CITY OF CALDWELL, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2025

CITY OF CALDWELL, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2025

	Page Number
FINANCIAL SECTION	
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis	4 – 8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10 – 11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Fund	15
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	16
Statement of Cash Flows – Proprietary Fund	17
Notes to Financial Statements	18 – 36
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	37
Schedule of Changes in Net Pension Liability and Related Ratios	38 – 39
Schedule of Pension Contributions	40 – 41
Schedule of Changes in total OPEB Liability and Related Ratios	42 – 43
Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	44

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of the City Council
City of Caldwell, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Caldwell, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Caldwell, Texas' 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, and each major fund of the City of Caldwell, Texas as of September 30, 2025, 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 Caldwell, Texas 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

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

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 Caldwell, Texas' 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.

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

AICPA GAQC Member

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 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 the City of Caldwell, Texas' 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 the City of Caldwell, Texas' 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 the management's discussion and analysis, budgetary comparison information, and pension and OPEB information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses 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 the City of Caldwell, Texas' basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, as listed in the table of contents, 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 accompanying supplementary 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 23, 2026, on our consideration of the City of Caldwell, Texas' 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 effectiveness of 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 the City of Caldwell, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 23, 2026

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S
DISCUSSION AND ANALYSIS

THIS PAGE LEFT BLANK INTENTIONALLY

As management of the City of Caldwell, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2025 by $36,989,234 (net position). Of this amount, $19,060,214 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

- The City's net position increased by $2,738,124 from operations and transfers.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $11,191,172. Approximately 34% of this total amount ($3,808,443) is unassigned fund balance available for use within the City's fund designation and fiscal policies.

- As of September 30, 2025, unassigned fund balance for the General Fund was $3,808,443 or 45% percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 net position presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when 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 compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, transportation, and culture and recreation. The business-type activities of the City include water, sewer and electric utilities.

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. All of the funds of the City can be divided into two categories – governmental funds and proprietary funds.

Government 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 current sources and uses 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 on 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.

Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service, and Capital Projects Funds, which are considered to be major funds. A budgetary comparison schedule has been provided for the General Fund and Debt Service Fund to demonstrate compliance with the annual appropriated budget.

Proprietary Funds. The City maintains only 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 the Enterprise Funds to account for water and sewer and electric.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 of resources exceeded liabilities and deferred inflows of resources by $36,989,234 as of September 30, 2025.

CITY OF CALDWELL, TEXAS
NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 11,911,992	$ 9,431,879	$ 9,291,699	$ 12,495,389	$ 21,203,691	$ 21,927,268
Capital assets	11,668,648	12,004,913	8,395,152	4,279,814	20,063,800	16,284,727
Total assets	23,580,640	21,436,792	17,686,851	16,775,203	41,267,491	38,211,995
Deferred outflows of resources	150,958	446,329	55,673	112,316	206,631	558,645
Current liabilities	225,286	1,081,193	1,137,439	959,052	1,362,725	2,040,245
Noncurrent liabilities	1,509,270	736,375	1,092,595	1,210,887	2,601,865	1,947,262
Net pension liability	-	56,006	-	13,706	-	69,712
Total OPEB liability	158,443	153,897	58,453	65,956	216,896	219,853
Total liabilities	1,892,999	2,027,471	2,288,487	2,249,601	4,181,486	4,277,072
Deferred inflows of resources	221,655	188,606	81,747	53,852	303,402	242,458
Net position:						
Net investment in capital assets	10,377,846	11,404,913	6,741,229	3,149,814	17,119,075	14,554,727
Restricted	684,157	342,734	125,788	-	809,945	342,734
Unrestricted	10,554,941	7,919,397	8,505,273	11,434,252	19,060,214	19,353,649
Total net position	$ 21,616,944	$ 19,667,044	$ 15,372,290	$ 14,584,066	$ 36,989,234	$ 34,251,110

A large portion of the City's net position reflects its investments in capital assets less any outstanding debt used to acquire those assets. 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 remaining balance of unrestricted net position, $19,060,214, may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF CALDWELL, TEXAS
CHANGES IN NET POSITION

The City's net position increased by $2,738,124 from operations during the current fiscal year. This increase is the result of the City's revenues exceeding its expenses for the fiscal year.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 244,538	$ 285,858	$ 9,736,370	$ 11,353,942	$ 9,980,908	$ 11,639,800
Operating grants and contributions	908,155	6,960	154,596	3,025	1,062,751	9,985
Capital grants and contributions	88,341	-	3,009,780	669,686	3,098,121	669,686
General revenues:						
Property taxes	1,679,345	2,021,727	-	-	1,679,345	2,021,727
Sales taxes	2,366,103	2,173,444	-	-	2,366,103	2,173,444
Other taxes	129,637	143,043	-	-	129,637	143,043
Investment earnings	308,619	211,744	289,938	125,330	598,557	337,074
Miscellaneous	383,284	626,138	420,674	176,878	803,958	803,016
Total revenues	6,108,022	5,468,914	13,611,358	12,328,861	19,719,380	17,797,775
Expenses:						
General government	2,384,673	2,643,616	-	-	2,384,673	2,643,616
Public safety	1,789,749	1,694,250	-	-	1,789,749	1,694,250
Public works	218,145	194,844	-	-	218,145	194,844
Transportation	1,454,548	1,232,502	-	-	1,454,548	1,232,502
Culture and recreation	798,833	865,937	-	-	798,833	865,937
Interest on long-term debt	85,260	17,850	-	-	85,260	17,850
Utilities	-	-	10,250,048	10,151,558	10,250,048	10,151,558
Total expenses	6,731,208	6,648,999	10,250,048	10,151,558	16,981,256	16,800,557
Increases (decrease) in net position before transfers	(623,186)	(1,180,085)	3,361,310	2,177,303	2,738,124	997,218
Transfers	2,573,086	1,972,517	(2,573,086)	(1,972,517)	-	-
Change in net position	1,949,900	792,432	788,224	204,786	2,738,124	997,218
Net position, beginning	19,667,044	18,874,612	14,584,066	14,379,280	34,251,110	33,253,892
Net position, ending	$ 21,616,944	$ 19,667,044	$ 15,372,290	$ 14,584,066	$ 36,989,234	$ 34,251,110

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, unassigned 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 $11,191,172. Approximately 34% of this total amount, ($3,808,443) constitutes unassigned fund balance.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $3,808,443. The fund balance of the City's General Fund decreased by -$17,786 during the current fiscal year. This decrease was primarily due to an increase in capital outlay expenditures that were partially offset by issuance of time warrants and insurance proceeds.

The Debt Service Fund has a total fund balance of $330,124. The change in fund balance was a decrease of $24,506. This decrease was a result of the collection of property taxes restricted for debt service being slightly less than debt service payments in the current year.

The Capital Projects Fund has a total fund balance of $3,111,794. The fund balance of the City's Capital Projects Fund increased by $2,913,294 during the current fiscal year. This increase was mainly due to insurance proceeds and issuance of time warrants. $708,736 was spent on capital assets during the year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.
Unrestricted net position of the City's Enterprise Funds at the end of the year amounted to $8,505,273. The increase in net position from operations was $788,224. This increase was primarily attributable to grants and capital contributions, net of transfers.

General Fund Budgetary Highlights

Actual revenues of the General Fund were more than budgeted by $1,361,649. The City had sales tax, intergovernmental, and investment earnings revenues which were higher than expectations. Expenditures exceeded budgeted amounts by $2,244,424, due to general government, public safety, public works, and capital outlay expenditures being over budget. Additionally, there were no budget amendments during the current year.

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to $20,063,800 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The City's investment in capital assets for the current fiscal year increased approximately $3,779,073.

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 26 – 27.

DEBT ADMINISTRATION

During the fiscal year, the City issued $600,000 of time warrants and made principal payments totaling $600,000.

Additional information on the City's long-term debt can be found in the notes to the financial statements on pages 28 – 29.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continues to remain in a stable position, while growth and development continue to impact the City and surrounding area. The City experienced an increase in sales tax revenue compared to the prior fiscal year. Other areas remained stable. The City remained conservative in its budget for 2026. The City's efforts towards economic development, attracting new retail businesses and redeveloping existing properties, continue to be a major focus now and for years to come.

The City's property tax rate was maintained at $0.408870 per $100 taxable value for fiscal year 2026. The City plans to take out time warrants to maintain the debt tax rate for proper planning and debt capacity. In fiscal year 2026, General Fund Revenues were budgeted to remain the same compared to fiscal year 2025 Revenues. Expenditures for Fiscal Year 2026 are Budgeted to increase 0.16% versus Fiscal Year 2025 expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Administrator at 107 S. Hill, Caldwell, Texas 77836.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC
FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF CALDWELL, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 11,007,730	$ 4,887,653	$ 15,895,383
Receivables (net of allowances for uncollectibles):			
Taxes	515,390	-	515,390
Accounts	47,782	1,253,706	1,301,488
Intergovernmental	-	2,155,228	2,155,228
Inventory	-	869,324	869,324
Net pension asset	341,090	125,788	466,878
Capital assets:			
Land	844,149	474,809	1,318,958
Construction in progress	5,736,359	4,531,065	10,267,424
Buildings and improvements	6,802,908	1,104,950	7,907,858
Furniture, fixtures and equipment	4,736,030	3,451,588	8,187,618
Infrastructure	5,920,780	5,179,356	11,100,136
Accumulated depreciation	(12,371,578)	(6,346,616)	(18,718,194)
Total capital assets	11,668,648	8,395,152	20,063,800
Total assets	23,580,640	17,686,851	41,267,491
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	140,198	51,703	191,901
Related to OPEB	10,760	3,970	14,730
Total deferred outflows of resources	150,958	55,673	206,631
LIABILITIES			
Accounts payable	121,515	724,947	846,462
Accrued liabilities	60,909	17,021	77,930
Accrued interest	27,724	14,166	41,890
Customer deposits	-	381,305	381,305
Due to other governments	15,138	-	15,138
Noncurrent liabilities:			
Due within one year:			
Long-term liabilities	726,686	163,237	889,923
Due in more than one year:			
Long-term liabilities	782,584	929,358	1,711,942
Total OPEB liability	158,443	58,453	216,896
Total liabilities	1,892,999	2,288,487	4,181,486
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	186,171	68,657	254,828
Related to OPEB	35,484	13,090	48,574
Total deferred inflows of resources	221,655	81,747	303,402
NET POSITION			
Net investment in capital assets	10,377,846	6,741,229	17,119,075
Restricted for:			
Debt service	343,067	-	343,067
Net pension asset	341,090	125,788	466,878
Unrestricted	10,554,941	8,505,273	19,060,214
Total net position	$ 21,616,944	$ 15,372,290	$ 36,989,234

The notes to the financial statements are an integral part of this statement.

CITY OF CALDWELL, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 2,384,673	$ 179,995	$ 895,329	$ 88,341
Public safety	1,789,749	-	-	-
Public works	218,145	-	-	-
Transportation	1,454,548	-	12,826	-
Culture and recreation	798,833	64,543	-	-
Interest on long-term debt	85,260	-	-	-
Total governmental activities	6,731,208	244,538	908,155	88,341
Business-type activities:				
Utilities	10,250,048	9,736,370	154,596	3,009,780
Total business-type activities	10,250,048	9,736,370	154,596	3,009,780
Totals	$ 16,981,256	$ 9,980,908	$ 1,062,751	$ 3,098,121
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Other taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (1,221,008)	$ -	$ (1,221,008)
(1,789,749)	-	(1,789,749)
(218,145)	-	(218,145)
(1,441,722)	-	(1,441,722)
(734,290)	-	(734,290)
(85,260)	-	(85,260)
(5,490,174)	-	(5,490,174)
-	2,650,698	2,650,698
-	2,650,698	2,650,698
(5,490,174)	2,650,698	(2,839,476)
1,679,345	-	1,679,345
2,366,103	-	2,366,103
129,637	-	129,637
308,619	289,938	598,557
383,284	420,674	803,958
2,573,086	(2,573,086)	-
7,440,074	(1,862,474)	5,577,600
1,949,900	788,224	2,738,124
19,667,044	14,584,066	34,251,110
$ 21,616,944	$ 15,372,290	$ 36,989,234

CITY OF CALDWELL, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	$ 7,556,160	$ 328,821	$ 3,122,749	$ 11,007,730
Receivables, net:				
Taxes	473,420	41,970	-	515,390
Other	47,782	-	-	47,782
Total assets	8,077,362	370,791	3,122,749	11,570,902
LIABILITIES				
Accounts payable	110,560	-	10,955	121,515
Accrued liabilities	60,909	-	-	60,909
Due to other governments	15,138	-	-	15,138
Total liabilities	186,607	-	10,955	197,562
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - court fines and fees	47,782	-	-	47,782
Unavailable revenue - property taxes	93,719	40,667	-	134,386
Total deferred inflows of resources	141,501	40,667	-	182,168
FUND BALANCES				
Restricted for:				
Debt service	-	330,124	-	330,124
Tourism promotion	433,375	-	-	433,375
Municipal court	353,811	-	-	353,811
Assigned for:				
Fire reserve	598,836	-	-	598,836
Airport	176,776	-	-	176,776
Capital improvements	-	-	3,111,794	3,111,794
Subsequent year's budget	2,378,013	-	-	2,378,013
Unassigned	3,808,443	-	-	3,808,443
Total fund balances	7,749,254	330,124	3,111,794	11,191,172
Total liabilities, deferred inflows of resources, and fund balances	$ 8,077,362	$ 370,791	$ 3,122,749	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				11,668,648
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds.				182,168
Certain items related to pensions and OPEB are reported as deferred outflows and deferred inflows of resources.				111,950
Accrued interest payable on long-term debt is not due and payable in the current period and therefore is not reported in the funds.				(27,724)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.				(1,509,270)
Net position of governmental activities				$ 21,616,944

The notes to the financial statements are an integral part of this statement.

CITY OF CALDWELL, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 979,361	$ 600,807	$ -	$ 1,580,168
Sales	2,366,103	-	-	2,366,103
Other	129,637	-	-	129,637
Charges for services	19,970	-	-	19,970
Fines and fees	97,926	-	-	97,926
Intergovernmental	996,496	-	-	996,496
Licenses and permits	121,635	-	-	121,635
Investment earnings	308,512	77	30	308,619
Miscellaneous	333,284	-	50,000	383,284
Total revenues	5,352,924	600,884	50,030	6,003,838
EXPENDITURES				
Current:				
General government	2,446,881	-	-	2,446,881
Public safety	2,340,337	-	-	2,340,337
Public works	225,152	-	-	225,152
Transportation	1,011,918	-	-	1,011,918
Culture and recreation	712,451	-	-	712,451
Capital outlay	1,651,803	-	708,736	2,360,539
Debt service:				
Principal	78,498	600,000	-	678,498
Interest and fiscal charges	44,042	25,390	-	69,432
Total expenditures	8,511,082	625,390	708,736	9,845,208
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,158,158)	(24,506)	(658,706)	(3,841,370)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,573,086	-	257,000	2,830,086
Transfers out	(257,000)	-	-	(257,000)
Insurance proceeds	90,558	-	2,715,000	2,805,558
Issuance of long-term debt	769,300	-	600,000	1,369,300
Total other financing sources (uses)	3,175,944	-	3,572,000	6,747,944
NET CHANGE IN FUND BALANCES	17,786	(24,506)	2,913,294	2,906,574
FUND BALANCES, BEGINNING	7,731,468	354,630	198,500	8,284,598
FUND BALANCES, ENDING	$ 7,749,254	$ 330,124	$ 3,111,794	$ 11,191,172

The notes to the financial statements are an integral part of this statement.

CITY OF CALDWELL, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	$ 2,906,574
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.	
Capital outlay	3,123,989
Disposal of assets	(2,715,000)
Depreciation	(745,254)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	104,184
Current year changes in certain long-term liabilities and deferred outflows of resources related to pensions and OPEB do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(724,593)
Change in net position of governmental activities	$ 1,949,900

The notes to the financial statements are an integral part of this statement.

CITY OF CALDWELL, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2025

	Utilities
ASSETS	
Current assets:	
Cash and investments	$ 4,887,653
Accounts receivable, net	1,253,706
Intergovernmental receivable	2,155,228
Inventory	869,324
Total current assets	9,165,911
Noncurrent assets:	
Net pension asset	125,788
Capital assets:	
Land	474,809
Construction in progress	4,531,065
Buildings and improvements	1,104,950
Equipment	3,451,588
Infrastructure	5,179,356
Accumulated depreciation	(6,346,616)
Total capital assets	8,395,152
Total noncurrent assets	8,520,940
Total assets	17,686,851
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	51,703
Related to OPEB	3,970
Total deferred outflows of resources	55,673
LIABILITIES	
Current liabilities:	
Accounts payable	724,947
Accrued liabilities	17,021
Accrued interest	14,166
Customer deposits	381,305
Compensated absences	19,679
Note payable	143,558
Total current liabilities	1,300,676
Long-term liabilities:	
Compensated absences	78,713
Note payable	850,645
Total OPEB liability	58,453
Total long-term liabilities	987,811
Total liabilities	2,288,487
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	68,657
Related to OPEB	13,090
Total deferred inflows of resources	81,747
NET POSITION	
Net investment in capital assets	6,741,229
Restricted net pension asset	125,788
Unrestricted	8,505,273
Total net position	$ 15,372,290

The notes to the financial statements are an integral part of this statement.

CITY OF CALDWELL, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Utilities
OPERATING REVENUES	
Charges for services	$ 9,736,370
Total operating revenues	9,736,370
OPERATING EXPENSES	
Cost of sales and services	7,897,118
Personnel services	884,790
Professional fees and services	904,766
Depreciation	484,628
Total operating expenses	10,171,302
OPERATING INCOME (LOSS)	(434,932)
NONOPERATING REVENUES (EXPENSES)	
Grants and contributions	154,596
Investment earnings	289,938
Interest expense	(78,746)
Miscellaneous revenue	420,674
Total nonoperating revenues (expenses)	786,462
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	351,530
Capital contributions	3,009,780
Transfers out	(2,573,086)
CHANGE IN NET POSITION	788,224
TOTAL NET POSITION, BEGINNING	14,584,066
TOTAL NET POSITION, ENDING	$ 15,372,290

The notes to the financial statements are an integral part of this statement.

CITY OF CALDWELL, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Utilities
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 9,880,061
Cash payments to employees for services	(936,090)
Cash payments to suppliers and employees	(8,789,914)
Cash provided (used) by operating activities	154,057
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants	154,596
Cash received for miscellaneous items	420,674
Transfers to other funds	(2,573,086)
Cash provided (used) for noncapital financing activities	(1,997,816)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES FINANCING ACTIVITIES	
Interest and fiscal charges on debt	(80,681)
Capital grants	1,768,887
Principal paid on capital debt	(135,797)
Acquisition and construction of capital assets	(4,392,183)
Cash provided (used) by capital and related financing activities	(2,839,774)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	289,938
Cash provided by investing activities	289,938
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,393,595)
CASH AND CASH EQUIVALENTS, BEGINNING	9,281,248
CASH AND CASH EQUIVALENTS, ENDING	4,887,653
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(434,932)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	484,628
Decrease (increase) in customer receivable	135,308
Decrease (increase) in inventory	41,468
Decrease (increase) in deferred outflow-OPEB	3,243
Decrease (increase) in deferred outflow-pensions	53,400
Increase (decrease) in deferred inflow-pensions	32,749
Increase (decrease) in deferred inflow-OPEB	(4,854)
Increase (decrease) in accounts payable	(29,498)
Increase (decrease) in accrued liabilities	(6,346)
Increase (decrease) in customer deposits	8,383
Increase (decrease) in compensated absences	17,505
Increase (decrease) in total OPEB liability	(3,216)
Increase (decrease) in net pension liability	(143,781)
Total adjustments	588,989
Net cash provided (used) by operating activities	$ 154,057

The notes to the financial statements are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Caldwell, Texas (the "City"), a general law municipal corporation organized and existing under the provisions of the Constitution of the State of Texas, operates under a council-manager form of government and, as authorized, provides the following services: public safety (police and fire), highways and streets, sanitation, water, sewer, and electrical services, health and social services, culture-recreation, public improvements, planning and zoning, 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 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 included among program revenue are reported instead as *general revenue.*

The fund financial statements provide information about the City’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate funds in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, 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. Entitlements are recorded as revenue when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Debt Service Fund*** is used to account for the accumulation of restricted resources for the payment of general long-term debt principal and interest.

The ***Capital Projects Fund*** is used to account for financial resources assigned to be used for the acquisition or construction of major capital facilities.

The City reports the following major proprietary funds:

The ***Utilities Fund*** is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function or electric function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. 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 principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and debt service funds. The capital projects fund is appropriated on a project-length basis.

The appropriated budget is prepared by fund and function. The City Administrator may make transfers of appropriations within a function. Transfers of appropriations between functions require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

In the General Fund, actual expenditures exceeded appropriations in the general government function ($576,264), public safety function ($944,872), public works function ($41,621), culture and recreation function ($14,898), and capital outlay ($711,803). The excess expenditures were covered by other transfers in from other funds.

Debt service expenditures within the Debt Service fund exceeded the final budget in the amount of $390. The excess expenditures were covered by existing fund balance.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Investments for the City are reported at fair value, except for the position in investment pools. The City's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. Interest earned on pooled cash and investments is allocated to the participating funds on a pro rata basis according to the fund's percentage of the total pooled cash or investments. Funds with discrete bank accounts retain all investment earnings.

Texas CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectible.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due on or before September 30 of the following year. All unpaid taxes become delinquent February 1 of the following year. City property tax revenue is recognized when levied. An allowance is established for delinquent taxes to the extent that their collectability is improbable.

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessment ratio of the City is 100 percent of market value.

Since 1980, the appraisal of property within the City has been the responsibility of the countywide appraisal district. The appraisal district is required under the property tax code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed at least every five years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

Inventories and Prepaid Items

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method in the Water Sewer Fund and last-in/first-out (LIFO) method in the Utility Fund. The costs of inventories are recorded as expenditures when used (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges, sidewalks and similar items), and water rights are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	20
Vehicles	7
Improvements	10 - 20
Equipment	5 - 7
Infrastructure	20

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows and inflows of resources related to pensions, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position 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. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, related deferred outflows and inflows of resources, and total OPEB expense, information about the plan is provided through a report prepared for the City provided by the City's actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Pension and OPEB (Other Post-Employment Benefits) contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in expected and actual economic experience for the City's pension liability – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active or inactive employees).

- Changes in economic and demographic actuarial assumptions or of other inputs included in determining the pension liability – these effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active or inactive employees).

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Unavailable revenue – The governmental funds report unavailable revenue from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Difference in expected and actual economic experience for the City's pension and OPEB liability – These effects on the total pension and total OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active or inactive employees).

- Changes in economic and demographic actuarial assumptions or of other inputs included in determining the OPEB liability – these effects on the total OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active or inactive employees).

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned, but unused, vacation, comp time and sick leave. Upon separation from City employment, a regular employee who has completed at least one year of continuous employment will be paid for accrued and unused vacation leave and comp time up to the limit of his or her maximum allowable accumulation. No more than 192 hours for employees with less than 15 years' employment with the City, and 240 hours for employees with more than 15 years can be carried over to the next year. Comp time is limited to 240 hours. On the employee's anniversary date, any vacation leave balance in excess of the appropriate maximum is reduced to the maximum without compensation. A liability for compensated absences is recorded for leave that has been earned and that is attributable to services already rendered, and for which it is more likely than not that the employer will make payments for the leave or otherwise settle the obligation through cash payments, paid leave, or other means. In the government-wide financial statements and proprietary fund, compensated absences are recorded as long-term liability.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. Positive amounts of unassigned fund balance are reported only in the General Fund.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The city council is the highest level of decision-making authority for the City 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.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The city council (council) has by resolution authorized the City Administrator to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

2. DETAILED NOTES ON ALL ACTIVITES AND FUNDS

A. Deposits and Investments

At September 30, 2025, the carrying amount of the City's deposits (cash, interest-bearing savings accounts, and temporary investments) was $15,895,383.

Investments held at September 30, 2025 consisted of the following:

Investment Type	Carrying Value	Weighted Average Maturity (Days)
Texas CLASS	$ 12,901,878	84
Texas CLASS Government	1,702,309	84
Total	$ 14,604,187	84

Texas CLASS was created in accordance with the requirements contained in section 2256.016 of the Public Funds Investment Act (PFIA). The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and UMB Bank, N.A. as Custodian. Texas CLASS is rated AAAm by Standard and Poor's Credit Rating.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2024, the entire deposit balance of the City was fully collateralized with securities held by the pledging financial institution in the City's name or covered by FDIC insurance.

Credit Risk. The City minimizes credit risk, the risk of loss due to the failure of the investment issuer or backer, by: (a) limiting investments to the safest types; (b) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with whom the city will do business; (c) diversifying the investment portfolio so that potential losses on individual investments will be minimized; (d) establishment of procedures to monitor rating changes of investments and the liquidation of such investments as required by the PFIA.

Concentration of Credit Risk. To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the City's investment policy authorizes several types of investments within specific limits. The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

- Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- Limiting investment in securities that have higher credit risks,
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations

Interest Rate Risk. The City minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by (a) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and (b) investing operating funds primarily in shorter-term securities, financial institution deposits, money market mutual funds, or local government investment pools.

B. Receivables

Receivables as of year-end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Utilities	Total
Receivables:				
Taxes	$ 484,602	$ 55,960	$ -	$ 540,562
Accounts	-	-	1,717,007	1,717,007
Municipal court	597,278	-	-	597,278
Gross receivables	1,081,880	55,960	1,717,007	2,854,847
Less: allowance for uncollectibles	(560,678)	(13,990)	(463,301)	(1,037,969)
Net total receivables	$ 521,202	$ 41,970	$ 1,253,706	$ 1,816,878

C. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 844,149	$ -	$ -	$ 844,149
Construction in progress	6,298,188	2,153,171	(2,715,000)	5,736,359
Total capital assets not being depreciated	7,142,337	2,153,171	(2,715,000)	6,580,508
Capital assets, being depreciated:				
Buildings and improvements	6,802,908	-	-	6,802,908
Equipment	3,765,212	970,818	-	4,736,030
Infrastructure	5,920,780	-	-	5,920,780
Total capital assets being depreciated	16,488,900	970,818	-	17,459,718
Less accumulated depreciation:				
Buildings and improvements	(5,651,047)	(156,234)	-	(5,807,281)
Equipment	(2,590,874)	(294,447)	-	(2,885,321)
Infrastructure	(3,384,403)	(294,573)	-	(3,678,976)
Total accumulated depreciation	(11,626,324)	(745,254)	-	(12,371,578)
Total capital assets, being depreciated, net	4,862,576	225,564	-	5,088,140
Governmental activities capital assets, net	$ 12,004,913	$ 2,378,735	$ (2,715,000)	$ 11,668,648

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 474,809	$ -	$ -	$ 474,809
Construction in progress	-	4,531,065	-	4,531,065
Total capital assets not being depreciated	474,809	4,531,065	-	5,005,874
Capital assets, being depreciated:				
Buildings and improvements	1,104,950	-	-	1,104,950
Equipment	3,382,687	68,901	-	3,451,588
Infrastructure	5,179,356	-	-	5,179,356
Total capital assets being depreciated	9,666,993	68,901	-	9,735,894
Less accumulated depreciation:				
Buildings and improvements	(1,093,339)	(1,620)	-	(1,094,959)
Equipment	(2,309,031)	(224,040)	-	(2,533,071)
Infrastructure	(2,459,618)	(258,968)	-	(2,718,586)
Total accumulated depreciation	(5,861,988)	(484,628)	-	(6,346,616)
Total capital assets, being depreciated, net	3,805,005	(415,727)	-	3,389,278
Business-type activities capital assets, net	$ 4,279,814	$ 4,115,338	$ -	$ 8,395,152

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 22,954
Public safety	203,613
Public works	3,355
Transportation	425,319
Culture and recreation	90,013
Total depreciation expense - governmental activities	$ 745,254
Business-type activities:	
Utilities	$ 484,628
Total depreciation expense - business-type activities	$ 484,628

D. Interfund Transfers

Interfund transfers:

	Transfers In		
	General	Capital Projects	Total
Transfers Out:			
General	$ -	$ 257,000	$ 257,000
Utilities	2,573,086	-	2,573,086
Total Transfers	$ 2,573,086	$ 257,000	$ 2,830,086

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-term Liabilities

Time Warrants

On April 6, 2025, the City issued a $600,000 Time Warrant, Series 137, for the purpose of financing capital improvements and equipment. The warrant bears interest at 4.79% and matures on August 4, 2026. Principal and interest are payable annually from the City's Debt Service fund, which is funded primarily through ad valorem taxes.

The Time Warrant is a direct obligation of the City, backed by the full faith and credit of the City, and is payable from the proceeds of the City's debt service tax levy. No assets of the City have been pledged as collateral for the warrant. The total payment due will be $627,901, consisting of $600,000 in principal and $27,901 in interest.

Note Payable

In July of 2024, the City issued a note payable for the purpose of financing equipment related to the City's automated utility meter retrofit project. Yearly principal and interest payments will be made at an interest rate of 5.715% and will mature in fiscal year 2031.

In June 2025, the City issued a note payable for the purpose of financing fire vehicles and equipment. Yearly principle and interest payments will be made at an interest rate of 5.725% and will mature in fiscal year 2032.

Annual principal and interest payments are as follows:

Year Ended September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	$ 82,992	$ 39,548	$ 143,558	$ 56,819
2027	87,743	34,797	151,762	48,614
2028	92,766	29,774	160,436	39,941
2029	98,077	24,463	169,605	30,772
2030	103,692	18,848	179,297	21,079
2031	109,628	12,912	189,545	10,832
2032	115,904	6,636	-	-
Total	$ 690,802	$ 166,978	$ 994,203	$ 208,057

Changes in Long-term Liabilities

The following is a summary of long-term liability activity for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
Time warrants	$ 600,000	$ 600,000	$ 600,000	$ 600,000	$ 600,000
Note payable	-	769,300	78,498	690,802	82,992
Compensated absences	136,375	82,093	-	218,468	43,694
Governmental activity Long-term liabilities	$ 736,375	$ 1,451,393	$ 678,498	$ 1,509,270	$ 726,686
Business-type activities					
Note payable	$ 1,130,000	$ -	$ 135,797	$ 994,203	$ 143,558
Compensated absences	80,887	17,505	-	98,392	19,679
Business-type activity Long-term liabilities	$ 1,210,887	$ 17,505	$ 135,797	$ 1,092,595	$ 163,237

The additions and reductions of compensated absences are shown as net in the schedule above.

The City's outstanding time warrants from direct borrowings related to governmental activities of $600,000 contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment.

F. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

G. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

H. Defined Benefit Pension Plan

Plan Description. The City participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at *www.tmrs.com*.

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

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 payments 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.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2010, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2010, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	5%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase to retirees	50% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	48
Active employees	63
	151

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

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 7.12% and 7.65% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $274,832, and were equal to the required contributions.

Net Pension Asset. The city's Net Pension Asset (NPA) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members were based on the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. Mortality rates for retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the 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% minimum mortality rate is 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 scale UMP 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 as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are 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).

The target allocation and best estimates of real rates return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	100.0%	

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.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2023	$ 13,456,359	$ 13,386,647	$ 69,712
Changes for the year:			
Service cost	385,700	-	385,700
Interest	898,863	-	898,863
Change in benefit terms	-	-	-
Difference between expected and actual experience	(32,130)	-	(32,130)
Contributions - employer		247,950	(247,950)
Contributions - employee	-	162,059	(162,059)
Net investment income	-	1,388,143	(1,388,143)
Benefit payments, including refunds of employee contributions	(665,452)	(665,452)	-
Administrative expense	-	(8,921)	8,921
Other changes	-	(208)	208
Net changes	586,981	1,123,571	(536,590)
Balance at 12/31/2024	$ 14,043,340	$ 14,510,218	$ (466,878)

In prior years, the net pension liability for governmental activities has been primarily liquidated by the general fund.

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	$ 1,137,270	$ (466,878)	$ (1,812,954)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position by the City. The report may be obtained at *www.tmrs.com*.

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

For the year ended September 30, 2025, the City recognized pension expense of $130,494. At September 30, 2025, 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	$ -	$ 68,664
Difference between projected and actual investment earnings	-	47,229
Contributions subsequent to the measurement date	191,901	138,935
Total	$ 191,901	$ 254,828

$191,901 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2026	$ (78,366)
2027	135,256
2028	(214,810)
2029	(96,908)

I. Other Post-Employment Benefits

Plan Description. Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDB"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDB covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Benefits Provided. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit (OPEB) and is a fixed amount of $7,500.

The member city contributes to the SDB 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 the employee' entire career.

Employees covered by benefit terms

At the December 31, 2024, the valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	9
Active employees	63
Total	104

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.52% and 0.60% in calendar years 2025 and 2024, respectively, of which 0.23% and 0.22%, respectively, represented the retiree-only portion for each year, as a percentage of covered payroll. 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 City's contributions to the TMRS SDBF for the year ended September 30, 2025, were $8,037, representing contributions for both active and retiree coverage, and were equal to the required contributions.

Total OPEB Liability. The city's Total OPEB Liability (TOL) of $216,896 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation rate	2.50% per annum
Salary increases	3.60% to 11.85%, including inflation
Discount rate	4.08%
Actuarial cost method	Entry Age Normal
Reitrees' share of benefit-related costs	$0
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 setforward 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 future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 4.08% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2024.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.08%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's total OPEB liability	$ 252,896	$ 216,896	$ 187,842

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2023	$ 219,853
Changes for the year:	
Service cost	11,992
Interest	8,380
Difference between expected and actual experience	(5,847)
Changes in assumptions or other inputs	(10,351)
Benefit payments	(7,131)
Net changes	(2,957)
Balance at 12/31/2024	$ 216,896

Note: There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes in assumptions and other inputs reflect a change in the discount rate and the change in the actuarial assumptions adopted in 2024 based on the actuarial investigation of the experience of TMRS over the period ending December 31, 2022.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of $3,149. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,754	$ 12,000
Changes in actuarial assumptions	6,777	36,574
Contributions subsequent to the measurement date	6,199	-
Total	$ 14,730	$ 48,574

$6,199 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	
2026	$ (22,350)
2027	(14,518)
2028	(2,187)
2029	(988)

J. Commitments and Contingencies

Litigation

The City is exposed to various claims and lawsuits in the normal course of business. Management are unaware of any material pending or threatened litigation, claims, or assessments against the City which are not covered by the City's insurance.

Federal and State Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Construction Commitments

The City has the outstanding construction commitments at September 30, 2025.

Projects	Spent-to-Date	Remaining Commitment
AMI Project	$ 1,646,951	$ 94,798
ARPA Lift Station	1,822,830	199,739
New City Hall	3,361,063	-
Parks and Recreation	42,123	-
Roadway & Drainage Project	2,119,651	182,823
Sanitary Sewer and Lift Station	970,417	1,015,362
Streets Rehabilitation	80,747	-
Totals	$ 10,043,782	$ 1,492,722

L. Impairment of City Hall

During the year ended September 30, 2025, the City identified an impairment of the City Hall resulting from improper construction. This was discovered after an inspection was carried out, declaring a portion of the building would need to be rebuilt. The impairment was evaluated under the provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, which defines an impairment as a significant, unexpected decline in the service utility of a capital asset.

The impairment loss was measured using the restoration cost approach, which compares the estimated cost to restore the asset's service utility to its current carrying amount. Based on this measurement, the City recognized an impairment loss of $2,715,000, reported in the general government functional expense in the statement of activities, net of the insurance recoveries totaling $2,805,000. The carrying amount of City Hall after recognition of the impairment loss is approximately $3,361,063.

The City has initiated plans to repair and renovate City Hall, and the building will continue to be used for its current governmental functions following completion of these efforts. Any related insurance recoveries will be recognized and disclosed in the period in which they are realizable, consistent with GASB requirements for insurance recoveries associated with impaired capital assets.

M. Upcoming Accounting Guidance

The Governmental Accounting Standards Board (GASB) issued the following guidance which become effective in subsequent fiscal years.

GASB Statement No. 103, Financial Reporting Model Improvements – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability and address certain application issues. The requirements for Statement No. 103 are effective for fiscal years beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, Disclosure of Certain Capital Assets – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 105, Subsequent Events – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED
SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF CALDWELL, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	$ 1,025,000	$ 1,025,000	$ 979,361	$ (45,639)
Sales	2,010,000	2,010,000	2,366,103	356,103
Other	151,400	151,400	129,637	(21,763)
Charges for services	25,500	25,500	19,970	(5,530)
Fines and fees	199,575	199,575	97,926	(101,649)
Intergovernmental	12,000	12,000	996,496	984,496
Licenses and permits	108,000	108,000	121,635	13,635
Investment earnings	152,800	152,800	308,512	155,712
Miscellaneous	307,000	307,000	333,284	26,284
Total revenues	3,991,275	3,991,275	5,352,924	1,361,649
EXPENDITURES				
Current:				
General government	2,052,110	2,052,110	2,446,881	(394,771)
Public safety	1,395,465	1,395,465	2,340,337	(944,872)
Public works	183,531	183,531	225,152	(41,621)
Transportation	1,056,952	1,056,952	1,011,918	45,034
Culture and recreation	697,553	697,553	712,451	(14,898)
Debt service	122,540	122,540	122,540	-
Capital outlay	940,000	940,000	1,651,803	(711,803)
Total expenditures	6,448,151	6,448,151	8,511,082	(2,062,931)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,456,876)	(2,456,876)	(3,158,158)	(701,282)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,600,000	1,600,000	2,573,086	973,086
Transfers out	(257,000)	(257,000)	(257,000)	-
Insurance recoveries	1,500	1,500	90,558	89,058
Issuance of long-term debt	-	-	769,300	769,300
Total other financing sources (uses)	1,344,500	1,344,500	3,175,944	1,831,444
NET CHANGE IN FUND BALANCES	(1,112,376)	(1,112,376)	17,786	1,130,162
FUND BALANCE, BEGINNING	7,731,468	7,731,468	7,731,468	-
FUND BALANCE, ENDING	$ 6,619,092	$ 6,619,092	$ 7,749,254	$ 1,130,162

CITY OF CALDWELL, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date December 31,	**2015**	**2016**	**2017**
A. Total pension liability			
Service Cost	$ 213,919	$ 216,064	$ 238,274
Interest (on the Total Pension Liability)	644,416	662,716	691,070
Difference between expected and actual experience	(61,217)	8,058	115,525
Change of assumptions	159,139	-	-
Benefit payments, including refunds of employee contributions	(320,972)	(369,548)	(586,227)
Net change in total pension liability	635,285	517,290	458,642
Total pension liability - beginning	9,259,471	9,894,756	10,412,046
Total pension liability - ending (a)	$ 9,894,756	$ 10,412,046	$ 10,870,688
B. Plan fiduciary net position			
Contributions - employer	$ 188,335	$ 174,482	$ 200,025
Contributions - employee	100,715	99,477	109,905
Net investment income	13,421	612,799	1,327,413
Benefit payments, including refunds of employee contributions	(320,972)	(369,548)	(586,227)
Administrative expenses	(8,175)	(6,922)	(6,880)
Other	(404)	(373)	(348)
Net change in plan fiduciary net position	(27,080)	509,915	1,043,888
Plan fiduciary net position - beginning	9,095,910	9,068,830	9,578,745
Plan fiduciary net position - ending (b)	$ 9,068,830	$ 9,578,745	$ 10,622,633
C. Net pension liability (asset) - ending (a) - (b)	$ 825,926	$ 833,301	$ 248,055
D. Plan fiduciary net position as a percentage of total pension liability	91.65%	92.00%	97.72%
E. Covered payroll	$ 2,014,301	$ 1,989,540	$ 2,198,101
F. Net position liability as a percentage of covered payroll	41.00%	41.88%	11.28%

2018	2019	2020	2021	2022	2023	2024
$ 247,192	$ 237,614	$ 245,957	$ 267,339	$ 320,667	$ 346,693	$ 385,700
728,892	745,055	771,014	800,448	840,637	875,549	898,863
(230,810)	(57,901)	(37,764)	85,308	(55,794)	(108,109)	(32,130)
-	4,426	-	-	(4,999)	(123,405)	-
(391,759)	(610,302)	(487,293)	(620,368)	(538,370)	(664,246)	(665,452)
353,515	318,892	491,914	532,727	562,141	326,482	586,981
10,870,688	11,224,203	11,543,095	12,035,009	12,567,736	13,129,877	13,456,359
$ 11,224,203	$ 11,543,095	$ 12,035,009	$ 12,567,736	$ 13,129,877	$ 13,456,359	$ 14,043,340
$ 210,933	$ 204,294	$ 186,011	$ 179,218	$ 195,744	$ 226,545	$ 247,950
114,018	109,601	114,398	124,113	137,862	149,437	162,059
(318,073)	1,581,119	872,897	1,587,691	(980,652)	1,417,496	1,388,143
(391,759)	(610,302)	(487,293)	(620,368)	(538,370)	(664,246)	(665,452)
(6,150)	(8,938)	(5,652)	(7,351)	(8,495)	(9,032)	(8,921)
(320)	(268)	(219)	49	10,138	(62)	(208)
(391,351)	1,275,506	680,142	1,263,352	(1,183,773)	1,120,138	1,123,571
10,622,633	10,231,282	11,506,788	12,186,930	13,450,282	12,266,509	13,386,647
$ 10,231,282	$ 11,506,788	$ 12,186,930	$ 13,450,282	$ 12,266,509	$ 13,386,647	$ 14,510,218
$ 992,921	$ 36,307	$ (151,921)	$ (882,546)	$ 863,368	$ 69,712	$ (466,878)
91.15%	99.69%	101.26%	107.02%	93.42%	99.48%	103.32%
$ 2,280,367	$ 2,192,016	$ 2,287,968	$ 2,482,256	$ 2,862,050	$ 2,988,732	$ 3,241,183
43.54%	1.66%	-6.64%	-35.55%	30.17%	2.33%	-14.40%

CITY OF CALDWELL, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	January 31,		
Fiscal Year Ended	**2018**	**2019**	**2020**
Actuarial determined contribution	$ 208,936	$ 210,969	$ 201,581
Contributions in relation to the actuarially determined contribution	(208,936)	(210,969)	(201,581)
Contribution deficiency (excess)	-	-	-
Covered payroll	2,210,514	2,279,419	2,184,209
Contributions as a percentage of covered payroll	9.45%	9.26%	9.23%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date — Actuarially determined contribution rates are calculated as of December 31 and become effective in January 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 fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 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). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 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 — There were no benefit changes during the year.

* During the fiscal year 2020, the City changed its fiscal year to September 30. This represents eight months of data.

September 30,						
2020*	2021	2022	2023	2024	2025	2025
$ 119,627	$ 132,298	$ 151,438	$ 237,435	$ 261,596	$ 274,832	$ 274,832
(119,627)	(132,298)	(151,438)	(237,435)	(261,596)	(274,832)	(274,832)
-	-	-	-	-	-	-
1,471,429	2,434,630	2,776,671	2,999,254	3,169,939	3,530,587	3,530,587
8.13%	5.43%	5.45%	7.92%	8.25%	7.78%	7.78%

CITY OF CALDWELL, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date December 31,	**2018**	**2019**	**2020**
A. Total OPEB liability			
Service Cost	$ 6,613	$ 5,699	$ 8,237
Interest (on the total OPEB liability)	6,689	7,102	6,457
Difference between expected and actual experience	(8,932)	(3,901)	(5,621)
Changes of assumptions	(12,677)	35,116	32,548
Benefit payments	(1,824)	(1,973)	(1,830)
Net change in total OPEB liability	(10,131)	42,043	39,791
Total OPEB liability - beginning	199,696	189,565	231,608
Total OPEB liability - ending	$ 189,565	$ 231,608	$ 271,399
B. Covered employee payroll	$ 2,280,367	$ 2,192,016	$ 2,287,968
C. Total OPEB liability as a percentage of covered employee payroll	8.31%	10.57%	11.86%

Note: GASB 75 requires 10 years of data to be included in this schedule. Additional years will be presented as they become available.

Note: No assets are accumulated in a trust to pay related benefits.

2021	2022	2023	2024
$ 11,667	$ 13,786	$ 10,759	$ 11,992
5,478	5,355	8,011	8,380
(1,924)	(20,743)	3,125	(5,847)
7,793	(82,046)	10,030	(10,351)
(6,702)	(7,169)	(8,966)	(7,131)
16,312	(90,817)	22,959	(2,957)
271,399	287,711	196,894	219,853
$ 287,711	$ 196,894	$ 219,853	$ 216,896
$ 2,482,256	$ 2,482,256	$ 2,982,835	$ 3,241,183
11.59%	7.93%	7.37%	6.69%

THIS PAGE LEFT BLANK INTENTIONALLY

SUPPLEMENTARY INFORMATION

CITY OF CALDWELL, TEXAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	$ 638,000	$ 638,000	$ 600,807	$ (37,193)
Investment earnings	20,000	20,000	77	(19,923)
Total revenues	658,000	658,000	600,884	(57,116)
EXPENDITURES				
Debt service:				
Principal	600,000	600,000	600,000	-
Interest and fiscal charges	25,000	25,000	25,390	(390)
Total expenditures	625,000	625,000	625,390	(390)
NET CHANGE IN FUND BALANCES	33,000	33,000	(24,506)	(57,506)
FUND BALANCE, BEGINNING	354,630	354,630	354,630	-
FUND BALANCE, ENDING	$ 387,630	$ 387,630	$ 330,124	$ (57,506)