was \$182,360,194, making the taxable value 80.3% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2012, was \$0.4545 per \$100 of assessed value, which means that the City has a tax margin of \$2.0455 for each \$100 value and could increase its annual tax levy by approximately \$2,995,856 based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE D -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2012 are as follows:

	General Fund	Nonmajor Governmental Funds	Utility Fund	Airport Fund	Total
Sales Tax	\$ 91,429	\$ -	\$ -	\$ -	\$ 91,429
Franchise Fees	11,100	-	-	-	11,100
Occupancy Tax	-	10,054	-	-	10,054
Grant Reimbursement	6,600	-	-	21,991	28,591
Customer Receivables, Net of Allowance for Uncollectibles	-	-	902,940	29,904	932,844
Miscellaneous	5,414	-	-	-	5,414
Total Other Receivables	<u>\$ 114,543</u>	<u>\$ 10,054</u>	<u>\$ 902,940</u>	<u>\$ 51,895</u>	<u>\$ 1,079,432</u>

NOTE E -- INTERFUND RECEIVABLE/PAYABLE AND TRANSFERS

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, and service debt. As of September 30, 2012, the following balances were due between funds:

Receivable Fund	Payable Fund	Amount	Reason
General Fund	Nonmajor Governmental Fund	\$ 13,403	Reimbursement for Grant Costs
General Fund	Utility Fund	27,725	Reimbursement for Costs
General Fund	Airport Fund	16,717	Reimbursement for Costs
Utility Fund	Airport Fund	53,160	Reimbursement for Costs
Utility Fund	Nonmajor Governmental Fund	260	Reimbursement for Costs
Nonmajor Governmental Fund	General Fund	341	Reimbursement for Costs
Nonmajor Governmental Fund	Utility Fund	13,525	Reimbursement for Costs
Nonmajor Governmental Fund	Airport Fund	14,057	Reimbursement for Costs
		<u>\$ 139,188</u>	

Transfers during the year ended September 30, 2012, were as follows:

Transfer In	Transfers Out	Amount	Purpose
General Fund	Utility Fund	\$ 783,620	Supplement Funding
Nonmajor Governmental Fund	General Fund	11,277	Supplement Funding
Nonmajor Governmental Fund	Nonmajor Governmental Fund	104,846	Supplement Funding
		<u>\$ 899,743</u>	

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2011	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2012
Land	\$ 105,330	\$ -	\$ -	\$ 105,330
Construction in Progress	67,555	-	(67,555)	-
Buildings and Improvements	428,441	97,740	-	526,181
Vehicles and Equipment	632,709	44,264	-	676,973
Infrastructure	1,814,385	-	-	1,814,385
	<u>3,048,420</u>	<u>142,004</u>	<u>(67,555)</u>	<u>3,122,869</u>
Less Accumulated Depreciation				
Buildings and Improvements	(164,287)	(15,633)	-	(179,920)
Vehicles and Equipment	(560,152)	(23,755)	-	(583,907)
Infrastructure	(323,910)	(34,095)	-	(358,005)
	<u>(1,048,349)</u>	<u>(73,483)</u>	<u>-</u>	<u>(1,121,832)</u>
Governmental Capital Assets, Net	<u>\$ 2,000,071</u>	<u>\$ 68,521</u>	<u>\$ (67,555)</u>	<u>\$ 2,001,037</u>
<u>Business-Type Activities</u>	Balance 10/1/2011	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2012
Land	\$ 278,522	\$ -	\$ -	\$ 278,522
Water Rights	112,386	-	-	112,386
Buildings and Improvements	2,707,515	-	-	2,707,515
Vehicles and Equipment	999,652	64,904	(126,633)	937,923
Infrastructure	8,693,781	38,160	-	8,731,941
	<u>12,791,856</u>	<u>103,064</u>	<u>(126,633)</u>	<u>12,768,287</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,239,077)	(34,893)	-	(1,273,970)
Vehicles and Equipment	(701,185)	(91,646)	117,316	(675,515)
Infrastructure	(3,933,351)	(194,534)	-	(4,127,885)
	<u>(5,873,613)</u>	<u>(321,073)</u>	<u>117,316</u>	<u>(6,077,370)</u>
Business-Type Capital Assets, Net	<u>\$ 6,918,243</u>	<u>\$ (218,009)</u>	<u>\$ (9,317)</u>	<u>\$ 6,690,917</u>

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE F -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the functions as follows:

Governmental Activities:

General Administration	\$ 6,966
Public Safety	22,434
Public Transportation	34,095
Culture and Recreation	9,988
Total Depreciation Expense - Governmental Activities	\$ 73,483

Business-Type Activities:

Utility	\$ 196,409
Airport	124,664
Total Depreciation Expense - Business-Type Activities	\$ 321,073

NOTE G -- LONG-TERM DEBT

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

A summary of the general obligation debt is as follows:

Issue Amount	Maturity	Interest Rate	Balance
General Obligation Bonds:			
2004 Series	2019	2.90 - 5.50%	\$ 230,000
Certificates of Obligation:			
2003 Series	2026	4.75 - 5.50%	\$ 960,000
2004 Series	2023	4.00 - 6.00%	904,999
Tax Notes:			
2006 Series	2013	3.70 - 4.35%	\$ 34,000
Total General Obligation Debt			\$ 2,128,999

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE G -- LONG-TERM DEBT (Continued)

Changes in Long-Term Debt

	Balance 10/1/2011	Additions	Reductions	Balance 9/30/2012	Due Within One Year
<i>Governmental Activities:</i>					
2003 Certificates of Obligation	\$ 1,030,000	\$ -	\$ (70,000)	\$ 960,000	\$ 75,000
2004 Certificates of Obligation	645,050	-	(30,555)	614,495	30,600
2006 Tax Notes	67,000	-	(33,000)	34,000	34,000
Compensated Absences	50,274	-	(2,522)	47,752	-
<i>Total Governmental Activities</i>	<u>1,792,324</u>	<u>-</u>	<u>(136,077)</u>	<u>1,656,247</u>	<u>139,600</u>
<i>Business-Type Activities:</i>					
2004 Certificates of Obligation	304,949	-	(14,445)	290,504	14,400
2004 Refunding Bonds	255,000	-	(25,000)	230,000	30,000
TXDOT Note	181,804	-	(17,896)	163,908	18,433
Capital Lease	120,143	-	(46,659)	73,484	49,017
Compensated Absences	9,652	3,168	-	12,820	-
<i>Total Business-Type Activities</i>	<u>871,548</u>	<u>3,168</u>	<u>(104,000)</u>	<u>770,716</u>	<u>111,850</u>
 Total Primary Government	 <u>\$ 2,663,872</u>	 <u>\$ 3,168</u>	 <u>\$ (240,077)</u>	 <u>\$ 2,426,963</u>	 <u>\$ 251,450</u>

On February 25, 2011, the City entered in to a lease-purchase agreement with Kansas State Bank for the purchase of a bucket truck for its utility operations. The term of the lease is 36 months, with monthly payments of \$4,210, which includes interest. The lease and the bucket truck are recorded in the Utility Fund.

Future minimum lease payments are as follows:

Year Ending September 30,	Lease Payments
2013	\$ 50,516
2014	25,258
	<u>75,774</u>
Less: Interest Amount	(2,290)
	<u>\$ 73,484</u>

The following is an analysis of the property under capital lease as of September 30, 2012:

Bucket Truck	\$ 142,800
Less: Accumulated Depreciation	(32,300)
Net Leased Property	<u>\$ 110,500</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE G -- LONG-TERM DEBT (Continued)

Annual requirements to amortize all bonded debt outstanding as of September 30, 2012 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 139,600	\$ 77,378	\$ 216,978
2014	109,000	71,239	180,239
2015	109,000	65,976	174,976
2016	117,400	61,054	178,454
2017	122,400	55,758	178,158
2018 - 2022	686,000	186,613	872,613
2023 - 2026	325,095	32,457	357,552
	<u>\$ 1,608,495</u>	<u>\$ 550,475</u>	<u>\$ 2,158,970</u>

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2013	\$ 62,833	\$ 30,117	\$ 92,950
2014	64,985	27,245	92,230
2015	65,555	24,346	89,901
2016	67,742	21,589	89,331
2017	73,346	18,706	92,052
2018 - 2022	245,047	48,821	293,868
2023 - 2026	104,904	12,556	117,460
	<u>\$ 684,412</u>	<u>\$ 183,380</u>	<u>\$ 867,792</u>

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS

A. Plan Description

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

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

A. Plan Description (Continued)

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

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating	100% Repeating
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

B. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

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

Fiscal Year Ending September 30,	Annual Pension Cost	Actual Contribution Made	Percentage of APC Contribution	Net Pension Obligation (Asset)
2010	\$ 137,193	\$ 137,193	100%	\$ -
2011	146,799	146,799	100%	-
2012	134,878	134,878	100%	-

CITY OF CASTROVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2012

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

B. Contributions (Continued)

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	December 31, 2009	December 31, 2010	December 31, 2011
Actuarial Valuation Date	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Amortization Method	28.1 years - Closed Period	27.3 years - Closed Period	26.3 years - Closed Period
Remaining Amortization Period	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Asset Valuation Method	7.5%	7.0%	7.0%
Investment Rate of Return	Varies by age and service	Varies by age and service	Varies by age and service
Projected Salary Increases	3.0%	3.0%	3.0%
Inflation Rate	2.1%	2.1%	2.1%
Cost-of-Living Adjustments			

Funded Status and Funding Progress

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2011	\$ 3,378,662	\$ 4,049,987	83.4%	\$ 671,325	\$ 1,503,344	44.7%

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

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

C. Other Post-Employment Benefits

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

C. Other Post-Employment Benefits (Continued)

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

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2012, 2011, and 2010 were \$4,534, \$6,006, and \$4,782, respectively, which equaled the required contributions each year.

NOTE I -- FUND BALANCE

The City reported fund balance designations at September 30, 2012 as follows:

<u>Fund Balance Designation</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:			
Debt Service	\$ -	\$ 21,897	\$ 21,897
Tourism	-	25,199	25,199
Library	-	4,815	4,815
Police Training and Operations	-	10,657	10,657
Court Security	-	20,978	20,978
Court Technology	-	8,924	8,924
Total Restricted Fund Balance	-	92,470	92,470
Committed for:			
Drainage Projects	-	94,123	94,123
Facilities Maintenance	-	14,923	14,923
Total Committed Fund Balance	-	109,046	109,046
Unassigned	885,963	(218)	885,745
Total Fund Balance	<u>\$ 885,963</u>	<u>\$ 201,298</u>	<u>\$ 1,087,261</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE J – RESTRICTED NET ASSETS

The City reported restricted net assets at September 30, 2012 as follows:

<u>Net Assets Restricted for:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Restricted Net Assets</u>
Debt Service	\$ 12,492	\$ -	\$ 12,492
Tourism	25,199	-	25,199
Library	4,815	-	4,815
Police Training and Operations	10,657	-	10,657
Court Security	20,978	-	20,978
Court Technology	8,924	-	8,924
Water Acquisition	-	87,157	87,157
Capital Improvements	-	177,769	177,769
	-	-	-
Total Restricted Net Assets	<u>\$ 83,065</u>	<u>\$ 264,926</u>	<u>\$ 347,991</u>

NOTE K -- COMMITMENTS AND CONTINGENCIES

Litigation

The City was issued a notice of violation by the Enforcement Division of the Texas Commission on Environmental Quality (TCEQ) subsequent to year end relating to the City's process of disposing of waste water. The City is preparing a compliance plan to respond to the notice of violation. As of the date of this report, the outcome is still pending and any potential effect on the City's financial position cannot be reasonably estimated.

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.

Operating Leases

The City leases equipment under non-cancellable operating leases. Total expenditures for operating leases for the fiscal year ended September 30, 2012 were \$16,926 for governmental activities and \$12,230 for business-type activities. Future minimum lease payments are as follows:

<u>For fiscal year ended</u>	<u>Amount</u>
September 30, 2013	\$ 23,432
September 30, 2014	11,183
September 30, 2015	6,710
September 30, 2016	4,290
September 30, 2017	358
	<u>\$ 45,973</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE L -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$3,000,000. Annual contributions for the year ended September 30, 2012 were \$62,237 for property and casualty and workers compensation coverage.

NOTE M -- PRIOR PERIOD ADJUSTMENT

The following adjustments were necessary to correct certain errors in the financial statements for the period ending September 30, 2011:

	Governmental Activities	Business-type Activates	Total
Beginning Net Assets	\$ 1,149,490	\$ 8,021,385	\$ 9,170,875
Accrued Payroll Overstated	32,569	-	32,569
Accounts Payable Understated	-	(170,653)	(170,653)
Restated Beginning Net Assets	\$ 1,182,059	\$ 7,850,732	\$ 9,032,791
General Fund			
Beginning Fund Balance	\$ 702,405		
Accrued Payroll Overstated	32,569		
Restated Beginning Net Assets	\$ 734,974		

NOTE N -- SUBSEQUENT EVENT

Subsequent to year end, the City issued General Obligation Refunding Bonds, Series 2012 for \$2,020,000 to refund the 2003 Certificates of Obligation, the 2004 Certificates of Obligation, and the 2004 General Refunding Bond Series.

Subsequent to year end, the City also issued Utility System Revenue Bonds, Series 2013 and Series 2013A for \$350,000 and \$375,000, respectively. These bonds were issued for the purpose of making permanent public improvements and extensions to the City's utility system. The bonds are scheduled to mature February 1, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF CASTROVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	Budget Amounts		Actual Amounts	Variance	Restated* 2011
	Original	Final		Favorable (Unfavorable)	
REVENUES					
Ad Valorem Taxes	\$ 650,887	\$ 650,887	\$ 661,588	\$ 10,701	\$ 629,990
Sales Taxes	578,988	578,988	581,372	2,384	549,427
Franchise Fees	17,305	17,305	30,122	12,817	14,759
Other Taxes	3,307	3,307	2,198	(1,109)	2,276
Licenses and Permits	15,000	15,000	30,181	15,181	15,725
Charges for Services	202,590	202,590	185,206	(17,384)	190,162
Fines and Forfeitures	238,900	238,900	220,140	(18,760)	241,572
Intergovernmental Revenue	-	-	14,600	14,600	52,000
Interest Income	4,600	4,600	11,730	7,130	5,478
Miscellaneous	9,895	9,895	22,454	12,559	18,500
TOTAL REVENUES	<u>1,721,472</u>	<u>1,721,472</u>	<u>1,759,591</u>	<u>38,119</u>	<u>1,719,889</u>
EXPENDITURES					
<i>Current:</i>					
General Administration	743,336	754,306	665,668	88,638	700,339
Public Safety					
Animal Control	61,134	61,134	57,430	3,704	57,379
Code Enforcement	136,147	139,117	127,361	11,756	56,510
Emergency Management	-	-	-	-	2,891
Municipal Court	96,301	96,301	75,357	20,944	74,695
Police Department	715,489	717,989	663,993	53,996	653,697
Public Transportation					
Streets	276,988	278,638	251,786	26,852	197,750
Culture and Recreation					
Library	192,017	199,937	185,934	14,003	192,632
Parks	237,364	208,554	190,739	17,815	121,149
Pool	70,964	74,764	88,178	(13,414)	80,768
<i>Capital Outlay</i>	72,000	71,000	74,499	(3,499)	100,214
TOTAL EXPENDITURES	<u>2,601,740</u>	<u>2,601,740</u>	<u>2,380,945</u>	<u>220,795</u>	<u>2,238,024</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(880,268)</u>	<u>(880,268)</u>	<u>(621,354)</u>	<u>258,914</u>	<u>(518,135)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	783,620	783,620	783,620	-	783,620
Transfers Out	-	-	(11,277)	(11,277)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>783,620</u>	<u>783,620</u>	<u>772,343</u>	<u>(11,277)</u>	<u>783,620</u>
Net Change in Fund Balance	(96,648)	(96,648)	150,989	247,637	265,485
Fund Balance - Beginning of Year	734,974	734,974	734,974	-	469,489
Fund Balance - End of Year	<u>\$ 638,326</u>	<u>\$ 638,326</u>	<u>\$ 885,963</u>	<u>\$ 247,637</u>	<u>\$ 734,974</u>

*Restated to reflect prior period adjustments in Note M.

CITY OF CASTROVILLE
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
SEPTEMBER 30, 2012

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund, Drainage Fund, Hotel Occupancy Fund, Alsatian House Fund, Biry House Fund, BTOP Grant Fund, Library Memorial Fund, Drug Forfeiture Fund, Police Training Fund, Court Security Fund, Court Technology Fund, and Debt Service Funds.

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

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

CITY OF CASTROVILLE
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT
 LAST THREE CALENDAR YEARS

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY*	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
2009	\$ 2,245,502	\$ 3,111,006	72.2%	\$ 865,504	\$ 1,373,097	63.0%
2010	3,109,664	3,913,438	79.5%	803,774	1,405,299	57.2%
2011	3,378,662	4,049,987	83.4%	671,325	1,503,344	44.7%

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

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

OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

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

CITY OF CASTROVILLE
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND
 SEPTEMBER 30, 2012 AND 2011

	2012	Restated* 2011
ASSETS		
Cash and Investments	\$ 858,158	\$ 818,884
Receivables (net of allowances for uncollectibles):		
Property Taxes	8,659	-
Other Receivables	114,543	49,331
Due from Other Funds	57,843	109,263
TOTAL ASSETS	\$ 1,039,203	\$ 977,478
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 34,180	\$ 113,905
Accrued Expenses	61,522	88,173
Due to Other Funds	341	31,174
Deferred/Unearned Revenues	57,199	9,252
TOTAL LIABILITIES	153,242	242,504
<i>Fund Balances:</i>		
Unassigned	885,963	734,974
<i>Total Fund Balances</i>	885,963	734,974
TOTAL LIABILITIES & FUND BALANCES	\$ 1,039,205	\$ 977,478

*Restated to reflect prior period adjustments in Note M.

CITY OF CASTROVILLE
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	Restated* 2011
REVENUES		
Ad Valorem Taxes	\$ 661,588	\$ 629,990
Sales Taxes	581,372	549,427
Franchise Fees	30,122	14,759
Other Taxes	2,198	2,276
Licenses and Permits	30,181	15,725
Charges for Services	185,206	190,162
Fines and Forfeitures	220,140	241,572
Intergovernmental Revenue	14,600	52,000
Interest Income	11,730	5,478
Miscellaneous	22,454	18,500
TOTAL REVENUES	1,759,591	1,719,889
EXPENDITURES		
<i>Current:</i>		
General Administration	665,668	700,339
Public Safety		
Animal Control	57,430	57,379
Code Enforcement	127,361	56,510
Emergency Management	-	2,891
Municipal Court	75,357	74,695
Police Department	663,993	653,697
Public Transportation		
Streets	251,786	197,750
Culture and Recreation		
Library	185,934	192,632
Parks	190,739	121,149
Pool	88,178	80,768
<i>Capital Outlay</i>	74,499	100,214
TOTAL EXPENDITURES	2,380,945	2,238,024
Excess (Deficiency) of Revenues Over (Under) Expenditures	(621,354)	(518,135)
OTHER FINANCING SOURCES (USES)		
Transfers In	783,620	783,620
Transfer Out	(11,277)	-
TOTAL OTHER FINANCING SOURCES (USES)	772,343	783,620
Net Change in Fund Balance	150,989	265,485
Fund Balances at Beginning of Year	734,974	469,489
Fund Balances at End of Year	\$ 885,963	\$ 734,974

*Restated to reflect prior period adjustments in Note M.

CITY OF CASTROVILLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	SPECIAL REVENUE			
	Drainage Fund	Hotel Occupancy Fund	Alsatian House Fund	Biry House Fund
ASSETS				
Cash and Investments	\$ 66,541	\$ 25,211	\$ 5,105	\$ 9,818
Receivables (net of allowances for uncollectibles):				
Property Taxes	-	-	-	-
Other Receivables	-	10,054	-	-
Due from Other Funds	27,582	-	-	-
TOTAL ASSETS	\$ 94,123	\$ 35,265	\$ 5,105	\$ 9,818
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ 10,000	\$ -	\$ -
Due to Other Funds	-	66	-	-
Deferred/Unearned Revenues	-	-	-	-
<i>Total Liabilities</i>	-	10,066	-	-
<i>Fund Balances:</i>				
Restricted	-	25,199	-	-
Committed	94,123	-	5,105	9,818
Unassigned	-	-	-	-
<i>Total Fund Balances</i>	94,123	25,199	5,105	9,818
TOTAL LIABILITIES & FUND BALANCES	\$ 94,123	\$ 35,265	\$ 5,105	\$ 9,818

SPECIAL REVENUE

TBF Grant Fund	Lone Star Library Grant Fund	Tocker Grant Fund	BTOP Grant Fund	Library Memorial Fund	DEA Forfeiture Fund	Police Dept. Training Fund
\$ -	\$ -	\$ -	\$ 13,185	\$ 4,815	\$ 8,835	\$ 1,853
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,185</u>	<u>\$ 4,815</u>	<u>\$ 8,835</u>	<u>\$ 1,853</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	13,403	-	31	-
-	-	-	-	-	-	-
-	-	-	13,403	-	31	-
-	-	-	-	4,815	8,804	1,853
-	-	-	-	-	-	-
-	-	-	(218)	-	-	-
-	-	-	(218)	4,815	8,804	1,853
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,185</u>	<u>\$ 4,815</u>	<u>\$ 8,835</u>	<u>\$ 1,853</u>

CITY OF CASTROVILLE
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	SPECIAL REVENUE		DEBT SERVICE	
	Court Security Fund	Court Technology Fund	2003 C.O. I&S Fund	2004 C.O. I&S Fund
ASSETS				
Cash and Investments	\$ 20,998	\$ 8,920	\$ 4,258	\$ 12,617
Receivables (net of allowances for uncollectibles):				
Property Taxes	-	-	264	811
Other Receivables	-	-	-	-
Due from Other Funds	24	32	49	151
TOTAL ASSETS	\$ 21,022	\$ 8,952	\$ 4,571	\$ 13,579
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	44	28	22	64
Deferred/Unearned Revenues	-	-	264	811
<i>Total Liabilities</i>	44	28	286	875
<i>Fund Balances:</i>				
Restricted	20,978	8,924	4,285	12,704
Committed	-	-	-	-
Unassigned	-	-	-	-
<i>Total Fund Balances</i>	20,978	8,924	4,285	12,704
TOTAL LIABILITIES & FUND BALANCES	\$ 21,022	\$ 8,952	\$ 4,571	\$ 13,579

<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
2006 Tax Notes Fund	Capital Improvement Fund	Total Nonmajor Funds
\$ 4,828	\$ -	\$ 186,984
461	-	1,536
-	-	10,054
<u>85</u>	<u>-</u>	<u>27,923</u>
<u>\$ 5,374</u>	<u>\$ -</u>	<u>\$ 226,497</u>
\$ -	\$ -	\$ 10,000
5	-	13,663
<u>461</u>	<u>-</u>	<u>1,536</u>
<u>466</u>	<u>-</u>	<u>25,199</u>
4,908	-	92,470
-	-	109,046
<u>-</u>	<u>-</u>	<u>(218)</u>
<u>4,908</u>	<u>-</u>	<u>201,298</u>
<u>\$ 5,374</u>	<u>\$ -</u>	<u>\$ 226,497</u>

CITY OF CASTROVILLE
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	SPECIAL REVENUE			
	Drainage Fund	Hotel Occupancy Fund	Alsatian House Fund	Biry House Fund
REVENUES				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	37,486	-	-
Charges for Services	112,872	-	-	-
Intergovernmental Revenue	-	-	-	-
Interest Income	1,514	436	62	-
Miscellaneous	-	-	422	-
TOTAL REVENUES	<u>114,386</u>	<u>37,922</u>	<u>484</u>	<u>-</u>
EXPENDITURES				
<i>Current:</i>				
General Administration	-	45,521	241	3,000
Public Safety				
Municipal Court	-	-	-	-
Police Department	-	-	-	-
Public Transportation				
Streets	5,940	-	-	-
Culture and Recreation				
Library	-	-	-	-
<i>Capital Outlay</i>	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
TOTAL EXPENDITURES	<u>5,940</u>	<u>45,521</u>	<u>241</u>	<u>3,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>108,446</u>	<u>(7,599)</u>	<u>243</u>	<u>(3,000)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(104,660)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(104,660)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	3,786	(7,599)	243	(3,000)
Fund Balances at Beginning of Year	<u>90,337</u>	<u>32,798</u>	<u>4,862</u>	<u>12,818</u>
Fund Balances at End of Year	<u>\$ 94,123</u>	<u>\$ 25,199</u>	<u>\$ 5,105</u>	<u>\$ 9,818</u>

SPECIAL REVENUE

TBF Grant Fund	Lone Star Library Grant Fund	Tocker Grant Fund	BTOP Grant Fund	Library Memorial Fund	DEA Forfeiture Fund	Police Dept. Training Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	31,851	-	-	-
6	4	7	56	62	88	29
-	-	-	-	480	4,368	-
<u>6</u>	<u>4</u>	<u>7</u>	<u>31,907</u>	<u>542</u>	<u>4,456</u>	<u>29</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	875	7
-	-	-	-	-	-	-
20	-	1,740	32,311	65	-	-
-	-	-	-	-	-	2,156
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>20</u>	<u>-</u>	<u>1,740</u>	<u>32,311</u>	<u>65</u>	<u>875</u>	<u>2,163</u>
<u>(14)</u>	<u>4</u>	<u>(1,733)</u>	<u>(404)</u>	<u>477</u>	<u>3,581</u>	<u>(2,134)</u>
242	-	-	186	-	-	-
-	(70)	(116)	-	-	-	-
<u>242</u>	<u>(70)</u>	<u>(116)</u>	<u>186</u>	<u>-</u>	<u>-</u>	<u>-</u>
228	(66)	(1,849)	(218)	477	3,581	(2,134)
<u>(228)</u>	<u>66</u>	<u>1,849</u>	<u>-</u>	<u>4,338</u>	<u>5,223</u>	<u>3,987</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (218)</u>	<u>\$ 4,815</u>	<u>\$ 8,804</u>	<u>\$ 1,853</u>

CITY OF CASTROVILLE
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND BALANCE (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	SPECIAL REVENUE		DEBT SERVICE	
	Court Security Fund	Court Technology Fund	2003 C.O. I&S Fund	2004 C.O. I&S Fund
REVENUES				
Ad Valorem Taxes	\$ -	\$ -	\$ 20,072	\$ 61,535
Other Taxes	-	-	-	-
Charges for Services	4,131	5,456	-	-
Intergovernmental Revenue	-	-	-	-
Interest Income	182	248	277	329
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>4,313</u>	<u>5,704</u>	<u>20,349</u>	<u>61,864</u>
EXPENDITURES				
<i>Current:</i>				
General Administration	-	-	215	274
Public Safety				
Municipal Court	916	21,683	-	-
Police Department	-	-	-	-
Public Transportation				
Streets	-	-	-	-
Culture and Recreation				
Library	-	-	-	-
<i>Capital Outlay</i>	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	70,000	30,555
Interest and Fiscal Charges	-	-	52,913	29,964
TOTAL EXPENDITURES	<u>916</u>	<u>21,683</u>	<u>123,128</u>	<u>60,793</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,397</u>	<u>(15,979)</u>	<u>(102,779)</u>	<u>1,071</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	104,660	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>104,660</u>	<u>-</u>
Net Change in Fund Balance	3,397	(15,979)	1,881	1,071
Fund Balances at Beginning of Year	<u>17,581</u>	<u>24,903</u>	<u>2,404</u>	<u>11,633</u>
Fund Balances at End of Year	<u><u>\$ 20,978</u></u>	<u><u>\$ 8,924</u></u>	<u><u>\$ 4,285</u></u>	<u><u>\$ 12,704</u></u>

DEBT SERVICE	CAPITAL PROJECTS	TOTAL
2006 Tax Notes Fund	Capital Improvement Fund	Total Non Major Funds
\$ 34,916	\$ -	\$ 116,523
-	-	37,486
-	-	122,459
-	-	31,851
60	171	3,531
-	-	5,270
<u>34,976</u>	<u>171</u>	<u>317,120</u>
5	144	49,400
-	-	22,599
-	-	882
-	-	5,940
-	-	34,136
-	-	2,156
33,000	-	133,555
2,580	-	85,457
<u>35,585</u>	<u>144</u>	<u>334,125</u>
<u>(609)</u>	<u>27</u>	<u>(17,005)</u>
-	11,035	116,123
<u>-</u>	<u>-</u>	<u>(104,846)</u>
<u>-</u>	<u>11,035</u>	<u>11,277</u>
(609)	11,062	(5,728)
<u>5,517</u>	<u>(11,062)</u>	<u>207,026</u>
<u>\$ 4,908</u>	<u>\$ -</u>	<u>\$ 201,298</u>

