

OFFICIAL STATEMENT
August 26, 2025

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, including the alternative minimum tax on certain corporations.

The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

\$6,920,000
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 2025

Dated Date: August 15, 2025**Due: August 1, as shown on inside cover**

The \$6,920,000 City of Castroville, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 (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") adopted by the City Council of the City of Castroville, Texas (the "City" or the "Issuer") on August 26, 2025. (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 combined utility 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 August 15, 2025 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2026, 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) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's water and sewer system, (ii) designing, constructing, renovating, expanding, equipping, and improving (a) public safety facilities (police station), (b) City parks and recreation facilities that are generally accessible to the public and are a part of the City's park system, and (c) the City-owned library, (iii) designing, acquiring, constructing, renovating, improving, and equipping various City streets, drainage, and sidewalk improvements, including necessary capital maintenance, utilities relocation, landscaping, wayfinding, and monumentation necessary or incidental thereto, (iv) designing, constructing, renovating, improving, and equipping an administrative office building housing the governmental functions of the City, (v) purchasing real property, materials, supplies, equipment, vehicles information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (vi) the payment of professional services related to the acquisition, design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

SEE THE 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 September 17, 2025.

\$6,920,000
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 2025

MATURITY SCHEDULE

CUSIP Prefix No. 148697 ⁽¹⁾

Stated Maturity August 1	Principal Amount (\$)	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix⁽¹⁾
2027	235,000	5.000	2.550	FB6
2028	245,000	5.000	2.600	FC4
2029	260,000	5.000	2.600	FD2
2030	270,000	5.000	2.700	FE0
2031	285,000	5.000	2.800	FF7
2032	300,000	5.000	2.950	FG5
2033	315,000	5.000	3.100	FH3
2034	330,000	5.000	3.200	FJ9
2035	350,000	4.000	3.400 ⁽²⁾	FK6
2036	360,000	4.000	3.600 ⁽²⁾	FL4
2037	375,000	4.000	3.650 ⁽²⁾	FM2
2038	390,000	4.000	3.750 ⁽²⁾	FN0
2039	405,000	4.000	3.850 ⁽²⁾	FP5
2040	420,000	4.000	3.900 ⁽²⁾	FQ3
2041	440,000	4.000	3.950 ⁽²⁾	FR1
2042	455,000	4.000	4.000	FS9
2043	475,000	4.000	4.100	FT7
2044	495,000	4.125	4.200	FU4
2045	515,000	4.250	4.250	FV2

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after August 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2034, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES – Redemption Provisions of the Certificates" herein.)

⁽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 on behalf of The American Bankers Association by FactSet Research Systems Inc. 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.

⁽²⁾ Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on August 1, 2034, the earliest date of redemption for the Certificates, at a price of par plus accrued interest to the date of redemption.

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

ELECTED OFFICIALS

Name	On Council Since	Term Expires (May)
Mr. Bruce Alexander Mayor	2025	2027
Ms. Sheena Martinez Councilmember, District 1	2019	2027
Mr. Houston Marchman Councilmember, District 2	2025	2027
Mr. Phil King Councilmember, District 3	2020	2026
Mr. David Merz Councilmember, District 4	2022	2026
Mr. Robert Lee Councilmember, District 5	2025	2026

ADMINISTRATION

Name	Position	Length of Service With the City (years)
Scott Dixon	City Administrator	5
Leroy Vidales	Finance Director	6
Debra Howe	City Secretary	17

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

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 THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM as such information is provided by DTC.

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”) adopted by the City Council of the City on August 26, 2025. (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 combined utility 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 has designated 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, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2034, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for 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, including the alternative minimum tax on certain corporations. (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) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City’s water and sewer system, (ii) designing, constructing, renovating, expanding, equipping, and improving (a) public safety facilities (police station), (b) City parks and recreation facilities that are generally accessible to the public and are a part of the City’s park system, and (c) the City-owned library, (iii) designing, acquiring, constructing, renovating, improving, and equipping various City streets, drainage, and sidewalk improvements, including necessary capital maintenance, utilities relocation, landscaping, wayfinding, and monumentation necessary or incidental thereto, (iv) designing, constructing, renovating, improving, and equipping an administrative office building housing the governmental functions of the City, (v) purchasing real property, materials, supplies, equipment, vehicles information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (vi) the payment of professional services related to the acquisition, design, construction, project management, and financing of the aforementioned projects. (See “THE CERTIFICATES – Use of Certificate Proceeds” herein.)

Rating	S&P Global Ratings ("S&P") has assigned an unenhanced underlying rating of "AA+" to the Certificates. An explanation of the significance of such rating may be obtained from S&P. (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 2025.
Delivery	When issued, anticipated on or about September 17, 2025.
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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OFFICIAL STATEMENT
relating to

\$6,920,000

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 2025

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 \$6,920,000 Combination Tax and Revenue Certificates of Obligation, Series 2025 (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.

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated August 15, 2025 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page ii 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, 2026, 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") adopted by the City Council of the City (the "City Council") on August 26, 2025.

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 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 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, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

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 or 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) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's water and sewer system, (ii) designing, constructing, renovating, expanding, equipping, and improving (a) public safety facilities (police station), (b) City parks and recreation facilities that are generally accessible to the public and are a part of the City's park system, and (c) the City-owned library, (iii) designing, acquiring, constructing, renovating, improving, and equipping various City streets, drainage, and sidewalk improvements, including necessary capital maintenance, utilities relocation, landscaping, wayfinding, and monumentation necessary or incidental thereto, (iv) designing, constructing, renovating, improving, and equipping an administrative office building housing the governmental functions of the City, (v) purchasing real property, materials, supplies, equipment, vehicles information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (vi) the payment of professional services related to the acquisition, design, construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources	
Par Amount of the Certificates	\$6,920,000.00
Accrued Interest on the Certificates	26,765.00
Net Reoffering Premium	<u>278,740.20</u>
Total Sources of Funds	<u>\$7,225,505.20</u>
Uses	
Project Fund Deposit	\$7,000,000.00
Purchaser's Discount	77,602.86
Interest and Sinking Fund Deposit	26,765.00
Costs of Issuance	<u>121,137.34</u>
Total Uses	<u>\$7,225,505.20</u>

Payment Record

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

2025 Legislative Session

The regular session of the 89th Texas Legislature (the "Legislature") commenced on January 14, 2025 and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The first special session began on July 21, 2025, and the second session began on August 15, 2025.

The City is still in the process of reviewing legislation passed during the 89th Regular Session. At this time, the City cannot make any representations as to the full impact of such legislation. Further, the City can make no representations or predictions regarding the scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

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 of 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 MMI 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.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities, or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code, as amended, expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

Current Investments ⁽¹⁾

TABLE 1

As of May 31, 2025, 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)	<u>\$21,214,781</u>	100%
Total	<u>\$21,214,781</u>	

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.

Unless extended by the Legislature, through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum

of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2025 tax year, the maximum property value was increased to \$5,160,000.

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. Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption described in (1) above that was granted in tax year 2022 through December 31, 2027.

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. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the State legislature and signed by the Governor during the Legislature (as defined herein) would provide a person with an exemption from taxation by a taxing unit of \$125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit (or, if the person leases such property, regardless of where the property is located in the taxing unit).

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. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

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.

REINVESTMENT ZONE NUMBER ONE, City of Castroville, Texas has been created by the City over and to defray the costs to the City for the development of, the Alsatian Oaks Residential and Commercial development (see "Tax Abatement Agreements – Chapter 380 Economic Development Agreements" below). Participants in this zone include Medina County, who has agreed to contribute 70% of its maintenance and operations taxes on the taxable assessed value in excess of the base value of \$4,258,660 until the earlier to occur on December 31, 2051 or Medina County's total contribution to the zone from its tax collections or tax incremental value total of \$12,500,000; Medina County Emergency Services District No. 1, who has agreed to contribute 70% of its ad valorem taxes on the taxable assessed value in excess of the base value of \$4,258,660 until the earlier to occur on December 31, 2051 or its total contribution to the zone from its tax collections or tax incremental value total of \$2,500,000; and Medina County Hospital District, who has agreed to contribute 60% of its ad valorem taxes on the taxable assessed value in excess of the base value of \$4,258,660 until the earlier to occur on December 31, 2051 or its total contribution to the zone from its tax collections or tax incremental value total of \$2,500,000.

REINVESTMENT ZONE NUMBER TWO, City of Castroville, Texas has been created by the City over the City's downtown historical and central business district to provide the City a dedicated source of funding the continued improvement of this area. This zone, with a base year of January 1, 2022 for both property and sales tax collections, was created for a term expiring January 31, 2052. The City, who is currently the only participant in this zone, has committed to it 75% of its maintenance and operations expense tax collections and 20% of its sales tax collections on the respective increments of the zone. Neither the City nor this zone has entered into any financial commitments with respect to the increments generated or to be generated by the zone.

Tax Abatement Agreements – Chapter 380 Economic Development Agreements

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 (maintenance and operations tax only) and sales tax grants in amounts not to exceed \$23,596,331 for capital expenditures and \$11,656,875 for financing costs, upon the Developer's performing certain obligations as defined in the agreement. The ad valorem tax grants represent 80% of city ad valorem property taxes levied for purposes other than payment of debt service and 80% of city sales taxes as imposed and collected within the proposed development for the first fifteen years after completion of an initial phase of infrastructure development; thereafter, such amounts subject to grant shall be reduced to 70% of such sources through completion of the terms of the agreement. Since the agreement was signed on September 24, 2019, \$5,948 of ad valorem taxes have been paid to the developer.

The City, on March 28, 2023, entered into a development agreement with NP Homes LLC, pursuant to which the owners of an approximately 25 acre tract of property agreed voluntarily annex into the City and to undertake development of a master-planned residential community that will yield approximately 180 residential homes and two acres of commercial development. To address various drainage issues in and around the subject property, the development agreement included provisions for the City to reimburse the developer for undertaking these development obligations, provided the reimbursement would be limited to 60% of the City's maintenance and operations tax levy on the value attributable to the development (collected annually until the developer is reimbursed a total of \$1,400,000 plus financing costs calculated as the annual cost of carry of unreimbursed amounts at an interest

rate of 8.50%). The developer has requested that this reimbursement amount be increased to \$1,800,000 due to increased costs of the drainage improvements. The City has not yet taken action on this request.

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 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 \$61,349,201 for the 2025 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 2025 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 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 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 not allowed.

The City does not tax freeport property.

The City has adopted a tax abatement policy, does not have any existing tax abatement agreements, and has entered into two Chapter 380 agreements payable from M&O taxes. (See "AD VALOREM PROPERTY TAXATION – Tax Abatement Agreements – Chapter 380 Economic Development Agreements" herein).

The City has created two tax increment financing zones. (See "AD VALOREM PROPERTY TAXATION – Tax Increment Reinvestment Zones" herein).

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) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. 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, 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.

Interest on the Certificates may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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 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 foreign investors, 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” 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 have been 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 2025. 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 adopted 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

The City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

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

S&P Global Ratings (“S&P”) has assigned an unenhanced, underlying rating of “AA+” to the Certificates. 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 BOK Financial Securities, Inc. (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 \$278,740.20, less a Purchaser's discount of \$77,602.86, 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, 2024, 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 approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Certificates by the Purchaser.

This Official Statement was 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/ Bruce Alexander
Mayor
City of Castroville, Texas

ATTEST:

/s/ Debra Howe
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

2025 Certified Market Value of Taxable Property (100% of Market Value).....	\$	518,019,097
Less Exemptions:		
Over 65 or Disabled.....	\$	3,453,986
Veterans' Exemptions.....		22,211,540
Exemptions Miscellaneous.....		21,110,971
Productivity Loss.....		3,889,310
Homestead Cap.....		10,814,151
Solar.....		20,050
TOTAL EXEMPTIONS	\$	61,500,008
2025 Certified Assessed Value of Taxable Property.....	\$	456,519,089 *

Source: Medina County Appraisal District

* Includes \$91,861,199 in Taxable Freeze.

GENERAL OBLIGATION BONDED DEBT

(as of September 1, 2025)

General Obligation Debt Principal Outstanding

General Obligation Refunding Bonds, Series 2012	\$	80,000
Combination Tax and Revenue Certificates of Obligation, Series 2022		8,390,000
Combination Tax and Revenue Certificates of Obligation, Series 2023		4,575,000
Combination Tax and Revenue Certificates of Obligation, Series 2024		1,450,000
		<u>14,495,000</u>
Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates")		6,920,000
Total Gross General Obligation Debt	\$	<u>21,415,000</u>
Less: Self Supporting Debt		
Combination Tax and Revenue Certificates of Obligation, Series 2022 (44.99% Utility Fund / 4.83% Electric Fund)	\$	4,180,000
Combination Tax and Revenue Certificates of Obligation, Series 2023 (100% Utility Fund)		4,575,000
Combination Tax and Revenue Certificates of Obligation, Series 2024 (100% Drainage Fund)		1,450,000
The Certificates (50.00% Utility Fund)		3,460,000
Total Self-Supporting Debt	\$	<u>13,665,000</u>
Total Net General Obligation Debt Outstanding	\$	<u>7,750,000</u>
2025 Net Assessed Valuation	\$	456,519,089
Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		4.69%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		1.70%

Population: 2000 - 2,664; 2010 - 2,680; 2020 - 2,954; est. 2025 - 3,261
Per Capita Certified Net 2025 Taxable Assessed Valuation - \$139,993.59
Per Capita Gross General Obligation Debt Principal - \$6,567.00
Per Capita Net General Obligation Debt Principal - \$2,376.57

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

(As of September 30, 2024)

NONE

Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2024.

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			
2025	\$ 1,278,375	-	-	-	\$ 1,278,375	\$ 857,231	\$ 421,144
2026	1,280,325	-	\$ 289,397	\$ 289,397	1,569,722	1,006,171	563,551
2027	1,199,475	\$ 235,000	301,106	536,106	1,735,581	1,129,075	606,506
2028	1,199,275	245,000	289,356	534,356	1,733,631	1,129,125	604,506
2029	1,197,325	260,000	277,106	537,106	1,734,431	1,127,675	606,756
2030	1,070,925	270,000	264,106	534,106	1,605,031	1,039,575	565,456
2031	1,068,325	285,000	250,606	535,606	1,603,931	1,038,825	565,106
2032	1,069,725	300,000	236,356	536,356	1,606,081	1,042,025	564,056
2033	1,074,525	315,000	221,356	536,356	1,610,881	1,041,225	569,656
2034	1,070,975	330,000	205,606	535,606	1,606,581	1,042,125	564,456
2035	1,066,475	350,000	189,106	539,106	1,605,581	1,041,725	563,856
2036	1,070,975	360,000	175,106	535,106	1,606,081	1,044,225	561,856
2037	1,069,325	375,000	160,706	535,706	1,605,031	1,045,475	559,556
2038	1,041,725	390,000	145,706	535,706	1,577,431	1,010,475	566,956
2039	1,038,725	405,000	130,106	535,106	1,573,831	1,010,075	563,756
2040	1,032,825	420,000	113,906	533,906	1,566,731	1,006,475	560,256
2041	1,030,481	440,000	97,106	537,106	1,567,588	1,006,575	561,012
2042	1,027,325	455,000	79,506	534,506	1,561,831	1,010,569	551,263
2043	482,600	475,000	61,306	536,306	1,018,906	747,944	270,963
2044	109,200	495,000	42,306	537,306	646,506	375,144	271,363
2045	-	515,000	21,888	536,888	536,888	265,838	271,050
Total	<u>\$ 20,478,906</u>	<u>\$ 6,920,000</u>	<u>\$ 3,551,747</u>	<u>\$ 10,471,747</u>	<u>\$ 30,950,653</u>	<u>\$ 20,017,571</u>	<u>\$ 10,933,082</u>

TAX ADEQUACY

2025 Certified Assessed Value of Taxable Property	\$ 456,519,089
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2027)	1,735,581
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.3879

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)

2025 Certified Assessed Value of Taxable Property	\$ 456,519,089
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2029)	606,756
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.1356

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		
2026	\$ 760,000	-	\$ 760,000	\$ 20,655,000	4%
2027	715,000	\$ 235,000	950,000	19,705,000	8%
2028	750,000	245,000	995,000	18,710,000	13%
2029	785,000	260,000	1,045,000	17,665,000	18%
2030	690,000	270,000	960,000	16,705,000	22%
2031	715,000	285,000	1,000,000	15,705,000	27%
2032	745,000	300,000	1,045,000	14,660,000	32%
2033	775,000	315,000	1,090,000	13,570,000	37%
2034	800,000	330,000	1,130,000	12,440,000	42%
2035	825,000	350,000	1,175,000	11,265,000	47%
2036	855,000	360,000	1,215,000	10,050,000	53%
2037	880,000	375,000	1,255,000	8,795,000	59%
2038	880,000	390,000	1,270,000	7,525,000	65%
2039	905,000	405,000	1,310,000	6,215,000	71%
2040	925,000	420,000	1,345,000	4,870,000	77%
2041	950,000	440,000	1,390,000	3,480,000	84%
2042	975,000	455,000	1,430,000	2,050,000	90%
2043	460,000	475,000	935,000	1,115,000	95%
2044	105,000	495,000	600,000	515,000	98%
2045	-	515,000	515,000	-	100%
Total	<u>\$ 14,495,000</u>	<u>\$ 6,920,000</u>	<u>\$ 21,415,000</u>		

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2016-2025

TABLE 3

Tax Year	Net Taxable	Change From Preceding Year	
	Assessed Valuation	Amount (\$)	Percent
2016	\$ 197,460,223	\$ -	-
2017	201,062,518	3,602,295	1.82%
2018	210,978,791	9,916,273	4.93%
2019	251,957,147	40,978,356	19.42%
2020	268,822,974	16,865,827	6.69%
2021	309,828,211	41,005,237	15.25%
2022	363,151,880	53,323,669	17.21%
2023	416,515,450	53,363,570	14.69%
2024	428,385,327	11,869,877	2.85%
2025	456,519,089	28,133,762	6.57%

Source: Medina County Appraisal District.

PRINCIPAL TAXPAYERS 2025

TABLE 4

Name	Type of Business/ Property	2025 Net Taxable Assessed Valuation	% of Total 2025 Assessed Valuation ⁽¹⁾
NORTH PARK CHEVROLET CASTROVILLE	Auto Dealership	\$ 16,271,690	3.56%
WAL-MART REAL ESTATE BUSSINES TRUST	Retail Store	8,400,000	1.84%
CASTROVILLE 14 LTD	Real Estate	5,441,140	1.19%
WALMART STORES, TEXAS LLC	Retail Store	4,743,330	1.04%
211 MEADOW DRIVE LLC	Commercial/Housing	4,682,050	1.03%
CASTROVILLE LAND VENTURE LTD	Real Estate	4,340,858	0.95%
PERRY HOMES INC	Home Builder	3,826,869	0.84%
HIGHLAND HOMES-SAN ANTONIO LLC	Home Builder	3,817,320	0.84%
NYLE MAXWELL OF CASTROVILLE LLC	Auto Dealership	3,524,980	0.77%
HWY 90 CASTROVILLE PARTNERS LTD	Real Estate	3,294,786	0.72%
		<u>\$ 58,343,023</u>	<u>12.78%</u>

Source: Medina County Appraisal District.

⁽¹⁾ As shown in the table above, the total combined top ten taxpayers in the City currently account for almost 13% of the City's tax base, thereby creating a concentration risk for the City. Any Adverse development related to the taxpayers and their ability to continue to conduct business at their respective location within the City's boundaries may result in significantly less local tax revenues, thereby severely affecting the City's finances and its ability to repay its outstanding indebtedness. Accordingly, the City makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom.

CLASSIFICATION OF ASSESSED VALUATION
TABLE 5

	2025	% of Total	2024	% of Total	2023	% of Total
Real, Residential, Single-Family	\$ 331,115,676		\$ 306,147,080	62.72%	\$ 306,554,970	62.00%
Real, Residential, Multi-Family	5,398,080		10,097,209	2.07%	10,097,209	2.04%
Real, Vacant Lots/Tracts	15,658,450		18,063,560	3.70%	21,586,747	4.37%
Real, Acreage (Land Only)	3,934,430		2,977,320	0.61%	3,148,100	0.64%
Real, Farm and Ranch Improvements	7,403,414		4,829,580	0.99%	4,401,020	0.89%
Real, Commercial	83,581,795		83,717,269	17.15%	86,130,957	17.42%
Real & Tangible, Personal Utilities	3,972,030		1,067,470	0.22%	632,370	0.13%
Tangible Personal, Commercial	19,507,970		16,514,960	3.38%	18,003,760	3.64%
Tangible Personal, Industrial	235,590		2,754,120	0.56%	4,170,640	0.84%
Tangible Personal, Mobile Homes	1,463,070		1,476,710	0.30%	1,451,640	0.29%
Personal, Other	6,785,947		2,468,030	0.51%	37,000	0.01%
Special Inventory	17,617,540		18,375,000	3.76%	17,220,940	3.48%
Total Exempted Property	21,345,105		19,638,356	4.02%	20,980,929	4.24%
Total Market Value	\$ 518,019,097		\$ 488,126,664	100.00%	\$ 494,416,282	100.00%
Less:						
Over 65 or Disabled	\$ 3,453,986		\$ 3,245,694		\$ 6,526,597	
Veterans' Exemptions	22,211,540		14,681,129		11,314,162	
Exemptions Misc.	21,110,971		19,638,356		20,980,929	
Productivity Loss	3,889,310		2,942,400		3,110,500	
Homestead Cap	10,814,151		19,213,708		35,948,594	
Solar	20,050		20,050		20,050	
Total Exemptions	\$ 61,500,008		\$ 59,741,337		\$ 77,900,832	
Net Taxable Assessed Valuation	\$ 456,519,089		\$ 428,385,327		\$ 416,515,450	

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	
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	94.97	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	98.26	101.64	9/30/2022
2022	363,151,880	0.523300	1,900,374	99.00	98.25	9/30/2023
2023	416,515,450	0.523300	2,179,625	99.37	99.57	9/30/2024
2024	428,385,327	0.523300	2,241,740	99.45	99.47	9/30/2025 *
2025	456,519,089					9/30/2026

* Collections as of June, 2025.

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

TAX RATE DISTRIBUTION
TABLE 7

	2024	2023	2022	2021	2020
General Fund	\$ 0.3487	\$ 0.3680	\$ 0.3970	\$ 0.4385	\$ 0.4633
I & S Fund	0.1746	0.1553	0.1263	0.0848	0.0318
Total Tax Rate	\$ 0.5233	\$ 0.5233	\$ 0.5233	\$ 0.5233	\$ 0.4952

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
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	83.07%	0.504
2020	1,224,791	92.01%	0.486
2021	1,389,903	85.73%	0.517
2022	1,515,581	79.75%	0.489
2023	1,735,915	79.64%	0.478
2024	1,845,708	82.33%	0.443
2025	1,258,828	(as of August)	

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

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OVERLAPPING DEBT INFORMATION

(As of September 1, 2025)

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 9/1/25)	% Overlapping	Amount Overlapping
Medina County *	\$ 20,845,000	6.58%	\$ 1,371,601
Medina Valley ISD	542,891,680	6.80%	36,916,634
Total Gross Overlapping Debt	\$ 563,736,680	13.38%	\$ 38,288,235
City of Castroville			\$ 21,415,000
Total Gross Direct and Overlapping Debt			\$ 59,703,235
Ratio of Gross Direct and Overlapping Debt to 2025 Net Assessed Valuation			13.08%
Per Capita Gross Direct and Overlapping Debt			\$ 18,308.26

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is \$7,750,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Ratio of Net Direct and Overlapping Debt to 2025 Net Assessed Valuation	10.08%
Per Capita Net Direct and Overlapping Debt	\$ 14,117.83

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

* Does not include \$4,280,000 Tax Notes, Series 2025 anticipated to close September 17, 2025.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	Valuation	% of Actual	2024 Tax Rate
Medina County	\$ 7,779,148,317	100%	\$ 0.683000
Medina Valley Independent School District	3,036,810,346	100%	1.167000

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	5/4/2024	School Bldg. & Security	249,150,000	132,000,000	\$ 117,150,000
	5/4/2024	Stadium	40,850,000	11,200,000	\$ 29,650,000
			<u>\$ 290,000,000</u>	<u>\$ 143,200,000</u>	<u>\$ 146,800,000</u>
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.

	Fiscal Year Ended				
	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Fund Balance - Beginning of Year	\$ 4,586,328	\$ 4,959,955	\$ 3,826,402	\$ 3,153,231	\$ 2,424,812
Revenues	4,680,951	4,120,191	4,416,447	3,505,203	2,932,484
Expenditures	<u>5,126,224</u>	<u>4,722,594</u>	<u>3,600,216</u>	<u>3,664,556</u>	<u>3,036,592</u>
Excess (Deficit) of Revenues Over Expenditures	\$ (445,273)	\$ (602,403)	\$ 816,231	\$ (159,353)	\$ (104,108)
Other Financing Sources (Uses):					
Other Resources	\$ -	-	-	-	-
Bond Proceeds	-	-	-	-	-
Sale of Assets	-	-	-	-	-
Operating Transfers In	441,444	368,776	338,545	853,747	853,747
Operating Transfers Out	-	(140,000)	(21,223)	(21,223)	(21,223)
Other Proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses):	\$ 441,444	\$ 228,776	\$ 317,322	\$ 832,524	\$ 832,524
Net Changes in Fund Balances	(3,829)	-	-	673,171	728,419
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,582,499</u>	<u>\$ 4,586,328</u>	<u>\$ 4,959,955</u>	<u>\$ 3,826,402</u>	<u>\$ 3,153,231</u>

Source: City's audited financial reports.

The City anticipates ending the fiscal year 2025 with a general fund balance of \$4,829,279 (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 I - EMPLOYEE'S RETIREMENT SYSTEMS - Texas Municipal Retirement System".

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

Fiscal Year Ended:	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Revenues	\$ 8,885,678	\$ 7,711,918	\$ 8,142,129	\$ 7,478,714	\$ 7,441,004
Expenses	<u>7,983,659</u>	<u>7,344,376</u>	<u>7,349,920</u>	<u>5,660,222</u>	<u>5,091,936</u>
Net Revenue Available for Debt Service	<u>\$ 902,019</u>	<u>\$ 367,542</u>	<u>\$ 792,209</u>	<u>\$ 1,818,492</u>	<u>\$ 2,349,068</u>
Customer Count:					
Water	1,652	1,512	1,392	1,175	1,145
Sewer	1,532	1,234	1,220	1,071	1,031
Gas	975	960	929	893	743
Electric	1,749	1,715	1,523	1,266	1,244

Source: City's Utility System and Finance Department.

The following rates for Commercial and Residential water, sewer, gas and electric usage was implemented and became effective on January 1, 2024.

WATER		FY 2023	Adopted FY 2024
Residential Inside	Cust. Charge	\$ 30.00	30.00
	0-5,000 Gal.	\$ 5.35	5.35
	5,001-10,000 Gal.	\$ 5.67	5.67
	10,001-20,000 Gal.	\$ 6.20	6.51
	20,001-30,000 Gal.	\$ 6.53	7.51
	30,001-40,000 Gal.	\$ 6.95	8.69
	40,001-50,000 Gal.	\$ 7.18	10.05
	Over 50,000 Gal.	\$ 8.17	11.44
Residential Outside	Cust. Charge	\$ 35.00	35.00
	0-5,000 Gal.	\$ 6.52	6.52
	5,001-10,000 Gal.	\$ 6.94	6.94
	10,001-20,000 Gal.	\$ 7.60	7.98
	20,001-30,000 Gal.	\$ 8.01	9.21
	30,001-40,000 Gal.	\$ 8.41	10.51
	40,001-50,000 Gal.	\$ 8.82	12.35
	Over 50,000 Gal.	\$ 10.06	14.08
Commerical Inside	Cust. Charge	\$ 40.00	40.00
	0-5,000 Gal.	\$ 5.43	5.43
	5,001-10,000 Gal.	\$ 5.77	5.77
	10,001-20,000 Gal.	\$ 6.31	6.31
	20,001-30,000 Gal.	\$ 6.64	6.97
	30,001-40,000 Gal.	\$ 6.97	7.32
	40,001-50,000 Gal.	\$ 7.30	7.67
	Over 50,000 Gal.	\$ 8.31	8.73
Commerical Outside	Cust. Charge	\$ 45.00	45.00
	0-5,000 Gal.	\$ 7.39	7.39
	5,001-10,000 Gal.	\$ 7.81	7.81
	10,001-20,000 Gal.	\$ 8.49	8.49
	20,001-30,000 Gal.	\$ 8.90	9.35
	30,001-40,000 Gal.	\$ 9.31	9.78
	40,001-50,000 Gal.	\$ 9.73	10.22
	Over 50,000 Gal.	\$ 10.99	11.54

The following rates for Commercial and Residential water, sewer, gas and electric usage was implemented and became effective on January 1, 2024.

WASTEWATER		FY 2023	Adopted FY 2024
Residential Inside	Customer Charge	\$ 30.00	\$ 30.00
	Usage Charge	\$ 9.999	\$ 16.668
Residential Outside	Customer Charge	\$ 30.00	\$ 30.00
	Usage Charge	\$ 12.441	\$ 19.110
Commerical Inside	Customer Charge	\$ 35.00	\$ 35.00
	Usage Charge	\$ 9.999	\$ 16.668
Commerical Outside	Customer Charge	\$ 40.00	\$ 40.00
	Usage Charge	\$ 12.441	\$ 19.110

Customer Charge is base rate charged to all customers and includes 2 units toward the usage charge.

Example: Customer's usage (based on winter averaging) is 10, then the bill calculation formula would be *Customer Charge plus Usage Charge times 8*

$$\text{\$30.00} + (16.660 \times 8) = \text{\$163.28}$$

GAS		FY 2023	Adopted FY 2024
Residential Inside	Customer Charge	\$ 16.00	\$ 16.00
	Energy Charge	\$ 0.0090	\$ 0.0106
Residential Outside	Customer Charge	\$ 21.00	\$ 21.00
	Energy Charge	\$ 0.0113	\$ 0.0129
Commerical Inside	Customer Charge	\$ 21.00	\$ 21.00
	Energy Charge	\$ 0.0090	\$ 0.0106
Commerical Outside	Customer Charge	\$ 26.00	\$ 26.00
	Energy Charge	\$ 0.0113	\$ 0.0129

New West Texas Gas Rates:

Houston Ship Channel Cost = 102%

Transportation Cost Adder Increased from \$0.65 to \$1.75 per MMBTU

ELECTRIC		FY 2023	Adopted FY 2024
Residential Inside	Customer Charge	\$ 15.00	\$ 15.00
	Energy Charge	\$ 0.1128	\$ 0.0463
Residential Outside	Customer Charge	\$ 15.00	\$ 15.00
	Energy Charge	\$ 0.1128	\$ 0.0463
Senior Inside	Customer Charge	\$ 14.25	\$ 14.25
	Energy Charge	\$ 0.1072	\$ 0.0406
Senior Outside	Customer Charge	\$ 14.25	\$ 14.25
	Energy Charge	\$ 0.1072	\$ 0.0406
Commerical Inside	Customer Charge	\$ 35.00	\$ 35.00
	Energy Charge	\$ 0.1128	\$ 0.0463
Commerical Outside	Customer Charge	\$ 35.00	\$ 35.00
	Energy Charge	\$ 0.1128	\$ 0.0463

*The rates adopted above represent only the customer and energy charges. The total billed amount for electric usage is the customer charge + the energy charge + the Power Cost Recovery Factor (PCRF). At the time of adoption, the average PCRF was \$0.0702/kWh. This PCRF results in a total rate of \$0.1165/kWh. The PCRF is subject to change based upon market conditions.

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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	3,261	57,077

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 2025 Taxpayers Medina County

<u>Name</u>	<u>Type of Business/Property</u>	<u>2025 Net Taxable Assessed Valuation</u>	<u>% of 2025 Assessed Valuation</u>
Microsoft Corporation	Data Center	\$ 494,757,490	6.43%
Microsoft Corporation	Data Center	148,913,070	1.94%
Martin Marietta Materials SW, Inc.	Aggregate Supplier	64,329,930	0.84%
Vulcan Materials Company	Aggregate Supplier	63,770,240	0.83%
Union Pacific Railroad Comp	Railroad	62,677,770	0.81%
Electric Transmission Texas	Electric Utility	28,902,680	0.38%
Love's Truck Solutions LLC	Gas Station	25,116,300	0.33%
Martin Marietta Materials Inc	Aggregate Supplier	25,000,000	0.32%
Woodland Group LLC	Real Estate	23,943,950	0.31%
Medina Electric COOP Inc	Electric Utility	19,589,270	0.25%
		<u>\$ 957,000,700</u>	<u>12.44%</u>

Source: Medina County Appraisal District.

Medina County Labor Force Statistics

	<u>Labor Force Statistics</u> ⁽¹⁾				
	<u>2025</u> ⁽²⁾	<u>2024</u> ⁽³⁾	<u>2023</u> ⁽³⁾	<u>2022</u> ⁽³⁾	<u>2021</u> ⁽³⁾
Civilian Labor Force	24,647	24,144	23,453	22,698	22,832
Total Employed	23,676	23,163	22,547	21,816	20,744
Total Unemployed	979	981	906	882	1,088
% Unemployment	3.9	4.1	3.9	3.9	5.0
Texas Unemployment	4.1	4.1	4.0	3.9	5.7

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

(2) June 2025.

(3) Average Annual Statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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September 17, 2025

**CITY OF CASTROVILLE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION SERIES 2025
DATED AS OF AUGUST 15, 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$6,920,000**

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 general 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*), (ii) one of the executed Certificates (*Certificate No. T-1*), and (iii) the City's Federal Tax Certificate of even date herewith.

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 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 "Pledged Revenues" (as such term is defined and described in the Ordinance) received by the City from the ownership and operation of the City's 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.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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 general 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 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, 2024

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CITY OF CASTROVILLE, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2024**





CITY OF CASTROVILLE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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CITY OF CASTROVILLE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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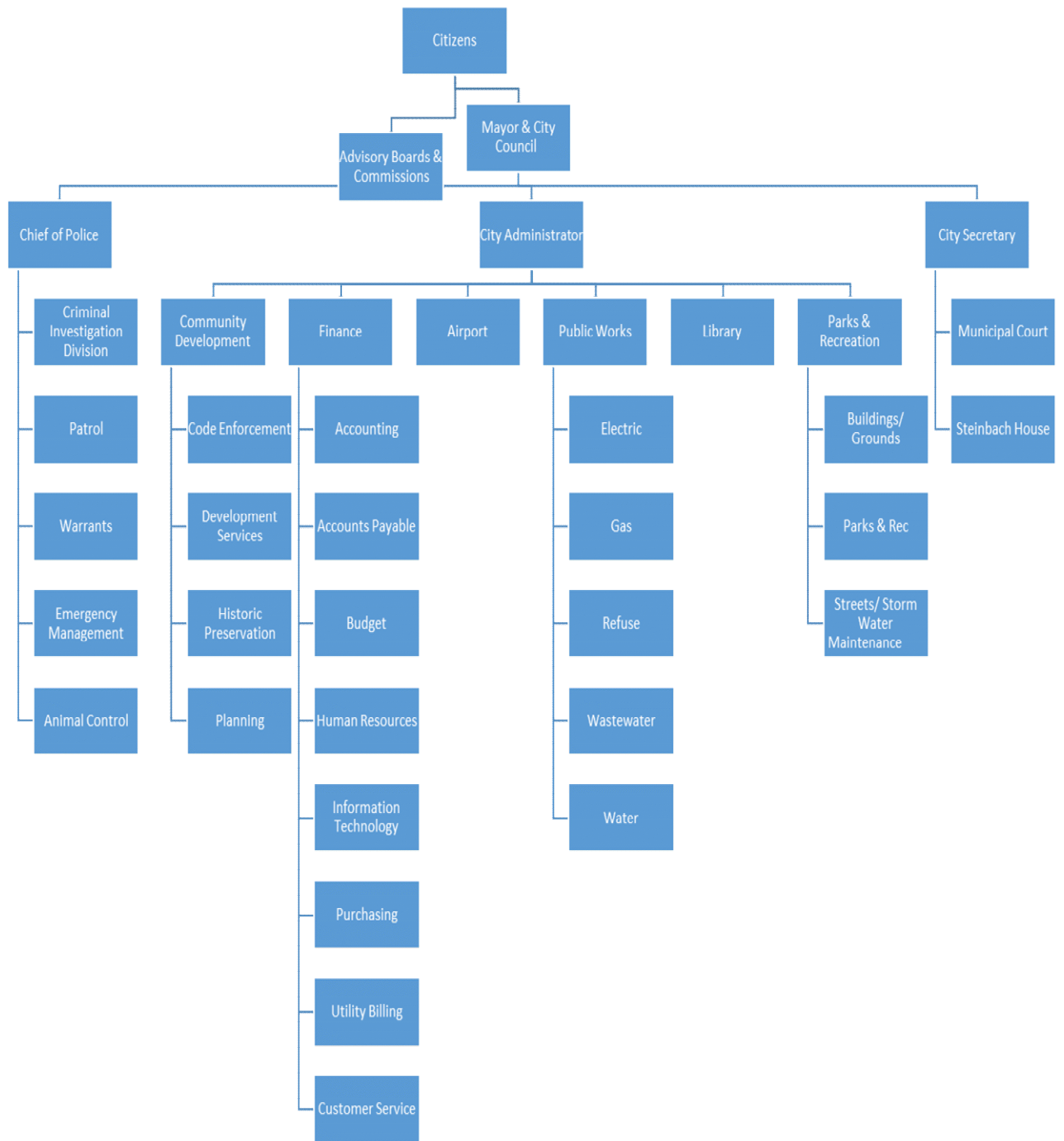
CITY OF CASTROVILLE
PRINCIPAL OFFICERS
AS OF SEPTEMBER 30, 2024

CITY OFFICIALS

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

CITY OF CASTROVILLE

ORGANIZATIONAL CHART





Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Castroville, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Castroville, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Castroville's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Castroville's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2025 on our consideration of City of Castroville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Castroville's internal control over financial reporting and compliance.

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

Armstrong, Vaughan & Associates, P.C.

March 4, 2025

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, 2024. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

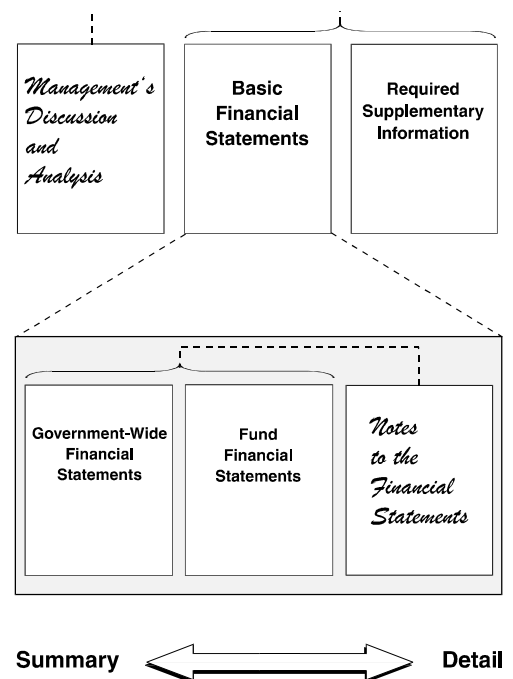
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$32.1 million (total net position) at September 30, 2024. Of this amount, \$10.2 million (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors.
- During the year, the City’s total net position increased by \$390 thousand.
- As of September 30, 2024, the City’s governmental funds reported a combined ending fund balance of \$7.9 million, an increase of \$520 thousand from the prior year primarily due to the issuance of new certificates for upcoming drainage projects in excess of current year capital outlay spending.
- The City issued \$1.5 million of debt during the year ended September 30, 2024 for upcoming drainage improvements.

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 14-17 of this report.

Fund Financial Statements

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

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

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

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

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

The basic governmental fund financial statements can be found beginning on page 18 of this report.

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

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

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

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's adopted budget and the City's progress in funding its obligation to provide pension benefits to its employees. The required supplementary information related to the budget and pension benefits can be found beginning on page 54 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds can be found beginning on pages 64 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$32.1 million at the close of fiscal year 2024.

By far the largest portion of the City's net position (57%) 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, 2024 (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2024	2023	2024	2023	2024	2023	2024 - 2023
<i>Assets:</i>							
Current and Other Assets	\$ 6,362,565	\$ 5,913,674	\$ 9,478,876	\$ 9,121,725	\$ 15,841,441	\$ 15,035,399	5.4
Restricted Assets	1,875,996	1,923,156	4,377,727	7,418,803	6,253,723	9,341,959	(33.1)
Capital Assets (net)	5,131,671	4,441,162	37,444,354	36,325,593	42,576,025	40,766,755	4.4
<i>Total Assets</i>	<u>13,370,232</u>	<u>12,277,992</u>	<u>51,300,957</u>	<u>52,866,121</u>	<u>64,671,189</u>	<u>65,144,113</u>	(0.7)
<i>Deferred Outflows of Resources</i>	<u>265,961</u>	<u>360,536</u>	<u>213,596</u>	<u>338,878</u>	<u>479,557</u>	<u>699,414</u>	(31.4)
<i>Liabilities:</i>							
Current Liabilities	402,918	511,757	1,474,893	2,385,993	1,877,811	2,897,750	(35.2)
Long-Term Liabilities	7,093,938	6,024,425	23,127,927	24,204,335	30,221,865	30,228,760	(0.0)
<i>Total Liabilities</i>	<u>7,496,856</u>	<u>6,536,182</u>	<u>24,602,820</u>	<u>26,590,328</u>	<u>32,099,676</u>	<u>33,126,510</u>	(3.1)
<i>Deferred Inflows of Resources</i>	<u>43,931</u>	<u>28,790</u>	<u>904,300</u>	<u>975,526</u>	<u>948,231</u>	<u>1,004,316</u>	(5.6)
<i>Net Position:</i>							
Net Investment in							
Capital Assets	576,933	783,309	17,905,089	18,107,975	18,482,022	18,891,284	(2.2)
Restricted	1,330,560	666,430	2,131,294	1,750,600	3,461,854	2,417,030	43.2
Unrestricted	4,187,913	4,623,817	5,971,050	5,780,570	10,158,963	10,404,387	(2.4)
<i>Total Net Position</i>	<u>\$ 6,095,406</u>	<u>\$ 6,073,556</u>	<u>\$ 26,007,433</u>	<u>\$ 25,639,145</u>	<u>\$ 32,102,839</u>	<u>\$ 31,712,701</u>	1.2

An additional portion of the City's net position \$3.5 million (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$10.2 million (32%) may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position: The City's net position increased \$390 thousand. (See Table A-2.)

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2024	2023	2024	2023	2024	2023	2024 - 2023
<i>Program Revenues:</i>							
Charges for Services	\$ 1,001,547	\$ 764,819	\$ 9,655,692	\$ 8,426,165	\$ 10,657,239	\$ 9,190,984	16.0
Operating Grants and Contributions	147,984	39,006	49,397	41,267	197,381	80,273	145.9
Capital Grants and Contributions	-	-	155,490	1,421,483	155,490	1,421,483	(89.1)
<i>General Revenues:</i>							
Taxes	4,091,911	3,622,163	-	-	4,091,911	3,622,163	13.0
Interest Earnings	296,254	151,885	488,790	291,194	785,044	443,079	77.2
Miscellaneous	744,310	497,959	-	-	744,310	497,959	49.5
TOTAL REVENUES	6,282,006	5,075,832	10,349,369	10,180,109	16,631,375	15,255,941	9.0
<i>Program Expenditures:</i>							
General Administration	2,495,516	1,666,921	-	-	2,495,516	1,666,921	49.7
Public Safety	2,132,759	1,908,218	-	-	2,132,759	1,908,218	11.8
Public Transportation	628,547	732,157	-	-	628,547	732,157	(14.2)
Culture and Recreation	1,257,800	1,069,212	-	-	1,257,800	1,069,212	17.6
Interest in Debt	181,121	213,008	-	-	181,121	213,008	(15.0)
Utility	-	-	8,542,202	7,947,415	8,542,202	7,947,415	7.5
Airport	-	-	1,003,292	870,037	1,003,292	870,037	15.3
TOTAL EXPENSES	6,695,743	5,589,516	9,545,494	8,817,452	16,241,237	14,406,968	12.7
Increase (Decrease) in Net							
Position before Transfers	(413,737)	(513,684)	803,875	1,362,657	390,138	848,973	(54.0)
Transfers							
	435,587	356,387	(435,587)	(356,387)	-	-	0.0
Increase (Decrease) in Net							
Position after Transfers	<u>\$ 21,850</u>	<u>\$ (157,297)</u>	<u>\$ 368,288</u>	<u>\$ 1,006,270</u>	<u>\$ 390,138</u>	<u>\$ 848,973</u>	(54.0)

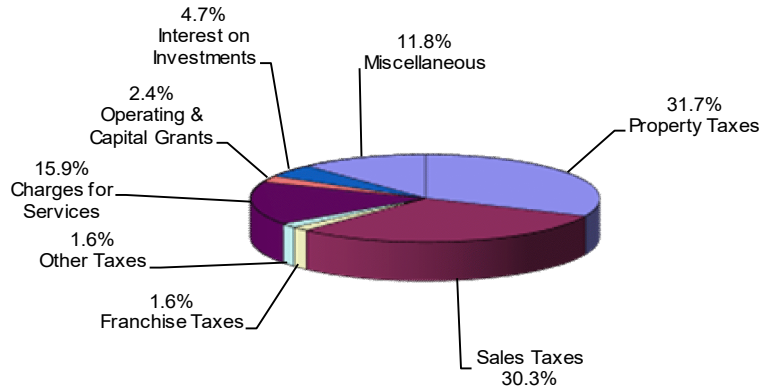
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2024.

Governmental Activities

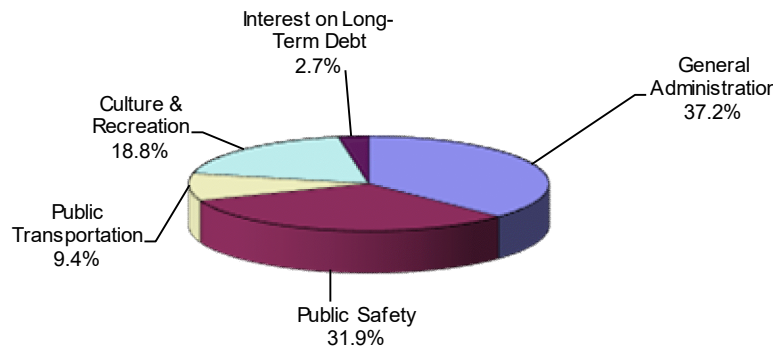
- Ad Valorem taxes increased \$349 thousand from the previous year.
- Sales tax increased \$121 thousand over the previous year.
- Governmental program expenses increased \$1.1 million from the previous year which was primarily in General Administration.

Governmental activities showed an excess of expenses over revenues of \$414 thousand before transfers from business-type activities. The business-type activities transferred \$436 thousand to governmental activities resulting in an increase in net position of \$22 thousand.

2024 Governmental Revenues



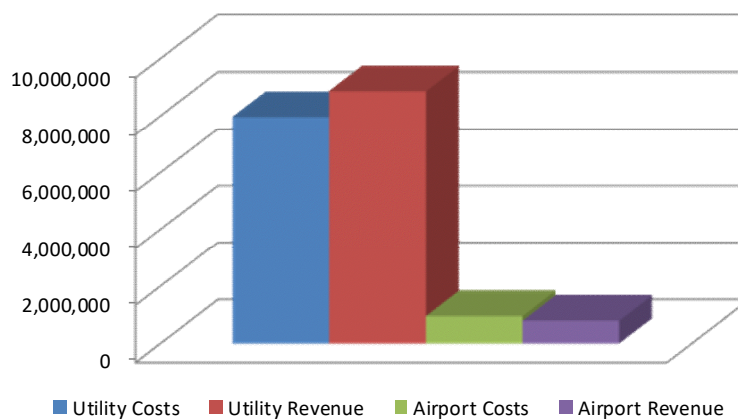
2024 Governmental Function Expenses



Business-Type Activities

Business-type activities increased the City's net position by \$368 thousand after transfers to governmental activities of \$436 thousand. This increase is partially attributed to increases in interest and investment earnings but came primarily from charges for services for utilities and airport in excess of the decreases in grants and capital contributions.

Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7.9 million. Of this total amount, \$3.4 million is restricted by constraints imposed by external providers such as grantors and enabling legislation and for capital projects, \$365 thousand is committed and reported in special revenue funds, and \$4.1 million is unassigned in the governmental funds. The unassigned fund balance is the amount available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$4.1 million. The City's general fund balance showed a decrease of \$4 thousand during the year. This is attributed to higher transfers from the Utility Fund than the previous to support admin costs recorded in the General Fund.

Proprietary funds

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

The unrestricted net position of the Utility Fund at the end of the year amounted to \$5.2 million. The increase in net position was \$197 thousand. This increase is attributable to capital contributions.

Unrestricted net position of the Airport Fund at the end of the year amounted to \$751 thousand. The increase in net position was \$171 thousand. This increase is attributable to transfers in from the utility fund for the use of water rights at the airport.

Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were two budget amendments during the year that had no impact on total revenues but did increase total expenditures as the City was utilizing use of prior fund balance. The general fund revenues were over budget by \$1.2 million as a result of increased sales tax revenue, license and permits, and ad valorem tax revenue. The general fund expenditures were under budget by \$649 thousand as the final approved budget included the City's portion of grant expenditures related to the Regional Community Center construction that had not begun as of year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2024, the City had invested \$42.6 million in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles, and infrastructure (See Table A-3.). This amount represents a net increase (including additions and deductions) of \$1.8 million from last year. The increase is due to completion of projects during the current year including River Bluff Improvements, street and sewer line improvements, and Alsatian Oaks Well Improvements. 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
	2024	2023	2024	2023	2024	2023	2024 - 2023
Land	\$ 179	\$ 179	\$ 2,229	\$ 2,229	\$ 2,408	\$ 2,408	0.0
Construction in Progress	638	984	2,795	6,511	3,433	7,495	(54.2)
Water Rights	-	-	176	176	176	176	0.0
Buildings and Improvements	1,479	1,470	7,970	7,970	9,449	9,440	0.1
Vehicles and Equipment	1,487	1,319	2,828	2,828	4,315	4,147	4.1
Infrastructure	3,524	2,370	33,935	27,963	37,459	30,333	23.5
Totals at Historical Cost	7,307	6,322	49,933	47,677	57,240	53,999	6.0
Total Accumulated Depreciation	(2,176)	(1,881)	(12,489)	(11,351)	(14,665)	(13,232)	10.8
Net Capital Assets	<u>\$ 5,131</u>	<u>\$ 4,441</u>	<u>\$ 37,444</u>	<u>\$ 36,326</u>	<u>\$ 42,575</u>	<u>\$ 40,767</u>	4.4

Long Term Debt

At year-end the City had \$27.9 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
	2024	2023	2024	2023	2024	2023	2024 - 2023
Bonds Payable	\$ 6,038	\$ 4,848	\$ 9,182	\$ 9,418	\$ 15,220	\$ 14,266	6.7
Notes Payable	-	-	1,094	1,114	1,094	1,114	(1.8)
TWDB Bonds Payable	-	-	11,540	12,185	11,540	12,185	(5.3)
Total Long-Term Debt	<u>\$ 6,038</u>	<u>\$ 4,848</u>	<u>\$ 21,816</u>	<u>\$ 22,717</u>	<u>\$ 27,854</u>	<u>\$ 27,565</u>	1.0

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The General Fund budgeted revenues and other financing sources of transfers in of \$4,771,040 for fiscal year 2025 which is an increase of 19.5% of fiscal year 2024 final budgeted revenues and other financing sources. The General Fund budgeted expenditures and other financing uses of transfers out of \$4,752,701 for fiscal year 2025 which is a decrease of 19.1% from fiscal year 2024 final budgeted expenditures and other financing uses.
- Total ad valorem rates remained unchanged from fiscal year 2024 at 0.5233 per \$100 valuation.
- The population of the City is estimated to be 3,141.

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, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 6,075,625	\$ 6,683,609	\$ 12,759,234
Receivables (net of allowances for uncollectibles)			
Ad Valorem Taxes	14,814	-	14,814
Sales & Mixed Beverage Taxes	312,888	-	312,888
Lease	-	876,989	876,989
Other	115,978	1,149,448	1,265,426
Inventory	-	612,090	612,090
Internal Balances	(156,740)	156,740	-
Restricted Assets:			
Cash and Cash Equivalents	1,875,996	3,385,613	5,261,609
Cash Held in Escrow	-	992,114	992,114
Capital Assets:			
Land	179,144	2,229,120	2,408,264
Construction in Progress	638,365	2,795,086	3,433,451
Water Rights	-	176,126	176,126
Building and Improvements	1,479,336	7,970,353	9,449,689
Vehicles and Equipment	1,486,749	2,827,873	4,314,622
Infrastructure	3,524,457	33,934,910	37,459,367
Accumulated Depreciation	(2,176,380)	(12,489,114)	(14,665,494)
TOTAL ASSETS	13,370,232	51,300,957	64,671,189
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	7,033	1,745	8,778
Deferred Pension Related Outflows	250,931	205,308	456,239
Deferred OPEB Related Outflows	7,997	6,543	14,540
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 265,961	\$ 213,596	\$ 479,557

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 178,636	\$ 1,079,638	\$ 1,258,274
Accrued Expenses	151,671	14,615	166,286
Unearned Revenue	39,580	4,422	44,002
Accrued Interest Payable	33,031	89,382	122,413
Customer Deposits	-	286,836	286,836
<i>Noncurrent Liabilities:</i>			
Due within One Year	313,500	1,077,500	1,391,000
Due in more than One Year	6,168,062	21,597,408	27,765,470
Compensated Absences	124,165	53,572	177,737
Net Pension Liability	378,505	309,686	688,191
Total OPEB Liability	109,706	89,761	199,467
TOTAL LIABILITIES	7,496,856	24,602,820	32,099,676
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	25,305	20,705	46,010
Deferred OPEB Related Inflows	18,626	15,239	33,865
Deferred Inflows - Leases	-	868,356	868,356
TOTAL DEFERRED INFLOWS OF RESOURCES	43,931	904,300	948,231
NET POSITION			
Net Investment in Capital Assets	576,933	17,905,089	18,482,022
Restricted	1,330,560	2,131,294	3,461,854
Unrestricted	4,187,913	5,971,050	10,158,963
TOTAL NET POSITION	\$ 6,095,406	\$ 26,007,433	\$ 32,102,839

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
<i>Governmental Activities:</i>				
General Administration	\$ 2,495,516	\$ 440,841	\$ -	\$ -
Public Safety	2,132,759	178,433	103,626	-
Public Transportation	628,547	105,048	-	-
Culture and Recreation	1,257,800	277,225	44,358	-
Interest on Long-term Debt	181,121	-	-	-
<i>Total Governmental Activities</i>	<u>6,695,743</u>	<u>1,001,547</u>	<u>147,984</u>	<u>-</u>
<i>Business-Type Activities</i>				
Utility	8,542,202	8,885,678	-	155,490
Airport	1,003,292	770,014	49,397	-
<i>Total Business-Type Activities</i>	<u>9,545,494</u>	<u>9,655,692</u>	<u>49,397</u>	<u>155,490</u>
Total Primary Government	<u>\$ 16,241,237</u>	<u>\$ 10,657,239</u>	<u>\$ 197,381</u>	<u>\$ 155,490</u>
General Revenues:				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Franchise Taxes				
Other Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (2,054,675)	\$ -	\$ (2,054,675)
(1,850,700)	-	(1,850,700)
(523,499)	-	(523,499)
(936,217)	-	(936,217)
(181,121)	-	(181,121)
<u>(5,546,212)</u>	<u>-</u>	<u>(5,546,212)</u>
-	498,966	498,966
<u>-</u>	<u>(183,881)</u>	<u>(183,881)</u>
<u>-</u>	<u>315,085</u>	<u>315,085</u>
<u>(5,546,212)</u>	<u>315,085</u>	<u>(5,231,127)</u>
1,991,262	-	1,991,262
1,899,356	-	1,899,356
98,423	-	98,423
102,870	-	102,870
296,254	488,790	785,044
744,310	-	744,310
<u>5,132,475</u>	<u>488,790</u>	<u>5,621,265</u>
<u>435,587</u>	<u>(435,587)</u>	<u>-</u>
21,850	368,288	390,138
<u>6,073,556</u>	<u>25,639,145</u>	<u>31,712,701</u>
<u>\$ 6,095,406</u>	<u>\$ 26,007,433</u>	<u>\$ 32,102,839</u>

CITY OF CASTROVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	Major Fund General Fund	Major Fund Capital Projects Fund	Major Fund Drainage Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 4,211,225	\$ -	\$ 381,500	\$ 1,482,900	\$ 6,075,625
Receivables (net of allowance):					
Property Taxes	10,431	-	-	4,383	14,814
Sales & Mixed Beverage Taxes	312,888	-	-	-	312,888
Other Receivables	15,884	-	-	100,094	115,978
Due from Other Funds	331,450	160,814	16,927	-	509,191
Restricted Assets:					
Cash and Cash Equivalents	-	411,113	1,464,883	-	1,875,996
TOTAL ASSETS	\$ 4,881,878	\$ 571,927	\$ 1,863,310	\$ 1,587,377	\$ 8,904,492
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts Payable	\$ 134,777	\$ -	\$ 43,859	\$ -	\$ 178,636
Accrued Expenditures	151,671	-	-	-	151,671
Due to Other Funds	-	6,000	-	659,931	665,931
Unearned Revenue	2,500	-	-	37,080	39,580
<i>Total Liabilities</i>	<u>288,948</u>	<u>6,000</u>	<u>43,859</u>	<u>697,011</u>	<u>1,035,818</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenue - Property Tax	10,431	-	-	4,383	14,814
<i>Total Deferred Inflows of Resources</i>	<u>10,431</u>	<u>-</u>	<u>-</u>	<u>4,383</u>	<u>14,814</u>
<i>Fund Balances:</i>					
Restricted	483,963	565,927	1,464,883	875,245	3,390,018
Committed	-	-	354,568	10,738	365,306
Unassigned	4,098,536	-	-	-	4,098,536
<i>Total Fund Balances</i>	<u>4,582,499</u>	<u>565,927</u>	<u>1,819,451</u>	<u>885,983</u>	<u>7,853,860</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, & FUND BALANCES	\$ 4,881,878	\$ 571,927	\$ 1,863,310	\$ 1,587,377	\$ 8,904,492

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, 2024

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 7,853,860

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. 5,131,671

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 14,814

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.

Compensated Absences	(124,165)	
Deferred Charge on Refunding	7,033	
Bonds Payable	(6,038,000)	
Premiums on Bonds	<u>(443,562)</u>	(6,598,694)

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	(378,505)	
Pension Related Deferred Outflows	250,931	
Pension Related Deferred Inflows	<u>(25,305)</u>	(152,879)

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	(109,706)	
OPEB Related Deferred Outflows	7,997	
OPEB Related Deferred Inflows	<u>(18,626)</u>	(120,335)

Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds. (33,031)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 6,095,406

CITY OF CASTROVILLE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Major Fund General Fund	Major Fund Capital Projects Fund	Major Fund Drainage Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Ad Valorem Taxes	\$ 1,407,149	\$ -	\$ -	\$ 585,883	\$ 1,993,032
Sales Taxes	1,899,356	-	-	-	1,899,356
Franchise Fees	98,423	-	-	-	98,423
Other Taxes	7,341	-	-	95,529	102,870
Licenses and Permits	434,726	-	-	-	434,726
Charges for Services	283,340	-	105,049	9,734	398,123
Fines and Forfeitures	168,699	-	-	-	168,699
Intergovernmental Revenue	145,471	-	-	2,513	147,984
Interest Income	207,533	43,173	11,170	34,378	296,254
Miscellaneous	28,913	-	-	715,397	744,310
TOTAL REVENUES	4,680,951	43,173	116,219	1,443,434	6,283,777
EXPENDITURES					
<i>Current:</i>					
General Administration	1,300,005	-	51	723,307	2,023,363
Public Safety	2,065,387	-	-	4,828	2,070,215
Public Transportation	442,658	-	-	-	442,658
Culture and Recreation	1,318,174	-	-	104,324	1,422,498
<i>Capital Outlay</i>	-	1,187,596	43,857	-	1,231,453
<i>Debt Service:</i>					
Principal	-	-	-	309,500	309,500
Interest and Fiscal Charges	-	-	-	155,034	155,034
Bond Issuance Costs	-	-	45,000	-	45,000
TOTAL EXPENDITURES	5,126,224	1,187,596	88,908	1,296,993	7,699,721
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(445,273)	(1,144,423)	27,311	146,441	(1,415,944)
OTHER FINANCING SOURCES (USES)					
Transfers In	441,444	-	11,069	55,345	507,858
Transfers Out	-	-	(55,345)	(16,926)	(72,271)
Issuance of Debt	-	-	1,500,000	-	1,500,000
TOTAL OTHER FINANCING SOURCES (USES)	441,444	-	1,455,724	38,419	1,935,587
Net Change in Fund Balance	(3,829)	(1,144,423)	1,483,035	184,860	519,643
Fund Balances at Beginning of Year	4,586,328	1,710,350	336,416	701,123	7,334,217
Fund Balances at End of Year	\$ 4,582,499	\$ 565,927	\$ 1,819,451	\$ 885,983	\$ 7,853,860

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, 2024

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 519,643

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. 690,509

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. (1,770)

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	309,500		
Proceeds of New Debt	(1,500,000)		
Amortization of Deferred Charges & Premiums	26,216		
			(1,164,284)

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. (6,741)

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. (6,380)

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and, therefore, are not reported as expenditures in
governmental funds.

Change in Compensated Absences	(1,824)		
Change in Accrued Interest	(7,303)		
			(9,127)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 21,850

CITY OF CASTROVILLE
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2024

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
ASSETS			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 5,911,445	\$ 772,164	\$ 6,683,609
Leases Receivable	-	876,989	876,989
Other Receivables (net of allowance)	945,955	203,493	1,149,448
Due from Other Funds	404,981	-	404,981
Inventory	560,584	51,506	612,090
<i>Total Current Assets</i>	<u>7,822,965</u>	<u>1,904,152</u>	<u>9,727,117</u>
<i>Restricted Assets:</i>			
Cash and Cash Equivalents	3,385,613	-	3,385,613
Cash Held in Escrow	992,114	-	992,114
<i>Total Restricted Assets</i>	<u>4,377,727</u>	<u>-</u>	<u>4,377,727</u>
<i>Non-Current Assets:</i>			
Capital Assets, Net of Accumulated			
Depreciation	28,289,760	9,154,594	37,444,354
<i>Total Non-Current Assets</i>	<u>28,289,760</u>	<u>9,154,594</u>	<u>37,444,354</u>
TOTAL ASSETS	<u>40,490,452</u>	<u>11,058,746</u>	<u>51,549,198</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	-	1,745	1,745
Deferred Pension Related Outflows	196,183	9,125	205,308
Deferred OPEB Related Outflows	6,252	291	6,543
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 202,435</u>	<u>\$ 11,161</u>	<u>\$ 213,596</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)
SEPTEMBER 30, 2024

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 1,048,080	\$ 31,558	\$ 1,079,638
Accrued Expenses	10,148	4,467	14,615
Due to Other Funds	22,984	225,257	248,241
Unearned Revenue	-	4,422	4,422
Customer Deposits	286,836	-	286,836
Accrued Interest Payable	85,185	4,197	89,382
Current Portion of Long Term Debt	1,040,000	37,500	1,077,500
<i>Total Current Liabilities</i>	<u>2,493,233</u>	<u>307,401</u>	<u>2,800,634</u>
<i>Non-Current Liabilities:</i>			
Compensated Absences	48,940	4,632	53,572
Net Pension Liability	295,922	13,764	309,686
Total OPEB Liability	85,771	3,990	89,761
Long-Term Debt (Net of Current Portion)	20,506,064	1,091,344	21,597,408
<i>Total Non-Current Liabilities</i>	<u>20,936,697</u>	<u>1,113,730</u>	<u>22,050,427</u>
TOTAL LIABILITIES	<u>23,429,930</u>	<u>1,421,131</u>	<u>24,851,061</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	19,784	921	20,705
Deferred OPEB Related Inflows	14,562	677	15,239
Deferred Inflows - Leases	-	868,356	868,356
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>34,346</u>	<u>869,954</u>	<u>904,300</u>
NET POSITION			
Net Investment in Capital Assets	9,877,594	8,027,495	17,905,089
Restricted	2,131,294	-	2,131,294
Unrestricted	5,219,723	751,327	5,971,050
TOTAL NET POSITION	<u>\$ 17,228,611</u>	<u>\$ 8,778,822</u>	<u>\$ 26,007,433</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, 2024

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
OPERATING REVENUES			
Charges for Services	\$ 8,763,118	\$ 762,490	\$ 9,525,608
Fines and Forfeitures	69,926	726	70,652
Operating Grants	41,830	49,397	91,227
Miscellaneous Revenues	10,804	6,798	17,602
TOTAL OPERATING REVENUES	8,885,678	819,411	9,705,089
OPERATING EXPENSES			
Personnel Services	2,115,500	138,293	2,253,793
Supplies	50,857	4,677	55,534
Other Services and Charges	2,240,963	554,467	2,795,430
Electric Purchases	2,172,195	-	2,172,195
Gas Purchases	185,943	-	185,943
Sanitation Services	362,190	-	362,190
Depreciation and Amortization	856,011	281,454	1,137,465
TOTAL OPERATING EXPENSES	7,983,659	978,891	8,962,550
OPERATING INCOME (LOSS)	902,019	(159,480)	742,539
NONOPERATING REVENUES (EXPENSES)			
Interest Income	475,437	13,353	488,790
Interest and Fiscal Charges	(558,543)	(24,401)	(582,944)
TOTAL NONOPERATING REVENUES (EXPENSES)	(83,106)	(11,048)	(94,154)
Net Income (Loss) Before Transfers and Capital Contributions	818,913	(170,528)	648,385
Transfers and Capital Contributions:			
Capital Grants & Contributions	155,490	-	155,490
Transfers In	-	347,326	347,326
Transfers Out	(776,913)	(6,000)	(782,913)
Total Transfers and Capital Contributions	(621,423)	341,326	(280,097)
CHANGE IN NET POSITION	197,490	170,798	368,288
NET POSITION AT BEGINNING OF YEAR	17,031,121	8,608,024	25,639,145
NET POSITION AT END OF YEAR	\$ 17,228,611	\$ 8,778,822	\$ 26,007,433

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	ENTERPRISE FUNDS		
	Major Fund	Major Fund	
	Utility	Airport	
	Fund	Fund	Totals
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 9,289,455	\$ 812,124	\$ 10,101,579
Cash Paid to Employee Wages & Benefits	(2,182,744)	(127,538)	(2,310,282)
Cash Paid to Suppliers for Goods and Services	(5,877,207)	(532,020)	(6,409,227)
Net Cash Provided (Used) by Operating Activities	<u>1,229,504</u>	<u>152,566</u>	<u>1,382,070</u>
Cash Flows From Noncapital Financing Activities:			
Interfund Payables	(203,380)	347	(203,033)
Transfer (to) from Other Funds	(776,913)	341,326	(435,587)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(980,293)</u>	<u>341,673</u>	<u>(638,620)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(2,100,736)	-	(2,100,736)
Retirement of Long-Term Debt	(865,000)	(35,500)	(900,500)
Interest and Fiscal Charges Paid	(614,458)	(25,098)	(639,556)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,580,194)</u>	<u>(60,598)</u>	<u>(3,640,792)</u>
Cash Flows From Investing Activities:			
Investment Interest Received	475,437	13,353	488,790
Net Cash Provided (Used) by Investing Activities	<u>475,437</u>	<u>13,353</u>	<u>488,790</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,855,546)	446,994	(2,408,552)
Cash and Investments at Beginning of Year:			
Cash and Investments	5,725,915	325,170	6,051,085
Restricted Cash and Investments	7,418,803	-	7,418,803
	<u>13,144,718</u>	<u>325,170</u>	<u>13,469,888</u>
Cash and Investments at End of Year:			
Cash and Investments	5,911,445	772,164	6,683,609
Restricted Cash and Investments	4,377,727	-	4,377,727
	<u>\$ 10,289,172</u>	<u>\$ 772,164</u>	<u>\$ 11,061,336</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	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)	\$ 902,019	\$ (159,480)	\$ 742,539
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	856,011	281,454	1,137,465
(Increase) Decrease in Operating Assets:			
Leases Receivable	-	78,126	78,126
Accounts Receivable	381,174	(1,482)	379,692
Inventory	25,008	(4,420)	20,588
Increase (Decrease) in Current Liabilities:			
Accounts Payable	(890,067)	31,544	(858,523)
Accrued Expenses	(41,288)	2,588	(38,700)
Unearned Revenue	-	(4,422)	(4,422)
Customer Deposits	22,603	-	22,603
Compensated Absences	5,235	3,332	8,567
Net Pension Liability and Related			
Deferred Inflows and Outflows	(18,019)	2,695	(15,324)
Total OPEB Liability and Related			
Deferred Inflows and Outflows	(13,172)	2,140	(11,032)
Deferred Inflows - Leases	-	(79,509)	(79,509)
Total Adjustments to Reconcile Operating Activities	327,485	312,046	639,531
Net Cash Provided (Used) by Operating Activities	\$ 1,229,504	\$ 152,566	\$ 1,382,070

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. REPORTING ENTITY

Component Units

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

Blended Component Units

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

Discretely Presented Component Units. As of September 30, 2024, the City had no component units that would require a discrete presentation in the financial statements.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

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

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

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

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

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

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 60 days of the end of the current fiscal period.

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

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

The City reports the following major governmental funds:

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

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

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

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

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

Drainage Fund is used to account for bond proceeds and customer charges dedicated for drainage projects in the City.

Nonmajor funds include special revenue funds and debt service funds.

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

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

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

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

The City reports the following major proprietary funds:

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

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

4. CASH AND CASH EQUIVALENTS

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

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

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d).

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

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

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2023 and past due after January 31, 2024. 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, 2024 are \$16,822 and \$39,601, respectively.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

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

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

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

8. INVENTORY

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

9. RESTRICTED ASSETS

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

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

10. CAPITAL ASSETS

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

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

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

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

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

11. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

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

12. UNEARNED REVENUE

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.

13. COMPENSATED ABSENCES

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

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

14. LONG-TERM OBLIGATIONS

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

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

14. LONG-TERM OBLIGATIONS (Continued)

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

15. PENSIONS

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

16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

17. FUND EQUITY

Fund balances in governmental funds are classified as follows:

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

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

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

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

17. FUND EQUITY (Continued)

Assigned – Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council is the only entity that may make assignments at this time as the Council has not designated any other individuals with the authority to make assignments.

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

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

18. NET POSITION

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

19. INTERFUND TRANSACTIONS

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

20. OPERATING REVENUES AND EXPENSES

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

21. USE OF ESTIMATES

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE B -- DEPOSITS AND INVESTMENTS

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

1. Deposits

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2024, the carrying amount of the City's deposits were fully collateralized by a combination of federal deposit insurance (FDIC) and securities pledged by the City's depository.

2. Investments

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. The Act requires that the Council review the investment policy at least annually, investment officers obtain minimum investment training, and investment officers sign quarterly investment reports submitted to Council. Audit procedures in this area, conducted as part of the basic financial statements, disclosed that the City had adhered to all requirements of the investment policy for the year ended September 30, 2024. Additionally, investment practices of the City were in accordance with local policies.

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

The City's investment policy further prioritizes investments as: (1) safety, (2) liquidity, (3) public trust, and (4) yield. All investments are valued using prices quoted in active markets (Level 1 inputs).

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures. The City has reviewed its risk exposure and does not believe it is exposed to significant credit risk, custodial credit risk, or concentration of credit risk.

4. Investment Accounting Policy

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

5. Cash Held in Escrow

The amount of funds approved by the Texas Water Development Board but not yet drawn down by the City is held in escrow by the Texas Water Development Board in the City's name. The amount held in escrow as of September 30, 2024 was \$992,114.

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, 2023, upon which the fiscal 2024 levy was based, was \$335,374,914 (i.e., market value less exemptions). The estimated market value was \$487,022,557, making the taxable value 68.9% of the estimated market value.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE C -- PROPERTY TAX CALENDAR (Continued)

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2024, was \$0.523300 per \$100 of assessed value, which means that the City has a tax margin of \$1.9767 for each \$100 value and could increase its annual tax levy by approximately \$6,629,356 based upon the present assessed valuation before the limit is reached. However, the City generally may not increase the maintenance and operations portion of the property tax rate (that funds the General Fund) more than 3.5% annually (based on a three-year average) without an election.

NOTE D -- LEASES

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

	Commercial 1	Commercial 2	Commercial 3	Commercial 4	Executive	Farm Land
Current Term Ends	11/30/2041	4/1/2045	2/28/2040	1/19/2041	9/30/2050	12/12/2025
Extension Options End	11/30/2051	4/1/2045	2/28/2050	1/19/2041	9/30/2050	12/12/2025
Total Payments During Year:						
Reduction of Receivable	\$ 13,545	\$ 3,296	\$ 15,703	\$ 4,292	\$ 4,589	\$ 36,701
Interest Payment	5,751	104	5,897	131	211	415
Variable and Other Payments	-	-	-	-	-	-
	<u>\$ 19,296</u>	<u>\$ 3,400</u>	<u>\$ 21,600</u>	<u>\$ 4,423</u>	<u>\$ 4,800</u>	<u>\$ 37,116</u>
Total Lease Revenue During Year:						
Lease Revenue	\$ 15,893	\$ 2,753	\$ 16,627	\$ 2,897	\$ 4,682	\$ 36,656
Interest Revenue	5,751	104	5,897	131	211	415
	<u>\$ 21,644</u>	<u>\$ 2,857</u>	<u>\$ 22,524</u>	<u>\$ 3,028</u>	<u>\$ 4,893</u>	<u>\$ 37,071</u>

NOTE E -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2024 are as follows:

	General Fund	Nonmajor Governmental Funds	Utility Fund	Airport Fund
Franchise Fees	\$ 12,092	\$ -	\$ -	\$ -
Occupancy Tax	-	23,093	-	-
Developer Contributions	-	77,001	-	-
Customer Receivables, Net of Allowance for Uncollectibles	3,792	-	904,125	3,493
Grant Funds	-	-	41,830	200,000
Total Other Receivables	<u>\$ 15,884</u>	<u>\$ 100,094</u>	<u>\$ 945,955</u>	<u>\$ 203,493</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE F -- INTERFUND RECEIVABLE/PAYABLE AND TRANSFERS

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, and service debt. As of September 30, 2024, the following balances were due between funds:

Receivable Fund	Payable Fund	Amount	Reason
General Fund	Capital Projects Fund	\$ 6,000	Reimbursement for Costs
General Fund	Nonmajor Governmental Fund	107,108	Reimbursement for Costs
General Fund	Utility Fund	6,057	Reimbursement for Costs
General Fund	Airport Fund	212,285	Reimbursement for Costs
Capital Projects Fund	Nonmajor Governmental Fund	160,814	Reimbursement for Costs
Drainage Fund	Utility Fund	16,927	Reimbursement for Costs
Utility Fund	Airport Fund	12,972	Reimbursement for Costs
Utility Fund	Nonmajor Governmental Fund	392,009	Reimbursement for Costs
		<u>\$ 914,172</u>	

Transfers during the year ended September 30, 2024, were as follows:

Transfer In	Transfers Out	Amount	Purpose
General Fund	Utility Fund	\$ 435,444	In support of admin costs
General Fund	Airport Fund	6,000	Supplement Funding
Drainage Fund	Utility Fund	11,069	In support of debt service
Nonmajor Governmental Fund	Drainage Fund	55,345	In support of debt service
Airport Fund	Utility Fund	330,400	In support of water rights
Airport Fund	Nonmajor Governmental Fund	16,926	In support of debt service
		<u>\$ 855,184</u>	

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE G -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024, was as follows:

<i>Governmental Activities</i>	Balance 10/1/2023	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2024
Land	\$ 179,144	\$ -	\$ -	\$ 179,144
Construction in Progress	983,967	818,555	(1,164,157)	638,365
Buildings and Improvements	1,469,936	-	9,400	1,479,336
Vehicles and Equipment	1,319,681	167,068	-	1,486,749
Infrastructure	2,369,700	-	1,154,757	3,524,457
	<u>6,322,428</u>	<u>985,623</u>	<u>-</u>	<u>7,308,051</u>
Less Accumulated Depreciation				
Buildings and Improvements	(407,246)	(63,500)	-	(470,746)
Vehicles and Equipment	(740,773)	(172,940)	-	(913,713)
Infrastructure	(733,247)	(58,674)	-	(791,921)
	<u>(1,881,266)</u>	<u>(295,114)</u>	<u>-</u>	<u>(2,176,380)</u>
Governmental Capital Assets, Net	<u>\$ 4,441,162</u>	<u>\$ 690,509</u>	<u>\$ -</u>	<u>\$ 5,131,671</u>
<i>Business-Type Activities</i>	Balance 10/1/2023	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2024
Land	\$ 2,229,120	\$ -	\$ -	\$ 2,229,120
Construction in Progress	6,510,653	2,305,626	(6,021,193)	2,795,086
Water Rights	176,126	-	-	176,126
Buildings and Improvements	7,970,353	-	-	7,970,353
Vehicles and Equipment	2,827,873	-	-	2,827,873
Infrastructure	27,963,117	-	5,971,793	33,934,910
	<u>47,677,242</u>	<u>2,305,626</u>	<u>(49,400)</u>	<u>49,933,468</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,559,377)	(165,365)	-	(2,724,742)
Vehicles and Equipment	(1,238,327)	(253,386)	-	(1,491,713)
Infrastructure	(7,553,945)	(718,714)	-	(8,272,659)
	<u>(11,351,649)</u>	<u>(1,137,465)</u>	<u>-</u>	<u>(12,489,114)</u>
Business-Type Capital Assets, Net	<u>\$ 36,325,593</u>	<u>\$ 1,168,161</u>	<u>\$ (49,400)</u>	<u>\$ 37,444,354</u>

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE G -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the functions as follows:

<u>Governmental Activities:</u>	
General Administration	\$ 10,256
Public Safety	81,135
Public Transportation	130,909
Culture and Recreation	72,814
Total Depreciation Expense - Governmental Activities	<u>\$ 295,114</u>
 <u>Business-Type Activities:</u>	
Utility	\$ 856,011
Airport	281,454
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,137,465</u>

NOTE H -- LONG-TERM DEBT

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

Public Borrowings

A summary of the general obligation debt is as follows:

	Issue Amount	Maturity	Interest Rate	Balance
General Obligation Refunding Bonds:				
2012 Series	\$ 2,020,000	2026	2.0 - 3.0%	<u>\$ 165,000</u>
Certificates of Obligation:				
2022 Series	\$ 9,285,000	2042	2.0 - 5.0%	<u>\$ 8,820,000</u>
Certificates of Obligation:				
2023 Series	\$ 4,735,000	2043	4.0 - 5.0%	<u>\$ 4,735,000</u>

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

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

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE H -- LONG-TERM DEBT (Continued)

Private Placement Note Agreements

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

The City obtained a note agreement with the US Department of Agriculture for the purpose of construction and hanger improvements for \$1,180,000. As of September 30, 2024, the City had only drawn \$1,134,000 of the available funds. The note is due and payable over forty years at an interest rate of 2.125%. The notes were privately placed with USDA and contain no subjective acceleration clauses, events of default with finance-related consequences or termination events with finance-related consequences.

The City issued Certificates of Obligation, Series 2024 on July 31, 2024 in the amount of \$1,500,000 for drainage related capital projects as identified in the city's capital improvement plan. The certificates are due and payable over twenty years at an interest rate of 4.0%. The certificates were privately placed with TXN Bank in Hondo, Texas 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 10/01/23	Additions	Reductions	Balance 9/30/2024	Due Within One Year
<i>Governmental Activities:</i>					
2012 Refunding Bonds	\$ 197,500	\$ -	\$ (64,500)	\$ 133,000	\$ 68,500
2012 Premium on Bonds	17,182	-	(5,727)	11,455	-
2022 Certificates of Obligation	4,650,000	-	(245,000)	4,405,000	195,000
2022 Premium on Certificates	456,113	-	(24,006)	432,107	-
2024 Certificates of Obligation	-	1,500,000	-	1,500,000	50,000
<i>Total Governmental Activities</i>	<u>5,320,795</u>	<u>1,500,000</u>	<u>(339,233)</u>	<u>6,481,562</u>	<u>313,500</u>
<i>Business-Type Activities:</i>					
2012 Refunding Bonds	47,500	-	(15,500)	32,000	16,500
2012 Premium on Bonds	4,265	-	(1,421)	2,844	-
USDA Loan	1,114,000	-	(20,000)	1,094,000	21,000
TWDB - DWSRF - Construction	2,240,000	-	(175,000)	2,065,000	175,000
TWDB - CWSRF - Construction	1,875,000	-	(150,000)	1,725,000	150,000
Series 2015 Revenue Bonds	6,845,000	-	(275,000)	6,570,000	275,000
TWDB - CWSRF - Additional	1,225,000	-	(45,000)	1,180,000	45,000
2022 Certificates of Obligation	4,635,000	-	(220,000)	4,415,000	235,000
2022 Premium on Certificates	456,113	-	(24,006)	432,107	-
2023 Certificates of Obligation	4,735,000	-	-	4,735,000	160,000
2023 Premium on Certificates	423,957	-	-	423,957	-
<i>Total Business-Type Activities</i>	<u>23,600,835</u>	<u>-</u>	<u>(925,927)</u>	<u>22,674,908</u>	<u>1,077,500</u>
 Total Primary Government	 <u>\$ 28,921,630</u>	 <u>\$ 1,500,000</u>	 <u>\$ (1,265,160)</u>	 <u>\$ 29,156,470</u>	 <u>\$ 1,391,000</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE H -- LONG-TERM DEBT (Continued)

The total deferred charges remaining on the refunding is \$8,778 as of September 30, 2024 and is shown on the Statement of Net Position as a deferred outflow of resources.

Annual requirements to amortize all bonded debt outstanding as of September 30, 2024 are as follows:

Year Ending September 30,	Governmental Activities				
	Public Offerings		Private Placement		Total
	Principal	Interest	Principal	Interest	
2025	\$ 263,500	\$ 140,183	\$ 50,000	\$ 59,000	\$ 512,683
2026	274,500	128,378	55,000	58,000	515,878
2027	225,000	115,944	55,000	55,800	451,744
2028	235,000	104,694	55,000	53,600	448,294
2029	245,000	92,944	60,000	51,400	449,344
2030 - 2034	1,150,000	333,919	330,000	219,600	2,033,519
2035 - 2039	1,310,000	170,372	405,000	147,600	2,032,972
2040 - 2044	835,000	36,644	490,000	60,200	1,421,844
	<u>\$ 4,538,000</u>	<u>\$ 1,123,078</u>	<u>\$ 1,500,000</u>	<u>\$ 705,200</u>	<u>\$ 7,866,278</u>

Year Ending September 30,	Business-Type Activities				
	Public Offerings		Private Placement		Total
	Principal	Interest	Principal	Interest	
2025	\$ 411,500	\$ 354,191	\$ 666,000	\$ 182,103	\$ 1,613,794
2026	430,500	333,947	671,000	176,999	1,612,446
2027	435,000	312,731	676,000	170,943	1,594,674
2028	460,000	290,981	682,000	164,027	1,597,008
2029	480,000	267,981	692,000	156,313	1,596,294
2030 - 2034	2,245,000	1,075,956	3,614,000	641,676	7,576,632
2035 - 2039	2,630,000	624,256	2,357,000	396,593	6,007,849
2040 - 2044	2,090,000	170,588	2,147,000	222,664	4,630,252
2045 - 2049	-	-	703,000	72,096	775,096
2050 - 2054	-	-	182,000	42,564	224,564
2055 - 2059	-	-	201,000	22,440	223,440
2060 - 2061	-	-	43,000	2,869	45,869
	<u>\$ 9,182,000</u>	<u>\$ 3,430,631</u>	<u>\$ 12,634,000</u>	<u>\$ 2,251,287</u>	<u>\$ 27,497,918</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

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

	2022	2023
Inactive employees or beneficiaries currently receiving benefits	45	47
Inactive employees entitled to but not yet receiving benefits	61	70
Active employees	53	50
	<u>159</u>	<u>167</u>

Contributions

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

For the year ending September 30, 2024, employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.67% and 8.47% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$290,306, and the City contribution was \$1,029 greater than the required contribution.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

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

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

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are 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 the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
	<u>100.00%</u>	

Discount Rate

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

Discount Rate Sensitivity Analysis

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability	\$ 1,832,485	\$ 688,191	\$ (237,150)

Pension Plan Fiduciary Net Position

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability (Asset) as of December 31, 2023:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2022	\$ 7,483,285	\$ 6,516,636	\$ 966,649
Changes for the year:			
Service Cost	378,009	-	378,009
Interest	505,512	-	505,512
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	105,975	-	105,975
Changes of Assumptions	(79,111)	-	(79,111)
Contributions - Employer	-	280,396	(280,396)
Contributions - Employee	-	159,497	(159,497)
Net Investment Income	-	753,781	(753,781)
Benefit Payments, Including Refunds of Employee Contributions	(366,460)	(366,460)	-
Administrative Expense	-	(4,798)	4,798
Other Changes	-	(33)	33
Net Changes	<u>543,925</u>	<u>822,383</u>	<u>(278,458)</u>
Balance at December 31, 2023	<u>\$ 8,027,210</u>	<u>\$ 7,339,019</u>	<u>\$ 688,191</u>

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

For the year ended September 30, 2024, the City recognized a pension expense of \$281,941. Also, as of September 30, 2024, 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	\$ 67,323	\$ -
Changes in Actuarial Assumptions	-	46,010
Differences between Projected and Actual Investment Earnings	173,971	-
Contributions Subsequent to the Measurement Date	214,945	-
	<u>\$ 456,239</u>	<u>\$ 46,010</u>

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

Deferred outflows of resources in the amount of \$214,945 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, 2024. 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,		
2024	\$	63,632
2025		60,657
2026		133,776
2027		(62,781)
	\$	<u>195,284</u>

NOTE J -- OTHER POST EMPLOYMENT BENEFIT (OPEB)

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's annual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. Membership in the plan at December 31, 2023, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	28
Inactive Employees Entitled to but Not Yet Receiving Benefits	16
Active Employees	<u>50</u>
	<u>94</u>

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

<u>For the Calendar Year Ended December 31,</u>	<u>Total SBDF Contribution Rate</u>	<u>Retiree Portion of SDBF Contribution Rat</u>
2022	0.39%	0.23%
2023	0.58%	0.26%
2024	0.51%	0.25%

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

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

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

These assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Discount Rate	3.77% (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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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 the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for the future mortality improvements subject to the floor.

The City's Total OPEB Liability (TOL), based on the actuarial factors, as of December 31, 2023 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2022	\$ 173,135
Changes for the year:	
Service Cost	8,294
Interest	7,012
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	9,307
Changes of Assumptions or Other Inputs	10,013
Benefit Payments	(8,294)
Net Changes	26,332
Balance at December 31, 2023	\$ 199,467

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

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

The following presents the TOL of the City, calculated using the discount rate of 3.77% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (3.05%) and 1-percentage point higher (5.05%) than the current rate:

	Discount Rate <u>2.77%</u>	Discount Rate <u>3.77%</u>	Discount Rate <u>4.77%</u>
Total OPEB Liability	\$ 234,797	\$ 199,467	\$ 171,911

For the year ended September 30, 2024, the City recognized OPEB expense of \$3,845. Also as of September 30, 2024, 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	\$ 8,195	\$ -
Changes in Actuarial Assumptions	-	33,865
Contributions Subsequent to the Measurement Date	<u>6,345</u>	<u>-</u>
	<u>\$ 14,540</u>	<u>\$ 33,865</u>

Deferred outflows of resources in the amount of \$6,345 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, 2024. 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,	
2024	\$ (13,757)
2025	(13,597)
2026	1,684
2027	-
	<u>\$ (25,670)</u>

NOTE K -- DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or any unforeseen emergency. The City makes an employer match contribution of 100% up to 2% contributed by the employee. Total contributions made for the year ended September 30, 2024 were \$71,739 and \$74,384 for employee and employer contributions, respectively.

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE L -- FUND BALANCE

The City reported fund balance designations at September 30, 2024 as follows:

Fund Balance Designation	Major Fund	Major Fund	Major Fund	Nonmajor	Total
	General Fund	Capital Projects	Drainage Fund	Governmental Funds	Governmental Funds
Restricted for:					
Tax Increment Reinvestment Zone	\$ 18,997	\$ -	\$ -	\$ -	\$ 18,997
Community Center	464,966	-	-	-	464,966
Capital Projects	-	565,927	1,464,883	-	2,030,810
Debt Service	-	-	-	571,131	571,131
Tourism	-	-	-	205,501	205,501
Park Donations	-	-	-	13,771	13,771
Library	-	-	-	1,893	1,893
Police Training and Operations	-	-	-	13,825	13,825
Court Security & Technology	-	-	-	69,124	69,124
Total Restricted Fund Balance	483,963	565,927	1,464,883	875,245	3,390,018
Committed for:					
Drainage Projects	-	-	354,568	-	354,568
Facilities Maintenance	-	-	-	10,738	10,738
Total Committed Fund Balance	-	-	354,568	10,738	365,306
Unassigned	4,098,536	-	-	-	4,098,536
Total Fund Balance	\$ 4,582,499	\$ 565,927	\$ 1,819,451	\$ 885,983	\$ 7,853,860

NOTE M -- RESTRICTED NET POSITION

The City reported restricted net position at September 30, 2024 as follows:

Net Position Restricted for:	Governmental	Business-type	Total
	Activities	Activities	Restricted Net Position
Debt Service	\$ 542,483	\$ -	\$ 542,483
Tax Increment Reinvestment Zone	18,997	-	18,997
Community Center	464,966	-	464,966
Tourism	205,501	-	205,501
Park Donations	13,771	-	13,771
Library	1,893	-	1,893
Police Training and Operations	13,825	-	13,825
Court Security & Technology	69,124	-	69,124
Water Acquisition	-	449,656	449,656
Capital Improvements - Impact Fees	-	1,681,638	1,681,638
Total Restricted Net Position	\$ 1,330,560	\$ 2,131,294	\$ 3,461,854

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE N -- COMMITMENTS AND CONTINGENCIES

Litigation

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

Construction Commitments

The City has entered into construction and engineering contracts for the following projects. Estimated future commitments associated with these contracts as of September 30, 2024 are as follows:

Commitment	Estimated Project Cost to City	Expended to Date	Estimated Future Commitment
Engineering Fees	\$ 2,442,540	\$ 1,512,455	\$ 930,085
Community Center Security	174,557	48,320	126,237
Smart Meter Program	2,401,087	2,293,038	108,049
	<u>\$ 5,018,184</u>	<u>\$ 3,853,813</u>	<u>\$ 1,164,371</u>

Chapter 380 Economic Development Agreement

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

During the year ended September 30, 2019, the City approved an economic development agreement between the City and the Hwy 90 Castroville Partners, LTD. The agreement allows the City to reimburse the Developer in the form of ad valorem tax grants an amount not to exceed \$23,596,331 upon the Developer's performing certain obligations as defined in the agreement. The ad valorem tax grants represent 100% of city ad valorem property taxes levied for purposes other than payment of debt service and up to 100% of city sales and hotel occupancy taxes as imposed and collected within a proposed development. As of September 30, 2024 there has been no taxes paid yet, therefore, the City has made no payments during the previous and current fiscal year.

Tax Increment Reinvestment Zones

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

CITY OF CASTROVILLE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE N -- COMMITMENTS AND CONTINGENCIES (Continued)

Tax Increment Reinvestment Zones (Continued)

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to the property tax base are being used to finance Zone improvements. The total projected cost is a combined amount of \$35 million. Project costs of the developer will be funded up to 100% of the tax increment generated by the entities of the Zone. The City of Castroville has committed up to \$17.5 million of the total \$35 million. The Zone has a statutory termination date of December 31, 2051. As of September 30, 2024, the TIRZ has collected taxes from the taxing entities in the amount of \$18,991 (net of administrative reimbursements), however, the City has made no payments to the Zone in the current fiscal year.

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

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to the property tax and sales tax bases are being used to finance Zone improvements. The total projected cost has not been determined at this time. The Zone has a statutory termination date of January 31, 2052. The City shall deposit, upon receipt, 75% of all ad valorem tax collections derived from its levy of ad valorem for purposes other than establishing and funding an interest and sinking fund on an annual basis against the incremental assessed value of real property located within the Zone and 20% of the incremental sales tax revenues. As of September 30, 2024, the TIRZ has not collected any taxes from the taxing entities (net of administrative reimbursements), therefore, the City has made no payments to the Zone in the current fiscal year.

Public Improvement District

During the previous year ended September 30, 2023, the City approved a resolution establishing the Heights of Castroville Public Improvement District (PID). The estimated total costs of the authorized improvements is \$6,000,000 including issuance and other financing fees, which costs shall be paid by assessments levied on the property within the district. The costs of the authorized improvements will be apportioned between the District and the City as allowed by the Act. The City will not be obligated to provide any funds to finance the authorized improvements, other than from assessments levied on the property. As of September 30, 2024, the PID has not collected any taxes from the taxing entities (net of administrative reimbursements), therefore, the City has made no payments to the District in the current fiscal year.

NOTE O -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$6,000,000. Annual contributions for the year ended September 30, 2024 were \$191,334 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, 2024
(WITH COMPARATIVE ACTUAL TOTALS FOR 2023)

	Budget Amounts		Actual	Variance	
	Original	Final	Amounts	Favorable (Unfavorable)	2023
REVENUES					
Ad Valorem Taxes	\$ 1,197,888	\$ 1,197,888	\$ 1,407,149	\$ 209,261	\$ 1,239,996
Sales Taxes	1,468,158	1,468,158	1,899,356	431,198	1,777,872
Franchise Fees	41,500	41,500	98,423	56,923	98,666
Other Taxes	6,000	6,000	7,341	1,341	5,712
Licenses and Permits	140,000	140,000	434,726	294,726	160,812
Charges for Services	350,950	350,950	283,340	(67,610)	341,263
Fines and Forfeitures	187,230	187,230	168,699	(18,531)	151,984
Intergovernmental Revenue	-	-	145,471	145,471	40,562
Interest Income	20,000	20,000	207,533	187,533	91,329
Miscellaneous	33,100	33,100	28,913	(4,187)	211,995
TOTAL REVENUES	3,444,826	3,444,826	4,680,951	1,236,125	4,120,191
EXPENDITURES					
<i>Current:</i>					
General Administration					
City Administration	130,218	273,618	256,677	16,941	312,808
Finance	194,637	240,637	232,027	8,610	227,001
City Council	69,591	69,591	70,048	(457)	113,319
City Secretary	101,276	102,776	102,181	595	93,224
Information Technology	150,000	300,000	291,645	8,355	177,178
Economic Development	12,100	12,300	1,679	10,621	-
Tourism and Business Development	142,987	142,987	118,203	24,784	1,234
Non-Departmental	150,200	226,700	227,545	(845)	161,765
Public Safety					
Animal Control	163,837	184,837	184,794	43	68,870
Community Development	213,101	369,401	380,570	(11,169)	352,995
Emergency Management	6,000	18,900	18,843	57	6,207
Municipal Court	122,352	137,352	133,213	4,139	116,786
Police Department	1,186,110	1,326,110	1,347,967	(21,857)	1,291,598
Public Transportation					
Streets	484,944	484,944	442,658	42,286	639,503
Culture and Recreation					
Library	280,876	310,876	307,122	3,754	282,918
Parks	394,629	1,248,981	748,976	500,005	455,403
RV Park	35,750	35,750	32,711	3,039	110,409
Pool	166,773	289,773	229,365	60,408	186,839
Capital Outlay	-	-	-	-	124,537
TOTAL EXPENDITURES	4,005,381	5,775,533	5,126,224	649,309	4,722,594
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (560,555)	\$ (2,330,707)	\$ (445,273)	\$ 1,885,434	\$ (602,403)

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, 2024
(WITH COMPARATIVE ACTUAL TOTALS FOR 2023)

	Budget Amounts		Actual	Variance	
	Original	Final	Amounts	Favorable (Unfavorable)	2023
OTHER FINANCING					
SOURCES (USES)					
Transfers In	\$ 451,444	\$ 451,444	\$ 441,444	\$ (10,000)	\$ 368,776
Transfers Out	-	-	-	-	(140,000)
TOTAL OTHER FINANCING					
SOURCES (USES)	451,444	451,444	441,444	(10,000)	228,776
Net Change in Fund Balance	(109,111)	(1,879,263)	(3,829)	1,875,434	(373,627)
Fund Balance - Beginning of Year	4,586,328	4,586,328	4,586,328	-	4,959,955
Fund Balance - End of Year	\$ 4,477,217	\$ 2,707,065	\$ 4,582,499	\$ 1,875,434	\$ 4,586,328

CITY OF CASTROVILLE
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
SEPTEMBER 30, 2024

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 TEN CALENDAR YEARS

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

Total Pension Liability						
2017	2018	2019	2020	2021	2022	2023
\$ 226,467	\$ 226,730	\$ 218,311	\$ 272,583	\$ 306,544	\$ 342,327	\$ 378,009
355,826	365,524	382,332	405,256	437,109	471,709	505,512
-	-	-	-	-	-	-
(117,537)	(30,664)	(6,066)	94,419	100,023	35,638	105,975
-	-	13,239	-	-	-	(79,111)
(312,626)	(329,800)	(286,952)	(303,731)	(330,940)	(367,016)	(366,460)
152,130	231,790	320,864	468,527	512,736	482,658	543,925
5,314,580	5,466,710	5,698,500	6,019,364	6,487,891	7,000,627	7,483,285
<u>\$ 5,466,710</u>	<u>\$ 5,698,500</u>	<u>\$ 6,019,364</u>	<u>\$ 6,487,891</u>	<u>\$ 7,000,627</u>	<u>\$ 7,483,285</u>	<u>\$ 8,027,210</u>

Total Pension Liability						
2017	2018	2019	2020	2021	2022	2023
\$ 167,071	\$ 165,825	\$ 161,592	\$ 206,198	\$ 227,993	\$ 254,058	\$ 280,396
91,097	89,830	89,179	113,671	127,514	141,458	159,497
643,319	(156,558)	771,784	434,291	804,181	(510,447)	753,781
(312,626)	(329,800)	(286,952)	(303,731)	(330,940)	(367,016)	(366,460)
(3,335)	(3,027)	(4,363)	(2,812)	(3,723)	(4,420)	(4,798)
(167)	(159)	(129)	(110)	25	5,274	(33)
585,359	(233,889)	731,111	447,507	825,050	(481,093)	822,383
4,642,591	5,227,950	4,994,061	5,725,172	6,172,679	6,997,729	6,516,636
<u>\$ 5,227,950</u>	<u>\$ 4,994,061</u>	<u>\$ 5,725,172</u>	<u>\$ 6,172,679</u>	<u>\$ 6,997,729</u>	<u>\$ 6,516,636</u>	<u>\$ 7,339,019</u>

\$ 238,760	\$ 704,439	\$ 294,192	\$ 315,212	\$ 2,898	\$ 966,649	\$ 688,191
95.63%	87.64%	95.11%	95.14%	99.96%	87.08%	91.43%
\$ 1,821,939	\$ 1,796,595	\$ 1,783,584	\$ 2,273,423	\$ 2,550,286	\$ 2,829,152	\$ 3,189,947
13.10%	39.21%	16.49%	13.87%	0.11%	34.17%	21.57%

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

Schedule of Contributions:

	2015	2016	2017	2018	2019
Actuarially Determined Contribution	\$ 139,842	\$ 156,977	\$ 168,611	\$ 166,662	\$ 155,635
Contribution in Relation to the Actuarially Determined Contribution	139,842	156,977	168,611	166,662	155,635
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,643,667	\$ 1,744,669	\$ 1,843,395	\$ 1,808,304	\$ 1,710,410
Contributions as a Percentage of Covered Payroll	8.51%	9.00%	9.15%	9.22%	9.10%

Schedule of Contributions:

	2020	2021	2022	2023	2024
Actuarially Determined Contribution	\$ 186,857	\$ 212,701	\$ 231,332	\$ 272,091	\$ 289,277
Contribution in Relation to the Actuarially Determined Contribution	192,144	222,125	241,941	278,087	290,306
Contribution Deficiency (Excess)	<u>\$ (5,287)</u>	<u>\$ (9,424)</u>	<u>\$ (10,609)</u>	<u>\$ (5,996)</u>	<u>\$ (1,029)</u>
Covered Payroll	\$ 2,120,912	\$ 2,480,318	\$ 2,702,559	\$ 3,149,471	\$ 3,395,810
Contributions as a Percentage of Covered Payroll	8.81%	8.58%	8.56%	8.64%	8.52%

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	22 Years
Asset Valuation Method	10 Year Smoothed Market, 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. Post-retirement 2019
Mortality	Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

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 SEVEN CALENDAR YEARS**

	Total OPEB Liability						
	2017	2018	2019	2020	2021	2022	2023
Service Cost	\$ 8,563	\$ 9,342	\$ 8,561	\$ 20,915	\$ 22,953	\$ 23,482	\$ 8,294
Interest (on the Total OPEB Liability)	4,259	4,413	5,393	4,975	4,342	4,364	7,012
Changes of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	-	9,802	(9,208)	(13,670)	(7,550)	5,953	9,307
Changes of Assumptions	9,414	(9,423)	26,488	27,656	6,904	(82,869)	10,013
Benefit Payments, Including Refunds of Employee Contributions	(2,004)	(1,976)	(1,427)	(2,273)	(7,141)	(6,507)	(8,294)
Net Change in Total OPEB Liability	20,232	12,158	29,807	37,603	19,508	(55,577)	26,332
Total OPEB Liability - Beginning	109,404	129,636	141,794	171,601	209,204	228,712	173,135
Total OPEB Liability - Ending	<u>\$ 129,636</u>	<u>\$ 141,794</u>	<u>\$ 171,601</u>	<u>\$ 209,204</u>	<u>\$ 228,712</u>	<u>\$ 173,135</u>	<u>\$ 199,467</u>
Covered Payroll	\$ 1,821,939	\$ 1,796,595	\$ 1,783,584	\$ 2,273,423	\$ 2,550,286	\$ 2,829,152	\$ 3,189,947
Total OPEB Liability as a Percentage of Covered Payroll	7.12%	7.89%	9.62%	9.20%	8.97%	6.12%	6.25%

Note: The schedule above reflects the changes in the Total OPEB Liability for the current plan year and previous six 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	3.60% to 11.85% Including Inflation
Discount Rate	3.77% (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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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 the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for the 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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,211,225	\$ 3,963,507
Receivables (net of allowances for uncollectibles):		
Property Taxes	10,431	12,586
Sales & Mixed Beverage Taxes	312,888	284,923
Other Receivables	15,884	11,787
Due from Other Funds	<u>331,450</u>	<u>519,454</u>
TOTAL ASSETS	<u><u>\$ 4,881,878</u></u>	<u><u>\$ 4,792,257</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 134,777	\$ 103,272
Accrued Expenditures	151,671	78,641
Due to Other Funds	-	6,430
Unearned Revenue	<u>2,500</u>	<u>5,000</u>
<i>Total Liabilities</i>	<u><u>288,948</u></u>	<u><u>193,343</u></u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Revenue - Property Tax	<u>10,431</u>	<u>12,586</u>
<i>Total Deferred Inflows of Resources</i>	<u><u>10,431</u></u>	<u><u>12,586</u></u>
<i>Fund Balances:</i>		
Restricted	483,963	-
Unassigned	<u>4,098,536</u>	<u>4,586,328</u>
<i>Total Fund Balances</i>	<u><u>4,582,499</u></u>	<u><u>4,586,328</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURECES, & FUND BALANCES	<u><u>\$ 4,881,878</u></u>	<u><u>\$ 4,792,257</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, 2024
(WITH COMPARATIVE ACTUAL TOTALS FOR 2023)

	Budget Amounts		Actual Amounts	Variance	2023
	Original	Final		Favorable (Unfavorable)	
REVENUES					
Ad Valorem Taxes	\$ 120,400	\$ 120,400	\$ 585,883	\$ 465,483	\$ 396,985
Interest Income	1,200	1,200	33,790	32,590	7,462
TOTAL REVENUES	<u>121,600</u>	<u>121,600</u>	<u>619,673</u>	<u>498,073</u>	<u>404,447</u>
EXPENDITURES					
<i>Debt Service:</i>					
Principal	170,000	170,000	309,500	(139,500)	137,000
Interest	248,086	248,086	155,034	93,052	245,471
TOTAL EXPENDITURES	<u>418,086</u>	<u>418,086</u>	<u>464,534</u>	<u>(46,448)</u>	<u>382,471</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(296,486)</u>	<u>(296,486)</u>	<u>155,139</u>	<u>451,625</u>	<u>21,976</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	123,500	123,500	55,345	(68,155)	115,132
Transfers Out	-	-	(16,926)	(16,926)	(35,415)
TOTAL OTHER FINANCING SOURCES (USES)	<u>123,500</u>	<u>123,500</u>	<u>38,419</u>	<u>(85,081)</u>	<u>79,717</u>
Net Change in Fund Balance	<u>(172,986)</u>	<u>(172,986)</u>	<u>193,558</u>	<u>366,544</u>	<u>101,693</u>
Fund Balance - Beginning of Year	<u>377,573</u>	<u>377,573</u>	<u>377,573</u>	<u>-</u>	<u>275,880</u>
Fund Balance - End of Year	<u>\$ 204,587</u>	<u>\$ 204,587</u>	<u>\$ 571,131</u>	<u>\$ 366,544</u>	<u>\$ 377,573</u>

CITY OF CASTROVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	SPECIAL REVENUE				
	Hotel Occupancy Fund	Special Parks Projects Fund	Alsatian House Fund	Biry House Fund	Library Memorial Fund
ASSETS					
Cash and Cash Equivalents	\$ 185,954	\$ 63,771	\$ 9,116	\$ 1,622	\$ 1,893
Receivables (net of allowances for uncollectibles):					
Property Taxes	-	-	-	-	-
Other Receivables	23,093	-	-	-	-
TOTAL ASSETS	<u>\$ 209,047</u>	<u>\$ 63,771</u>	<u>\$ 9,116</u>	<u>\$ 1,622</u>	<u>\$ 1,893</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	3,546	50,000	-	-	-
Unearned Revenue	-	-	-	-	-
<i>Total Liabilities</i>	<u>3,546</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenues	-	-	-	-	-
<i>Total Deferred Inflows of Resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>					
Restricted	205,501	13,771	-	-	1,893
Committed	-	-	9,116	1,622	-
<i>Total Fund Balances</i>	<u>205,501</u>	<u>13,771</u>	<u>9,116</u>	<u>1,622</u>	<u>1,893</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 209,047</u>	<u>\$ 63,771</u>	<u>\$ 9,116</u>	<u>\$ 1,622</u>	<u>\$ 1,893</u>

SPECIAL REVENUE						
DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund	Development Fund	Debt Service Funds	Total Non Major Funds
\$ 2,584	\$ 11,241	\$ 49,211	\$ 19,913	\$ 360,062	\$ 777,533	\$ 1,482,900
-	-	-	-	-	4,383	4,383
-	-	-	-	77,001	-	100,094
<u>\$ 2,584</u>	<u>\$ 11,241</u>	<u>\$ 49,211</u>	<u>\$ 19,913</u>	<u>\$ 437,063</u>	<u>\$ 781,916</u>	<u>\$ 1,587,377</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	399,983	206,402	659,931
-	-	-	-	37,080	-	37,080
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>437,063</u>	<u>206,402</u>	<u>697,011</u>
-	-	-	-	-	4,383	4,383
-	-	-	-	-	4,383	4,383
2,584	11,241	49,211	19,913	-	571,131	875,245
-	-	-	-	-	-	10,738
<u>2,584</u>	<u>11,241</u>	<u>49,211</u>	<u>19,913</u>	<u>-</u>	<u>571,131</u>	<u>885,983</u>
<u>\$ 2,584</u>	<u>\$ 11,241</u>	<u>\$ 49,211</u>	<u>\$ 19,913</u>	<u>\$ 437,063</u>	<u>\$ 781,916</u>	<u>\$ 1,587,377</u>

CITY OF CASTROVILLE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	SPECIAL REVENUE				
	Hotel Occupancy Fund	Special Parks Projects Fund	Alsatian House Fund	Biry House Fund	Library Memorial Fund
REVENUES					
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	95,529	-	-	-	-
Charges for Services	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-
Interest Income	386	-	29	-	5
Miscellaneous	-	91,860	1,523	2,500	-
TOTAL REVENUES	<u>95,915</u>	<u>91,860</u>	<u>1,552</u>	<u>2,500</u>	<u>5</u>
EXPENDITURES					
<i>Current:</i>					
General Administration					
City Administration	97,792	-	5,098	1,179	-
Public Safety					
Municipal Court	-	-	-	-	-
Culture and Recreation					
Parks	-	104,324	-	-	-
<i>Debt Service:</i>					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
TOTAL EXPENDITURES	<u>97,792</u>	<u>104,324</u>	<u>5,098</u>	<u>1,179</u>	<u>-</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(1,877)</u>	<u>(12,464)</u>	<u>(3,546)</u>	<u>1,321</u>	<u>5</u>
OTHER FINANCING					
SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING					
SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,877)	(12,464)	(3,546)	1,321	5
Fund Balances at Beginning of Year	207,378	26,235	12,662	301	1,888
Fund Balances at End of Year	<u>\$ 205,501</u>	<u>\$ 13,771</u>	<u>\$ 9,116</u>	<u>\$ 1,622</u>	<u>\$ 1,893</u>

SPECIAL REVENUE						
DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund	Development Fund	Debt Service Funds	Total Non Major Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 585,883	\$ 585,883
-	-	-	-	-	-	95,529
-	-	5,130	4,604	-	-	9,734
-	2,513	-	-	-	-	2,513
6	-	115	47	-	33,790	34,378
276	-	-	-	619,238	-	715,397
282	2,513	5,245	4,651	619,238	619,673	1,443,434
-	-	-	-	619,238	-	723,307
-	-	1,043	3,785	-	-	4,828
-	-	-	-	-	-	104,324
-	-	-	-	-	309,500	309,500
-	-	-	-	-	155,034	155,034
-	-	1,043	3,785	619,238	464,534	1,296,993
282	2,513	4,202	866	-	155,139	146,441
-	-	-	-	-	55,345	55,345
-	-	-	-	-	(16,926)	(16,926)
-	-	-	-	-	38,419	38,419
282	2,513	4,202	866	-	193,558	184,860
2,302	8,728	45,009	19,047	-	377,573	701,123
<u>\$ 2,584</u>	<u>\$ 11,241</u>	<u>\$ 49,211</u>	<u>\$ 19,913</u>	<u>\$ -</u>	<u>\$ 571,131</u>	<u>\$ 885,983</u>



COMPLIANCE SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the City Council and management
City of Castroville

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Castroville as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Castroville's basic financial statements, and have issued our report thereon dated March 4, 2025.

Report on Internal Control over Financial Reporting

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

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

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

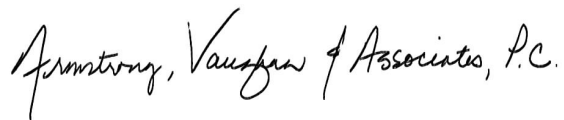
Report on Compliance and Other Matters

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

We noted certain matters that we have reported to management of City of Castroville in a separate letter dated March 4, 2025.

Purpose of this Report

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

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

Armstrong, Vaughan & Associates, P.C.

March 4, 2025



Financial Advisory Services
Provided By:

