

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM
and
PRELIMINARY OFFICIAL STATEMENT**

CITY OF CASTROVILLE, TEXAS

(A Political Subdivision of the State of Texas Located in Medina County, Texas)

\$10,000,000*

**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2022
(THE “CERTIFICATES”)**

<p>To be Designated by the City as “QUALIFIED TAX-EXEMPT OBLIGATIONS”</p>
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**Bids due
Tuesday, January 11, 2022
at
11:00 A.M., Central Time**

*Preliminary, subject to change based on bid structures. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES” in the Official Notice of Sale relating to the Certificates.

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Certificates defined and described herein. The invitation for bids on the Certificates is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

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OFFICIAL NOTICE OF SALE

\$10,000,000*

CITY OF CASTROVILLE, TEXAS

(A political subdivision of the State of Texas located in Medina County, Texas)

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The City Council (the "City Council") of the City of Castroville, Texas (the "City" or the "Issuer") is offering for sale at competitive bid its \$10,000,000* Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates").

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Tuesday, January 11, 2022. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Tuesday, January 11, 2022 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

OPENING OF BIDS: Bids will be opened and publicly read at 11:00 A.M., Central Time, on Tuesday, January 11, 2022, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the "Financial Advisor") and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or his representative shall award the Certificates as described in the section entitled "AWARD AND SALE OF THE CERTIFICATES" below.

AWARD AND SALE OF THE CERTIFICATES: By 12:00 P.M. Noon, Central Time, on the date set for receipt of bids, the Mayor of the City or his representative shall tentatively award the Certificates to the **low qualified bidder (the "Winning Bidder")**, as described in the section entitled "**CONDITIONS OF SALE – Basis of Award**" herein **subject to final approval of the City Council which will take action to adopt an ordinance (the "Ordinance")** authorizing the issuance and awarding sale of the Certificates or will reject all bids promptly at a scheduled meeting to commence at 5:00 P.M. Central Time on Tuesday, January 11, 2022. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

*Preliminary, subject to change based on bid structures. See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" herein.

THE CERTIFICATES

DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES: The Certificates will be dated January 1, 2022 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on February 1, 2023, and semiannually on each August 1 and February 1 thereafter until the earlier of stated maturity or prior redemption. The Certificates will be issued as fully registered Certificates in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Certificates (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.) The Certificates will be stated to mature on August 1 in each of the following years in the following amounts:

MATURITY SCHEDULE (Due August 1)

Stated Maturity	Principal Amount*	Stated Maturity	Principal Amount*
2024	\$25,000	2034	\$570,000
2025	210,000	2035	590,000
2026	330,000	2036	615,000
2027	450,000	2037	635,000
2028	465,000	2038	655,000
2029	480,000	2039	680,000
2030	500,000	2040	705,000
2031	515,000	2041	730,000
2032	535,000	2042	755,000
2033	555,000		

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$10,000,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates, not to exceed five term certificates (the “Term Certificates”).

MANDATORY SINKING FUND REDEMPTION: If the Winning Bidder designates principal amounts to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on August 1 of the first year which has been combined to form such Term Certificate and continuing on August 1 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The City reserves the right, at its option, to redeem the Certificates maturing on or after August 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described in the Preliminary Official Statement.

*Preliminary, subject to change. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES”.

SECURITY FOR PAYMENT: The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council on January 11, 2022. The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a continuing, direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of surplus net revenues of the City's gas system. See "THE CERTIFICATES – Security for Payment" in the Official Statement.

OTHER TERMS AND COVENANTS: Other terms of the Ordinance and the various covenants of the City contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

SUCCESSOR PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Certificates are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than 102% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Certificates (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the City. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") to the date of initial delivery of the Certificates, relating to the excludability of interest on the Certificates from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (on or before the date of initial delivery of the Certificates) a certification as to their initial offering prices of the Certificates (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale (see "ESTABLISHMENT OF ISSUE PRICE" herein).

ESTABLISHMENT OF ISSUE PRICE:

The City intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal Certificates), which require, among other things, that the City receives bids from at least three underwriters of municipal Certificates who have established industry reputations for underwriting new issuances of municipal Certificates (the "Competitive Sale Requirement").

In the event that the bidding process does not satisfy the Competitive Sale Requirement, Bids will **not** be subject to cancellation and the winning bidder (i) agrees to promptly report to the City the first prices at which at least 10% of each maturity of the Certificates (the "First Price Maturity") have been sold to the Public on the Sale Date (the "10% Test") (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the- offering-price of each maturity of the Certificates that does not satisfy the 10% Test ("Hold-the-Price Maturity"), as described below.

In order to provide the City with information that enables it to comply with the establishment of the issue price of the Certificates under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the City or to the City's municipal advisor, SAMCO Capital Markets, Inc. (the "City's Financial Advisor") the appropriate certification as to the Certificates' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions, at least 5 business days before the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any

maturity of the Certificates for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the City. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale and Bidding Instructions:

- (i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party,
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public),
- (iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "Sale Date" means the date that the Certificates are awarded by the City to the winning bidder.

All actions to be taken by the City under this Notice of Sale and Bidding Instructions to establish the issue price of the Certificates may be taken on behalf of the City by the City's Financial Advisor, and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

The City will consider any bid submitted pursuant to this Notice of Sale and Bidding Instructions to be a firm offer for the purchase of the Certificates, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Certificates of each maturity allocated to it until either all such Certificates have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Certificates of that maturity, (B) to promptly notify the winning bidder of any sales of Certificates that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Certificates of each maturity allocated to it until either all such Certificates have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Certificates of that maturity. Sales of any Certificates to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale and Bidding Instruction.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Certificates, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the City when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" for a description of the City's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "City of Castroville, Texas" in the amount of \$200,000, which is 2% of the par value of the Certificates (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Certificates are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Certificates; however, should the Purchaser fail or refuse to take up and pay for the Certificates, said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted

separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Certificates has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

It is the obligation of the City to receive information from Winning Bidder if bidder is not a publicly traded business entity (a “Privately Held Bidder”). Pursuant to Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the City may not award the Certificates to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the City as prescribed by the Texas Ethics Commission (“TEC”). In the event that a Privately Held Bidder’s bid for the Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City’s conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Castroville, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Castroville CO2022) and description of the goods or services (Purchase of the City of Castroville, Texas Combination Tax and Revenue Certificates of Obligation, Series 2022). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC’s “electronic portal” to the City. The executed Disclosure Form must be sent by email to the City’s financial advisor at mmcliney@samcocapital.com and to the City’s bond counsel at kcooper@mphlegal.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made “under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder’s obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at <https://www.ethics.state.tx.us/filinginfo/1295>.

ADDITIONAL CONDITIONS OF AWARD - REQUIRED CERTIFICATIONS AND VERIFICATION’S BY WINNING BIDDER:

Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, as amended, and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott Israel” means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

VERIFICATION PURSUANT TO CHAPTERS 2252 AND 2270 OF THE TEXAS GOVERNMENT CODE:

Each bidder, through submittal of an executed Official Bid Form, represents that neither it nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>; <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or federal law and excludes our company and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

No Boycotting of Energy Companies. To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, each bidder, through submittal of an executed Official Bid Form, represents and verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of the contract. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott energy companies” shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. By submitting a bid, each bidder acknowledges that it understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

No Discrimination of Firearm Entities or Firearm Trade Associations. To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislative Session, “SB 19”), Texas Government Code, as amended, each bidder, through submittal of an executed Official Bid Form, verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any,

- (1) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and
- (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association.

The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” (A) means, with respect to the entity or association, to (i) refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association; (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; and (B) does not include: (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories; and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship: (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency; or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association. By submitting a bid, each bidder acknowledges that it understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

Additional Evidence of Compliance with State Law. In addition to the ABOVE verifications made BY SUBMITTING A BID, each bidder agrees, should it be the winning bidder, to COOPERATE WITH THE CITY AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW. SUCH ACTION MAY INCLUDE PROVIDING the City WITH a stand-alone letter (ADDRESSED DIRECTLY TO THE city AND THE ATTORNEY GENERAL OF TEXAS), in a form acceptable to the City, executed by its general counsel, a managing director, chief compliance officer, or other comparable officer acceptable to the City, providing further verification and confirmation of compliance with the matters set forth above.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the “Rule”), of the United States Securities and Exchange Commission (“SEC”), the City and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE: The City has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the City deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the City of the initial offering yields of the Certificates.

The City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a “designated electronic format” (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board (“MSRB”). The City consents to the distribution of such documents in a “designated electronic format.” Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The City will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The City does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the City intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the City makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

FINAL OFFICIAL STATEMENT: In addition to delivering the Official Statement in a "designated electronic format", the City will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Certificates, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the City and the Certificates to subsequent purchasers of the Certificates, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The City consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The City's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Certificates to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Certificates have been sold to ultimate customers.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Certificates, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the City will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the City to do so will terminate when the City delivers the Certificates to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Certificates have been sold to ultimate customers, in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Certificates) until all of the Certificates have been sold to ultimate customers.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Certificate (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) except as otherwise disclosed in the official statement there has been no material adverse change in the financial condition of the City since the date of the last financial statements of the City appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the City.

CONTINUING DISCLOSURE AGREEMENT: The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: Other than the following, during the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule. On May 18, 2020 the City was two months late in the filing of its' 2019 Audit and Continuing Disclosure tables.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL CERTIFICATES: The initial delivery of the Certificates to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of \$10,000,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Certificate for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Certificate"), signed by manual, electronic, or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually or electronically signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificate, they shall be immediately canceled and one Certificate for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Certificate must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Certificates. It is anticipated that Initial Delivery of the Initial Certificate can be made on or about February 9, 2022, but if for any reason the City is unable to make delivery by February 9, 2022, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Certificates. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES: Upon payment for the Initial Certificate at the time of such delivery, the Initial Certificate is to be canceled by the Paying Agent/Registrar and registered definitive Certificates delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Certificates shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Certificate, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Certificate and delivery of registered definitive Certificates may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid by the City; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Certificates is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Certificate, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE", all as described below. In addition, if the City fails to comply with its obligations described under "OFFICIAL STATEMENT- FINAL OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Certificates by delivering written notice to the City within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligation of the Purchaser to take up and pay for the Certificates, and of the City to deliver the Initial Certificate, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificate, there shall have been no material adverse change in the affairs of the City subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Certificates are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

CHANGE IN TAX-EXEMPT STATUS: At any time before the Certificates are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Certificates shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Certificates surrendered for exchange or transfer.

RECORD DATE: The record date ("Record Date") for determining the party to whom the semiannual interest on the Certificates is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

RATING: A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

SALE OF ADDITIONAL OBLIGATIONS: The City currently has no plans to issue additional ad valorem tax supported debt in 2022.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE: No registration statement relating to the Certificates has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Certificates have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Certificates, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Certificates are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from www.samcocapital.com.

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Certificates, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

/s/

Mayor,
City of Castroville, Texas

ATTEST:

/s/

City Secretary,
City of Castroville, Texas

December 21, 2021

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OFFICIAL BID FORM

Honorable Mayor and City Council
City of Castroville
1209 Fiorella Street
Castroville, Texas 78009

December 21, 2021

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated December 21, 2021, which terms are incorporated by reference to this proposal (and which are agreed to as evidenced by our submission of this bid), we hereby submit the following bid for \$10,000,000 (preliminary, subject to change) CITY OF CASTROVILLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022, dated January 1, 2022 (the "Certificates").

For said legally issued Certificates, we will pay you \$_____ (being a price of no less than 102% of the par value) plus accrued interest from their date to the date of delivery to us for Certificates maturing August 1 and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2024	\$25,000		2034	\$570,000	
2025	210,000		2035	590,000	
2026	330,000		2036	615,000	
2027	450,000		2037	635,000	
2028	465,000		2038	655,000	
2029	480,000		2039	680,000	
2030	500,000		2040	705,000	
2031	515,000		2041	730,000	
2032	535,000		2042	755,000	
2033	555,000				

**Maturities available for Term Certificates.*

Our calculation (which is not part of this bid) of the True Interest
Cost from the above is: _____%

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Certificates, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$10,000,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the eligible principal maturities set forth in the table above, we have created term certificates (the "Term Certificates") as indicated in the following table (which may include no more than five Term Certificates. For those years which have been combined into a Term Certificate, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year. The Term Certificates created are as follows:

Term Certificate Maturity Date August 1	Year of First Mandatory Redemption	Principal Amount of Term Certificate	Interest Rate
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

The Initial Certificate shall be registered in the name of _____, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the _____ Bank, _____, Texas, in the amount of \$200,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 A.M., Central Time, on Wednesday, February 9, 2022, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Certificates to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Certificates in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

The undersigned hereby verifies that, at the time of execution and delivery of this bid, to the extent this Official Bid Form is a contract for goods or services, neither the bidder nor any syndicate member listed on this Official Bid Form, nor any parent company, wholly-or majority-owned subsidiaries, and other affiliates of the same, if any, boycotts Israel or will boycott Israel through the date of delivery of the Certificates. The foregoing verification is made solely to comply with Section 2271, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The bidder understands "affiliate" to mean an entity that (i) controls, is controlled by, or is under common control with the bidder or any syndicate member listed on this Official Bid Form and (ii) exists to make a profit.

By submission of this bid, and as a condition of the award and delivery of the Certificates, the undersigned hereby represents that, neither the bidder nor any syndicate member listed on this Official Bid Form, nor any parent company, wholly-or majority-owned subsidiaries, and other affiliates of the same, if any, are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder, any syndicate member listed on this Official Bid Form and each parent company, wholly-or majority-owned subsidiaries, and other affiliates of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The bidder understands "affiliate" to mean any entity that (i) controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form and (ii) exists to make a profit.

To the extent this Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, the undersigned represents and verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of the contract. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies" shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. The undersigned bidder understands

“affiliate” to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislative Session, “SB 19”), Texas Government Code, as amended, the undersigned verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any,

- (1) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and
- (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association.

The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” (A) means, with respect to the entity or association, to (i) refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association; (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; and (B) does not include: (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories; and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship: (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency; or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association. The undersigned bidder understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

In addition to the ABOVE verifications, the undersigned agrees to COOPERATE WITH THE CITY AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW. SUCH ACTION MAY INCLUDE PROVIDING the city WITH a stand-alone letter (ADDRESSED DIRECTLY TO THE city AND THE ATTORNEY GENERAL OF TEXAS), in a form acceptable to the City, executed by its general counsel, a managing director, chief compliance officer, or other comparable officer acceptable to the City, providing further verification and confirmation of compliance with the matters set forth above.

For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading “ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM”, complete an electronic form of the Certificate of Interested Parties Form 1295 (the “Disclosure Form”) through the Texas Ethics Commission’s (the “TEC”) electronic portal and the resulting certified Disclosure Form that is generated by the TEC’s electronic portal will be printed, signed, and sent by email to the City’s financial advisor at mmcliney@samcocapital.com and Bond Counsel at kcooper@mphlegal.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

By: _____
Authorized Representative

Telephone Number

E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Castroville, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 11th day of January 2022.

/s/ _____
Mayor,
City of Castroville, Texas

ATTEST:

/s/ _____
City Secretary,
City of Castroville, Texas

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\$10,000,000*
CITY OF CASTROVILLE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2022

ISSUE PRICE CERTIFICATE

(Sales where at least 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Combination Tax and Revenue Certificates of Obligation, Series 2022 issued by the City of Castroville, Texas ("Issuer") in the principal amount of \$_____ ("Certificates"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Certificates by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Certificates with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Certificates, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Certificates used by the Purchaser in formulating its bid to purchase the Certificates.

(b) The Purchaser had an equal opportunity to bid to purchase the Certificates and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Certificates.

(d) The Purchaser has ☐/has not ☐ purchased bond insurance for the Certificates. The bond insurance has been purchased from _____ (the "Insurer") for a fee of \$_____ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Certificates, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public) to participate in the initial sale of the Certificates to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _____.

_____, as Purchaser

By: _____

Name: _____

*Preliminary, subject to change.

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SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "Applied For"
(See "OTHER PERTINENT INFORMATION - Rating" herein)

**PRELIMINARY OFFICIAL STATEMENT
December 21, 2021**

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

\$10,000,000*
CITY OF CASTROVILLE, TEXAS
(A political subdivision of the State of Texas located in Medina County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

Dated Date: January 1, 2022

Due: August 1, as shown on inside cover

The \$10,000,000* City of Castroville, Texas Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Castroville, Texas (the "City" or the "Issuer") on January 11, 2022. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the City payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law. The Certificates are additionally secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the net revenues derived from the operation of the City's gas system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from January 1, 2022 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2023, until the earlier of stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (i) constructing, installing and acquiring additions, extensions and improvements to the City's water, sewer, electric and gas systems; (ii) designing, acquiring, constructing, renovating, improving, and equipping various City streets and sidewalks, including necessary utilities relocation, streetlights, drainage, and landscaping necessary or incidental thereto; (iii) acquiring, constructing, equipping and improving municipal parks and recreational facilities; (iv) purchasing and acquiring equipment and vehicles for various City departments, including water, sewer, electric, utility administration, police and parks departments; and (v) paying fiscal and engineering fees in connection with such projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS,
CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about February 9, 2022.

BIDS DUE TUESDAY, JANUARY 11, 2022, BY 11:00 A.M., CENTRAL TIME

* Preliminary, subject to change.

\$10,000,000*
CITY OF CASTROVILLE, TEXAS
(A political subdivision of the State of Texas located in Medina County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

MATURITY SCHEDULE*

CUSIP Prefix No. 148697 ⁽¹⁾

<u>Stated Maturity August 1</u>	<u>Principal Amount*</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix⁽¹⁾</u>
2024	\$25,000			
2025	210,000			
2026	330,000			
2027	450,000			
2028	465,000			
2029	480,000			
2030	500,000			
2031	515,000			
2032	535,000			
2033	555,000			
2034	570,000			
2035	590,000			
2036	615,000			
2037	635,000			
2038	655,000			
2039	680,000			
2040	705,000			
2041	730,000			
2042	755,000			

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after August 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as one or more "Term Certificates" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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CITY OF CASTROVILLE TEXAS
1209 Fiorella Street
Castroville, Texas 78009
Telephone: (830) 931-4070)

ELECTED OFFICIALS

Name	On Council Since	Term Expires (May)	Occupation
Darrin Schroeder Mayor	2021	2023	Regional IT Ops. Manager
Sheena Martinez Councilmember, District 1	2021	2023	Retired Military
Paul Carey Councilmember, District 2	2021	2023	Surveyor (Land)
Phil King Councilmember, District 3	2020	2022	Consultant Engineer
Todd Tschirhart Councilmember, District 4	2020	2022	Retired
Herb Dyer Councilmember, District 5	2020	2022	Retired Military

ADMINISTRATION

Name	Position	Length of Service With the City (years)
Scott Dixon	City Administrator	1
Leroy Vidales	Finance Director	3
Debra Howe	City Secretary	14

CONSULTANTS AND ADVISORS

Bond Counsel McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

Certified Public AccountantsArmstrong, Vaughn & Associates, P.C.
San Antonio, Texas

Financial AdvisorSAMCO Capital Markets, Inc.
San Antonio, Texas

For Additional Information Please Contact:

Mr. Scott Dixon
City Administrator
City of Castroville
1209 Fiorella Street
Castroville, Texas 78009
Phone: (830) 931-4070
scott.dixon@castrovilletx.gov

Mr. Mark M. McLiney
Mr. Andrew T. Friedman
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
mmcliney@samcocapital.com
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the “Rule”), and in effect on the date of this Preliminary Official Statement, this document constitutes an “official statement” of the Issuer with respect to the Certificates that has been “deemed final” by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING EITHER THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM as such information is provided by DTC, OR THE BOND INSURER, IF ANY, AND ITS MUNICIPAL BOND INSURANCE POLICY.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the Purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Castroville, Texas (the “City” or “Issuer”) is a political subdivision of the State of Texas, located in Medina County 20 miles west of San Antonio on US Highway 90. The City operates as a Type A general law city under the constitution and laws of the State of Texas. The City’s 2020 population according to the U.S. Census Bureau is 3,229. See Appendix B – “General Information Regarding the City of Castroville, Texas and Medina County, Texas” herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code and an ordinance (the “Ordinance”) to be adopted by the City Council of the City, on January 11, 2022. (See “THE CERTIFICATES - Authority for Issuance” herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct and general obligations of the City payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the net revenues derived from the operation of the City’s gas system (the “System”), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding. (See “THE CERTIFICATES – Security for Payment” herein.)
Qualified Tax-Exempt Obligations	The Issuer will designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS - Qualified Tax-Exempt Obligations” herein.)
Redemption Provisions of the Certificates	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after August 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a “Term Certificate” and such “Term Certificates” would also be subject to mandatory sinking fund redemption. (See “THE CERTIFICATES - Redemption Provisions of the Certificates” herein.)
Tax Matters	In the opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, as Bond Counsel to the District, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof. (See “TAX MATTERS” and “APPENDIX C - Form of Opinion of Bond Counsel” herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City’s contractual obligations incurred for the purpose of (i) constructing, installing and acquiring additions, extensions and improvements to the City’s water, sewer, electric and gas systems; (ii) designing, acquiring, constructing, renovating, improving, and equipping various City streets and sidewalks, including necessary utilities relocation, streetlights, drainage, and landscaping necessary or incidental thereto; (iii) acquiring, constructing, equipping and improving municipal parks and recreational facilities; (iv) purchasing and acquiring equipment and vehicles for various City departments, including water, sewer, electric, utility administration, police and parks departments; and (v) paying fiscal and engineering fees in connection with such projects. (See “THE CERTIFICATES – Use of Certificate Proceeds” herein.)
Rating	A municipal bond rating application has been made to S&P Global Ratings (“S&P”). The outcome of the results will be made available to the Purchaser as soon as possible. (See “OTHER PERTINENT INFORMATION - Rating” herein.)

Payment Record

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

Future Debt Issues

The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2022.

Delivery

When issued, anticipated on or about February 9, 2022.

Legality

Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel.

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PRELIMINARY OFFICIAL STATEMENT
relating to

\$10,000,000*

CITY OF CASTROVILLE, TEXAS

(A political subdivision of the State of Texas located in Medina County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Castroville, Texas (the “City” or the “Issuer”) of its \$10,000,000* Combination Tax and Revenue Certificates of Obligation, Series 2022 (the “Certificates”) identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the “State”) and a municipal corporation organized and existing under the Constitution and laws of the State of Texas. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined below). Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the City’s undertaking to provide certain information on a continuing basis.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas (the “State”). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID- 19 in the United States.

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic which has been subsequently extended and remains in effect. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on March 2, 2021 (but effective as of March 10, 2021), the Governor issued Executive Order GA-34, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, the Governor issued Executive Order GA-36, which rescinds certain provisions of GA-34 and provides that no governmental entity, including the City, may require any person to wear a face covering or to mandate that another person wear a face covering and subjects a governmental entity or official to a fine of up to \$1,000 for noncompliance, subject to certain exceptions. Certain public entities and officials in the State have filed lawsuits challenging the enforcement of Executive Order GA-36. Many of those lawsuits are in various stages of litigation and have not been fully resolved at this time. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

* Preliminary, subject to change.

In general, the City, and the receipt of its primary revenue sources, including ad valorem taxes, sales and use taxes, and revenues from its waterworks and sewer utility system have not been materially negatively impacted by the Pandemic to date. With the reopening of businesses and the general upswing in economic activity throughout the State in recent months, the City does not expect the Pandemic will have a negative impact on the City or its operations and the collection of revenues from its various sources.

The full extent of the ongoing impact of COVID-19 on the City's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration, spread, and worsening of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition.

Convening of the Texas Legislature

The Governor has called three special sessions of the 87th Texas Legislature. The third special session adjourned on October 19, 2021, and the Governor may call additional special sessions that could materially affect the City and/or its finances. The City makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed and final legislation for any developments applicable to the City.

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated January 1, 2022 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2023, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council") on January 11, 2022.

Security for Payment

The Certificates constitute direct and general obligations of the City payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law. (See "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein). In addition, and solely to comply with State law allowing the Certificates to be sold for cash, the Certificates are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the net revenues derived from the operation of the City's gas system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. In the Certificate Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after August 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, two or more consecutive maturities of the Certificates may be grouped together as a "Term Certificate" by the Purchaser, and such "Term Certificates" would also be subject to mandatory sinking fund redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (i) constructing, installing and acquiring additions, extensions and improvements to the City's water, sewer, electric and gas systems; (ii) designing, acquiring, constructing, renovating, improving, and equipping various City streets and sidewalks, including necessary utilities relocation, streetlights, drainage, and landscaping necessary or incidental thereto; (iii) acquiring, constructing, equipping and improving municipal parks and recreational facilities; (iv) purchasing and acquiring equipment and vehicles for various City departments, including water, sewer, electric, utility administration, police and parks departments; and (v) paying fiscal and engineering fees in connection with such projects.

Sources and Uses

Sources	
Par Amount of the Certificates	\$ _____
Accrued Interest on the Certificates	_____
[Net] Reoffering Premium	_____
Total Sources of Funds	_____
Uses	
Project Fund Deposit	\$ _____
Purchaser's Discount	_____
Interest and Sinking Fund Deposit	_____
Costs of Issuance	_____
Total Uses	_____

Payment Record

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. City officials are authorized to restrict such eligible securities as deemed appropriate in connection with the sale of the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson*") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or

bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15th) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like

aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See “BOOK-ENTRY-ONLY SYSTEM” herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

INVESTMENT POLICIES

The City invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the City Council of the City. Both State law and the City's investment policies are subject to change.

Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Current Investments ⁽¹⁾

TABLE 1

As of December 31, 2021, the City held investments as follows (unaudited):

<u>Type of Security</u>	<u>Market Value</u>	<u>Percentage of Total</u>
Checking Accounts (including Money Market Accounts)	\$12,127,080	100%
Total	\$12,127,080	

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

⁽¹⁾ Unaudited.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Medina County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements – Chapter 380 Economic Development Agreement

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

During the year ended September 30, 2020, the City approved an economic development agreement between the City and the Hwy 90 Castroville Partners, LTD. The agreement allows the City to reimburse the Developer in the form of ad valorem tax grants an amount not to exceed \$23,596,331 upon the Developer’s performing certain obligations as defined in the agreement. The ad valorem tax grants represent 100% of city ad valorem property taxes levied for purposed other than payment of debt service and up to 100% of city sales and hotel occupancy taxes as imposed and collected within a proposed development. As the agreement was signed on September 24, 2019 and there have been no taxes paid yet, the City has made no payments during the previous and current fiscal year.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

City and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$50 million for the 2020 tax year and \$50.6 million for the 2021 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “TAX RATE LIMITATIONS – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City’s Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

The Property Tax Code as Applied to the City

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and Medina County Appraisal District does collect taxes for the City.

The City does not permit split payments, and discounts are/are not allowed.

The City does not tax freeport property.

The City has adopted a tax abatement policy and does not have any existing tax abatement agreements. (If any, please send contracts)

The City does participate in tax increment financing zones.

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TAX MATTERS

Opinion

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (i) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (ii) the Certificates will not be treated as "specified private activity bonds", the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates (see "APPENDIX C - Form of Opinion of Bond Counsel").

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate, and (b) covenants of the City contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates and the property financed therewith. Failure by the City to observe the aforementioned representations or covenants, could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of the issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations, and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed with the proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificateholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates (the "Original Issue Discount Certificates") may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated

maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Certificates, although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to withholding under Sections 1471 through 1474 or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” 38 described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a “bank,” as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The Certificates will be designated, as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the City covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as “qualified tax-exempt obligations.” **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Certificates would not be “qualified tax-exempt obligations.”**

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org, as further described below under “Availability of Information”.

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 180 days after the close of the Issuer’s fiscal year. The Issuer’s fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer’s audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City will file certain updated financial information and operating data with the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement in Table 1 hereof, Tables 1 through 11 of Appendix A to this Official Statement, and in Appendix D. The Issuer will update and provide this information within six months after the end of each fiscal year of the City beginning in the year 2021. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer’s annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer’s current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Certificates. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchasers from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

Compliance with Prior Agreements

Other than the following, during the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule. On May 18, 2020, the City was two months late in the filing of its' 2019 Audit and Continuing Disclosure tables.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

At the time of the initial delivery of the Certificates, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "OTHER PERTINENT INFORMATION – Rating" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

Rating

A municipal bond rating application for the Certificates has been made to S&P Global Ratings ("S&P"). The outcome of the result will be made available as soon as possible. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and Ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Certificates.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (previously defined as the “Purchaser” or the “Initial Purchaser”) to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a [net] reoffering premium of \$_____, less a Purchaser’s discount of \$_____, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2020, the date of the last financial statements of the City appearing in the Official Statement.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

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Concluding Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the City's records, audited financial statements and other sources which the City considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Certificates by the Purchaser.

This Official Statement will be approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF CASTROVILLE, TEXAS

/s/

Mayor
City of Castroville, Texas

ATTEST:

/s/

City Secretary
City of Castroville, Texas

APPENDIX A

**FINANCIAL INFORMATION RELATING TO
THE CITY OF CASTROVILLE, TEXAS**

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2021 Certified Market Value of Taxable Property (100% of Market Value).....	\$	346,572,543
Less Exemptions:		
Over 65 or Disabled.....	\$	3,049,805
Productivity Loss.....		5,934,400
Veterans' Exemptions.....		7,948,714
Exemptions Miscellaneous.....		10,975,740
Homestead Cap.....		8,815,623
Solar.....		20,050
TOTAL EXEMPTIONS	\$	36,744,332
2021 Certified Assessed Value of Taxable Property.....	\$	309,828,211 *

Source: Medina County Appraisal District

*Includes \$47,954,462 in Taxable Freeze.

GENERAL OBLIGATION BONDED DEBT

(as of December 31, 2021)

General Obligation Debt Principal Outstanding

Tax Notes, Series 2016	\$	275,000
General Obligation Refunding Bonds, Series 2012		580,000
		<u>855,000</u>
Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates")		10,000,000 *
Total Gross General Obligation Debt	\$	<u>10,855,000</u> *
Less: Self Supporting Debt		
Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates")		
(50% W&S)	\$	5,000,000 *
Total Self-Supporting Debt	\$	<u>5,000,000</u> *
Total Net General Obligation Debt Outstanding	\$	<u>5,855,000</u> *
2021 Net Assessed Valuation	\$	309,828,211
Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		3.50% *
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		1.89% *

Population: 2000 - 2,664; 2010 - 2,680; 2020 - 2,954; est. 2021 - 3,229

Per Capita Certified Net 2021 Taxable Assessed Valuation - \$375,549.35

Per Capita Gross General Obligation Debt Principal - \$3,361.72

Per Capita Net General Obligation Debt Principal - \$6,504.24

*Preliminary, subject to change.

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

(As of September 30, 2020)

The City leased a used fuled truck in October 2016. The lease has an effective interest rate of 2.29% and a bargain purchase option of \$1 upon maturity. Future minimum lease payments are as follows:

Year Ending 9/30/21	Lease Payments
2021	\$ 18,361
2022	<u>1,412</u>
	19,773
Less: Interest Amount	(311)
	<u>\$ 19,462</u>

The following is an analysis of the equipment under capital lease as of September 30, 2020:

Transportation & Equipment	\$ 80,000
Less: Accumulated Depreciation	<u>(62,667)</u>
Net Leased Property	<u>\$ 17,333</u>

Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2020.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt	The Certificates*			Combined Debt Service	Less: Self- Supporting Debt	Total Net Debt Service
		Principal	Interest	Total			
2022	\$ 321,183	\$ -	\$ -	\$ -	\$ 321,183	\$ -	\$ 321,183
2023	324,410	-	554,167	554,167	878,577	277,083	601,493
2024	87,350	25,000	350,000	375,000	462,350	187,500	274,850
2025	89,950	210,000	349,125	559,125	649,075	279,563	369,513
2026	82,400	330,000	341,775	671,775	754,175	335,888	418,288
2027	-	450,000	330,225	780,225	780,225	390,113	390,113
2028	-	465,000	314,475	779,475	779,475	389,738	389,738
2029	-	480,000	298,200	778,200	778,200	389,100	389,100
2030	-	500,000	281,400	781,400	781,400	390,700	390,700
2031	-	515,000	263,900	778,900	778,900	389,450	389,450
2032	-	535,000	245,875	780,875	780,875	390,438	390,438
2033	-	555,000	227,150	782,150	782,150	391,075	391,075
2034	-	570,000	207,725	777,725	777,725	388,863	388,863
2035	-	590,000	187,775	777,775	777,775	388,888	388,888
2036	-	615,000	167,125	782,125	782,125	391,063	391,063
2037	-	635,000	145,600	780,600	780,600	390,300	390,300
2038	-	655,000	123,375	778,375	778,375	389,188	389,188
2039	-	680,000	100,450	780,450	780,450	390,225	390,225
2040	-	705,000	76,650	781,650	781,650	390,825	390,825
2041	-	730,000	51,975	781,975	781,975	390,988	390,988
2042	-	755,000	26,425	781,425	781,425	390,713	390,713
Total	<u>\$ 905,293</u>	<u>\$ 10,000,000</u>	<u>\$ 4,643,392</u>	<u>\$ 14,643,392</u>	<u>\$ 15,548,684</u>	<u>\$ 7,321,696</u>	<u>\$ 8,226,988</u>

* Preliminary, subject to change. Interest calculations based on an assumed rate.

TAX ADEQUACY

2021 Certified Assessed Value of Taxable Property	\$ 309,828,211
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2023)	878,576.67 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.2779 *

*Includes the Certificates. Preliminary, subject to change.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (NET OF SELF-SUPPORT)

2021 Certified Assessed Value of Taxable Property	\$ 309,828,211
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2023)	601,493.34 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.1903 *

*Includes the Certificates. Preliminary, subject to change.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding	The Certificates*	Total*		
2022	\$ 300,000		\$ 300,000	\$ 10,555,000	2.76%
2023	310,000	-	310,000	10,245,000	5.62%
2024	80,000	25,000	105,000	10,140,000	6.59%
2025	85,000	210,000	295,000	9,845,000	9.30%
2026	80,000	330,000	410,000	9,435,000	13.08%
2027	-	450,000	450,000	8,985,000	17.23%
2028	-	465,000	465,000	8,520,000	21.51%
2029	-	480,000	480,000	8,040,000	25.93%
2030	-	500,000	500,000	7,540,000	30.54%
2031	-	515,000	515,000	7,025,000	35.28%
2032	-	535,000	535,000	6,490,000	40.21%
2033	-	555,000	555,000	5,935,000	45.32%
2034	-	570,000	570,000	5,365,000	50.58%
2035	-	590,000	590,000	4,775,000	56.01%
2036	-	615,000	615,000	4,160,000	61.68%
2037	-	635,000	635,000	3,525,000	67.53%
2038	-	655,000	655,000	2,870,000	73.56%
2039	-	680,000	680,000	2,190,000	79.82%
2040	-	705,000	705,000	1,485,000	86.32%
2041	-	730,000	730,000	755,000	93.04%
2042	-	755,000	755,000	-	100.00%
Total	\$ 855,000	\$ 10,000,000	\$ 10,855,000		

*Preliminary, subject to change.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2012-2021
TABLE 3

Tax Year	Net Taxable	Change From Preceding Year	
	Assessed Valuation	Amount (\$)	Percent
2012-13	179,013,717	-	0.00%
2013-14	183,335,465	4,321,748	2.41%
2014-15	185,575,917	2,240,452	1.22%
2015-16	186,950,584	1,374,667	0.74%
2016-17	197,460,223	10,509,639	5.62%
2017-18	201,062,518	3,602,295	1.82%
2018-19	210,978,791	9,916,273	4.93%
2019-20	251,957,147	40,978,356	19.42%
2020-21	268,822,974	16,865,827	6.69%
2021-22	309,828,211	41,005,237	15.25%

Source: Medina County Appraisal District.

PRINCIPAL TAXPAYERS 2021
TABLE 4

Name	Type of Business/ Property	2021 Net Taxable Assessed Valuation	% of Total 2021 Assessed Valuation
NORTH PARK CHEVROLET CASTROVILLE	Auto Dealership	\$ 9,491,270	3.06%
BRASK T4 EQUIPMENT LLC	Equipment Supply	8,750,000	2.82%
WAL-MART REAL ESTATE BUSSINES TRUST	Retail Store	8,400,000	2.71%
211 MEADOW DRIVE LLC	Commercial/Housing	4,680,850	1.51%
WALMART STORES, TEXAS LLC	Retail Store	4,631,970	1.50%
NYLE MAXWELL OF CASTROVILLE LLC	Auto Dealership	4,512,930	1.46%
RASTEGAR ROOSEVELT & ZSUZA TRUST	Real Estate	2,869,565	0.93%
AUSTIN MKA INVESTMENTS LTD	Financial Services	2,689,080	0.87%
M2G CASTROVILLE LLC	Real Estate	2,453,420	0.79%
CASTROVILLE CARE CENTER LTD	Nursing Facilities	2,399,610	0.77%
		<u>\$ 50,878,695</u>	<u>16.42%</u>

Source: Medina County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION
TABLE 5

	2021	% of Total	2020	% of Total	2019	% of Total
Real, Residential, Single-Family	\$ 218,988,792	63.19%	\$ 195,678,911	65.79%	\$ 182,135,941	64.89%
Real, Residential, Multi-Family	5,197,120	1.50%	5,135,240	1.73%	5,122,630	1.82%
Real, Vacant Lots/Tracts	8,508,650	2.46%	7,667,820	2.58%	10,552,520	3.76%
Real, Acreage (Land Only)	6,025,660	1.74%	1,963,440	0.66%	1,860,680	0.66%
Real, Farm and Ranch Improvements	1,234,330	0.36%	1,052,090	0.35%	1,176,600	0.42%
Real, Commercial	58,506,081	16.88%	51,955,810	17.47%	46,225,660	16.47%
Real & Tangible, Personal Utilities	682,560	0.20%	806,400	0.27%	663,690	0.24%
Tangible Personal, Commercial	14,333,390	4.14%	13,642,970	4.59%	15,080,600	5.37%
Tangible Personal, Industrial	8,921,450	2.57%	455,460	0.15%	418,070	0.15%
Tangible Personal, Mobile Homes	1,073,680	0.31%	851,260	0.29%	753,880	0.27%
Personal, Other	20,800	0.01%	20,800	0.01%	20,800	0.01%
Special Inventory	12,104,290	3.49%	7,629,290	2.56%	7,093,830	2.53%
Total Exempted Property	10,975,740	3.17%	10,590,490	3.56%	9,596,510	3.42%
Total Market Value	\$ 346,572,543	100.00%	\$ 297,449,981	100.00%	\$ 280,701,411	100.00%
Less:						
Over 65 or Disabled	\$ 3,049,805		\$ 3,036,739		\$ 3,074,474	
Veterans' Exemptions	7,948,714		7,305,028		4,944,056	
Exemptions Misc.	10,975,740		10,590,490		9,596,510	
Productivity Loss	5,934,400		1,940,670		1,817,620	
Homestead Cap	8,815,623		5,734,030		9,291,554	
Solar	20,050		20,050		20,050	
Total Exemptions	\$ 36,744,332		\$ 28,627,007		\$ 28,744,264	
Net Taxable Assessed Valuation	\$ 309,828,211		\$ 268,822,974		\$ 251,957,147	

Source: Medina County Appraisal District

TAX DATA
TABLE 6

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2012	179,013,717	0.454500	813,617	98.68%	99.58%	9/30/2013
2013	183,335,465	0.454500	833,260	94.46%	99.81%	9/30/2014
2014	185,575,917	0.454500	843,443	68.97%	99.74%	9/30/2015
2015	186,950,584	0.499400	933,631	99.10%	99.76%	9/30/2016
2016	197,460,223	0.523233	1,033,177	98.60%	99.59%	9/30/2017
2017	201,062,518	0.504093	1,013,542	94.47%	99.17%	9/30/2018
2018	210,978,518	0.508850	1,073,564	99.23%	100.33%	9/30/2019
2019	251,957,147	0.507771	1,279,365	98.78%	100.65%	9/30/2020
2020	268,822,974	0.495178	1,331,152	99.57%	100.76%	9/30/2021 *
2021	309,828,211	0.523300	1,621,331	(In Process of Collection)		9/30/2022

* Collections as of October 2021.

Source: Medina County Appraisal District, Texas Municipal Reports and the Issuer.

TAX RATE DISTRIBUTION
TABLE 7

	2021	2020	2019	2018	2017
General Fund	\$ 0.4385	\$ 0.4633	\$ 0.4739	\$ 0.4674	\$ 0.4662
I & S Fund	0.0848	\$ 0.0318	\$ 0.0339	\$ 0.0415	\$ 0.0379
Total Tax Rate	\$ 0.5233	\$ 0.4952	\$ 0.5078	\$ 0.5089	\$ 0.5041

Source: Medina County Appraisal District

The City has adopted the provisions of Chapter 321.103(a), as amended, Texas Tax Code (the "Municipal Sales and Use Tax Act") which provides for the maximum levy of a two percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of the Obligations or other indebtedness.

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2012	544,611	66.94%	0.304
2013	604,779	72.58%	0.330
2014	611,020	72.44%	0.329
2015	646,427	69.24%	0.346
2016	724,560	70.13%	0.367
2017	751,104	74.11%	0.374
2018	973,260	90.66%	0.461
2019	1,062,797	99.00%	0.504
2020	1,224,791	95.73%	0.486
2021*	1,142,411	85.82%	0.425

Source: State Comptroller's Office of the State of Texas.

*Collections through October, 2021

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OVERLAPPING DEBT INFORMATION

(As of October 31, 2021)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt (As of 9/30/21)	% Overlapping	Amount Overlapping
Medina County	\$ 28,650,000	6.90%	\$ 1,976,850
Medina Valley ISD	190,617,932	10.62%	20,243,624
Total Gross Overlapping Debt	\$ 219,267,932	17.52%	\$ 22,220,474
City of Castroville			\$ 10,855,000 *
Total Gross Direct and Overlapping Debt			\$ 33,075,474
Ratio of Gross Direct and Overlapping Debt to 2021 Net Assessed Valuation			10.68%
Per Capita Gross Direct and Overlapping Debt			\$ 10,243.26

*Preliminary, subject to change.

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is \$5,855,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Ratio of Net Direct and Overlapping Debt to 2021 Net Assessed Valuation	9.06%
Per Capita Net Direct and Overlapping Debt	\$ 8,694.79

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	Valuation	% of Actual	2021 Tax Rate
Medina County	\$ 4,374,084,631	100%	\$ 0.431200
Medina Valley Independent School District	1,735,505,256	100%	1.344190

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Medina County	None				\$ -
Medina Independent School District	5/4/2019	School Building	107,000,000	92,000,000	\$ 15,000,000
Castroville, City of	None				

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**TABLE 9**

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	<u>9/30/2020*</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Fund Balance - Beginning of Year	\$ 2,424,812	\$ 1,781,536	\$ 1,593,506	\$ 1,378,132	\$ 1,309,141
Revenues	2,932,487	2,863,104	2,590,591	2,245,578	2,158,935
Expenditures	<u>3,036,592</u>	<u>3,052,352</u>	<u>3,302,409</u>	<u>3,000,964</u>	<u>2,988,468</u>
Excess (Deficit) of Revenues Over Expenditures	\$ (104,105)	\$ (189,248)	\$ (711,818)	\$ (755,386)	\$ (829,533)
Other Financing Sources (Uses):					
Transfers In	\$ 853,747	\$ 853,747	\$ 853,747	\$ 932,611	\$ 919,747
Transfers Out	(21,223)	(21,223)	(21,223)	(21,223)	(21,223)
Sales of Assets	-	-	-	59,372	-
Total Other Financing Sources (Uses)	832,524	832,524	832,524	970,760	898,524
Net Change in Fund Balance	728,419	643,276	120,706	215,374	68,991
Prior period adjustment	-	-	67,324	-	-
Fund Balances at the End of Year	<u>\$ 3,153,231</u>	<u>\$ 2,424,812</u>	<u>\$ 1,781,536</u>	<u>\$ 1,593,506</u>	<u>\$ 1,378,132</u>

Source: City's audited financial reports.

*The City anticipates ending the fiscal year 2021 with a general fund balance of \$4,241,883 (unaudited).

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS**TABLE 10**

Information pertaining to the City's Pension plan and other post-employment benefits can be found within the City's Audit under "NOTE H - EMPLOYEE'S RETIREMENT SYSTEMS - Texas Municipal Retirement System".

WATER, SEWER, GAS AND ELECTRIC OPERATING SYSTEM**TABLE 11**

Fiscal Year Ended:	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Revenues	\$ 7,441,004	\$ 7,082,309	\$ 6,919,730	\$ 7,313,615	\$ 6,276,581
Expenses	<u>5,091,936</u>	<u>4,668,070</u>	<u>5,037,404</u>	<u>4,782,462</u>	<u>4,223,273</u>
Net Revenue Available for Debt Service	<u>\$ 2,349,068</u>	<u>\$ 2,414,239</u>	<u>\$ 1,882,326</u>	<u>\$ 2,531,153</u>	<u>\$ 2,053,308</u>
Customer Count:					
Water	1,145	1,122	1,290	1,290	1,068
Sewer	1,031	1,029	999	999	999
Gas	743	741	745	745	745
Electric	1,244	1,206	1,170	1,170	1,170

Source: City's Utility System and Finance Department.

The following rates for Commercial and Residential water, sewer, gas and electric usage was implemented and will become effective on January 1, 2022.

WATER RATES

		<u>Current</u>	<u>Proposed</u> FY 2022
Res. Inside	Cust. Charge	\$ 23.26	\$ 30.00
	0-5,000 Gal.	\$ 4.75	\$ 5.35
	5,001-10,000 Gal.	\$ 5.07	\$ 5.67
	10,001-20,000 Gal.	\$ 5.60	\$ 6.20
	20,001-30,000 Gal.	\$ 5.93	\$ 6.53
	30,001-40,000 Gal.	\$ 6.35	\$ 6.95
	40,001-50,000 Gal.	\$ 6.58	\$ 7.18
	Over 50,000 Gal.	\$ 7.57	\$ 8.17
Res. Outside	Cust. Charge	\$ 27.87	\$ 35.00
	0-5,000 Gal.	\$ 5.92	\$ 6.52
	5,001-10,000 Gal.	\$ 6.34	\$ 6.94
	10,001-20,000 Gal.	\$ 7.00	\$ 7.60
	20,001-30,000 Gal.	\$ 7.41	\$ 8.01
	30,001-40,000 Gal.	\$ 7.81	\$ 8.41
	40,001-50,000 Gal.	\$ 8.22	\$ 8.82
	Over 50,000 Gal.	\$ 9.46	\$ 10.06
Comm. Inside	Cust. Charge	\$ 29.07	\$ 40.00
	0-5,000 Gal.	\$ 4.83	\$ 5.43
	5,001-10,000 Gal.	\$ 5.17	\$ 5.77
	10,001-20,000 Gal.	\$ 5.71	\$ 6.31
	20,001-30,000 Gal.	\$ 6.04	\$ 6.64
	30,001-40,000 Gal.	\$ 6.37	\$ 6.97
	40,001-50,000 Gal.	\$ 6.70	\$ 7.30
	Over 50,000 Gal.	\$ 7.71	\$ 8.31
Comm. Outside	Cust. Charge	\$ 36.34	\$ 45.00
	0-5,000 Gal.	\$ 6.04	\$ 7.39
	5,001-10,000 Gal.	\$ 6.46	\$ 7.81
	10,001-20,000 Gal.	\$ 7.14	\$ 8.49
	20,001-30,000 Gal.	\$ 7.55	\$ 8.90
	30,001-40,000 Gal.	\$ 7.96	\$ 9.31
	40,001-50,000 Gal.	\$ 8.38	\$ 9.73
	Over 50,000 Gal.	\$ 9.64	\$ 10.99

WATER SEWER, GAS AND ELECTRIC OPERATING SYSTEM (Continued)**TABLE 11**

The following rates for Commercial and Residential water, sewer, gas and electric usage was implemented and will become effective on January 1, 2022.

SEWER RATES

		<u>Current</u>	<u>Proposed</u> FY 2022
Res. Inside	Cust. Charge	\$ 20.75	\$ 30.00
	Usage Charge	\$ 8.890	\$ 9.999
Res. Outside	Cust. Charge	\$ 25.93	\$ 30.00
	Usage Charge	\$ 11.110	\$ 12.441
Comm. Inside	Cust. Charge	\$ 29.39	\$ 35.00
	Usage Charge	\$ 8.890	\$ 9.999
Comm. Outside	Cust. Charge	\$ 36.74	\$ 40.00
	Usage Charge	\$ 11.110	\$ 12.441

GAS RATES

		<u>Current</u>	<u>Proposed</u> FY 2022
Res. Inside	Cust. Charge	\$ 11.76	\$ 16.00
	Energy Charge	\$ 0.0090	\$ 0.0090
Res. Outside	Cust. Charge	\$ 14.70	\$ 21.00
	Energy Charge	\$ 0.0113	\$ 0.0113
Comm. Inside	Cust. Charge	\$ 14.37	\$ 21.00
	Energy Charge	\$ 0.0090	\$ 0.0090
Comm. Outside	Cust. Charge	\$ 17.97	\$ 26.00
	Energy Charge	\$ 0.0113	\$ 0.0113

ELECTRIC RATES

		<u>Current</u>	<u>Proposed</u> FY 2022
Res. Inside	Cust. Charge	\$ 9.21	\$ 15.00
	Energy Charge	\$ 0.1278	\$ 0.1128
Res. Outside	Cust. Charge	\$ 11.51	\$ 15.00
	Energy Charge	\$ 0.1597	\$ 0.1128
Senior Inside	Cust. Charge	\$ 8.75	\$ 14.25
	Energy Charge	\$ 0.1214	\$ 0.1072
Senior Outside	Cust. Charge	\$ 10.94	\$ 14.25
	Energy Charge	\$ 0.1518	\$ 0.1072
Comm. Inside	Cust. Charge	\$ 24.19	\$ 35.00
	Energy Charge	\$ 0.1278	\$ 0.1128
Comm. Outside	Cust. Charge	\$ 30.24	\$ 35.00
	Energy Charge	\$ 0.1597	\$ 0.1128

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APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF CASTROVILLE
AND MEDINA COUNTY, TEXAS**

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CITY OF CASTROVILLE

The City of Castroville, Texas (the "City") is located approximately 20 miles west of San Antonio on U.S. Highway 90.

The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' expiring in even-numbered years and the other terms of the three Councilmembers expiring in odd-numbered years. The City Council is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Secretary, City Attorney and Municipal Judges. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the executive directors, and heads of departments, and the performance of functions within the municipal organization.

The City of Castroville provides a full range of services including police, fire, emergency medical service, municipal court, library, parks, water distribution, wastewater collection, solid waste collection, curb-side recycling, streets, storm water drainage, community development (planning, code enforcement, and building inspection), and general administrative services.

Population Trends

<u>US Census Report</u>	<u>City of Castroville</u>	<u>Medina County</u>
2000	2,664	39,304
2010	2,680	46,006
2020	2,954	50,748
Current Estimate	3,229	53,028

Sources: U.S. Census Bureau and the Issuer.

MEDINA COUNTY, TEXAS

Medina County is a political subdivision of the State of Texas and was formed on February 12, 1848 and named after the river that flows through it. The County is traversed by Interstate Highway 35, U.S. Highway 90, State Highway 172, and six farm-to-market-roads. The extreme northern part of the county lies within the Edwards Plateau, which elevates into the Texas Hill Country. The Medina Dam, the fourth largest in the nation when completed in 1913, is listed on the National Register of Historic Places. The irrigation project creating Medina Lake, was built by 1500 skilled workers who worked The County was the fifth largest producing county of oats in Texas in 2016. Hondo serves as the county seat to a county population of approximately 50,748 citizens.

Historically, the County's economic environment has been characterized by steady, yet modest growth. This has been in part because of the diverse nature of the business sectors making up the local economy, without an overwhelming dominance by any one industry. Similarly, local real estate values have demonstrated steady yet modest increases over the past decade.

Principal 2021 Taxpayers Medina County

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>% of Total Taxable Assessed Value</u>
Martin Marietta Materials SW Inc	\$77,851,800	1.75%
Vulcan Materials Co	\$57,390,610	1.29%
Union Pacific Railroad Company	\$47,154,010	1.06%
Electric Transmission Texas	\$32,555,930	0.73%
Martin Marietta Materials Inc.	\$20,914,660	0.47%
Medina Electric COOP Inc.	\$18,871,220	0.43%
Wal-Mart Real Estate Business Trust	\$14,298,110	0.32%
Microsoft Corporation	\$13,726,450	0.31%
M2E4 LLC	\$11,966,060	0.27%
Martin Operating Partnership	\$11,300,000	0.25%

Source: Medina County Appraisal District.

Medina County Labor Force Statistics

	Labor Force Statistics ⁽¹⁾		
	<u>2021</u> ⁽²⁾	<u>2020</u> ⁽³⁾	<u>2019</u> ⁽³⁾
Civilian Labor Force	22,154	21,461	21,785
Total Employed	21,105	20,110	21,094
Total Unemployed	1,049	1,351	691
% Unemployment	4.7	6.4	3.2
Texas Unemployment	5.3	7.6	3.5

(1) Source: Texas Workforce Commission, Texas Labor Market Information.

(2) August 2021.

(3) Average Annual Statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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February __, 2022

CITY OF CASTROVILLE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022
DATED AS OF JANUARY 1, 2022
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____

AS BOND COUNSEL FOR THE CITY OF CASTROVILLE, TEXAS (the "**City**") in connection with the issuance of the certificates of obligation described above (the "**Certificates**"), we have examined into the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Certificates, and which are subject to redemption, all in accordance with the terms and conditions stated in the text of the Certificates.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Certificates including (i) the ordinance authorizing the issuance of the Certificates (the "**Ordinance**"), and (ii) one of the executed Certificates (Certificate No. T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with law; that the Certificates constitute valid and legally binding general obligations of the City in accordance with their terms except as the enforceability thereof may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Certificates and to repay the Certificates; that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law; and that "**Surplus Revenues**" (as such term is defined and described in the Ordinance) received by the City from the ownership and operation of the City's Gas System have been pledged to further secure the payment of the Certificates in the manner set forth in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing



on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986. In expressing the aforementioned opinions, we have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "**Service**"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to



render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and we have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates, and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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CITY OF CASTROVILLE, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2020**





CITY OF CASTROVILLE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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CITY OF CASTROVILLE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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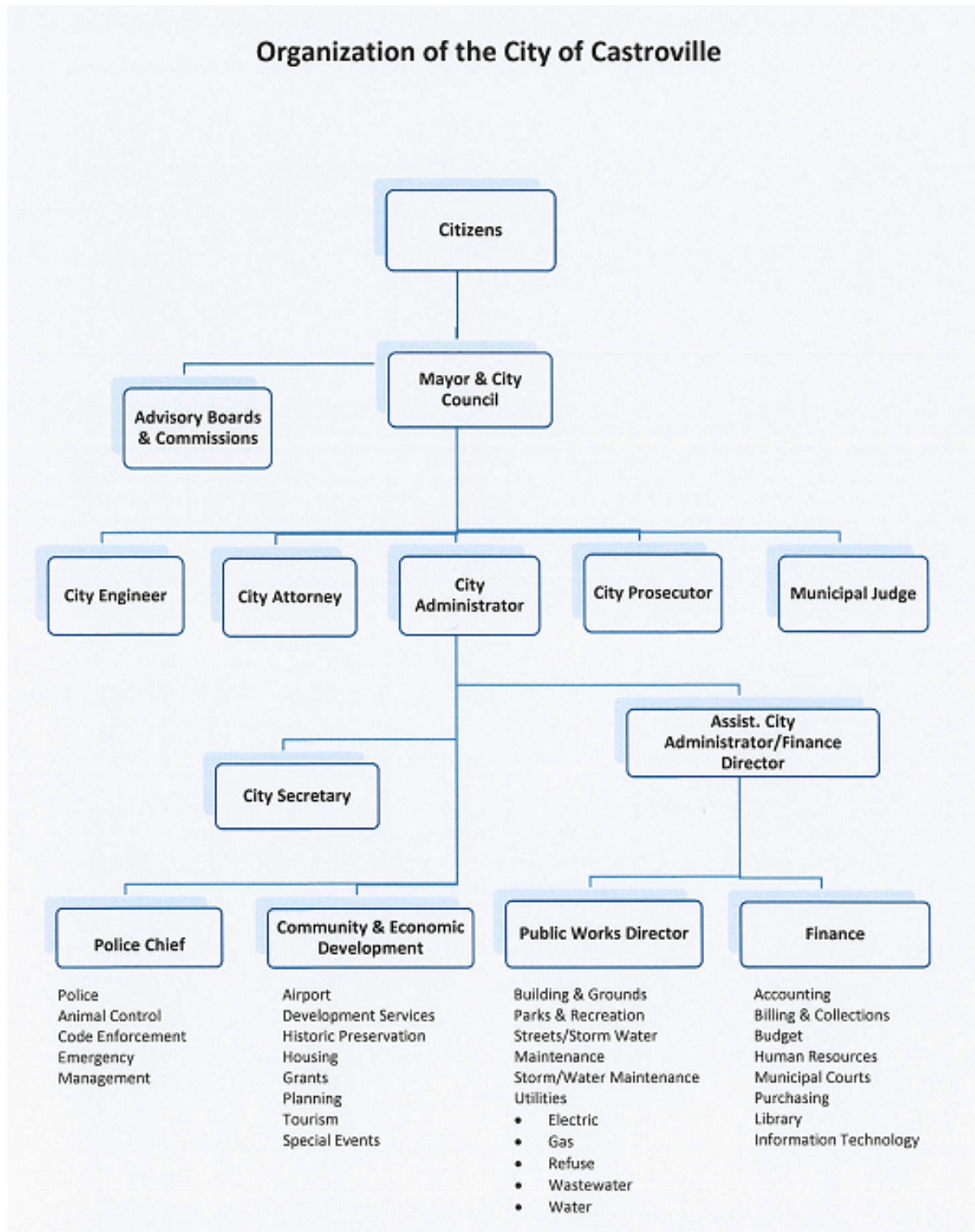
CITY OF CASTROVILLE

PRINCIPAL OFFICERS
AS OF SEPTEMBER 30, 2020

CITY OFFICIALS

MAYOR	VACANT
MAYOR PRO-TEM	DARRIN SCHROEDER
CITY COUNCIL	TODD TSCHIRHART
	PHIL KING
	PAUL CAREY
	SHEENA MARTINEZ
INTERIM CITY ADMINISTRATOR	LEROY VIDALES
ATTORNEY	DENTON, NAVARRO, ROCHA, BERNAL & ZECH

CITY OF CASTROVILLE
ORGANIZATIONAL CHART





Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Castroville, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Castroville's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Castroville, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

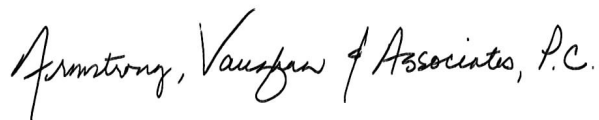
Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and schedule of changes – net pension liability and related ratios as well as Total OPEB liability and related ratios as identified in the Table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

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Castroville's financial statements as a whole. The supplementary information (comparative statements and combining statements) are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is 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 supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

February 25, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Castroville’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

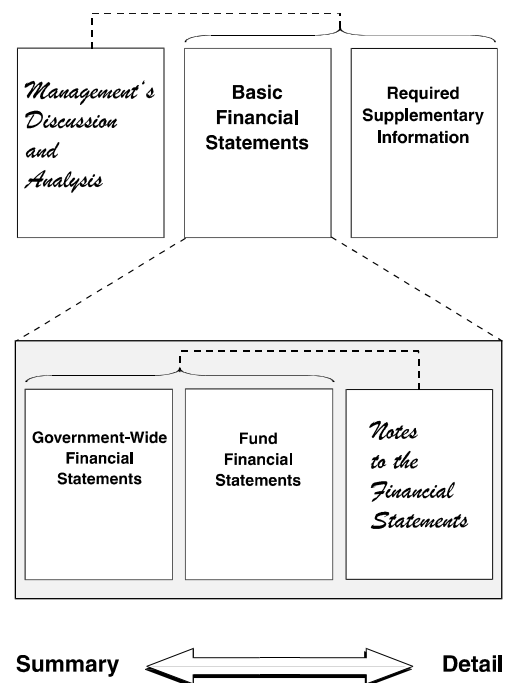
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$25.5 million (total net position) at September 30, 2020. Of this amount, \$7.7 million (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors.
- During the year, the City’s total net position increased by \$2.0 million.
- As of September 30, 2020, the City’s governmental funds reported a combined ending fund balance of \$3.7 million, an increase of \$779 thousand from the prior year.
- The City did not obtain any additional debt during the year ended September 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

Government-Wide Statements

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

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

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

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

The government-wide financial statements can be found on pages 13-16 of this report.

Fund Financial Statements

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

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

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

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

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

The basic governmental fund financial statements can be found beginning on page 17 of this report.

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

The basic proprietary fund financial statements can be found beginning on page 22 of this report.

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

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's adopted budget and the City's progress in funding its obligation to provide pension benefits to its employees. The required supplementary information related to the budget and pension benefits can be found beginning on page 54 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds can be found beginning on pages 63 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$25.5 million at the close of fiscal year 2020.

By far the largest portion of the City's net position (63%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table provides a summary of the City's net assets at September 30, 2020 (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2020 - 2019
<i>Assets:</i>							
Current and Other Assets	\$ 3,892,107	\$ 3,073,690	\$ 6,888,371	\$ 6,553,937	\$ 10,780,478	\$ 9,627,627	12.0
Restricted Assets	-	-	3,467,289	3,506,656	3,467,289	3,506,656	(1.1)
Capital Assets (net)	1,820,924	1,836,561	26,802,617	26,843,294	28,623,541	28,679,855	(0.2)
<i>Total Assets</i>	<u>5,713,031</u>	<u>4,910,251</u>	<u>37,158,277</u>	<u>36,903,887</u>	<u>42,871,308</u>	<u>41,814,138</u>	2.5
<i>Deferred Outflows of Resources</i>	<u>126,931</u>	<u>289,413</u>	<u>74,844</u>	<u>138,624</u>	<u>201,775</u>	<u>428,037</u>	(52.9)
<i>Liabilities:</i>							
Current Liabilities	180,146	145,089	1,101,883	1,046,141	1,282,029	1,191,230	7.6
Long-Term Liabilities	996,637	1,370,020	15,091,661	16,119,587	16,088,298	17,489,607	(8.0)
<i>Total Liabilities</i>	<u>1,176,783</u>	<u>1,515,109</u>	<u>16,193,544</u>	<u>17,165,728</u>	<u>17,370,327</u>	<u>18,680,837</u>	(7.0)
<i>Deferred Inflows of Resources</i>	<u>106,039</u>	<u>25,870</u>	<u>74,707</u>	<u>20,818</u>	<u>180,746</u>	<u>46,688</u>	287.1
<i>Net Position:</i>							
Net Investment in							
Capital Assets	1,211,359	1,095,885	14,993,705	14,190,937	16,205,064	15,286,822	6.0
Restricted	244,622	205,508	1,406,849	1,173,846	1,651,471	1,379,354	19.7
Unrestricted	3,101,159	2,357,292	4,564,316	4,491,182	7,665,475	6,848,474	11.9
<i>Total Net Position</i>	<u>\$ 4,557,140</u>	<u>\$ 3,658,685</u>	<u>\$ 20,964,870</u>	<u>\$ 19,855,965</u>	<u>\$ 25,522,010</u>	<u>\$ 23,514,650</u>	8.5

An additional portion of the City's net position \$1.7 million (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$7.7 million (31%) may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position: The City's net position increased \$2.0 million. (See Table A-2.)

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2020	2019	2020	2019	2020	2019	2020 - 2019
<i>Program Revenues:</i>							
Charges for Services	\$ 526,928	\$ 732,834	\$ 7,971,665	\$ 7,518,162	\$ 8,498,593	\$ 8,250,996	3.0
Operating Grants and Contributions	39,455	4,756	50,000	46,595	89,455	51,351	74.2
Capital Grants and Contributions	-	-	-	-	-	-	0.0
<i>General Revenues:</i>							
Taxes	2,566,069	2,319,995	-	-	2,566,069	2,319,995	10.6
Interest Earnings	28,463	23,060	71,303	88,192	99,766	111,252	(10.3)
Miscellaneous	22,488	50,621	-	70,812	22,488	121,433	(81.5)
TOTAL REVENUES	3,183,403	3,131,266	8,092,968	7,723,761	11,276,371	10,855,027	3.9
<i>Program Expenditures:</i>							
General Administration	898,107	935,816	-	-	898,107	935,816	(4.0)
Public Safety	1,205,552	1,145,685	-	-	1,205,552	1,145,685	5.2
Public Transportation	450,075	387,343	-	-	450,075	387,343	16.2
Culture and Recreation	555,150	628,960	-	-	555,150	628,960	(11.7)
Interest in Debt	19,506	22,370	-	-	19,506	22,370	(12.8)
Utility	-	-	5,268,634	4,846,887	5,268,634	4,846,887	8.7
Airport	-	-	871,987	607,836	871,987	607,836	43.5
TOTAL EXPENSES	3,128,390	3,120,174	6,140,621	5,454,723	9,269,011	8,574,897	8.1
Transfers	843,442	876,954	(843,442)	(876,954)	-	-	0.0
Increase (Decrease) in Net Position after Transfers	<u>\$ 898,455</u>	<u>\$ 888,046</u>	<u>\$ 1,108,905</u>	<u>\$ 1,392,084</u>	<u>\$ 2,007,360</u>	<u>\$ 2,280,130</u>	<u>(12.0)</u>

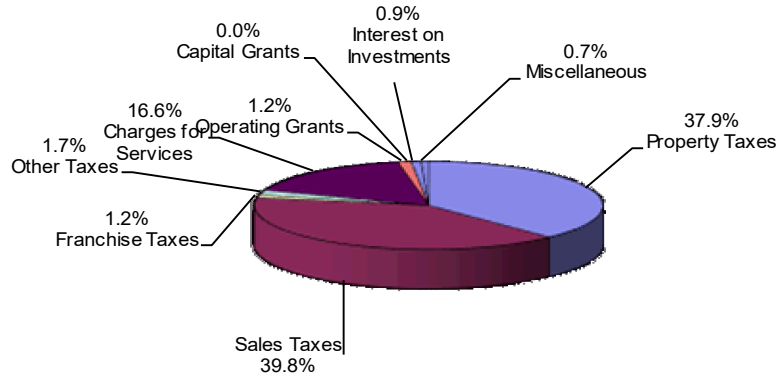
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2020.

Governmental Activities

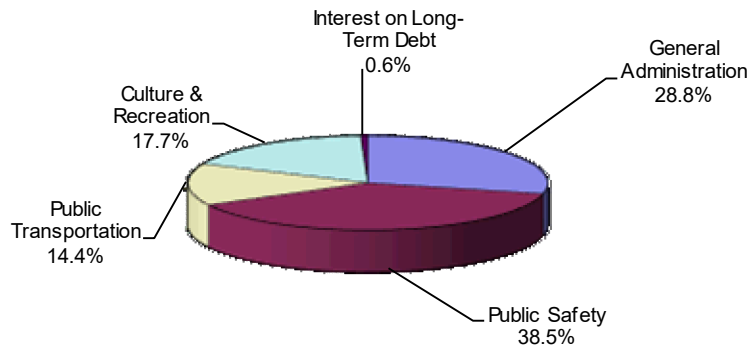
- Ad Valorem taxes increased \$87 thousand from the previous year.
- Sales tax increased \$161 thousand over the previous year.
- Charges for Services decreased \$206 from the previous year.

Governmental activities showed an increase of \$55 thousand before transfers from business-type activities. The business-type activities transferred \$843 thousand to governmental activities resulting in an increase in net position of \$898 thousand.

2020 Governmental Revenues



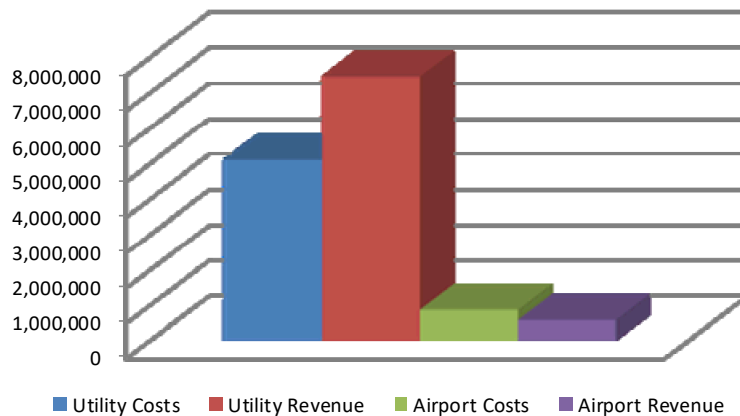
2020 Governmental Function Expenses



Business-Type Activities

Business-type activities increased the City's net position by \$1.1 million after transfers to governmental activities of \$843 thousand. This increase is partially attributed to the increased charges for services for utilities as well as reduction in expenses for the utility fund.

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 \$3.7 million. Of this total amount, \$247 thousand is restricted by constraints imposed by external providers such as grantors and enabling legislation, \$303 thousand is committed and reported in special revenue and capital improvement funds, and \$3.2 million is unassigned in the governmental funds. The unassigned fund balance is the amount available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$3.2 million. The City's general fund balance showed an increase of \$728 thousand during the year. This is attributed to increases in ad valorem tax, sales tax, as well as a slight reduction in overall expenditures from the previous year.

Proprietary funds

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

The unrestricted net position of the Utility Fund at the end of the year amounted to \$4.3 million. The increase in net position was \$1.4 million. This increase is attributable to an increase in utility rates and reduction in expenses. Unrestricted net position of the Airport Fund at the end of the year amounted to \$298 thousand. The decrease in net position was \$259 thousand. This decrease is attributable to depreciation on capital assets. 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 budget amendments that increased approved expenditures from the original budget to the final budget. The general fund revenues were over budget by \$207 thousand as a result of increased ad valorem and sales tax revenue. The general fund expenditures were under budget by \$713 thousand as a result of cost containment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2020, the City had invested \$28.7 million in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles, and infrastructure (See Table A-3.). This amount represents a net decrease (including additions and deductions) of \$56 thousand from last year. The decrease is due to current year depreciation over current year acquisitions. More detailed information about the City's capital assets is presented in the notes to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2020 - 2019
	2020	2019	2020	2019	2020	2019	
Land	\$ 105	\$ 105	\$ 2,297	\$ 2,297	\$ 2,402	\$ 2,402	0.0
Construction in Progress	-	-	2,422	13,032	2,422	13,032	(81.4)
Water Rights	-	-	176	176	176	176	0.0
Buildings and Improvements	601	601	6,542	6,509	7,143	7,110	0.5
Vehicles and Equipment	1,237	1,108	2,073	1,796	3,310	2,904	14.0
Infrastructure	1,814	1,814	22,519	11,830	24,333	13,644	78.3
Totals at Historical Cost	3,757	3,628	36,029	35,640	39,786	39,268	1.3
Total Accumulated Depreciation	(1,936)	(1,791)	(9,227)	(8,797)	(11,163)	(10,588)	5.4
Net Capital Assets	<u>\$ 1,821</u>	<u>\$ 1,837</u>	<u>\$ 26,802</u>	<u>\$ 26,843</u>	<u>\$ 28,623</u>	<u>\$ 28,680</u>	(0.2)

Long Term Debt

At year-end the City had \$15.5 million in bonds and notes outstanding as shown in Table A-4. More detailed information about the City's debt is presented in the notes to the financial statements. The City's S&P rating was upgraded to AA Stable.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2020 - 2019
	2020	2019	2020	2019	2020	2019	
Bonds Payable	\$ 596	\$ 725	\$ 144	\$ 175	\$ 740	\$ 900	(17.8)
Notes Payable	-	-	410	568	410	568	(27.8)
Capital Lease Payable	-	-	19	36	19	36	(47.2)
TWDB Bonds Payable	-	-	14,315	15,020	14,315	15,020	(4.7)
Total Long-Term Debt	<u>\$ 596</u>	<u>\$ 725</u>	<u>\$ 14,888</u>	<u>\$ 15,799</u>	<u>\$ 15,484</u>	<u>\$ 16,524</u>	(6.3)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The General Fund budgeted revenues and other financing sources of transfers in of \$4,130,432 for FY 2021 which is an increase of 8.7% of FY 2020 budgeted revenues and other financing sources. The General Fund budgeted expenditures and other financing uses of transfers out of \$4,130,432 for FY 2021 which is a increase from FY 2020 budgeted expenditures and other financing uses.
- Total ad valorem rates dropped from 0.507771 per \$100 valuation in FY 2020 to 0.495178 per \$100 valuation in FY 2021.
- The population of the City is estimated to be 3,059.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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



BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF CASTROVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 3,756,399	\$ 5,762,674	\$ 9,519,073
Receivables (net of allowances for uncollectibles)			
Ad Valorem Taxes	11,985	-	11,985
Sales & Mixed Beverage Taxes	223,211	-	223,211
Other	21,346	816,634	837,980
Inventory	755	187,474	188,229
Internal Balances	(121,589)	121,589	-
Restricted Assets:			
Cash and Investments	-	1,616,690	1,616,690
Investments Held in Escrow	-	1,850,599	1,850,599
Capital Assets:			
Land	105,330	2,297,441	2,402,771
Construction in Progress	-	2,422,059	2,422,059
Water Rights	-	176,126	176,126
Building and Improvements	600,670	6,542,111	7,142,781
Vehicles and Equipment	1,236,734	2,073,291	3,310,025
Infrastructure	1,814,385	22,518,981	24,333,366
Accumulated Depreciation	(1,936,195)	(9,227,392)	(11,163,587)
TOTAL ASSETS	5,713,031	37,158,277	42,871,308
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	21,098	5,235	26,333
Deferred Pension Related Outflows	95,496	60,926	156,422
Deferred OPEB Related Outflows	10,337	8,683	19,020
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 126,931	\$ 74,844	\$ 201,775

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 97,334	\$ 837,025	\$ 934,359
Accrued Expenses	79,830	38,375	118,205
Accrued Interest Payable	2,982	29,891	32,873
<i>Payable from Restricted Assets:</i>			
Customer Deposits	-	196,592	196,592
<i>Noncurrent Liabilities:</i>			
Due within One Year	134,627	889,229	1,023,856
Due in more than One Year	496,036	14,007,461	14,503,497
Compensated Absences	56,447	38,705	95,152
Net Pension Liability	201,294	92,898	294,192
Total OPEB Liability	108,233	63,368	171,601
TOTAL LIABILITIES	1,176,783	16,193,544	17,370,327
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	104,928	74,114	179,042
Deferred OPEB Related Inflows	1,111	593	1,704
TOTAL DEFERRED INFLOWS OF RESOURCES	106,039	74,707	180,746
NET POSITION			
Net Investment in Capital Assets	1,211,359	14,993,705	16,205,064
Restricted	244,622	1,406,849	1,651,471
Unrestricted	3,101,159	4,564,316	7,665,475
TOTAL NET POSITION	\$ 4,557,140	\$ 20,964,870	\$ 25,522,010

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Administration	\$ 898,107	\$ 100,930	\$ 34,221	\$ -
Public Safety	1,205,552	194,030	3,185	-
Public Transportation	450,075	104,350	-	-
Culture and Recreation	555,150	127,618	2,049	-
Interest on Long-term Debt	19,506	-	-	-
Total Governmental Activities	3,128,390	526,928	39,455	-
Business-Type Activities				
Utility	5,268,634	7,441,004	-	-
Airport	871,987	530,661	50,000	-
Total Business-Type Activities	6,140,621	7,971,665	50,000	-
Total Primary Government	\$ 9,269,011	\$ 8,498,593	\$ 89,455	\$ -
General Revenues:				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Franchise Taxes				
Other Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (762,956)	\$ -	\$ (762,956)
(1,008,337)	-	(1,008,337)
(345,725)	-	(345,725)
(425,483)	-	(425,483)
(19,506)	-	(19,506)
<u>(2,562,007)</u>	<u>-</u>	<u>(2,562,007)</u>
-	2,172,370	2,172,370
<u>-</u>	<u>(291,326)</u>	<u>(291,326)</u>
<u>-</u>	<u>1,881,044</u>	<u>1,881,044</u>
<u>(2,562,007)</u>	<u>1,881,044</u>	<u>(680,963)</u>
1,205,706	-	1,205,706
1,270,493	-	1,270,493
37,136	-	37,136
52,734	-	52,734
28,463	71,303	99,766
22,488	-	22,488
<u>2,617,020</u>	<u>71,303</u>	<u>2,688,323</u>
<u>843,442</u>	<u>(843,442)</u>	<u>-</u>
898,455	1,108,905	2,007,360
<u>3,658,685</u>	<u>19,855,965</u>	<u>23,514,650</u>
<u>\$ 4,557,140</u>	<u>\$ 20,964,870</u>	<u>\$ 25,522,010</u>

CITY OF CASTROVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 3,186,491	\$ 569,908	\$ 3,756,399
Receivables (net of allowance):			
Property Taxes	11,190	795	11,985
Sales & Mixed Beverage Taxes	223,211	-	223,211
Other Receivables	4,567	16,779	21,346
Due from Other Funds	46,791	11,702	58,493
Inventory	755	-	755
TOTAL ASSETS	<u>\$ 3,473,005</u>	<u>\$ 599,184</u>	<u>\$ 4,072,189</u>
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 96,219	\$ 1,115	\$ 97,334
Accrued Expenditures	79,074	756	79,830
Due to Other Funds	133,291	46,791	180,082
<i>Total Liabilities</i>	<u>308,584</u>	<u>48,662</u>	<u>357,246</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Revenue - Property Tax	11,190	795	11,985
<i>Total Deferred Inflows of Resources</i>	<u>11,190</u>	<u>795</u>	<u>11,985</u>
<i>Fund Balances:</i>			
Nonspendable	755	-	755
Restricted	-	246,809	246,809
Committed	-	302,918	302,918
Unassigned	3,152,476	-	3,152,476
<i>Total Fund Balances</i>	<u>3,153,231</u>	<u>549,727</u>	<u>3,702,958</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, & FUND BALANCES	<u>\$ 3,473,005</u>	<u>\$ 599,184</u>	<u>\$ 4,072,189</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 3,702,958
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,820,924
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		11,985
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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	(56,447)		
Deferred Charge on Refunding	21,098		
Bonds Payable	<u>(630,663)</u>		(666,012)

Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.

Net Pension Liability	(201,294)		
Pension Related Deferred Outflows	95,496		
Pension Related Deferred Inflows	<u>(104,928)</u>		(210,726)

Total OPEB liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.

Total OPEB Liability	(108,233)		
OPEB Related Deferred Outflows	10,337		
OPEB Related Deferred Inflows	<u>(1,111)</u>		(99,007)

Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.

		<u>(2,982)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 4,557,140</u>
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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, 2020

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Ad Valorem Taxes	\$ 1,121,765	\$ 80,381	\$ 1,202,146
Sales Taxes	1,270,493	-	1,270,493
Franchise Fees	37,136	-	37,136
Other Taxes	4,873	47,861	52,734
Licenses and Permits	95,840	-	95,840
Charges for Services	132,709	111,621	244,330
Fines and Forfeitures	186,758	-	186,758
Intergovernmental Revenue	38,269	1,186	39,455
Interest Income	23,132	5,331	28,463
Miscellaneous	21,512	976	22,488
TOTAL REVENUES	2,932,487	247,356	3,179,843
EXPENDITURES			
<i>Current:</i>			
General Administration			
City Administration	217,969	53,040	271,009
Finance	300,201	-	300,201
City Council	37,609	-	37,609
City Secretary	122,697	-	122,697
Information Technology	99,736	-	99,736
Human Resources	10,485	-	10,485
Non-Departmental	36,854	-	36,854
Public Safety			
Animal Control	62,149	-	62,149
Community Development	175,376	-	175,376
Municipal Court	98,308	2,499	100,807
Police Department	822,857	48	822,905
Public Transportation			
Streets	371,539	638	372,177
Culture and Recreation			
Library	165,128	51	165,179
Parks	256,562	-	256,562
RV Park	34,666	-	34,666
Pool	77,533	-	77,533
<i>Capital Outlay</i>	146,923	-	146,923
<i>Debt Service:</i>			
Principal	-	128,900	128,900
Interest and Fiscal Charges	-	22,362	22,362
TOTAL EXPENDITURES	3,036,592	207,538	3,244,130
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$ (104,105)	\$ 39,818	\$ (64,287)

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 853,747	\$ 138,409	\$ 992,156
Transfers Out	(21,223)	(127,491)	(148,714)
TOTAL OTHER FINANCING SOURCES (USES)	<u>832,524</u>	<u>10,918</u>	<u>843,442</u>
Net Change in Fund Balance	728,419	50,736	779,155
Fund Balances at Beginning of Year	<u>2,424,812</u>	<u>498,991</u>	<u>2,923,803</u>
Fund Balances at End of Year	<u><u>\$ 3,153,231</u></u>	<u><u>\$ 549,727</u></u>	<u><u>\$ 3,702,958</u></u>

See accompanying notes to basic financial statements.



CITY OF CASTROVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS			\$ 779,155
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays.			
			(15,637)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
			3,560
The issuance of long-term debt (e.g. bonds, leases,) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Principal Repayments on Bonds	128,900		
Amortization of Deferred Charges & Premiums	<u>2,210</u>		131,110
Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that the contributions exceeded the actuarially determined pension expense.			
			24,196
Governmental funds report required contributions to other post-employment benefits as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plan. This is the amount that the actuarially determined OPEB expense exceeded contributions.			
			(10,746)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Change in Compensated Absences	(13,828)		
Change in Accrued Interest	<u>645</u>		<u>(13,183)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES			<u>\$ 898,455</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2020

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
ASSETS			
<i>Current Assets:</i>			
Cash and Investments	\$ 5,470,066	\$ 292,608	\$ 5,762,674
Receivables (net of allowance)	806,539	10,095	816,634
Due from Other Funds	121,371	48,973	170,344
Inventory	170,839	16,635	187,474
<i>Total Current Assets</i>	<u>6,568,815</u>	<u>368,311</u>	<u>6,937,126</u>
<i>Restricted Assets:</i>			
Cash and Cash Equivalents	1,616,690	-	1,616,690
Investments Held in Escrow	1,850,599	-	1,850,599
<i>Total Restricted Assets</i>	<u>3,467,289</u>	<u>-</u>	<u>3,467,289</u>
<i>Non-Current Assets:</i>			
Capital Assets, Net of Accumulated			
Depreciation	18,943,947	7,858,670	26,802,617
<i>Total Non-Current Assets</i>	<u>18,943,947</u>	<u>7,858,670</u>	<u>26,802,617</u>
TOTAL ASSETS	<u>28,980,051</u>	<u>8,226,981</u>	<u>37,207,032</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	-	5,235	5,235
Deferred Pension Related Outflows	53,383	7,543	60,926
Deferred OPEB Related Outflows	7,766	917	8,683
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 61,149</u>	<u>\$ 13,695</u>	<u>\$ 74,844</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)
SEPTEMBER 30, 2020

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 834,639	\$ 2,386	\$ 837,025
Accrued Expenses	34,758	3,617	38,375
Due to Other Funds	11,612	37,143	48,755
Accrued Interest Payable	29,173	718	29,891
Current Portion of Long Term Debt	840,000	49,229	889,229
<i>Total Current Liabilities</i>	<u>1,750,182</u>	<u>93,093</u>	<u>1,843,275</u>
<i>Liabilities Payable from Restricted Assets:</i>			
Customer Deposits	<u>196,592</u>	<u>-</u>	<u>196,592</u>
<i>Non-Current Liabilities:</i>			
Compensated Absences	35,067	3,638	38,705
Net Pension Liability	78,713	14,185	92,898
Total OPEB Liability	55,094	8,274	63,368
Long-Term Debt	<u>13,885,000</u>	<u>122,461</u>	<u>14,007,461</u>
<i>Total Non-Current Liabilities</i>	<u>14,053,874</u>	<u>148,558</u>	<u>14,202,432</u>
TOTAL LIABILITIES	<u>16,000,648</u>	<u>241,651</u>	<u>16,242,299</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	65,481	8,633	74,114
Deferred OPEB Related Inflows	<u>511</u>	<u>82</u>	<u>593</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>65,992</u>	<u>8,715</u>	<u>74,707</u>
NET POSITION			
Net Investment in Capital Assets	7,301,490	7,692,215	14,993,705
Restricted	1,406,849	-	1,406,849
Unrestricted	<u>4,266,221</u>	<u>298,095</u>	<u>4,564,316</u>
TOTAL NET POSITION	<u>\$ 12,974,560</u>	<u>\$ 7,990,310</u>	<u>\$ 20,964,870</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
OPERATING REVENUES			
Charges for Services	\$ 7,359,773	\$ 511,242	\$ 7,871,015
Fines and Forfeitures	72,230	4,323	76,553
Operating Grants	-	50,000	50,000
Miscellaneous Revenues	9,001	15,096	24,097
TOTAL OPERATING REVENUES	7,441,004	580,661	8,021,665
OPERATING EXPENSES			
Personnel Services	1,074,782	124,279	1,199,061
Supplies	98,521	2,637	101,158
Other Services and Charges	1,295,793	498,362	1,794,155
Electric Purchases	1,772,126	-	1,772,126
Gas Purchases	118,287	-	118,287
Sanitation Services	468,274	-	468,274
Depreciation and Amortization	264,153	241,868	506,021
TOTAL OPERATING EXPENSES	5,091,936	867,146	5,959,082
OPERATING INCOME (LOSS)	2,349,068	(286,485)	2,062,583
NONOPERATING REVENUES (EXPENSES)			
Interest Income	68,902	2,401	71,303
Interest and Fiscal Charges	(176,698)	(4,841)	(181,539)
TOTAL NONOPERATING REVENUES (EXPENSES)	(107,796)	(2,440)	(110,236)
Net Income (Loss) Before Transfers	2,241,272	(288,925)	1,952,347
Transfers In	-	36,338	36,338
Transfers Out	(873,780)	(6,000)	(879,780)
	(873,780)	30,338	(843,442)
CHANGE IN NET POSITION	1,367,492	(258,587)	1,108,905
NET POSITION AT BEGINNING OF YEAR	11,607,068	8,248,897	19,855,965
NET POSITION AT END OF YEAR	\$ 12,974,560	\$ 7,990,310	\$ 20,964,870

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 7,512,124	\$ 591,883	\$ 8,104,007
Cash Paid to Employee Wages & Benefits	(1,080,354)	(99,641)	(1,179,995)
Cash Paid to Suppliers for Goods and Services	(3,771,012)	(494,214)	(4,265,226)
Net Cash Provided (Used) by Operating Activities	2,660,758	(1,972)	2,658,786
Cash Flows From Noncapital Financing Activities:			
Interfund Payables	30,198	(27,568)	2,630
Transfer (to) from Other Funds	(873,780)	30,338	(843,442)
Net Cash Provided (Used) by Noncapital Financing Activities	(843,582)	2,770	(840,812)
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(465,344)	-	(465,344)
Retirement of Long-Term Debt	(840,000)	(71,525)	(911,525)
Interest and Fiscal Charges Paid	(176,980)	(5,115)	(182,095)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,482,324)	(76,640)	(1,558,964)
Cash Flows From Investing Activities:			
Investment Interest Received	68,902	2,401	71,303
Net Cash Provided (Used) by Investing Activities	68,902	2,401	71,303
Net Increase (Decrease) in Cash and Cash Equivalents	403,754	(73,441)	330,313
Cash and Investments at Beginning of Year:			
Cash and Investments	5,026,945	366,049	5,392,994
Restricted Cash and Investments	3,506,656	-	3,506,656
	<u>8,533,601</u>	<u>366,049</u>	<u>8,899,650</u>
Cash and Investments at End of Year:			
Cash and Investments	5,470,066	292,608	5,762,674
Restricted Cash and Investments	3,467,289	-	3,467,289
	<u>\$ 8,937,355</u>	<u>\$ 292,608</u>	<u>\$ 9,229,963</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	Totals
	Utility Fund	Airport Fund	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 2,349,068	\$ (286,485)	\$ 2,062,583
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	264,153	241,868	506,021
(Increase) Decrease in Operating Assets:			
Accounts Receivable	57,751	11,222	68,973
Inventory	(49,876)	13,519	(36,357)
Increase (Decrease) in Current Liabilities:			
Accounts Payable	31,865	(6,734)	25,131
Accrued Expenses	17,233	1,438	18,671
Customer Deposits	13,369	-	13,369
Compensated Absences	10,969	486	11,455
Net Pension Liability and Related Deferred Inflows and Outflows	(34,666)	15,275	(19,391)
Total OPEB Liability and Related Deferred Inflows and Outflows	892	7,439	8,331
Total Adjustments to Reconcile Operating Activities	311,690	284,513	596,203
Net Cash Provided (Used) by Operating Activities	\$ 2,660,758	\$ (1,972)	\$ 2,658,786

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

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

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

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 60 days of the end of the current fiscal period.

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

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

The City reports the following major governmental funds:

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.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

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

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

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

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

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).

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

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

5. INVESTMENTS (Continued)

Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, government investment pools, and certificates of deposit. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

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

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2019 and past due after January 31, 2020. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Revenues for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are billable services for certain contracts and billable services for the City's water utilities, sewer services, and solid waste management. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts. The allowances for uncollectible property taxes and utility customer accounts as of September 30, 2020 are \$15,678 and \$35,381, respectively.

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

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

8. INVENTORY

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

9. RESTRICTED ASSETS

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

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

10. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

11. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

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

11. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under the modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resource in the period the amounts become available. The City also has pension-related deferred inflows.

12. UNEARNED REVENUE

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

13. COMPENSATED ABSENCES

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

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

14. LONG-TERM OBLIGATIONS

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

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.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

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

15. PENSIONS

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

16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

17. FUND EQUITY

Fund balances in governmental funds are classified as follows:

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

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

Committed – Represents amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision making authority. The governing council is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

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

18. NET POSITION

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

19. INTERFUND TRANSACTIONS

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

20. OPERATING REVENUES AND EXPENSES

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

21. USE OF ESTIMATES

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

NOTE B -- DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Deposits

At September 30, 2020, the carrying amount of the City's cash on hand was \$1,420, the carrying amount of deposits in bank was \$11,134,343, and the bank balance was \$11,215,166. The bank balance was covered by federal deposit insurance at Castroville State Bank for \$250,000 as well as the City's depository had pledged securities having a face value of \$13,200,000 and market value of \$11,910,625 as collateral for the City's deposits. All of the City's cash was fully collateralized.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

2. Investments

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. The Act requires that the Council review the investment policy at least annually, investment officers obtain minimum investment training, and investment officers sign quarterly investment reports submitted to Council. Audit procedures in this area, conducted as part of the basic financial statements, disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act in all material respects. Additionally, investment practices of the City were in accordance with local policies.

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

The City's investment policy further prioritizes investments as: (1) safety, (2) liquidity, (3) public trust, and (4) yield.

	Fair Value	Weighted Average Maturity (Days)
Held in Escrow:		
Invesco Govt and Agency Investment Fund	\$ 1,850,599	34
Total Investments	<u>\$ 1,850,599</u>	<u>34</u>

All investments are valued using prices quoted in active markets (Level 1 inputs).

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.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

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

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.

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 exposure to concentration of credit risk as \$2,091,658 was held at a single financial institution as this represents the amounts held in escrow by the Texas Water Development Board in the City's name.

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

4. Investment Accounting Policy

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

5. Held in Escrow

The amount of funds approved by the Texas Water Development Board but not yet drawn down by the City is held in escrow by the Texas Water Development Board in the City's name. The amount held in escrow as of September 30, 2020 was \$1,850,599.

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, 2019, upon which the fiscal 2020 levy was based, was \$209,392,632 (i.e., market value less exemptions). The estimated market value was \$280,701,411, making the taxable value 74.6% 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, 2020, was \$0.507771 per \$100 of assessed value, which means that the City has a tax margin of \$1.992229 for each \$100 value and could increase its annual tax levy by approximately \$4,171,581 based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

NOTE D -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2020 are as follows:

	General Fund	Nonmajor Governmental Funds	Utility Fund	Airport Fund
Franchise Fees	\$ 4,567	\$ -	\$ -	\$ -
Occupancy Tax	-	16,779	-	-
Customer Receivables, Net of Allowance for Uncollectibles	-	-	806,539	10,095
Total Other Receivables	<u>\$ 4,567</u>	<u>\$ 16,779</u>	<u>\$ 806,539</u>	<u>\$ 10,095</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

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, 2020, the following balances were due between funds:

Receivable Fund	Payable Fund	Amount	Reason
General Fund	Nonmajor Governmental Fund	\$ 46,791	Reimbursement for Costs
Utility Fund	General Fund	84,228	Reimbursement for Costs
Utility Fund	Airport Fund	37,143	Reimbursement for Costs
Airport Fund	General Fund	48,973	Reimbursement for Costs
Nonmajor Governmental Fund	General Fund	90	Reimbursement for Costs
Nonmajor Governmental Fund	Utility Fund	11,612	Reimbursement for Costs
		<u>\$ 228,837</u>	

Transfers during the year ended September 30, 2020, were as follows:

Transfer In	Transfers Out	Amount	Purpose
General Fund	Utility Fund	\$ 847,747	In support of admin costs
General Fund	Airport Fund	6,000	Supplement Funding
Nonmajor Governmental Fund	General Fund	21,223	Supplement Funding
Nonmajor Governmental Fund	Nonmajor Governmental Fund	91,153	In support of debt service
Nonmajor Governmental Fund	Utility Fund	26,033	In support of debt service
Airport Fund	Nonmajor Governmental Fund	36,338	In support of debt service
		<u>\$ 1,028,494</u>	

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

<i>Governmental Activities</i>	Balance 10/1/2019	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2020
Land	\$ 105,330	\$ -	\$ -	\$ 105,330
Buildings and Improvements	600,670	-	-	600,670
Vehicles and Equipment	1,107,590	129,144	-	1,236,734
Infrastructure	1,814,385	-	-	1,814,385
	<u>3,627,975</u>	<u>129,144</u>	<u>-</u>	<u>3,757,119</u>
Less Accumulated Depreciation				
Buildings and Improvements	(310,411)	(21,549)	-	(331,960)
Vehicles and Equipment	(886,913)	(89,137)	-	(976,050)
Infrastructure	(594,090)	(34,095)	-	(628,185)
	<u>(1,791,414)</u>	<u>(144,781)</u>	<u>-</u>	<u>(1,936,195)</u>
Governmental Capital Assets, Net	<u>\$ 1,836,561</u>	<u>\$ (15,637)</u>	<u>\$ -</u>	<u>\$ 1,820,924</u>
<i>Business-Type Activities</i>	Balance 10/1/2019	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2020
Land	\$ 2,297,441	\$ -	\$ -	\$ 2,297,441
Construction in Progress	13,031,951	79,481	(10,689,373)	2,422,059
Water Rights	176,126	-	-	176,126
Buildings and Improvements	6,509,311	32,800	-	6,542,111
Vehicles and Equipment	1,795,788	353,063	(75,560)	2,073,291
Infrastructure	11,829,608	-	10,689,373	22,518,981
	<u>35,640,225</u>	<u>465,344</u>	<u>(75,560)</u>	<u>36,030,009</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,999,897)	(133,330)	-	(2,133,227)
Vehicles and Equipment	(1,082,311)	(115,685)	75,560	(1,122,436)
Infrastructure	(5,714,723)	(257,006)	-	(5,971,729)
	<u>(8,796,931)</u>	<u>(506,021)</u>	<u>75,560</u>	<u>(9,227,392)</u>
Business-Type Capital Assets, Net	<u>\$ 26,843,294</u>	<u>\$ (40,677)</u>	<u>\$ -</u>	<u>\$ 26,802,617</u>

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE F -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the functions as follows:

Governmental Activities:

General Administration	\$ 13,893
Public Safety	47,491
Public Transportation	67,830
Culture and Recreation	<u>15,567</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 144,781</u></u>

Business-Type Activities:

Utility	\$ 264,153
Airport	<u>241,868</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 506,021</u></u>

NOTE G -- LONG-TERM DEBT

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

Public Borrowings

A summary of the general obligation debt is as follows:

Issue Amount	Maturity	Interest Rate	Balance
General Obligation Refunding Bonds:			
2012 Series	2026	2.0 - 3.0%	<u><u>\$ 740,000</u></u>

The City issued General Obligation Refunding Bonds, Series 2012 on October 30, 2012 in the amount of \$2,020,000 to advance refund 1) General Obligation Refunding Bonds, Series 2004 in the amount of \$200,000; 2) Certificates of Obligation, Series 2003 in the amount of \$960,000; and 3) Certificates of Obligation, Series 2004 in the amount of \$860,000.

Private Placement Note Agreements

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE G -- LONG-TERM DEBT (Continued)

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

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

Changes in Long-Term Debt

	Balance 10/01/19	Additions	Reductions	Balance 9/30/2020	Due Within One Year
<i>Governmental Activities:</i>					
2012 Refunding Bonds	\$ 725,200	\$ -	\$ (128,900)	\$ 596,300	\$ 128,900
2012 Premium on Bonds	40,090	-	(5,727)	34,363	5,727
<i>Total Governmental Activities</i>	<u>765,290</u>	<u>-</u>	<u>(134,627)</u>	<u>630,663</u>	<u>134,627</u>
<i>Business-Type Activities:</i>					
2012 Refunding Bonds	174,800	-	(31,100)	143,700	31,100
2012 Premium on Bonds	9,949	-	(1,421)	8,528	1,421
TXDOT Note	22,673	-	(22,673)	-	-
Capital Lease - Jet Refueler	35,793	-	(16,331)	19,462	16,708
TWDB - DWSRF	140,000	-	(35,000)	105,000	35,000
TWDB - DWSRF - Construction	2,925,000	-	(170,000)	2,755,000	170,000
TWDB - CWSRF	160,000	-	(40,000)	120,000	40,000
TWDB - CWSRF - Construction	2,460,000	-	(145,000)	2,315,000	145,000
Series 2015 Revenue Bonds	7,930,000	-	(270,000)	7,660,000	270,000
TWDB - CWSRF - Additional	1,405,000	-	(45,000)	1,360,000	45,000
Series 2016 Tax Notes	545,000	-	(135,000)	410,000	135,000
<i>Total Business-Type Activities</i>	<u>15,808,215</u>	<u>-</u>	<u>(911,525)</u>	<u>14,896,690</u>	<u>889,229</u>
 Total Primary Government	 <u>\$ 16,573,505</u>	 <u>\$ -</u>	 <u>\$ (1,046,152)</u>	 <u>\$ 15,527,353</u>	 <u>\$ 1,023,856</u>

The total deferred charges remaining on the refunding is \$26,333 as of September 30, 2020 and is shown on the Statement of Net Position as a deferred outflow of resources.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE G -- LONG-TERM DEBT (Continued)

Annual requirements to amortize all bonded debt outstanding as of September 30, 2020 are as follows:

Year Ending September 30,	Public Offerings			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 128,900	\$ 17,893	\$ 31,100	\$ 4,307
2022	132,900	14,024	32,100	3,376
2023	137,000	10,035	33,000	2,415
2024	64,500	5,924	15,500	1,426
2025	68,500	3,990	16,500	960
2026	64,500	1,934	15,500	466
	<u>\$ 596,300</u>	<u>\$ 53,800</u>	<u>\$ 143,700</u>	<u>\$ 12,950</u>

Year Ending September 30,	Private Placement - Business-Type Activities			
	Notes Payable		TWDB Agreements	
	Principal	Interest	Principal	Interest
2021	\$ 135,000	\$ 5,470	\$ 705,000	\$ 169,203
2022	135,000	3,783	705,000	167,934
2023	140,000	980	720,000	165,352
2024	-	-	645,000	161,790
2025	-	-	645,000	157,878
2026 - 2030	-	-	3,315,000	701,781
2031 - 2035	-	-	3,545,000	487,819
2036 - 2040	-	-	1,885,000	270,241
2041 - 2045	-	-	2,030,000	112,367
2046 - 2047	-	-	120,000	2,550
	<u>\$ 410,000</u>	<u>\$ 10,233</u>	<u>\$ 14,315,000</u>	<u>\$ 2,396,915</u>

The City leased a used fuel truck in October 2016. The lease has an effective interest rate of 2.29% and a bargain purchase option of \$1 upon maturity. Future minimum lease payments are as follows:

Year Ending September 30,	Lease Payments
2021	\$ 18,361
2022	1,412
	<u>19,773</u>
Less: Interest Amount	<u>(311)</u>
	<u>\$ 19,462</u>

The following is an analysis of the equipment under capital lease as of September 30, 2020:

Transportation & Equipment	\$ 80,000
Less: Accumulated Depreciation	<u>(62,667)</u>
Net Leased Property	<u>\$ 17,333</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

1. Plan Description

The City participates, as one of 888 plans, in the nontraditional, joint-contributory, hybrid-defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

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

	2018	2019
Inactive employees or beneficiaries currently receiving benefits	36	36
Inactive employees entitled to but not yet receiving benefits	64	69
Active employees	42	41
	<u>142</u>	<u>146</u>

3. Contributions

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

3. Contributions (Continued)

For the year ending September 30, 2020, employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.06% and 8.75% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$192,144, and were greater to the required contributions by \$5,287.

4. Net Pension Liability

The City's Net Pension Liability (NPL) or Asset was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

5. Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return*	6.75%

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

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

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

5. Actuarial Assumptions (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
	<u>100.00%</u>	

6. Discount Rate

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

7. Discount Rate Sensitivity Analysis

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability	\$ 1,135,361	\$ 294,192	\$ (385,025)

8. Pension Plan Fiduciary Net Position

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

9. Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability (Asset) as of December 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2018	\$ 5,698,500	\$ 4,994,061	\$ 704,439
Changes for the year:			
Service Cost	218,311	-	218,311
Interest	382,332	-	382,332
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(6,066)	-	(6,066)
Changes of Assumptions	13,239	-	13,239
Contributions - Employer	-	161,592	(161,592)
Contributions - Employee	-	89,179	(89,179)
Net Investment Income	-	771,784	(771,784)
Benefit Payments, Including Refunds of Employee Contributions	(286,952)	(286,952)	-
Administrative Expense	-	(4,363)	4,363
Other Changes	-	(129)	129
Net Changes	320,864	731,111	(410,247)
Balance at December 31, 2019	\$ 6,019,364	\$ 5,725,172	\$ 294,192

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

For the year ended September 30, 2020, the City recognized a pension expense of \$148,558. Also, as of September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 4,950
Changes in Actuarial Assumptions	6,717	-
Differences between Projected and Actual Investment Earnings	-	174,092
Contributions Subsequent to the Measurement Date	149,705	-
	<u>\$ 156,422</u>	<u>\$ 179,042</u>

Deferred outflows of resources in the amount of \$149,705 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2020	\$ (49,409)
2021	(50,931)
2022	14,952
2023	(86,937)
	<u>\$ (172,325)</u>

NOTE I -- OTHER POST EMPLOYMENT BENEFIT (OPEB)

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's annual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. Membership in the plan at December 31, 2019, the valuation and measurement date, consisted of:

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE I -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

Inactive Employees or Beneficiaries Currently Receiving Benefits	24
Inactive Employees Entitled to but Not Yet Receiving Benefits	11
Active Employees	41
	<u>76</u>

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

<u>For the Calendar Year Ended December 31,</u>	<u>Total SDBF Contribution Rate</u>	<u>Retiree Portion of SDBF Contribution Rate</u>
2018	0.32%	0.11%
2019	0.31%	0.08%
2020	0.30%	0.10%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

These assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	2.75% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE I -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

The City's Total OPEB Liability (TOL), based on the actuarial factors, as of December 31, 2019 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2018	\$ 141,794
Changes for the year:	
Service Cost	8,561
Interest	5,393
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(9,208)
Changes of Assumptions or Other Inputs	26,488
Benefit Payments	(1,427)
Net Changes	29,807
Balance at December 31, 2019	\$ 171,601

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

The following presents the TOL of the City, calculated using the discount rate of 2.75% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (1.75%) and 1-percentage point higher (3.75%) than the current rate:

	Discount Rate 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total OPEB Liability	\$ 206,937	\$ 171,601	\$ 144,792

For the year ended September 30, 2020, the City recognized OPEB expense of \$20,815. Also as of September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 1,704
Changes in Actuarial Assumptions	17,309	-
Contributions Subsequent to the Measurement Date	1,711	-
	\$ 19,020	\$ 1,704

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE I -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

Deferred outflows of resources in the amount of \$1,711 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the plan year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year Ended December 31,		
2020	\$	6,861
2021		4,985
2022		3,759
	<u>\$</u>	<u>15,605</u>

NOTE J -- FUND BALANCE

The City reported fund balance designations at September 30, 2020 as follows:

Fund Balance Designation	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:			
Debt Service	\$ -	\$ 80,456	\$ 80,456
Tourism	-	103,561	103,561
Library	-	1,987	1,987
Police Training and Operations	-	7,930	7,930
Court Security & Technology	-	52,875	52,875
Total Restricted Fund Balance	-	246,809	246,809
Committed for:			
Drainage Projects	-	288,241	288,241
Facilities Maintenance	-	14,677	14,677
Total Committed Fund Balance	-	302,918	302,918
Unassigned	3,152,476	-	3,152,476
Total Fund Balance	<u>\$ 3,152,476</u>	<u>\$ 549,727</u>	<u>\$ 3,702,203</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE K -- RESTRICTED NET POSITION

The City reported restricted net position at September 30, 2020 as follows:

Net Position Restricted for:	Governmental Activities	Business-type Activities	Total Restricted Net Position
Debt Service	\$ 78,269	\$ -	\$ 78,269
Tourism	103,561	-	103,561
Library	1,987	-	1,987
Police Training and Operations	7,930	-	7,930
Court Security	52,875	-	52,875
Water Acquisition	-	570,081	570,081
Capital Improvements - Impact Fees	-	836,768	836,768
			-
Total Restricted Net Position	<u>\$ 244,622</u>	<u>\$ 1,406,849</u>	<u>\$ 1,651,471</u>

NOTE L -- COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Construction Commitments

The City has entered into construction and engineering contracts for the following projects. Estimated future commitments associated with these contracts as of September 30, 2020 are as follows:

Commitment	Estimated Project Cost to City	Expended to Date	Estimated Future Commitment
Engineering Fees	\$ 248,755	\$ 216,506	\$ 32,249
Testing & Inspection Fees	364,000	328,574	35,426
Eastside Liftstation	1,918,946	1,899,918	19,028
	<u>\$ 2,531,701</u>	<u>\$ 2,444,998</u>	<u>\$ 86,703</u>

Utility Capital Projects

During the year ended September 30, 2013 and 2016, the Texas Water Development Board (TWDB) awarded the City financial assistance in the amount of \$375,000 and \$3,050,000, respectively, from the Clean Water State Revolving Fund (CWSRF), for improvements to the East Side Sanitary Lift Station. Both loans were identified as TWDB Project No. 73646. As of September 30, 2020, the City had \$103,600 and \$911,710, respectively, of remaining funds available with future commitments of \$94,996.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE L -- COMMITMENTS AND CONTINGENCIES (Continued)

During the year ended September 30, 2013 and 2016, the Texas Water Development Board (TWDB) awarded the City financial assistance in the amount of \$350,000 and \$3,500,000, respectively, from the Drinking Water State Revolving Fund (DWSRF), for improvements to the Water Line Replacement. Both loans were identified as TWDB Project No. 62534. As of September 30, 2020, the City had \$82,668 and \$1,025,161, respectively, of remaining funds available.

During the year ended September 30, 2016 and 2017, the Texas Water Development Board (TWDB) awarded the City financial assistance in the amount of \$9,050,000 and \$1,500,000, respectively, from the Clean Water State Revolving Fund (CWSRF), for improvements and expansion of the Wastewater Treatment Plant. Both loans were identified as TWDB Project No. 73707. As of September 30, 2020, the City had \$411,148 and \$533,941, respectively, of remaining funds available with future commitments of \$478,523.

Chapter 380 Economic Development Agreement

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

During the year ended September 30, 2020, the City approved an economic development agreement between the City and the Hwy 90 Castroville Partners, LTD. The agreement allows the City to reimburse the Developer in the form of ad valorem tax grants an amount not to exceed \$23,596,331 upon the Developer's performing certain obligations as defined in the agreement. The ad valorem tax grants represent 100% of city ad valorem property taxes levied for purposes other than payment of debt service and up to 100% of city sales and hotel occupancy taxes as imposed and collected within a proposed development. As the agreement was signed on September 24, 2019 and there have been no taxes paid yet, the City has made no payments during the previous and current fiscal year.

NOTE M -- 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, 2020 were \$122,081 for property and casualty and workers compensation coverage.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF CASTROVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE ACTUAL TOTALS FOR 2019)

	Budget Amounts		Actual	Variance	
	Original	Final	Amounts	Favorable (Unfavorable)	2019
REVENUES					
Ad Valorem Taxes	\$ 984,511	\$ 984,511	\$ 1,121,765	\$ 137,254	\$ 1,031,070
Sales Taxes	1,074,830	1,074,830	1,270,493	195,663	1,109,577
Franchise Fees	24,100	24,100	37,136	13,036	34,276
Other Taxes	5,033	5,033	4,873	(160)	5,274
Licenses and Permits	135,000	135,000	95,840	(39,160)	152,059
Charges for Services	212,500	212,500	132,709	(79,791)	215,302
Fines and Forfeitures	245,787	245,787	186,758	(59,029)	249,588
Intergovernmental Revenue	-	-	38,269	38,269	3,503
Interest Income	10,000	10,000	23,132	13,132	18,287
Miscellaneous	34,051	34,051	21,512	(12,539)	44,168
TOTAL REVENUES	2,725,812	2,725,812	2,932,487	206,675	2,863,104
EXPENDITURES					
<i>Current:</i>					
General Administration					
City Administration	331,641	331,641	217,969	113,672	251,127
Finance	321,210	321,210	300,201	21,009	313,497
City Council	50,306	50,306	37,609	12,697	28,383
City Secretary	136,240	136,240	122,697	13,543	119,108
Information Technology	163,081	163,081	99,736	63,345	67,188
Human Resources	11,850	11,850	10,485	1,365	58,624
Non-Departmental	30,000	30,000	36,854	(6,854)	23,282
Public Safety					
Animal Control	71,823	71,823	62,149	9,674	52,004
Community Development	231,500	231,500	175,376	56,124	128,063
Municipal Court	113,738	113,738	98,308	15,430	95,779
Police Department	822,589	822,589	822,857	(268)	812,521
Public Transportation					
Streets	579,072	579,072	371,539	207,533	327,551
Culture and Recreation					
Library	164,628	165,128	165,128	-	194,314
Parks	299,981	299,981	256,562	43,419	269,583
RV Park	29,250	29,250	34,666	(5,416)	7,143
Pool	137,620	137,620	77,533	60,087	132,443
<i>Capital Outlay</i>	254,900	254,900	146,923	107,977	171,742
TOTAL EXPENDITURES	3,749,429	3,749,929	3,036,592	713,337	3,052,352
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,023,617)	\$ (1,024,117)	\$ (104,105)	\$ 920,012	\$ (189,248)

CITY OF CASTROVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE ACTUAL TOTALS FOR 2019)

	Budget Amounts		Actual	Variance	
	Original	Final	Amounts	Favorable (Unfavorable)	2019
OTHER FINANCING					
SOURCES (USES)					
Transfers In	\$ 873,347	\$ 873,347	\$ 853,747	\$ (19,600)	\$ 853,747
Transfers Out	(25,000)	(25,000)	(21,223)	3,777	(21,223)
Proceeds from Sale of Assets	2,000	2,000	-	(2,000)	-
TOTAL OTHER FINANCING					
SOURCES (USES)	850,347	850,347	832,524	(17,823)	832,524
Net Change in Fund Balance	(173,270)	(173,770)	728,419	902,189	643,276
Fund Balance - Beginning of Year	2,424,812	2,424,812	2,424,812	-	1,781,536
Fund Balance - End of Year	\$ 2,251,542	\$ 2,251,042	\$ 3,153,231	\$ 902,189	\$ 2,424,812

CITY OF CASTROVILLE
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
SEPTEMBER 30, 2020

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund and Debt Service Funds.

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

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

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

	Total Pension Liability					
	2014	2015	2016	2017	2018	2019
Service Cost	\$ 162,880	\$ 193,289	\$ 222,617	\$ 226,467	\$ 226,730	\$ 218,311
Interest (on the Total Pension Liability)	314,941	330,968	334,854	355,826	365,524	382,332
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	(47,315)	(112,683)	29,527	(117,537)	(30,664)	(6,066)
Changes of Assumptions	-	52,240	-	-	-	13,239
Benefit Payments, Including Refunds of Employee Contributions	(185,781)	(247,734)	(243,830)	(312,626)	(329,800)	(286,952)
Net Change in Total Pension Liability	244,725	216,080	343,168	152,130	231,790	320,864
Total Pension Liability - Beginning	4,510,607	4,755,332	4,971,412	5,314,580	5,466,710	5,698,500
Total Pension Liability - Ending	<u>\$ 4,755,332</u>	<u>\$ 4,971,412</u>	<u>\$ 5,314,580</u>	<u>\$ 5,466,710</u>	<u>\$ 5,698,500</u>	<u>\$ 6,019,364</u>
	Plan Fiduciary Net Position					
	2014	2015	2016	2017	2018	2019
Contributions - Employer	\$ 116,470	\$ 140,635	\$ 166,452	\$ 167,071	\$ 165,825	\$ 161,592
Contributions - Employee	73,753	80,739	91,865	91,097	89,830	89,179
Net Investment Income	235,951	6,437	293,031	643,319	(156,558)	771,784
Benefit Payments, Including Refunds of Employee Contributions	(185,781)	(247,734)	(243,830)	(312,626)	(329,800)	(286,952)
Administrative Expense	(2,464)	(3,920)	(3,311)	(3,335)	(3,027)	(4,363)
Other	(203)	(195)	(178)	(167)	(159)	(129)
Net Change in Plan Fiduciary Net Position	237,726	(24,038)	304,029	585,359	(233,889)	731,111
Plan Fiduciary Net Position - Beginning	4,124,874	4,362,600	4,338,562	4,642,591	5,227,950	4,994,061
Plan Fiduciary Net Position - Ending	<u>\$ 4,362,600</u>	<u>\$ 4,338,562</u>	<u>\$ 4,642,591</u>	<u>\$ 5,227,950</u>	<u>\$ 4,994,061</u>	<u>\$ 5,725,172</u>
Net Pension Liability - Ending	\$ 392,732	\$ 632,850	\$ 671,989	\$ 238,760	\$ 704,439	\$ 294,192
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.74%	87.27%	87.36%	95.63%	87.64%	95.11%
Covered Payroll	\$ 1,475,068	\$ 1,614,779	\$ 1,796,745	\$ 1,821,939	\$ 1,796,595	\$ 1,783,584
Net Pension Liability as a Percentage of Covered Payroll	26.62%	39.19%	37.40%	13.10%	39.21%	16.49%

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

CITY OF CASTROVILLE
SCHEDULE OF CONTRIBUTIONS AND RELATED NOTES
LAST SEVEN FISCAL YEARS

Schedule of Contributions:

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

Schedule of Contributions:

	2019	2020
Actuarially Determined Contribution	\$ 155,635	\$ 186,857
Contribution in Relation to the Actuarially Determined Contribution	155,635	192,144
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (5,287)</u>
Covered Payroll	\$ 1,710,410	\$ 2,120,912
Contributions as a Percentage of Covered Payroll	9.10%	8.81%

Note: The schedule above reflects the TMRs contributions made by the City for the current year and the six previous fiscal years. GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. The City will build the schedule over the 10 year period beginning September 30, 2014 as data becomes available.

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 Years
Asset Valuation Method	10 Year Smoothed Market, 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year

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

	Total OPEB Liability		
	2017	2018	2019
Service Cost	\$ 8,563	\$ 9,342	\$ 8,561
Interest (on the Total OPEB Liability)	4,259	4,413	5,393
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	9,802	(9,208)
Changes of Assumptions	9,414	(9,423)	26,488
Benefit Payments, Including Refunds of			
Employee Contributions	(2,004)	(1,976)	(1,427)
Net Change in Total OPEB Liability	20,232	12,158	29,807
Total OPEB Liability - Beginning	109,404	129,636	141,794
Total OPEB Liability - Ending	<u>\$ 129,636</u>	<u>\$ 141,794</u>	<u>\$ 171,601</u>
Covered Payroll	\$ 1,821,939	\$ 1,796,595	\$ 1,783,584
Total OPEB Liability as a Percentage of Covered Payroll	7.12%	7.89%	9.62%

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

NOTES TO SCHEDULE OF CHANGES

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

Methods and Assumptions Used to Determine Contribution Rate

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	2.75% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.



SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

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

CITY OF CASTROVILLE
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Investments	\$ 3,186,491	\$ 2,456,275
Receivables (net of allowances for uncollectibles):		
Property Taxes	11,190	7,741
Sales & Mixed Beverage Taxes	223,211	186,714
Other Receivables	4,567	4,024
Due from Other Funds	46,791	46,631
Inventory	<u>755</u>	<u>6,425</u>
TOTAL ASSETS	<u><u>\$ 3,473,005</u></u>	<u><u>\$ 2,707,810</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 96,219	\$ 91,186
Accrued Expenditures	79,074	49,656
Due to Other Funds	<u>133,291</u>	<u>134,415</u>
<i>Total Liabilities</i>	<u><u>308,584</u></u>	<u><u>275,257</u></u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Revenue - Property Tax	<u>11,190</u>	<u>7,741</u>
<i>Total Deferred Inflows of Resources</i>	<u><u>11,190</u></u>	<u><u>7,741</u></u>
<i>Fund Balances:</i>		
Nonspendable:		
Inventory	755	6,425
Unassigned	<u>3,152,476</u>	<u>2,418,387</u>
<i>Total Fund Balances</i>	<u><u>3,153,231</u></u>	<u><u>2,424,812</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	<u><u>\$ 3,473,005</u></u>	<u><u>\$ 2,707,810</u></u>

CITY OF CASTROVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL – DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE ACTUAL TOTALS FOR 2019)

	Budget Amounts		Actual	Variance	
	Original	Final	Amounts	Favorable (Unfavorable)	2019
REVENUES					
Ad Valorem Taxes	\$ 76,671	\$ 76,671	\$ 80,381	\$ 3,710	\$ 91,686
Interest Income	93	93	1,252	1,159	1,715
TOTAL REVENUES	<u>76,764</u>	<u>76,764</u>	<u>81,633</u>	<u>4,869</u>	<u>93,401</u>
EXPENDITURES					
<i>Current:</i>					
General Administration	-	-	274	(274)	-
<i>Debt Service:</i>					
Principal	155,000	155,000	128,900	26,100	157,000
Interest	24,550	24,550	22,362	2,188	25,105
TOTAL EXPENDITURES	<u>179,550</u>	<u>179,550</u>	<u>151,536</u>	<u>28,014</u>	<u>182,105</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(102,786)</u>	<u>(102,786)</u>	<u>(69,903)</u>	<u>32,883</u>	<u>(88,704)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	116,869	116,869	117,186	317	114,319
Transfers Out	-	-	(36,338)	(36,338)	(3,195)
TOTAL OTHER FINANCING SOURCES (USES)	<u>116,869</u>	<u>116,869</u>	<u>80,848</u>	<u>(36,021)</u>	<u>111,124</u>
Net Change in Fund Balance	14,083	14,083	10,945	(3,138)	22,420
Fund Balance - Beginning of Year	69,511	69,511	69,511	-	47,091
Fund Balance - End of Year	<u>\$ 83,594</u>	<u>\$ 83,594</u>	<u>\$ 80,456</u>	<u>\$ (3,138)</u>	<u>\$ 69,511</u>

CITY OF CASTROVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	SPECIAL REVENUE				
	Drainage Fund	Hotel Occupancy Fund	Alsatian House Fund	Biry House Fund	Library Memorial Fund
ASSETS					
Cash and Investments	\$ 276,666	\$ 88,638	\$ 10,337	\$ 4,515	\$ 1,987
Receivables (net of allowances for uncollectibles):					
Property Taxes	-	-	-	-	-
Other Receivables	-	16,779	-	-	-
Due from Other Funds	11,612	-	-	-	-
TOTAL ASSETS	<u>\$ 288,278</u>	<u>\$ 105,417</u>	<u>\$ 10,337</u>	<u>\$ 4,515</u>	<u>\$ 1,987</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ 940	\$ -	\$ 175	\$ -
Accrued Expenditures	-	756	-	-	-
Due to Other Funds	37	160	-	-	-
<i>Total Liabilities</i>	<u>37</u>	<u>1,856</u>	<u>-</u>	<u>175</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenues	-	-	-	-	-
<i>Total Deferred Inflows of Resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>					
Restricted	-	103,561	-	-	1,987
Committed	288,241	-	10,337	4,340	-
<i>Total Fund Balances</i>	<u>288,241</u>	<u>103,561</u>	<u>10,337</u>	<u>4,340</u>	<u>1,987</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 288,278</u>	<u>\$ 105,417</u>	<u>\$ 10,337</u>	<u>\$ 4,515</u>	<u>\$ 1,987</u>

SPECIAL REVENUE					
DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund	Debt Service Funds	Total Non Major Funds
\$ 881	\$ 7,049	\$ 36,635	\$ 16,150	\$ 127,050	\$ 569,908
-	-	-	-	795	795
-	-	-	-	-	16,779
-	-	42	48	-	11,702
<u>\$ 881</u>	<u>\$ 7,049</u>	<u>\$ 36,677</u>	<u>\$ 16,198</u>	<u>\$ 127,845</u>	<u>\$ 599,184</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,115
-	-	-	-	-	756
-	-	-	-	46,594	46,791
-	-	-	-	46,594	48,662
-	-	-	-	795	795
-	-	-	-	795	795
881	7,049	36,677	16,198	80,456	246,809
-	-	-	-	-	302,918
<u>881</u>	<u>7,049</u>	<u>36,677</u>	<u>16,198</u>	<u>80,456</u>	<u>549,727</u>
<u>\$ 881</u>	<u>\$ 7,049</u>	<u>\$ 36,677</u>	<u>\$ 16,198</u>	<u>\$ 127,845</u>	<u>\$ 599,184</u>

CITY OF CASTROVILLE
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	SPECIAL REVENUE				
	Drainage Fund	Hotel Occupancy Fund	Alsatian House Fund	Biry House Fund	Library Memorial Fund
REVENUES					
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	47,861	-	-	-
Charges for Services	104,349	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-
Interest Income	2,885	681	84	13	24
Miscellaneous	-	-	976	-	-
TOTAL REVENUES	<u>107,234</u>	<u>48,542</u>	<u>1,060</u>	<u>13</u>	<u>24</u>
EXPENDITURES					
<i>Current:</i>					
General Administration					
City Administration	-	48,628	160	3,978	-
Public Safety					
Municipal Court	-	-	-	-	-
Police Department	-	-	-	-	-
Public Transportation					
Streets	638	-	-	-	-
Culture and Recreation					
Library	-	-	-	-	51
<i>Debt Service:</i>					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
TOTAL EXPENDITURES	<u>638</u>	<u>48,628</u>	<u>160</u>	<u>3,978</u>	<u>51</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>106,596</u>	<u>(86)</u>	<u>900</u>	<u>(3,965)</u>	<u>(27)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	21,223	-	-	-
Transfers Out	<u>(91,153)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(91,153)</u>	<u>21,223</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	15,443	21,137	900	(3,965)	(27)
Fund Balances at Beginning of Year	<u>272,798</u>	<u>82,424</u>	<u>9,437</u>	<u>8,305</u>	<u>2,014</u>
Fund Balances at End of Year	<u>\$ 288,241</u>	<u>\$ 103,561</u>	<u>\$ 10,337</u>	<u>\$ 4,340</u>	<u>\$ 1,987</u>

SPECIAL REVENUE					
DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund	Debt Service Funds	Total Non Major Funds
\$ -	\$ -	\$ -	\$ -	\$ 80,381	\$ 80,381
-	-	-	-	-	47,861
-	-	3,304	3,968	-	111,621
-	1,186	-	-	-	1,186
11	-	270	111	1,252	5,331
-	-	-	-	-	976
11	1,186	3,574	4,079	81,633	247,356
-	-	-	-	274	53,040
-	-	2,299	200	-	2,499
48	-	-	-	-	48
-	-	-	-	-	638
-	-	-	-	-	51
-	-	-	-	128,900	128,900
-	-	-	-	22,362	22,362
48	-	2,299	200	151,536	207,538
(37)	1,186	1,275	3,879	(69,903)	39,818
-	-	-	-	117,186	138,409
-	-	-	-	(36,338)	(127,491)
-	-	-	-	80,848	10,918
(37)	1,186	1,275	3,879	10,945	50,736
918	5,863	35,402	12,319	69,511	498,991
\$ 881	\$ 7,049	\$ 36,677	\$ 16,198	\$ 80,456	\$ 549,727



Financial Advisory Services
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